

Lean and dynamic

Annual Report 2008

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All for the sake of delivering better, more effective, and more productive service...

Everything that we do at Vakıfbank is for the customer.

Understanding our customers and giving them high-quality service lie at the core of our business philosophy.

As a consequence of our new stance and mission in the sector, we are a customer-focused organization.

Our fundamental goal is to take an individualized approach as we satisfy all of the financial needs of customers in every segment from corporate to private.

Our organization and our corporate culture have been redefined and restructured in keeping with our customer-focused business approach.

So long as we develop and maintain long-term, in-depth relationships with our customers, we will continue to advance our position in the banking sector to the heights set out in our corporate vision.



Considerations About the General Assembly

Agenda - 55th Ordinary Meeting of the General Assembly of Türkiye Vakıflar Bankası T.A.O.

1. Opening and organization of the Presidential Board;
2. Authorization of the Chairman and the vote collectors for signing the minutes of the meeting of General Assembly;
3. Reading and discussion of the Board of Directors' Report, the Auditors' Report and the Report of the Supreme Audit Board concerning the activities and accounts of 2008;
4. Reading, examination and approval of the Balance Sheet and the Profit/Loss accounts of 2008 subjected to independent audit;
5. Acquittal of the Members of the Board of Directors in relation with the operations and activities in 2008;
6. Acquittal of the Auditors in relation with the operations and activities in 2008;
7. Discussion and approval or rejection of the proposal of the Board of Directors about the method of distribution of the period profit for the year 2008;
8. Presentation for information to the General Assembly of our Bank's profit distribution policies for 2009 and the following years;
9. Re-election of the members of the Board of Directors;
10. Re-election of the members of the Board of Auditors;
11. Determination of the monthly salaries of the Chairman and Members of the Board of Directors as well as the Auditors;
12. Approval of the selection of Independent External Audit company in accordance with the related Regulation of the Capital Market Board;
13. Presenting information to shareholders about the donations made in 2008.
14. Wishes and requests;
15. Closing.

Summarized Report submitted to the General Assembly of Shareholders by the Board of Directors

2008 was a year in which the effects of the global crisis that began in the United States in 2007 became increasingly more apparent. The crisis that started in the financial sector began showing up in real sector economic indicators throughout the world in the second half of 2008 as countries that had become used to a process of rapid growth since the 1990s suddenly found themselves confronted by significant economic contraction. The crisis had a deep impact on the global economy by depressing demand, increasing unemployment, stunting private sector consumption, and retarding international trade. Countries one after another have announced "bailouts" and other measures aimed at bringing an end to economic contraction and restoring economic balances.

The governments of the world's developed countries injected capital into banks and other financial institutions whose financial circumstances had been impaired in order to overcome the lack of confidence from which markets were suffering. Their central banks

loosened up monetary policy in an attempt to prevent the crisis from being made worse by a shortage of liquidity. In addition, governments also attempted to deal with the crisis by means of fiscal policy. None of these efforts were sufficient to calm markets however and the global crisis and all the problems associated with it persisted into 2009.

Having made its impact increasingly more noticeable beginning in the last quarter of 2008, the global crisis remains at the top of the agenda in 2009. The effects that the packages of measures and incentives which countries have introduced to deal with the crisis have on their national economies are being closely watched by all. On current projections, global growth will slow down significantly in 2009 and there will be a net contraction in international trade, a situation which has not been witnessed for some time. On the other hand, the threat of high inflation, which was exerting considerable pressure on economies in the first half of 2008, is expected to continue to recede in 2009 as demand falls and commodity prices decline.

The impact of the global crisis on both economic indicators and financial markets in Turkey increased beginning with the second quarter of the year. Having grown 6.7% in the first quarter of 2008, the Turkish economy slipped to a 2.3% growth rate in the second quarter as interest and exchange rates rose. Third-quarter growth was a barely perceptible 0.5%. The cumulative growth rate for the first nine months of 2008 was the lowest in six years.

In addition to insufficient domestic and international demand, this trend was also caused by cutbacks in private sector investment brought on by a shortage of credit.

Consumer price inflation in 2008 was 10.06% (8.39% in 2007) while the year-to-year rise in producer prices was 8.11% (5.94% in 2007). Higher oil and commodity prices drove the increase in inflation in the first half of the year but beginning in September, sharp cuts in commodity prices accompanied by reductions in food prices brought inflation rates down. Looking to the future, sluggish demand and weak oil and commodity prices can be expected to continue sustaining the decline in inflation at least for some time to come.

Turkey's foreign trade deficit, which amounted to USD 62.8 billion in 2007, increased somewhat to USD 69.8 billion in 2008. In the face of the contraction witnessed in foreign demand for the country's exports, the foreign trade deficit was largely prevented from expanding even more than it did by lower oil prices in the second half of 2008 and by a weak Turkish lira.

The current account deficit, which was USD 38.2 billion in 2007, increased 8.4% in 2008 and reached USD 41.4 billion. Falling oil prices and a weak Turkish lira abetted the decline in the current account deficit but the heightened effects of the global economic crisis resulted in a deterioration of the terms under which the deficit could be financed. Constricted liquidity resulted in a decline both in foreign direct investment and in the total value of foreign-originating portfolio investment as well. Real-sector borrowings in international credit markets served as the principal source of financing for Turkey's current account deficit in 2008. The deficit is likely to continue shrinking in 2009 for such reasons as lower oil prices, depressed domestic demand, and a persistently weak Turkish lira.

Policy interest rates contracted to the 15.25% level in the first quarter of 2008 after which, beginning in April, they gradually rose to the 16.75% level paralleling increases in market interest rates. As a result of fears that the slowdown in economic activity would grow worse and also taking into account the expectation that 12-month inflation would be below its target, the Turkish Central Bank began pulling interest rates down again beginning in November. By the end of the year, the bank's base interest rate was down to the 15% level.

Despite the severity of the global financial crisis, the Turkish banking industry had a relatively successful year in 2008 compared with the situation that prevailed in other countries. As of 31 December 2008, there were 46 banks active in the Turkish banking sector. Their total assets, worth TRY 732.7 billion, had increased 26% in the previous twelve months.

Although the ratio of bank credit to total bank assets continued to rise during 2008, the year-on growth in banks' lending was down somewhat. The total volume of the sector's lending increased 28.7% in the twelve months to end-2008 and amounted to TRY 368 billion in value while loans accounted for a 50.2% share of total assets. There was a 34.2% rise in the sector's non-performing loans, a rate of increase that was higher than the growth in bank lending. The ratio of non-performing loans to the total, which was 3.5% in 2007, increased to 3.6% in 2008.

The attrition in the public sector borrowing requirement continued to reduce the weight of the investment securities portfolio in the banking industry's balance sheet. This ratio, which was 28.4% in 2007, was down to 26.5% in 2008, while the percentage of bank deposits invested in securities also declined from 46.2% to 42.7%.

Total deposits increased 27.4% to TRY 454.6 billion in 2008. 80.9% of those deposits were lent out again (80.0% in 2007.)

As a result of the global economic crisis and liquidity crunch, there was an 11.2% decline in the Turkish banking industry's international credit syndications and securitizations in 2008. The total volume of credit secured from international markets in 2008 was down to USD 23.6 billion last year.

The banking sector's collective equity by comparison was up 13.9% as of December 2008 and amounted to TRY 86.4 billion. The sector's net current profit as of 31 December 2008 was TRY 13.3 billion, down 10.3% from the previous year's level. Although some banks sold off their bad loans to asset management companies, the 34.2% rise in non-performing loans was one of the factors adversely affecting the sector's profitability.

Having set itself the goal of remaking itself into a more marketing-focused bank under the restructuring program launched in 2005, Vakıfbank performed in line with developments elsewhere in the sector in 2008. The bank

increased its assets 23.1% to TRY 52.2 billion, its loans 29.6% to TRY 30.4 billion, its deposits 28.6% to TRY 37.1 billion, and its shareholders' equity 8.5% to TRY 5.7 billion. Vakıfbank set aside a 94.2% provision against its TRY 1.5 billion in non-performing loans, which were up 27.4% last year in the face of business conditions worsened by the global economic crisis. The bank booked a net profit of TRY 753 million on its 2008 operations.

In 2008 Vakıfbank succeeded in achieving 102.7% of its targeted asset growth and 106.8% of its targeted deposit growth rates for the year.

The ratio of the bank's lendings to deposits, which was 81.3% in 2007, was up to 82.2% in 2008. The bank's average return on assets was 1.6% and its average return on equity was 13.8%. Its 14.30% capital adequacy ratio was within legally prescribed limits.

The total number of full-service and satellite Vakıfbank branches in the network increased 12.2% from 466 to 523 in 2008. In addition to this domestic network and to its two international branches (New York and Bahrain) through which it delivers high-quality banking products and services, Vakıfbank also makes a significant contribution to the Turkish national economy through twenty-five subsidiaries that are active in a variety of sectors. Summoning the strength derived from its new corporate identity, Vakıfbank will survive the current economic crisis and its uncertainties and continue its efforts to increase customer satisfaction while also delivering the most rational profits to its shareholders.

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

Auditors' Report

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

The accounts and activities for 2008 pertaining to Türkiye Vakıflar Bankası T.A.O. were audited in accordance with the provisions and practices specified in the Act of Foundation, Articles of Incorporation, Banking Law and the Turkish Commercial Law.

There has not been any change in the shareholding structure of the Bank throughout the year 2008.

The Bank's registered capital ceiling is TRY 5,000,000,000 and its paid-in capital amounts to TRY 2,500,000,000. The Bank's total shareholders' equity increased 8.5% year-to-year and reached TRY 5,670,999,000. The Bank's capital adequacy ratio at end-2008 was 14.30%.

In 2008, the Bank's asset size reached to an amount of 52.193.493.000 TRY with an increase by 23.1 % compared to the previous year.

It was observed that the Bank displayed an increase by 29.6% in the total loans and an increase by 28.6% in total deposits compared to the previous year.

The launching of the new corporate identity was completed and investments aiming the improvement of the IT infrastructure were continued in 2008.

During 2008 the bank entered into an agreement with Yapı Kredi Bank under which YKB's World program features were added to Vakıfbank-issued credit cards. More than 2 million credit cards have been issued by the Bank.

The Bank's branch number reached to 523. On the other hand Vakıfbank's number of personnel totalled 9,567 at year end 2008.

In addition to the continuous on-the-job training that is given to personnel, bank employees are also given opportunities to take part in training programs organized by non-bank concerns both in Turkey and in other countries.

It was observed that the audit mechanisms were functioning productively in the Bank, and that maximum efforts were endeavoured in order to manage any risky and irregular transactions under control by means of both continuous on-site inspections performed by the internal control unit, and the on-site and centralized inspections and audits performed by the inspectors of the Chairmanship of the Audit Board.

The Bank's records and documents were arranged in compliance with the laws and regulations; therefore, you are kindly requested to take necessary action for the approval of the balance sheet and the profit and loss accounts for the previous year of 2008 passed from Independent Audit and the acquittal of the Board of Directors.



Ahmet TANYOLAÇ
Auditor of Class (A) Group



Faruk EROĞLU
Auditor of Class (C) Group

2008 Profit Distribution Proposal and Profit Distribution Policy for 2009 and the Years That Follow

At a meeting of the bank's Board of Directors held on 19 March 2009 it was decided:

1. To submit for the approval of the general assembly of shareholders the following actions:

To distribute TRY 731,189,198.48, which is the amount of the TRY 753,197,675.75 in balance sheet profit from 2008 operations remaining after the subtraction of TRY 22,008,477.27 in non-distributable net income from deferred tax assets, in the manner shown in the appended profit distribution table, which has been drawn up in accordance with article 9 of our bank's governing statute and with article 84 of our bank's articles of incorporation;

To transfer the amount of TRY 68,600,000, which was booked as an expenditure and set aside as a provision pursuant to article 9/D of our bank's governing statute (Statute 6219) and to article 84/C of our articles of incorporation, to an appropriate account so that it may be distributed among bank personnel as their share of dividends;

To transfer the amount of TRY 1,113,248.15, which is 75% of the TRY 1,484,330.86 in income

received from the sale of real estate properties sold during 2008, to a special liabilities-side reserve account where it will be tracked pursuant to article 5/1-e of the Corporation Tax Law (Statute 5520).

2. To submit for the information of the general assembly of shareholders the following profit distribution policy, to which our bank will adhere in 2009 and the years that follow in accordance with Capital Markets Board Corporate Governance Principles: The profits remaining after the subtraction of deferred tax asset income whose distribution is prohibited by laws and regulations and after the application of article 9 of our bank's governing statute (Statute 6219) and of paragraphs (a), (b), and (c) of article 84 of our articles of incorporation shall be distributed upon a proposal made by the office of the general manager and in line with principles specified with the approval of the Board of Directors in such a way as not to be in violation of CMB, BRSA, or other laws and regulations while also taking into account the bank's capital adequacy ratio, general economic conditions, and expectations about the future.

T. Vakıflar Bankası T.A.O. 2008 profit distribution table (TRY)

| | |
|--|------------------|
| 1. Paid-in/issued capital | 2,500,000,000.00 |
| 2. Total legal reserves (as shown in the books of account) | 279,892,159.98 |

Information concerning any special profit distribution rights embodied in the articles of incorporation

As per the books of account

| | |
|--|----------------|
| 3. Current profit | 925,338,001.46 |
| 4. Payable taxes (-) | 172,140,325.71 |
| 5. Net current profit (=) | 753,197,675.75 |
| 6. Prior-year losses (-) | - |
| 7. First legal reserve (-) (Total as per our bank's governing statute and articles of incorporation) | 73,118,919.85 |
| 8. Net distributable current profit (=)* | 658,070,278.63 |
| 9. Donations made during the year (+) | |
| 10. Dividend calculation base (net distributable current profit plus donations made during the year) | |
| 11. First dividend for shareholders | 0.00 |
| - Cash | |
| - Bonus shares | |
| - Total | |
| 12. Dividends paid to holders of preference shares | |
| 13. Dividends paid to boardmembers, employees, etc** | |
| 14. Dividends paid to holders of jouissance shares | |
| 15. Second dividend for shareholders | |
| 16. Second legal reserve | |
| 17. Statutory reserves | - |
| 18. Special reserves (gains from real estate property sales) | 1,113,248.15 |
| 19. EXTRAORDINARY RESERVES | 656,957,030.49 |
| 20. Other funds proposed for distribution | - |
| - Prior-year profits | - |
| - Extraordinary reserves | - |
| - Other reserves distributable by law or pursuant to the articles of incorporation | - |

* The net distributable current profit figure of TRY 658,070,278.63 is reached with the additional subtraction of TRY 22,008,477.27 in non-distributable net income from deferred tax assets from TRY 753,197,675.75 in net current profit and with the transfer of that amount to the "Other profit reserves" account.

** As required by article 9/D of our bank's governing statute (Statute 6219) and by article 84/C of our articles of incorporation and in accordance with Turkish Accounting Standard TMS-19, the amount of TRY 68,600,000 which was booked as an expenditure and set aside as a provision was accounted for in the income statement as dividends payable to personnel and it has been included in net current profit.

Information about dividend ratios (1)

EARNINGS PER SHARE

| | | TOTAL DIVIDEND (TRY) | DIVIDEND CORRESPONDING TO A SHARE WITH A NOMINAL VALUE OF TRY 1.00 | |
|-------|-------|----------------------|--|---------|
| GROUP | | | AMOUNT TRY | RATIO % |
| Gross | A | - | - | - |
| | B | - | - | - |
| | C | - | - | - |
| | D | - | - | - |
| | TOTAL | - | - | - |
| NET | A | - | - | - |
| | B | - | - | - |
| | C | - | - | - |
| | D | - | - | - |
| | TOTAL | - | - | - |

RATIO OF PAYABLE DIVIDEND TO NET DISTRIBUTABLE CURRENT PROFIT PLUS DONATIONS MADE DURING THE YEAR

| TOTAL DIVIDENDS PAID TO SHAREHOLDERS (TRY) | RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS (%) |
|--|---|
| - | - |

1. If dividends are paid to holders of preference shares, details are to be provided about such shareholders.

Annual Report Compliance Opinion

To the General Assembly of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı:

We Have been engaged to audit the annual report of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (the Bank) as at 31 December 2008. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on the annual report regarding the consistency of the financial information presented in this annual report with those presented in the audited financial statements and explanatory notes.

Our audit was conducted in accordance with the regulations on preparation and issuance of annual report in (Turkish) Banking Law No 5411 and independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance regarding whether the consistency of financial information represented in the annual report with the audited financial statements and explanatory notes is free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information represented in the accompanying annual report presents fairly, in all material respects, the information regarding the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its financial affiliates as of 31 December 2008 in accordance with the effective regulations described in article 40 of (Turkish) Banking Law No 5411 and includes Independent Auditors' Report issued by us and Summary of Directors' Report and is consistent with the audited financial statements and explanatory notes.

İstanbul,
16 March 2009

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi



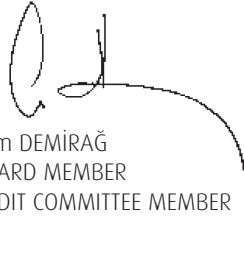
Özkan Genç
Partner,
Certified Public Accountant

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

We hereby state that the "Annual Report for 2008" prepared in relation with the Fiscal Year of 2008 pertaining to Türkiye Vakıflar Bankası T.A.O. has been prepared in accordance with the "Regulation on the Principles and Procedures Regarding the Preparation and Publication of the Banks' Annual Reports" published in the Official Gazette dated 1.11.2006 and numbered 26333 and includes the data specified in the article 6 of the said regulation and the additional information required in the article 7; and you are kindly requested to forward it as stated herein to the Board of Directors.



Yusuf BEYAZIT
BOARD OF DIRECTORS
CHAIRMAN



Cem DEMİRAĞ
BOARD MEMBER
AUDIT COMMITTEE MEMBER



Sabahattin BİRDAL
BOARD MEMBER
AUDIT COMMITTEE MEMBER



Bilal KARAMAN
CEO&MANAGING DIRECTOR



Metin R. ZAFER
ASSISTANT GENERAL MANAGER



Ş. Mehmet BOZ
DIRECTOR OF ACCOUNTING and
FINANCIAL AFFAIRS

It was approved to execute the following article discussed and resolved in the meeting of our Board of Directors dated 19.03.2009 and numbered 2432 -7.

It was resolved that the "Annual Report for 2008" prepared in relation with the Fiscal Year of 2008 pertaining to Türkiye Vakıflar Bankası T.A.O. and approved by our Auditing Committee would be submitted to the General Assembly.

Vakıfbank in Brief

| | |
|-------------------------------|---|
| Founded | : 13 April 1954 |
| Headquartered | : Ankara, Turkey |
| Paid-in capital | : TRY 2,500,000,000 |
| Employees | : 9,567 |
| Domestic branches | : 523 (421 full service + 102 satellite) |
| International branches | : 2 (New York & Bahrain) |
| Subsidiaries | : 25 |
| Independent auditors | : Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. |
| Address | : Türkiye Vakıflar Bankası T.A.O. Genel Müdürlüğü Atatürk Bulvarı No: 207 06683 Kavaklıdere Ankara, Turkey |
| Telephone | : 312 455 7575 |
| Fax | : 312 455 7690, 312 455 7691, 312 455 7692 |
| Telex | : 44428 (Vbum-Tr), 44429 (Vkfb-Tr) |
| Website | : www.vakifbank.com.tr |

Our Mission

Recognizing that the importance which we give to people and to knowledge is our most potent capital, our mission is to take modern banking to new levels and to continuously increase the value we create for stakeholders by being effective and productive.

Our Vision

To be one of the top three banks in Turkey.

Vakıfbank's Core Values

- **Contributing to the national economy:** Vakıfbank gives priority to activities that will contribute towards the growth and development of the country's economy.
- **Credibility:** Vakıfbank is a trusted and respected bank both nationally and internationally.
- **Relations with stakeholders:** Vakıfbank is impartial and fair in its protection of the rights of all stakeholders (customers, shareholders, investors, business partners, and personnel).
- **Transparency:** Vakıfbank maintains clear and open channels of communication on bank-related issues such as management and financial standing and performance as well as on the rights and obligations embodied in the products and services offered to customers.
- **Social responsibility:** Having originally been set up to make the best possible use of the financial resources and revenues of mortmain estates, Vakıfbank supports appropriate projects which are socially and environmentally beneficial in addition to those whose aim is to safeguard foundations' charitable works.
- **Unconditional customer satisfaction:** Vakıfbank gives priority to customer satisfaction in its delivery of high-quality, dependable service.
- **Openness to change:** Vakıfbank is open to and desirous of change and improvement.
- **Business ethics:** Vakıfbank gives importance to moral values and it behaves ethically in the conduct of its business and other activities.
- **Participation:** Vakıfbank takes a participatory approach in the conduct of its management and decision-making processes, believes in effective team spirit, and is open to communication on every level.

Vakıfbank's Goals

Vakıfbank seeks to:

- Increase market share by creating change.
- Ensure healthy growth.
- Achieve unconditional customer satisfaction.
- Address any and all financial product and service needs.
- Adhere to a broad-based deposits policy.
- Develop and deploy new products and services.
- Increase non-interest income.
- Reduce costs.
- Cultivate employees' development and motivation because people are our most potent capital in achieving all these goals.

Vakifbank's Strengths

Vakifbank is strong because:

- It is Turkey's sixth biggest bank in terms of assets.
- It is the hub of an extensive national branch network and makes use of the competitive advantages that this entails.
- It manages a broad customer portfolio and has the ability to reach out to potential individual and corporate customers.
- Its strong retail banking infrastructure is supported by alternative delivery channels that include the country's third biggest ATM network.
- It is the biggest bank in Turkey in terms of the number of salary and pension payments made through it.
- It possesses long-standing, sound commercial banking practices.
- It enjoys a high degree of brand awareness and has corporate relationships.

Vakifbank's Opportunities

Vakifbank is well positioned to:

- Achieve rapid growth by increasing cross-sales
- Improve productivity and reduce costs through branch rationalization, corporate reorganization, personnel optimization, technological development, etc
- Expand its corporate banking and foreign trade finance business capacity
- Take a significant share of the rapid growth anticipated in the mortgage sector
- Increase its retail and corporate banking market shares in the country's Istanbul and Marmara region economic heartland
- Significantly expand its fee and commission earnings
- Develop integrated projects with public agencies and organizations such as the Housing Development Administration and the SME Development and Support Administration.

Vakifbank's Shareholder Structure

There were no changes in the bank's articles of incorporation during 2008.

Information about the bank's shareholder structure and about the identities and shareholding interests of private individuals and corporate entities that hold qualified shares:

| GROUP | SHAREHOLDER | CAPITAL TRY 2,500,000,000 | (%) | NUMBER OF PERSONS |
|-------|--|---------------------------|---------|-------------------|
| A | THE GENERAL DIRECTORATE OF THE FOUNDATIONS | 1,075,058,639.56 | 43.0024 | 1 |
| B | FOUNDATIONS | 386,224,784.72 | 15.4490 | 1 |
| B | OTHER FOUNDATIONS | 4,681,052.46 | 0.1872 | 478 |
| C | VAKIFBANK MEM. VE HİZM. EM. VE SAĞ. YARD. SAN. VAKFI | 402,552,666.42 | 16.1021 | 1 |
| C | INDIVIDUALS AND LEGAL ENTITIES | 1,863,454.66 | 0.0745 | 455 |
| D | PUBLICLY TRADED | 629,619,402.18 | 25.1848 | - |
| TOTAL | | 2,500,000,000.00 | 100 | 936 |

(As of 31 December 2008)

Shares owned by the chairman or members of the bank's board of directors or by its general and assistant general managers:

Bank boardmember Hasan Özer owns one share of Vakifbank "Class C" stock worth TRY 0.60. (0.00000002)

Bank-owned controlling and minority stakes in other companies

In addition to providing modern banking products and services, Vakifbank also contributes towards the national economy through investments in a number of sectors. At end-2008, the bank owned stakes in 25 financial and non-financial firms.

Sixteen of Vakifbank's equity stakes are involved in financial services (4 banking, 2 insurance, 10 other) while nine are non-financial endeavors (1 energy, 3 tourism, 2 manufacturing, 3 other).

As of end-2007, Vakifbank's controlling and non-controlling equity stakes were valued at TRY 586.0 million. In the twelve months to end-2008, this decreased 8.0% to TRY 539.4 million.

The Cornerstones of Vakıfbank's Growth and Development Since 1954

Vakıfbank is the representative of deep-rooted traditions and experience.

Vakıfbank was incorporated on 11 January 1954 under Statute 6219 with TRY 50 million in capital. The bank commenced operations three months later on April 13th. Vakıfbank was founded with the objectives of:

- Making the best possible use of the financial resources and revenues of mortmain estates.
- Contributing towards the propensity to save through modern banking management and business approaches.
- Safeguarding the value of savings while putting them to work in line with the requirements of economic development.

Since the day it was founded, Vakıfbank has engaged in efforts whose aims are to nurture the growth and development of the national economy and to integrate it into the world economy. Vakıfbank is the representative of deep-rooted traditions and experience.

Innovation and originality are fundamental to Vakıfbank's approach to service.

Vakıfbank has a long-standing reputation as an innovator and trailblazer in the Turkish banking industry. Among the many firsts that the bank introduced to the sector are remote banking, financial market branches, mobile branches, gold custody accounts, long-term home-finance loans, account pooling, multi-currency ATMs, general-purpose mutual funds, and remote access trading screens that connect directly to exchanges without having to go through a broker.

Vakıfbank is at the service of customers in every aspect of the financial services industry.

Vakıfbank embraces all segments of society and it supplies a broad array of banking products and services capable of meeting the needs of customers in every category from retail to corporate and from commercial to small business. In addition to basic banking products and services, Vakıfbank is

also active in investment banking and capital markets.

Through its financial services subsidiaries, Vakıfbank provides the full line of financial products including everything from insurance to leasing and from factoring to asset management. The delivery of these products to customers is supported by advanced technology at every stage of the financial services cycle.

In 2005 Vakıfbank embarked upon a process of comprehensive change and development that was embodied in its "Change and Restructuring Program". Under this program, all the business processes in all of the bank's branches were subjected to a thorough examination. Insofar as was possible, all strictly operational functions were centralized so that branches could devote their attentions on sales and on customer-focused quality service.

2008 was an important milestone in Vakıfbank's change process.

Vakıfbank's performance in 2008 was the outcome of the bank's long-term and patient transformation and change efforts. Thanks to these efforts, which were undertaken with the aims of giving its customers the very best and of continuing to grow rapidly by taking the best possible advantage of market dynamics, Vakıfbank made significant progress in its infrastructure, in its business processes, and in its service delivery competencies.

Vakıfbank's corporate identity underwent a makeover in 2008 in which it was transformed into an essential expression of all of the changes that have taken place at the bank.

In addition to improving branch service quality, Vakıfbank is also focused on organic growth.

During 2008, the bank opened 61 full-service branches and 23 satellite branches while also closing down 27 satellite branches. As a result of these changes the total number of full-service and satellite branches in the network has reached 523.

Three new regional departments were also opened last year bringing the total number to twelve. Headquarters operations were

reorganized with many new units being set up to better address the demands of Vakıfbank's focus on modern banking.

Vakıfbank was the author of many innovations and introduced new products and services and practices last year:

- The bank joined the prestigious World credit card program.
- A pilot project in which the bank's card is used as to pay fares on public transportation in the city of Antalya produced successful results.
- A "Realtor Loyalty Program" was introduced. The first of its kind in Turkey, the program has resulted in significant gains for the bank in the home-finance lending market.
- Systematic targeting processes and electronic platform individual performance evaluation and reward systems were designed and introduced for the bank's branches.

Human resources policies were reviewed and revised to make them more progression, performance, and merit-based. Greater priority was given to human resources training.

Vakıfbank: This is where you belong

As one of Turkey's leading multi-specialist banks, Vakıfbank will remain on course in its never-ending effort to give its customers the very best in line with its newly-defined service approach summed up in the slogan "Vakıfbank: This is where you belong."

Vakıfbank has everything that it needs to keep on growing, to create more and more added value, and to reinforce its position among the best service providers in the sector.



Ratings and Comments

Moody's

| | |
|--------------------------------|----------|
| Financial strength | : D+ |
| Outlook | : Stable |
| Long-term TRY deposits | : Baa1 |
| Long-term FC deposits | : B1 |
| Short-term TRY deposits | : P-2 |
| Short-term FC deposits | : NP |

Comments

Moody's Investors Service has been rating Vakifbank since 2001. Its most recent ratings were announced in a report issued in November 2008.

The bank's Baa1 "long-term TRY deposits" rating reflects a low level of credit risk. The B1 "long-term FC deposits" rating is the highest that can be assigned on the basis of the bank's country rating. The P-2 "short-term TRY deposits" rating is indicative of Vakifbank's strong ability to repay short-term debt obligations.

The bank's D+ "financial strength" rating is an expression of Vakifbank's growing financial strength, branch network, and effectiveness in the credit card segment as well as of its strong position in the Turkish banking industry embodied in market shares of 7.1% in total assets, 8.2% in total deposits, and 8.3% in total lendings.

Fitch Ratings

| Foreign currency | | National currency | |
|--------------------|----------|--------------------|----------|
| Long term | : BB- | Long term | : BB |
| Short term: | : B | Short term: | : B |
| Outlook: | : Stable | Outlook: | : Stable |

| | |
|---------------------------|----------|
| National long-term | : AA |
| Outlook: | : Stable |

| | |
|--------------------------|-------|
| Individual rating | : C/D |
|--------------------------|-------|

| | |
|-----------------------|-----|
| Support rating | : 4 |
|-----------------------|-----|

Comments

Fitch has been rating Vakifbank since 2001. Its most recent ratings were announced in a report issued in August 2008.

The BB- "long-term foreign currency deposits" rating is the highest that can be assigned on the basis of the bank's country rating.

The B "short-term foreign currency" rating and the B "short-term national currency" rating are both two levels below Fitch's "investment grade" rating.

The C/D individual rating indicates that the bank's financial strength is adequate on its own.

The bank's support rating is "4".

The AA "long-term national rating" is one level below the highest possible national rating of AAA. This rating indicates that the bank enjoys a high degree of credibility compared with other institutions in the country.

Standard & Poor's

| | |
|-----------------------|------------|
| Credit Rating | |
| Long-term | : BB- |
| Short-term | : B |
| Outlook | : Negative |
| Sustainability | : BBB- |

Comments

Standard & Poor's most recent Vakifbank credit rating report was published in November 2008.

The BB- rating in this report is the highest that can be assigned on the basis of the bank's country rating. The BBB- "long-term national currency sustainability" rating is an indication of investment-grade quality and an adequate level of credit-worthiness.

key financial indicators

Key Financial Indicators

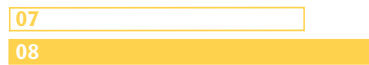
(Unconsolidated)

| (TRY million) | 2007 | 2008 | Change (%) |
|----------------------------|--------|--------|------------|
| TOTAL ASSETS | 42,408 | 52,193 | 23.07 |
| SECURITIES PORTFOLIO | 10,922 | 11,500 | 5.29 |
| LOANS (*) | 23,470 | 30,417 | 29.60 |
| NON-PERFORMING LOANS (NET) | - | 85 | - |
| DEPOSITS | 28,863 | 37,120 | 28.61 |
| FUNDS BORROWED | 4,693 | 5,770 | 22.95 |
| EQUITY | 5,226 | 5,671 | 8.52 |
| PAID-IN CAPITAL | 2,500 | 2,500 | - |
| PROFIT FOR THE PERIOD | 1,031 | 753 | (26.96) |

(*) Excluding Non-Performing Loans

Total Assets (TRY million)

2007: 42,408
2008: 52,193



+23.07%

Loans (TRY million)

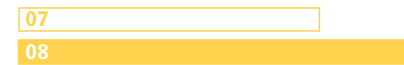
2007: 23,470
2008: 30,417



+29.60%

Deposits (TRY million)

2007: 28,863
2008: 37,120



+28.61%

Loans/Total Assets (%)

2007: 55.3
2008: 58.4
2008 Sector: 50.2



Loans/Deposits (%)

2007: 81.3
2008: 82.2
2008 Sector: 80.9



Retail Loans/Total Loans (%)

2007: 27.9
2008: 28.4
2008 Sector: 31.9



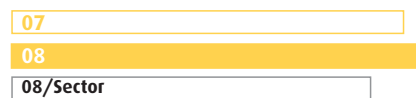
Non-Performing Loans/Total Loans (%)

2007: 4.64
2008: 4.57
2008 Sector: 3.64



Deposits/Total Liabilities (%)

2007: 68.1
2008: 71.1
2008 Sector: 62.0



Demand Deposits/Total Deposits (%)

2007: 12.2
2008: 14.3
2008 Sector: 13.7



(1) Non-performing loans (gross) are included in the total loans figure.

(2) Average figures are calculated as the arithmetical average of the current and prior period figures.

(3) Operating Income = Net Interest Income + Net Fees and Commissions + Dividend Income + Net Commercial Profit (Loss) + Other Operating Income + Profit (Loss) from Subsidiaries and Affiliates

(4) Sectoral ratios are calculated based on the monthly bulletin of the Banking Regulation and Supervision Agency.

Deposits per Branch (TRY million)

2008: 70.7
2008 Sector: 48.9



Loans per Branch (TRY million)

2008: 57.9
2008 Sector: 39.5



Profit per Branch (TRY million)

2008: 1.4
2008 Sector: 1.4



Deposits per Employee (TRY million)

2008: 3.9
2008 Sector: 2.5



Loans per Employee (TRY million)

2008: 3.2
2008 Sector: 2.0



Profit per Employee (TRY thousand)

2008: 78.7
2008 Sector: 73.0



Chairman's Message



Yusuf BEYAZIT

Chairman of the Board of Directors

Before presenting Vakifbank's annual report for 2008 and our assessment of the bank's financial results I wish to briefly share with you first my thoughts about the world economy and the global crisis that is of such close concern to our country and secondly the highlights of our bank's performance in 2008 and my outlook on the future.

Have grown deeper and more widespread in 2008, the global economic crisis will remain on the agenda in 2009.

A crisis that broke out in the US mortgage market in 2007 reached a plane with a deeply shocking development that took place in September 2008. A declaration of bankruptcy by one of the world's most prestigious investment banks resulted in the crisis infecting developing as well as developed economies while there were dramatic falls in asset prices and hitherto unwitnessed losses in world markets. The crisis signaled the end of the process of rapid growth that had begun in the developed countries in the 1990s inasmuch as the majority of them went into recession in 2008.

The crisis has caused many developed economies (foremost among them being the USA and the UK) as well as developing economies to undergo a process of substantial change. Governments have been forced to inject capital into banks and other financial institutions whose financial circumstances are impaired and to take comprehensive measures to deal with a lack of confidence and with liquidity shortages in markets.

Having become important players in this process as it unfolds, authorities have had to introduce new monetary and fiscal policies. A concerted and synchronized effort was made to reduce interest rates significantly in order to restart economic activity after it had suffered such a severe worldwide contraction.

The global crisis will remain the most important item on the world's agenda in 2009 as well.

It is not obvious at this time how long it will take for the measures to deal with the crisis to have any effect. The most important question is when consumer confidence will recover, especially in the developed countries, inasmuch as that is what provides the greatest momentum to economic activity. Economists for their part foresee that global growth will slow down significantly in 2009 as will the expansion in international trade.

The impact of the global crisis on Turkey's economic indicators and financial markets began increasing from the second quarter of the year onwards.

After a strong first quarter performance in 2008, growth in the Turkish economy began to slow down in the second as interest and exchange rates began to rise. Growth dropped off even more in the third quarter as the effects of the global crisis were more severely felt. The main causes of this development were declines in private sector investment outlays prompted by a lack of available credit as well as by insufficient domestic and international demand.

Our country confronted the global economic crisis at a time when its economic situation was stronger than it had been for a very long time. Thanks to the substantial restructuring and change that the country's financial services industry (particularly the banking sector) underwent in the early 2000s, we have so far managed to stave off and deal with the effects of the global crisis rather well. Nevertheless 2009 is going to be a year in which we shall need to be very circumspect insofar as the Turkish economy is concerned. The steps that are taken and the policies that are followed in 2009 will be crucial to any efforts that are made to sustain the successes that have been achieved so far.

We have complete faith in our country and in the strength of its growth dynamics. Turkey's economic potential, its production and commercial vigor, and its compelling demographic features all promise a secure future. An increasingly greater focal point of inward foreign direct investment, our country is seen as one of those that will be benefiting the most from the post-crisis environment.

Vakifbank successfully achieved-indeed surpassed-its targets in these difficult times.

Despite the difficulties with which it was fraught for the world, for Turkey, and for our sector, 2008 was a year in which Vakifbank performed strongly and achieved its targets.

Under the restructuring program launched in 2005, Vakifbank set itself the goal of remaking itself into a more marketing and customer-focused bank. In 2008 the bank racked up another major success by achieving 102.7% of its targeted asset growth and 106.8% of its targeted deposit growth for the year. Another important result last year that highlights the increasing support Vakifbank is giving to the real sector is the development in the bank's lendings/deposits ratio. This figure, which was 81.3% in 2007, was up nearly a whole percentage point to 82.2% in 2008.

The comprehensive restructuring program that we launched in 2005 is a most valuable cornerstone of the performance that we have been achieving in recent years.

Having successfully internalized change and begun reflecting it to an increasingly greater degree in its balance sheet performance year after year, Vakifbank is an organization whose style of management is rooted in the "culture of change".

At every level in the bank's new structure from the board of directors down to the smallest operational unit, all strategic, financial, and operational decisions are carefully made, implemented, reported, and monitored with the aims of delivering better service and improving productivity.

A most worthy aspect of this change, the part of which is concerned with our customers, we unveiled in 2008, is our new corporate identity. This new identity, which construes our strong and deep-rooted corporate attributes in light of the power of change, is the portrait of an institution that is focused on growth and development while remaining faithful to its roots. The same corporate identity also reflects our youthfulness, our energy, and our commitment to our work.

Although a most important part of change is a service network that is becoming increasingly more capable and diversified in terms of delivery channels as it expands, Vakifbank also continued to keep up with technological developments without sacrificing its productive and quality

service strategies during 2008. Our bank took determined and confident steps on the path to achieving its objectives by offering customers alternative and flexible new products all year long.

Substantial progress has been made in the direction of renewing our information technology infrastructure and this project will be completed in a short time. In the same vein, Vakifbank will also continue with its "streamlined banking" applications, the first of their kind in our country, and to share increasingly more of the effectiveness of change with all its stakeholders by developing its sales-focused structure. This process will further augment Vakifbank's competitive strength and enable the bank not only to achieve its rightful position in today's banking industry but also to ensure that the opportunities it seizes have the best possible impact on its performance.

Vakifbank's immediate aim is always to maintain the robustness of its asset structure. This focus is what will make possible the strong growth that we anticipate in 2010 and the years that follow.

Expectations are that 2009 is going to be even more difficult a year than 2008 was. Vakifbank has taken all the steps necessary to deal with this. As always our bank will stand by its customers will continue to protect its asset quality.

Vakifbank's vision

Vakifbank's clearly stated vision is to be one of the top three banks in Turkey.

Combined with our superior-quality human resources and well-defined business strategies, the strong knowledge and experience and the disciplined work attitudes that are the heritage of our deep-rooted past position Vakifbank as an organization that is focused on perfection in its operations and production.

As I bring these remarks to a close I therefore take this occasion to extend my sincerest appreciation to you, our esteemed shareholders for your unstinting support, to the members of our Board of Directors, to our employees for their efforts in achieving last year's results, to our esteemed customers, and to all our national and international business partners.

Yusuf BEYAZIT
Chairman of the Board of Directors

CEO's Message



Bilal KARAMAN
CEO & Managing Director

A global crisis...

2008 was a year in which the world's developed economies were shaken to their foundations and in which some of its biggest financial institutions declared bankruptcy, changed hands, were nationalized, or wrote off huge losses. A credit crunch brought on by a meltdown in the US mortgage market had a knock-on effect that spread throughout the whole world in which a shortage of credit mutated into a global crisis that affected every country, albeit to different degrees.

As was the case in previous crises however, this one too will pass in time and the world's economy will return to normal. In the resulting architecture of the global financial system whose reformation in the course of this process we see as

being inevitable we also believe that Turkey's youthful and dynamic population and its huge economic potential will give our country a strong and important position.

Having made change and transformation its guiding principles, Vakıfbank continued with its restructuring project despite an economic environment that was essentially unfavorable during 2008. In the most general terms, the bank had a successful year in which the beneficial results of that project started to be reaped.

Thanks to the strength and flexibility gained through the restructuring that we have initiated, Vakıfbank was a strong economic actor that was in a position to come up with solutions to the current crisis.

Innovation sets the course of a company's development while change determines its future.

During 2008, Vakıfbank saw innovation and change as the driving forces of the restructuring that it was undergoing and it continued to take important steps in the direction of shaping the bank's future. Under its redefined business approach, Vakıfbank sees delivering better service to more customers as the fundamental determinant of all its business strategies and by so doing it further strengthened its position in the sector in 2008.

The continuity of change...

Foreseeing that competition in the banking industry would be increasing and that the changes in customers' demands would be accelerating, Vakıfbank launched its restructuring program in 2005 and focused its attentions on readying itself in the best way possible for the new dynamics that would be emerging in its national market.

Our transformation plan not only takes a long-term view but also incorporates thoroughgoing changes that will be shaping the bank's future. One of the plan's objectives is to make Vakıfbank's banking activities more effective, more productive, and more profitable. Another is to make a customer-focused point of view the prevailing one throughout our entire organization. In that respect, 2008 was a year in which our efforts in this direction continued while we also began to reap the benefits of those efforts.

Last year our Information Technologies Department was reorganized and significant progress was made in our investments in that area. Our investment activities will be continuing in 2009 as well. Our aim is to make Vakıfbank a financial institution that has an information technology structure that is second to none in the sector. In that context, the Automatic Business Intelligence and SME Scorecard projects that became operational in 2008 have already begun serving as models for our industry.

The corporate identity transformation, which is essentially the finale of the bank's restructuring program, was successfully brought to completion in 2008. This corporate identity makeover, which is supported by a service approach summed up in the slogan "Vakıfbank: This is where you belong", has given the deep-rooted and experienced institution that Vakıfbank is a brand-new fact that is youthful and dynamic as well.

It gives me pleasure to say that the new Vakıfbank logo and corporate identity that we introduced to the public in July have earned the admiration and appreciation of our customers while also revealing the changes that we are undergoing in the most striking way possible.

Those changes are not yet over. We know that the concept of change is both an inseparable and a constant part of life. It makes us proud and happy to know that we are equipping Vakıfbank with a structure that internalizes change as an element of its corporate attitudes.

Financial performance...

Known throughout the 55 years of its corporate life as a strong and trustworthy financial institution, Vakıfbank has also distinguished itself as an innovator and pioneer as a result of its restructuring efforts in recent years. Despite the adverse economic conditions that prevailed in 2008, our bank posted solid financial results.

Vakıfbank's total assets increased 23% to TRY 52.2 billion in 2008. Our bank's cash loans, which were also up 30% and reached TRY 30.4 billion last year, corresponded to 58% of its total assets. We raised our total deposits to the TRY 37.1 billion level. This corresponds to a year-on-year rise of 29%, which is above the sector average and which was largely due to a strong 51% rate of growth in demand deposits. Our net profit in 2008 amounted to TRY 753 million.

Even at times when global financial problems were the most severe, we did not withdraw our support from the real sector even as we always kept our sights firmly on risk. We supplied the national economy with a total of TRY 38.4 billion in cash and non-cash credit last year and even as we did so we experienced no deterioration in our asset quality.

Despite adverse economic conditions elsewhere in the world, the high level of confidence that Vakıfbank enjoys enabled it to tap international markets for a total of TRY 5,770 million in financing through successful credit syndication activities.

By making effective use of our existing potential as well as thanks to the innovative products and services that we developed, we reached more customers and once again registered a rate of banking services revenue growth that was well above the sector average. In last year's annual report I noted that while we were happy enough with the 25% increase that we had achieved on this front in 2007, we did not think it completely satisfactory and I said that our aim was to achieve an even higher rate of growth. I am pleased to report that our banking service income rose 29% in 2008.

Shareholders' equity, one of the most important touchstones of our financial strength, reached TRY 5,671 million in 2008 while our capital adequacy ratio last year was a healthy 14.3%.

Product engineering...

The new products and services that we developed in 2008 in line with our business philosophy that puts the customer at the focal point of everything significantly increased the added value that Vakıfbank supplies to its customers on all fronts but especially in retail banking and card-based payment systems.

Our high added value products and business collaborations appealed to our customers in different segments. For our bank, this translated into expanded business volume and bigger market share.

We took an important step in this direction last year when Vakıfbank-issued credit cards joined the World system and its extensive lineup of

CEO's Message

Regarding social responsibility as one of the most important elements of its corporate identity, Vakıfbank has continuously strengthened its efforts in this direction and been the author of many innovations in this area since the day it was founded.

advantaged services. With this alliance, it has also become possible for millions of World credit card users to benefit from Vakıfbank's own extensive merchant partner network as well.

Under an agreement with Turkish State Railways, a Vakıfbank "Rail & Miles" credit card has been issued. With this unique and original product, our bank is now in a position to attract and serve the increasingly greater number of passengers taking advantage of new high-speed rail services, the first phase of which has been completed.

Another innovation introduced to customers in 2008 was our "transportation cards" project. The first important step in this project was taken last year with the "Antkart" transportation card in the city of Antalya. Additional and equally important steps will be taken in 2009 with the launching of bank-issued transportation cards in other cities. In all of these undertakings, our

aim is to provide customers with a single card that they can use not just for banking purposes but also to make payments wherever and whenever they wish.

In retail lending we registered a rate of growth above the sector average thanks to many new products that involved highly effective use of the bank's alternative delivery channels. We also increased our market share in home finance lending through a "Real Estate Agent Loyalty Program" that we developed in support of our venture into that business line.

In the commercial banking business line, an outstanding project in cash management systems that we carried out in 2008 was "Güm-Kart", the first and only payment system that allows corporate and commercial customers to pay customs taxes and charges conveniently and with complete confidence.

Under Vakıfbank's "Environmental Banking" program, another first in Turkey, I believe that we have heightened public awareness of the bank's commitment to its social responsibilities in the credit products that it offers to its customers.

Aware of our social responsibilities...

Regarding social responsibility as one of the most important elements of its corporate identity, Vakıfbank has continuously strengthened its efforts in this direction and been the author of many innovations in this area since the day it was founded.

Vakıfbank contributes to sports by sponsoring the Vakıfbank-Güneş Sigorta women's volleyball team, which has been successfully representing Turkey in European matches. It also does its share and more on behalf of culture and the arts as well. One of the most important social responsibility projects carried out by the bank

in 2008 was the restoration of the Yenikapı Mevlevi dervish lodge in İstanbul in which a venerable and historically significant building was transformed into a cultural and artistic center. Vakıfbank's art galleries in İstanbul and Ankara also continued to serve as venues at which both professional and amateur artists were given opportunities to exhibit their work.

Now closer to customers with 57 new branches and a total of 2,163 ATMs...

Vakıfbank continued to expand its branch network in 2008, successfully outdoing the "50 new branches" target that we indicated in our 2007 annual report. The bank opened 57 new branches last year, bringing the total in the network to 525. We plan to continue opening new branches in the period ahead in line with market conditions and demand.

We also kept up our efforts to develop our alternative delivery channels and we undertook more investments in this area in 2008. Our already extensive ATM network was further expanded. With the new additions, Vakıfbank was supplying its customers with a broad array of banking services at 2,163 locations as of end-2008. Vakıfbank's online branch and web page was also renovated so as to serve our customers better.

Everything is for the customer...

As a bank that has realized its goal of putting customer satisfaction at the focal point of all its business processes, Vakıfbank's next crucial objective will be to satisfy all of the financial needs of customers in every segment from corporate to retail with approaches and solutions designed to meet their specific needs. The great transformation of our information technology infrastructure that we have launched will be the most important means by which we shall accomplish this objective.

I believe that the customer-focused business strategy that brought us success in the volatile market conditions of 2008 will remain one of our bank's chief competitive advantages in 2009 as well.

Vakıfbank in 2009...

Vakıfbank has successfully taken on the global crisis thanks to its high degree of liquidity, to its strong and stable balance sheet structure, and to its strategy of making deposits the source of its lendings. Taking advantage of the opportunities that these strengths create for us, in 2009 our goals will be to:

- Continue our investments in the area of information technologies
- Further raise the service quality of our alternative delivery channels and increase their use rates
- Extend our transportation card projects into other cities and towns
- Increase total lending 15% in our ongoing efforts to contribute to the national economy by providing financing to the real sector and to individuals
- Increase our non-interest income in all business lines and pursue growth in those whose added value is high
- Maximize customer satisfaction by further improving service quality.

Each and every member of our professional management team and all of our employees embrace their work with love and passion as they do their jobs. We want to sustain and increase that love and passion for that is the way to achieve our corporate goals.

Vakıfbank's performance in 2008 is the product of a long-term and patient effort to achieve transformation and change. Our team's accomplishments last year are a source of pride for us all. In addition to their superior success as a team however, at the personal level every individual at Vakıfbank fulfilled their duties as an employee of the bank, resulting in the addition of yet another successful page to our corporate history. With the guidance of our Board of Directors, the greatest support on which we may always rely in writing that history, we shall continue to come before you in the years ahead and report even more successful results.

In closing I extend my thanks to all our stakeholders with an special expression of gratitude to our esteemed customers for providing the motivation to initiate the process of change and development at our bank, to our worthy shareholders for supporting us with their confidence in that process, and to my colleagues for their part in identifying with and being a part of change.

Let me rephrase it thus: Vakıfbank is where we all belong.

Bilal Karaman
CEO & Managing Director

The Economic Environment in 2008

The World Economy

The 2008 global economic crisis is seen by experts as being the worst upheaval of its kind in recent memory. Its impact on both developed and developing economies has been wide-ranging and its ramifications run deep.

The effects of a financial sector crisis that broke out in the US mortgage market in 2007 began to make themselves felt with increasingly greater force throughout the world's financial system in 2008. Beginning in the second half of the latter year they began showing up in real sector economic indicators around the world as well. Having enjoyed nearly uninterrupted economic growth since the 1990s, the developed countries found themselves confronted by substantial economic contraction in 2008.

Major upheavals in financial markets

The collapse and distress sale of investment bank Bear Stearns to JP Morgan sparked a chain of events which ultimately led to the bankruptcy of another, the 158-year-old Lehman Brothers, and which heightened worries as to just how bad the situation in financial markets and in the economy in general was going to become. In the ensuing process, investment banks which carried huge quantities of derivatives in their balance sheets and which were confronted by soaring losses as a result were bought up by commercial banks one by one and turned into commercial banks themselves. The upshot of all this was that investment banking effectively ceased to exist as a separate business line in the United States. Having begun in the USA, this transformation soon spread to the UK and to other European countries as it became necessary for government after government to step in and take over control of faltering financial institutions.

Liquidity measures

As the adverse affects of the events taking place in financial markets became increasingly more evident in 2008, governments found themselves forced to inject capital into cash-strapped banks and financial institutions and to take measures to deal with severe liquidity shortages and lack of market confidence.

In addition to monetary policy measures, fiscal policy measures were also taken to deal with the crisis in 2008. When it became apparent that a package of stop-gap tax cuts amounting to USD 160 billion was going to have but little effect, Troubled Asset Relief Program(TARP) a program aimed at rescuing and costing USD 700 billion was launched. Although these measures did result in some short-term market corrections, they were unable to assuage fears of recession with the result that investors continued to favor the "safe haven" security of long-term US Treasury bonds.

In the wake of the US bailout package, parallel aid packages were unveiled in the EU, Japan, and China to help support their own financial systems and shore up economic activity.

In addition to government assistance in the form of additional liquidity, the central banks of the world's developed economies began loosening up monetary policy as another way of supporting financial markets. During 2008, the US Federal Reserve Bank reduced its prime lending rate 425 basis points while the European Central Bank and the Bank of England cut their own rates by 200 and 375 basis points respectively. By the last quarter of the year, developing countries' monetary authorities were taking similar action themselves.

Contraction in real macroeconomic indicators

Developments taking place in financial markets began having an increasingly greater impact on real macroeconomic indicators beginning in the last quarter of 2008.

Growth rates in all economies slowed down while unemployment rose. The global growth rate, which was put at 5% in 2007, slipped to 3.9% in 2008. During the same period, growth nearly halved (from 2.6% to 1.5%) among the developed economies while among the developing economies the decline was somewhat more modest, going from 8.1% in 2007 to 6.9% in 2008.

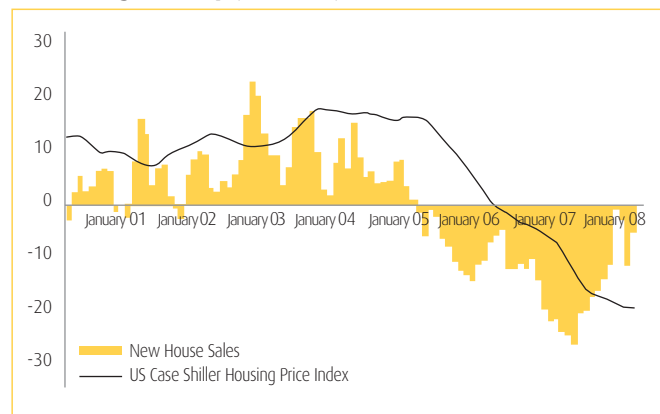
In the United States, where the crisis got started in the first place, authorities announced that the national economy was officially in recession as of December 2007. The slowdown in national economies brought with it a rise in joblessness. The unemployment rate in the US, which was 4.9% at the beginning of 2008, was up to 7.2% by year-end. Similar developments were witnessed elsewhere in both developed and developing countries.

Inflation up and then down

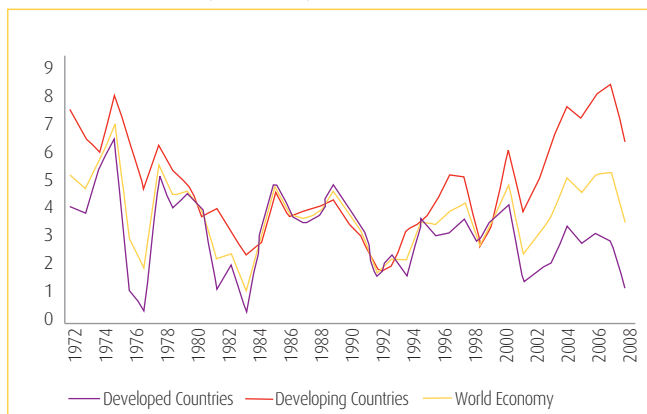
Two separate and contrary developments in inflation were experienced in 2008.

Rises in both commodity and food prices during the first half of 2008 spurred inflation nearly everywhere in the world and even prompted debates about the return of "stagflation". In July however oil prices, which hitherto had risen as high as USD 147 a barrel, began to fall as global growth concerns mounted. This trend was accompanied by declines in food prices and in the ensuing process, inflationary pressures ceased to be an issue of serious importance for most national economies.

US Housing Industry (Annual %)



Real GDP Growth (Annual %)



The global crisis will remain high on the world's agenda in 2009.

Having made itself increasingly more felt beginning with the last quarter of 2008, the global financial crisis will remain the most important item on the world's agenda in 2009 as well.

The degree to which the measures that countries are implementing will be effective in dealing with this crisis and the question of how long it will take for them to have an impact are all issues of considerable debate.

Based on current projections, it seems likely that global growth will slow down by a substantial amount in 2009; and while there should be a net increase in world trade, the rise will fall short of what it was in previous years.

The timing of the US economy's emergence from recession will be the determining factor in the recovery process for other countries. Although monetary policy has been loosened up as much as possible and a comprehensive battery of rescue measures has been launched, recovery in the United States is not expected to get under way any time before midyear 2009.

Furthermore even though the worst of the crisis may be over by the beginning of the third quarter of 2009, economic recession is seen as unlikely to end for rather longer than that. What is also clear is that economic performance in the world's other developed economies will parallel expectations that the economic slowdown in the United States will persist.

For the developing countries, 2009 is going to be no less difficult a year than it will be for the developed ones. Potential slowdowns in countries like China and India that have been

serving as the engines of global growth in recent years will play a critical role in any contractions in global growth that take place in 2009.

Owing to declines in commodity prices and to weak demand, inflation is expected to continue to subside in 2009 after having exerted such enormous pressure on the world's economies in 2008.

That expectation however also provokes fears of deflation as the inflation rate in the United States approaches zero. Although continued global economic recession in 2009 can be expected to exert downward pressure on oil prices, the possibility of the beginnings of a recovery in the second half of the year could easily send them back up again.

The Turkish Economy

Economic growth fell short of expectations.

The impact of the global economic crisis on Turkey's economic indicators and on the country's financial markets grew considerably stronger beginning with the second quarter of 2008. Having registered a 6.7% rate of growth in the first quarter of 2008, second quarter growth in the Turkish economy plummeted to 2.3% largely in response to higher interest and exchange rates. In the third quarter it fell nearly another two whole points to a mere 0.5% in a performance that was even worse than expectations.

Insufficient domestic and international demand appeared to be the most significant cause of the observed slowdown in economic growth. This trend is currently expected to last at least through the end of Q2 2009.

The contraction in credit markets reduced the private sector's ability to borrow and it prompted a sharp cutback in investment outlays. The increasing depth of the global crisis exacerbates the risks inherent in Turkey's growth performance in the period ahead. A combination of weakening domestic demand, a process that began in 2008, with reduced demand among the country's export markets will make the slowdown in the national economy even more painful in 2009.

The official unemployment rate in Turkey at year-end 2007 was 10.6%. In the ensuing eleven months to end-November 2008 that rate increased more than two whole percentage points to 12.3%.

The situation in inflation

The posted rates of 12-month inflation in 2007 were 8.39% (CPI) and 5.94% (PPI). In 2008 these both increased to 10.6% and 8.11% respectively.

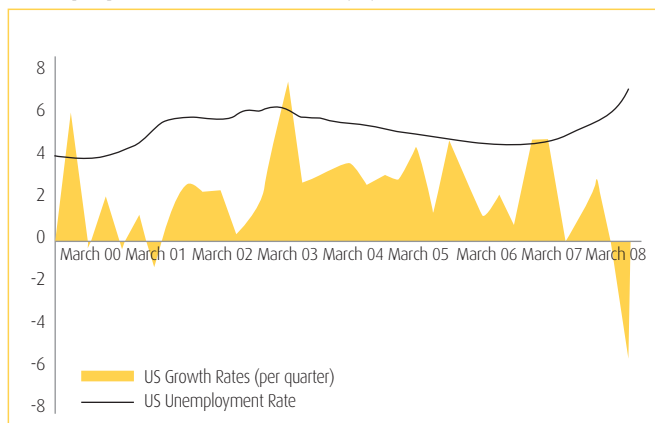
During the first half of 2008 in particular, rapidly rising oil (and other commodity) and food prices were the biggest contributors to the increase in inflation. In September however, commodity prices began to fall sharply and continued to slide as did food prices as well. As a result of this trend, inflation also began to subside towards the end of the year.

In the period ahead, it seems likely that the contraction in domestic demand and weak oil and other commodity prices will continue to support the decline in inflation.

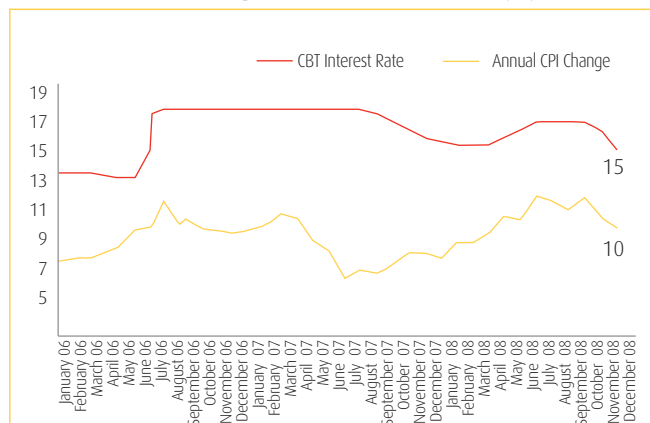
Foreign trade balances are changing

Turkey's foreign trade deficit, which amounted to USD 62.8 billion at end-2007, rose slightly over 11% during the next twelve months to

Unemployment - Growth Rate (%)



Central Bank of Turkey Interest Rates and CPI (%)



USD 69.8 billion. This relatively modest growth in the foreign trade deficit was mainly the result of declines in oil prices and a weak Turkish lira. Another important contributing factor to the slowdown in the foreign trade deficit's growth was depressed domestic demand brought on by the effects of the global economic crisis, the scope of whose influence increased considerably as of Q4 2008.

Movements in the current account deficit in essence coincided with those in the foreign trade deficit during 2008. The shortfall in the country's current accounts, which was USD 38.2 billion in 2007, rose 8.4% to USD 41.4 billion during 2008. As in the case of the foreign trade deficit, falling oil prices and a weak Turkish lira abetted the decline in the current account deficit. However the heightened effects of the global economic crisis resulted in a deterioration of the terms under which the deficit is financed.

Constricted liquidity resulted in net foreign direct investment dropping 24.4% from USD 20 billion in 2007 to USD 15.5 billion in 2008. There was also about a USD 5.5 billion decline in the total value of foreign-originating portfolio investment as well.

Real-sector borrowings in international credit markets served as the principal source of financing for Turkey's current account deficit in 2008. The deficit is likely to continue shrinking in 2009 for such reasons as even lower oil prices, depressed domestic demand, and a persistently weak Turkish lira.

The real sector's borrowing requirement

The real sector's recurrent need to tap international markets for credit seems likely to be the most serious element of fragility confronting the Turkish economy in the near term.

Furthermore if the current crisis in global markets deepens, there could be additional problems resulting from higher borrowing costs. If this further worsens the liquidity shortage, the result might be even greater impairment in the quality of current account deficit financing.

The Central Bank's growth-focused monetary policy

Taking into account the domestic impact of the global economic crisis and with inflation on the wane, the Central Bank of Turkey (CBT) began reducing its interest rates in the last quarter of 2007. By the end of Q1 2008, the bank's base interest rate was down to the 15.25% level.

Beginning in April of the year however, uncertainties in the domestic political landscape and rises in market rates led CBT to begin raising its base rate again which, in a series of hikes, reached the 16.75% level. CBT left that rate untouched from July until October but in November it initiated a series of surprise cuts that ended up reducing the rate to the 15% level.

In its stated justifications for lowering interest rates, CBT cited the increasing depth of the slowdown in economic activity while also underscoring heightened concerns that the problems in the global economy looked set to last longer than had previously been anticipated.

CBT is of the opinion first that the sharp cuts in oil and other commodity prices will have a beneficial effect by suppressing inflation and second that the decline in inflation is going to be even faster than earlier projections had made it out to be. In view of this, the bank can be expected to follow a monetary policy that will give greater attention to growth at least for the foreseeable future.

Budget deficit up 13.1% in real terms in 2008

Turning now to public finance, an examination of 2008 national budget performance immediately reveals two noteworthy facts: although the budget deficit ended up less than what had been targeted, non-interest expenditures were wide of their mark.

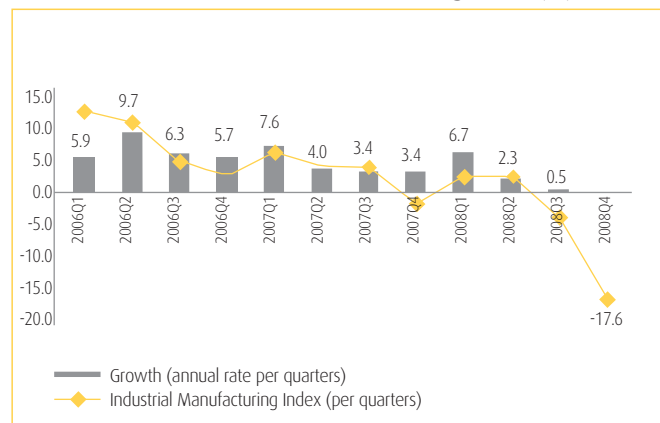
The 2008 budget deficit increased 13.1% (in real terms) compared with that of the previous year and this was due to budget expenditures increasing faster than budget revenues. At end-2008 the budget deficit amounted to TRY 17.1 billion while its ratio to gross domestic product was up to 1.8%, two-tenths of a percentage point higher than the 1.6% in 2007, which was an election year.

The primary surplus by comparison shrank 12.9% in real terms to TRY 33.6 billion. This contraction was largely the result of a 2.6% real-term (inflation-adjusted) rise in non-interest outlays combined with a 0.3% real-term decline in budget revenues.

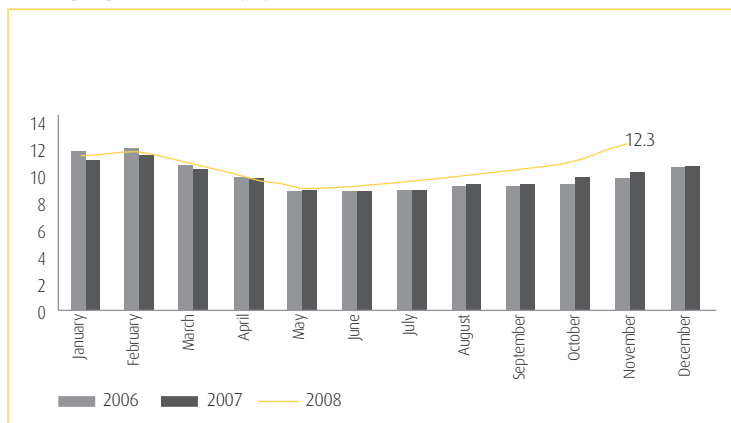
In its 2009 budget projections, the finance ministry reduced the ratio of the budget deficit to GDP to 1.2% while leaving that of the non-interest surplus to GDP at its previous year's 4%. Looking at overall budget dimensions, budget revenues are supposed to increase 19.1% year-to-year in 2009 while the rise in budget outlays is put at 14.7%

These figures are based essentially on two assumptions: an economic growth rate of 4% and a 7.5% rise in inflation. If the effects of the global economic crisis that began to take hold in the Turkish economy in the third quarter of 2008 turn out to be more serious than expected and if that growth target cannot be met, then

Growth Rate and Industrial Manufacturing Index (%)



Unemployment Rate (%)



there is a very real possibility of being unable to achieve this budget performance to a significant degree.

Higher borrowing costs

Having dropped from the 20% range to 16.50% at end-2007, the compound interest rates on the Treasury's discounted bond auctions continued to edge downwards in early 2008 to as low as 16.20%. In response to heightened worries inspired by the global crisis in international markets, the rate began rising again and reached the 18.60% level by December 2008.

In the twelve months to end-2008 the average compound interest rate on discounted Treasury auctions was 18.60%. This corresponds to a year-on-year rise of 170 basis points. Not only did this increase the overall cost of borrowing in the Turkish economy, combined with higher Turkish lira exchange rates it had the effect of raising the total stock of government debt from its 2007-year level of TRY 333.4 billion to TRY 380.1 billion in 2008.

The ratio of government debt to GDP at end-2007 was 39% and on present evidence it looks like being about 40% in 2008. The ratio of net public debt to GDP on the other hand continued to go down. Having once risen as high as the 70% range in 2001, it has since then fallen and was around the 26% level as of the third quarter of 2008.

The Banking Sector

Relatively successful performance

Despite the global financial sector crisis that began in international markets in August 2007 and continued into 2008 eventually engulfing the whole world, the Turkish banking industry had a relatively successful year compared with the situation in other countries.

As of 31 December 2008, there were 41 banks active in the Turkish banking sector. Their total assets, worth TRY 732.7 billion, had increased 26% in the previous twelve months. The ratio of those assets to GDP, which was 68% in 2007, is expected to have reached the 75% or so level in 2008.

Limited growth in lending

Although the ratio of bank credit to total bank assets continued to rise during 2008, the year-on growth in such lending was down by a remarkable degree. In the face of financial market volatilities, consumer and real sector confidence suffered and worries about the future effectively held the demand for credit in check.

The ratio of total credit to total assets in 2007 was 49%; as of December 2008 it was up ever so slightly to 50.2%. The total volume of the sector's lending increased 29% in the twelve months to end-2008 and amounted to TRY 368 billion in value. Somewhat surprisingly, the ratio of non-performing loans to the total, which was 3.5% in 2007, was up barely a tenth of a percentage point to 3.6% in 2008.

Developments in investment securities, deposits, and international borrowings

The steady attrition in the public sector borrowing requirement in Turkey continued to reduce the weight of the investment securities portfolio in the banking industry's collective balance sheet.

This ratio, which was 28.4% in 2007, was down nearly two whole percentage points to 26.5% in 2008.

Although total deposits increased 27.4% to TRY 454.6 billion in 2008, the percentage of those deposits invested in marketable securities contracted to 42.7% from their prior-year level of 46.2%. By comparison, the ratio of foreign currency deposits to total deposits remained virtually unchanged year-to-year, going from 35.4% in 2007 to 35.3% in 2008.

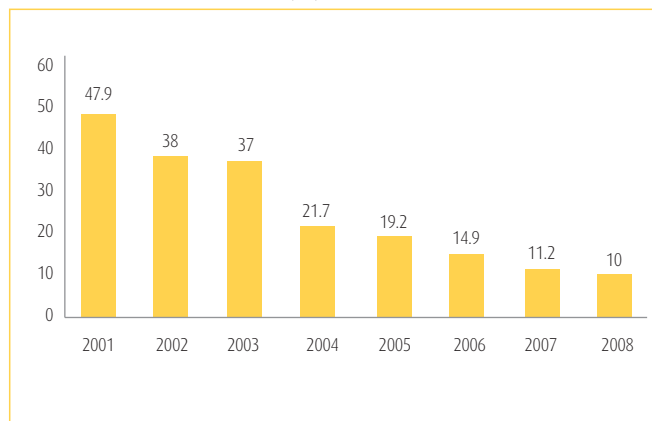
In a development attributable to the global crisis that began in 2007 and continued in 2008 and to the liquidity crunch associated with it, there was a 10.5% decline in the Turkish banking industry's international credit syndications and securitizations last year. The total volume of credit secured from international markets in 2008 amounted to USD 23.6 billion. The banking sector's collective equity by comparison was up 13.9% as of December 2008 and amounted to TRY 86.4 billion.

The sector's net current profit as of 31 December 2008 was TRY 13.3 billion, down 10.3% from the previous year's level. The sector's average return on assets was 2.0% and its average return on equity was 16.4%.

Turning now to the outlook for 2009, the biggest contributor to the sector's balance sheet growth is once again expected to be the increase in total lending. Although that expansion is likely to be weak for most of the year, there could be a resurgence beginning the third quarter if a recovery does get under way in international markets as many observers seem to expect.

Nevertheless the expectations that growth will slow down, that domestic demand will contract, and that international market uncertainties will persist are the most important factors that will inhibit any growth in bank lending. Lending to retail and SME customers are the two segments that banks once again will be turning their attentions to the most in 2009. The sector's overall profitability is not expected to change very much by comparison with 2008 however.

Increase in Tax Revenues (%)



In 2008

Vakıfbank rose to 6th place in the Turkish banking sector by successfully increasing its

- market share
- customer penetration
- profitability

in different business lines as it moved another step closer to achieving its overall corporate vision.

An Assessment of Vakifbank's Activities in 2008



Uninterrupted, high-quality service

Vakifbank's approach to business is to provide quick and conveniently accessible banking service to customers whenever they are in need of it.

Vakifbank seeks to sustain, diversify, and deepen the relationships that it has with its customers. Adding depth to a customer's portfolio by maintaining a continuously high level of satisfaction and responding to a customer's changing needs with new products and services is one of the fundamental strategies underlying the bank's relationships with its corporate, commercial, and retail customers.

- The Change Project that Vakifbank launched in 2005 has come significantly closer to achieving its aims through the bank's Restructuring Program.
- As a result of the efforts that have been made, Vakifbank has largely achieved a streamlined and effective organizational structure that makes it possible for the bank to sell more products to more customers and to create cross-sale opportunities.
- "Streamlined Banking" was introduced in 2007 as a component of the Vakifbank Restructuring Program. In 2008 more improvements were made in numerous bank processes in line with this program, the overall goal of which is to reduce the operational workloads of branches while increasing the time that branches devote to making sales at least 50% and improving their customer contact experience in the immediate term.
- Vakifbank's headquarters and branch operations were restructured. The bank's physical presence was expanded by increasing the total number of branches by 57 in 2008.
- The number of corporate customers served by Vakifbank topped 1,000 last year. As a result, the bank made significant gains in the corporate banking market segment.
- The total volume of import business negotiated by Vakifbank in 2008 increased 72%. The growth in the bank's export financing was an almost equally strong 68%.
- In 2008 Vakifbank continued without letup to supply innovative products and services in order to create attractive financing options for small to medium-sized businesses and in that way to help contribute to the economic growth that our country needs.
- During the first half of 2008 Vakifbank increased the volume of its lending to retail customers above the sector average. The bank completed the year with a net 31% rise in its consumer loans.

An Assessment of Vakifbank's Activities in 2008

Corporate and Commercial Banking

Vakifbank supplies financial resources to many different business sectors in our country in line with its basic lending principles. In this way, the bank supports all entrepreneurs no matter how big or small their businesses may be.

Vakifbank supplies customers in both the corporate and the commercial segments with a complete assortment of banking products that includes everything from loans to cash management services and from foreign trade finance to project finance.

Vakifbank sees its customers as long-term business partners. As a bank it seeks to reach all those who take part in economic activity by effectively deploying its experienced sales and operations personnel, its broad product line, its extensive branch network, its advanced technological resources, and its efficient business processes. This is just one reason why Turkey's biggest firms and leading multinationals also regard the bank as a preferred business partner that can be called on at any time and under all market conditions.

Vakifbank's corporate banking activities are conducted through the two corporate services centers that the bank set up in Istanbul in 2007. In 2008 Vakifbank relocated its Corporate Banking Department to Istanbul as part of its reorganization of corporate marketing. At the same time, it also increased the number of corporate branches to three with the opening of another corporate services center in Ankara.

The number of customers being served by Vakifbank at its corporate services centers topped 1,000 in 2008 and the bank made significant gains in the corporate banking market segment.

New cash management products and services

Vakifbank's high-added-value solutions play a major role in the bank's ability to deepen its relationships with its existing corporate customers. In line with this, 2008 was a year in which the bank introduced and began offering an impressive array of cash management products.

Direct-debiting and card-based collection systems, dealership letter of guarantee agreements, bulk-payment systems, and similar products not only added to the roster of those for whom Vakifbank is the primary financial institution but also gained new customers for the bank from among existing customers' dealers and suppliers.

Developments in corporate lending

Vakifbank's support for the real sector in the form of credit and loans has been increasing steadily over the years. In 2008, there was a 28.7% rise in the volume of its cash lendings to corporate customers while the growth in the bank's non-cash credit to such customers was on the order of 37%.

Adhering to a proactive policy in the areas of privatizations, company acquisitions, and new investment project finance, during 2008 Vakifbank created financing in the form of long-term cash loans and non-cash credit for its customers' investments.

In addition to credit products, effective marketing and sales activities were carried out to enable customers to make better use of their idle funds. There was a 29.3% increase in the volume of Vakifbank's corporate deposits in 2008.

Vakifbank registered growth in credit and fund products above the sector average. Having been focusing its attentions on corporate banking for two years, Vakifbank increased its market share in that segment in 2008. Making use of its extensive international correspondent network, its specialist sales and operations team, its refurbished foreign trade business flow processes, and its technological infrastructure, Vakifbank provides high-quality and effective service to firms that account for a substantial share of Turkey's foreign trade. Last year Vakifbank experienced growth rates of 72% and 68% respectively in its export and import business volumes.

Sectoral Breakdown of Loans (TRY million)

| | 2007 | (%) | 2008 | % |
|--------------------------------------|---------------|--------------|---------------|--------------|
| Agriculture | 367 | 1.6 | 481 | 1.6 |
| Farming and Stockbreeding | 271 | 1.2 | 383 | 1.3 |
| Forestry | 50 | 0.2 | 33 | 0.1 |
| Fishery | 46 | 0.2 | 65 | 0.2 |
| Manufacturing | 5,066 | 21.6 | 7,001 | 23.0 |
| Mining | 563 | 2.4 | 361 | 1.2 |
| Production | 4,318 | 18.4 | 6,132 | 20.1 |
| Electricity Gas Water | 185 | 0.8 | 508 | 1.7 |
| Construction | 1,525 | 6.5 | 2,070 | 6.8 |
| Services | 6,071 | 25.8 | 7,835 | 25.8 |
| Wholesale and Retail Trade | 2,190 | 9.3 | 3,391 | 11.2 |
| Hotel Food and Beverage Services | 378 | 1.6 | 857 | 2.8 |
| Transportation and Telecommunication | 2,457 | 10.5 | 2,077 | 6.8 |
| Financial Institutions | 774 | 3.3 | 1,203 | 4.0 |
| Real Estate and Renting Services | 26 | 0.1 | 88 | 0.3 |
| "Self-Employment" Type Services | 0 | 0.0 | 0 | 0.0 |
| Educational Services | 35 | 0.1 | 37 | 0.1 |
| Health and Social Services | 211 | 0.9 | 182 | 0.6 |
| Others | 10,441 | 44.5 | 13,030 | 42.8 |
| Total | 23,470 | 100.0 | 30,417 | 100.0 |

In addition to developing long-term business relationships with its existing customers, in 2009 Vakifbank will be seeking to further increase its presence in the corporate banking segment by taking on new customers.

Strengthened relations in commercial banking

Vakifbank sees commercial banking as a business line with great potential and it has been increasing its market share in that segment rapidly. The bank supplies financial solutions that meet the needs of thousands of commercial and small-business customers active all over Turkey. Supporting firms engaged in activities ranging from manufacturing to services, from communications to trade, and from foreign trade to shipping with cash and non-cash credit, foreign trade finance, and funds management, Vakifbank has also been making an increasingly greater contribution to the national economy as well.

Based in Istanbul, the Vakifbank Commercial Banking Unit also manages the banking product portfolios of public agencies and organizations as well as of customers in the commercial and small-business categories.

In line with its market and customer-focused approach to banking, Vakifbank has augmented its sales teams in order to expand its activities into portfolio structuring and relationship banking. To this end the bank increased the size of its sales team from 650 to 1,050 representatives, each one of whom receives thorough training to ensure that they are fully equipped with all of the business knowledge and acumen demanded in a highly competitive banking segment.

Cash Loans (TRY million)

2007: 23,470

2008: 30,417

07

08

Vakifbank aims to grow in the corporate and commercial banking business lines and to become the primary bank for more and more customers in the non-retail segments too.

Ideal solutions for small businesses

In 2008 Vakifbank again continued to support the small to medium-sized enterprises (SME) that are the cornerstones of the Turkish economy with a broad array of products and services delivered through the bank's national network.

Credit products were carefully designed taking into account the unique needs of individual sectors and they were offered with repayment plans that were specially formulated to accommodate businesses' particular cash flows.

- Specially designed credit packages were offered to meet the specialized needs of SME customers such as "Raw Material Procurements", "Tradesmen & Artisans Support", "Investment Financing", and "Tourism Support" loans.
- In cooperation with the SME Development and Support Administration (KOSGEB), during 2008 Vakifbank continued to support small to medium-sized enterprises with credit made available under easy repayment terms.
- The most important of the specialized credit packages offered in cooperation with KOSGEB were "Zero-Interest Export Credit" to encourage SMEs to export and to support their export-oriented investments; "Employment Support Credit" to encourage SMEs to increase the number of hired employees on their payroll; "Cansuyu: Employment-Indexed Manufacturer, Tradesman, Artisan, and SME Support Credit" to meet recipients' short-term cash requirements.
- To support farming, Vakifbank has launched its "Agricultural Banking" program in line with the needs of that sector. The bank has also entered into a number of agreements with professional organizations and associations to support farmers and meet their particular needs. Vakifbank has begun extending loans based on farmers' produce sales invoices.

The total amount of credit extended by Vakifbank to small to medium-sized enterprises in 2008 reached TRY 4.6 billion while the number of the bank's customers in this segment rose to 81,165. Just as in the past, Vakifbank's primary goal in 2009 will again be to continue developing and carrying out projects aimed at responding to the constantly changing and growing financial requirements of SMEs.

Environment-friendly credit packages

Strongly focused on environmental issues, which have become matters of great importance in today's world, Vakifbank has also developed

the concept of "Environment-Friendly Banking". Under this heading, Vakifbank offers customers a variety of credit packages designed to provide financing for environment-aware goods and services under favorable terms such as "Environment-Friendly Vehicle Credit", "Environment-Friendly Technology Package", "Environment-Friendly Insulation and Conservation Package", "Renewable Energy Credit", and "Emissions Trading and Carbon Credit".

Specialized services for public agencies

Vakifbank also puts its innovative approach to work by seeking to increase its market share in the business of providing specialized services for public agencies and organizations. After completing the necessary preliminaries, in 2008 the bank launched its Public Financing and Marketing Office as a separate unit within the Department of Commercial Banking.

The Public Financing and Marketing Office is responsible for determining marketing strategies applicable to public authorities, local authorities, and state-owned enterprises that are responsible to the central government and to formulate marketing plans in line with those strategies. This unit provides public agencies and organizations with a variety of advantages and services aimed at meeting both their financing and their cash management requirements.

Innovative payment and collection products

Basing its business strategy on the principle of multidimensional productivity and effectiveness, Vakifbank devises creative solutions for its customers' payment and collection operations that are tailored according to cash flow. The bank's Cash Management Operations Office again made important progress in 2008 in such areas as business methods, product diversity, and service approach.

In addition to marketing, attention was given in 2008 to the use of technology-based solutions which not only attract new customers and increase the loyalty of existing ones but which also result in significant transaction cost economies. In line with efforts to deliver better-quality service in cash management products, product and system development activities were carried out and investments were made in hardware and software.

An important recent example of Vakifbank's creative payment and collection solutions is the bank's GümKart, which can be used to pay customs taxes and charges conveniently and with complete confidence.

www.vakifbank.com.tr 444 0 724



Gümrük vergi ödemeleriniz için Vakıfbank'tan GÜMKART.

Gümrük vergi ödemelerinizi, nakit ve bloke çek yerine Vakıfbank Gümrük Kart kullanılarak daha güvenli ve hızlı yapabilirsiniz. Üstelik Gümrük Kart ile yapılan işlemleri internet şubemizden anında takip edebilirsiniz.

Vakıfbank
Burası Sizin Yeriniz

From a bank's point of view, payment and collection services have a number of tangible benefits:

- They contribute significantly towards the volume of demand deposits
- They create cross-sale opportunities
- They make it possible to take on new customers.

A Vakıfbank product management approach was formulated taking such benefits into account. In line with this approach, attention was given to social security tax payments and to standing-order bill payments.

Among the top five in tax and social security collections

Vakıfbank ranks among the top five banks in Turkey in terms of tax and social security premium collections. In 2008 the bank had agreements with 190 different concerns under which it handled collections amounting to TRY 400 million a month. These collections were

made through the bank's extensive branch network, its ATM network (which is now equipped to handle cardless transactions), and its online branch.

Vakıfbank's collection systems have proven to be very popular with customers. Thanks to its direct debiting and to its card-based dealership collection systems, the bank added new customers to its portfolio in 2008 while also registering significant increases in its transaction volumes, customer numbers, and commission earnings and improving its loan/deposit ratio.

Focused on its goal of being its customers' main bank, Vakıfbank will continue to develop and market cash management products based on the principles of proactively identifying customers' needs and of coming up with comprehensive solutions to address them.

An active role in project finance

In the business of project finance, which demands an advanced level of specialization and competency, Vakıfbank produces high added-value solutions for customers in both the public and private sectors.

In 2008 Vakıfbank took part in a number of syndications either as a lead manager or as a consortium member in which a variety of credit facilities for large-scale public works projects and privatizations involving dams, highways, railways, airports, and energy production were underwritten.

In 2008 the bank also extended USD 35.9 million, EUR 214,7 million, and TRY 107.7 million in credit to a total of four firms under syndicated loan agreements that had been entered into in previous years.

International credit facilities

In addition to lendings from its own resources, Vakıfbank also negotiated SME financing for customers from the resources of the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) as well as investment financing credit provided by Eximbank.

New projects

In 2008 Vakıfbank completed two important projects that increased the effectiveness and productivity of its commercial banking activities.

Vakıfbank SME Scorecard Project: For this project, undertaken in collaboration with a consultancy, a "Credit Decision Model" was developed for businesses with turnovers of less than TRY 7.5 million a year.

Making use of an extensive credit rating and debt servicing data base, this model was designed to allow businesses' loan applications to be responded to quickly while also making it possible to spot potential problems in advance and take action to minimize the bank's exposure to non-performing loans.

The "SME Scorecard" was introduced in all Vakıfbank branches around the country in October 2008. Branches have begun using the scorecard to determine credit limits based on quantifiable and objective criteria that are based on a firm's segment and scorecard results.

An essential feature of this new model is that it is based on more than a firm's financial data. It simultaneously takes into account a host of factors indicative of business reputation such as the owner's or partners' past experience, socioeconomic status, character, payment habits, and rectitude. By making use of this model Vakıfbank has substantially overhauled its credit-decision mechanism and the bank is now able to evaluate and finalize more loan applications faster than ever before.

Automatic Credit Investigation Project:

Undertaken to largely automate the processes involved in investigating the creditworthiness of firms, their owners, and their guarantors, Vakıfbank's automatic credit investigation system was launched and made operational in all of the bank's branches in Turkey. The purpose of this system is to reduce the bank's exposure to operational risks by automating many of the steps involved in determining the business reputations of credit and loan applicants.

International Bank Loans

| Source | Amount (TRY) |
|-----------------------------------|--------------|
| European Council Development Bank | 203,824,442 |
| Eximbank | 57,721,652 |
| European Investment Bank | 732,132,461 |

Retail Banking

Vakifbank develops innovative, high-quality added-value products and services with the aim of serving more customers in the retail banking business line.

www.vakifbank.com.tr



Alfabetik Kredi

Çocuklarının eğitim giderlerini düşününler için TAKSİTLİ İHTİYAÇ KREDİSİ

VakifBank
Burası Sizin Yeriniz

Retail Loans

| (Million TRY) | 2007 | 2008 |
|---------------|--------------|--------------|
| TİK (*) | 3,471 | 4,690 |
| Housing (**) | 2,404 | 3,073 |
| Automotive | 134 | 129 |
| Total | 6,009 | 7,892 |

(*) Including Consumer Bankomat Loans

(**) Excluding loans sourced by the Housing Development Administration of Turkey

Vakifbank serves an extensive customer base representing every segment of society with a rich array of products that include investment accounts, credit cards, consumer loans, bank cards, and day-to-day banking transactions.

A growing market share in retail loans

During the first half of 2008, the expansion in the volume of Vakifbank's retail loans was well above the sector average. Beginning in July, the growth in banks' lending to the retail segment began to slow down generally in line with worldwide developments. As the effects of the global economic crisis made themselves increasingly more felt, the total volume of the sector's retail lending actually shrank. In Vakifbank's case, the rate of growth slowed during this period but nevertheless still managed to increase by 31.8%.

During the first half of the year, when the economy still remained relatively vigorous, the bank further diversified its product line, reduced the operational workloads in branches by marketing credit products that made more intensive use of automation, and launched the "Realtor Loyalty Program".

During the second half of the year, attempts were made to bolster the bank's retail credit business line by marketing specialty loans and introducing its "Hızır Kredi".

In the year to end-2008, the total volume of Vakifbank's lending to the retail segment increased 31.3% from TRY 6,009 million to TRY 7,892 million. The share of installment-based general-purpose loans (TİK) in total consumer lending last year was 59.4% while housing loans and auto loans respectively accounted for 38.9% and 1.6% shares. 9.5% of all the consumer-oriented lending in the sector in 2008 was provided by Vakifbank.

General-purpose loans account for the biggest share

Vakifbank's general-purpose loans portfolio at end-2008 amounted to TRY 4,690 million. This corresponds to a year-on-year rise of 35%. As of the same date, Vakifbank controlled a 12.1% share of the installment-based general-purpose loan market.

Greater diversification in retail lending products

In the face of increasingly stiffer competition in the Turkish banking industry, Vakifbank continued

to diversify its credit products in order to serve customers better and increase its own market share. The bank also began making more intensive and effective use of alternative distribution channels to support its retail lending market efforts.

New retail credit products such as the "4'lü Fantastik Kredi" and "Hazır Kredi" loans were launched that provided customers with an array of interest rate options from which to choose. Loans were provided to the bank's special customers at more favorable rates.

Retail loans for salaried personnel were made available under protocol agreements that Vakifbank has entered into with a number of public agencies and organizations and under mutual lending agreements with other banks.

The branch operational workloads involved in processing retail credit were substantially reduced by providing alternative channels through which customers could submit their loan applications. Another innovation, the "Automatic Dealership Credit System", has resulted in a 16% rise in the bank's automobile finance lending since its inauguration.

In line with its more customer-focused approach, Vakifbank provided its personal portfolio managers with specialized training on customer relationship management and customer communication issues.

To be the leader in home-ownership financing

A Home Financing Division that had been set up within the Retail Banking Department to increase Vakifbank's market share in home-finance lending and to make it the leader of that business line became operational on 13 June 2008.

Vakifbank carried out a pre-approved home finance loan campaign targeted at customers nationwide. Under this campaign, activities were conducted at real estate offices, fairs, seminars, and similar events and the bank entered into collaboration agreements with the country's leading real estate agencies.

Under these agreements, real estate agencies and offices joined the Vakifbank "Realtor Loyalty Program". In addition, bank representatives conducted briefings on the subject of mortgage at seminars organized by real estate companies and by realtors' professional organizations.



Pursuing growth in retail banking

Vakıfbank seeks to pursue growth in retail banking and to increase its market shares in all its aspects by reaching out to more and more customers. The bank has been engaged in an intense effort over the last two years to make this goal a reality. The most important investments undertaken in this direction so far have been product and service diversification and improvements in the bank's technological infrastructure.

Vakıfbank regards competent human resources and advanced technology as essential components of its ability to supply better products and services to its retail banking customers.

Vakıfbank took part in housing-sector fairs and conferences as an event sponsor and also played an active role in publicizing sector-related developments.

There was a net 20% rise in the total volume of the banking sector's lending to the home-finance market in 2008. Vakıfbank registered a 28% increase in its own lending to this segment, outperforming the sector average by eight percentage points.

Highlights from Vakıfbank's new consumer credit products in 2008...

One-Touch Mobile and Web Loans

The "One-Touch Mobile" and "One-Touch Web" credit products that Vakıfbank launched in 2008 proved to be enormously successful by greatly shortening the processes involved in responding to and finalizing its customers' loan applications.

Automatic Dealership Credit System

On 22 April 2008 Vakıfbank launched its web-based "Automatic Dealership Credit System". This too has proven to be another successful way of streamlining business and lending processes while focusing on customer satisfaction.

The Automatic Dealership Credit System made a positive contribution to the bank's market share in the auto loan segment, which went

from 2.15% at the beginning of 2008 to 2.31% at the end.

Hızır Kredi

Hızır Kredi is an installment-based general-purpose loan that Vakıfbank offers to customers at special interest rates and on special terms within the framework of its overall sales and customer-focused service approach.

Mortgage-Backed Installment-Based General-Purpose Loans

A new addition to Vakıfbank's credit product line in 2008 was a general-purpose loan that is secured by a mortgage on land.

Hızır Kredi

The scope and terms of the Vakıfbank "Hızır-7/24 Loan" introduced in 2004 were expanded last year and the product was re-launched under the name "Hızır Kredi". The new product increases the overdraft limits on customers' existing Kredili Bankomat-7/24 accounts and allows limits to be allocated for such accounts if one does not already exist.

Among the other retail credit product campaigns that were organized in 2008, mention should be made of the 4'lü Fantastik Kredi, Among the other retail credit product campaigns that were organized in 2008, mention should be made of the "4'lü Fantastik Kredi, "World Women's Day", "Police Week", "Vakıfbank Anniversary

Installment-Based General-Purpose" ("54th Year"), "Foundations Week for Foundation Personnel", "Mother's Day", "Father's Day", "Vacation", "Judges and Public Prosecutors Installment-Based General-Purpose", "Victory", "Physicians", "Traditional Holiday", "Teachers' Day", and "New Year" loan campaigns.

2009 and beyond

In the years ahead Vakıfbank will continue its never-ending efforts to provide faster and better service, to constantly improve its products, and to make innovations in modern banking available to its customers immediately.

To this end, Vakıfbank's principal goals will be to:

- Adhere to a competitive pricing policy
- Conduct campaigns to defend market share
- Expand the product line with the addition of new product
- Continue efforts to bring more and more authorized automobile dealerships into the Automatic Dealership Credit System and to shift all automobile-based lending to that system.
- Encourage use of the Bankomat-7/24 card wherever possible.
- Conduct campaigns that enhance cross-sale opportunities.
- Continue efforts to improve operational efficiencies and to speed up service and enhance its quality.

Treasury Operations

Vakifbank believes that effectiveness in treasury management is closely related to more durable and deeper customer loyalty. The bank seeks to keep the broad customer base that its extensive and effective branch network gives it access to supplied with the best possible treasury products and services.

www.vakifbank.com.tr



Committed to take you
a notch higher in Turkey...

VakifBank

During 2008 Vakifbank focused its attentions on product and service diversification in order to respond in the best way possible with solutions to customers' needs in today's rapidly changing and developing markets and in line with the bank's newly redefined and reorganized customer segmentation processes. At the same time, the bank also kept a close watch on national and international market developments and risk parameters in light of its own asset management approach shaped within the framework of the principles of prudence and profitability. In this way, the bank was able to achieve the flexibility and productivity demanded by market conditions in the management of its liquidity.

Expanded business volume in fixed-yield instruments

Last year Vakifbank completed the preliminaries required for dealing directly in Turkish lira and foreign currency government borrowing instruments. The bank began actual trading in these securities on 11 April 2008.

In line with this, the bank began playing a more active and effective role in its customers' T/Bill trading transactions as it was now in a position to quote competitive prices according to changing market conditions. As a result of this greater activity, the bank's share of the banking industry's custody market increased from 6.24% in 2007 to 10.78% in 2008. Vakifbank intends to continue its efforts to increase its market share in customers' fixed-yield instrument trading by means of competitive pricing and innovative solutions aimed at keeping pace with changing economic conditions.

Increasing effectiveness in derivatives

During 2008 Vakifbank completed organization and personnel training activities related to derivatives trading and began offering customers a complete line of derivative products designed to hedge exposure to exchange rate risks.

The demand for derivative products designed to protect against a variety of risks is likely to increase in 2009 in line with market volatilities in general and exchange rate movements in particular. With this expectation in mind, Vakifbank will continue to diversify its derivative products in keeping with its customers' needs. In order to serve customers everywhere in Turkey in the conduct of their exchange rate risk hedging transactions, the bank has formulated a professional hedging policy that is now in effect in all of its domestic branches.

It will become possible for Vakifbank customers to trade in futures and options on the Turkish Derivatives Exchange through the bank's online branch during 2009.

Vakifbank has developed a line of structured products for customers who have high yield expectations and who are willing to accept risk. These products are now being offered in line with customer preferences and with established bank policy.

Vakifbank's total deposits increased 28.61% in 2008.

One outcome of Vakifbank's proactive and competitive funds management policies is that the bank's total deposits increased 28.61% year-on-year in 2008.

Despite the increasingly greater difficulties in the banking industry last year, the bank achieved its 2008 targets thanks to assiduous efforts in the deposits market. Demand deposits were up 51.21% year-on while the rise in fixed-term deposits was 25.47%. The year-to-year rises in Vakifbank Turkish lira and foreign currency deposits were 13.47% and 81.10% respectively. The bank's total savings deposits also grew 26.78% in 2008.

The value of objective and current information

At a time when the interaction between the banking industry and events in the economic landscape is becoming increasingly stronger, Vakifbank is keeping a close watch on development taking place both in Turkey and around the world. The objective and current information that is obtained in this way is used both in the bank's decision-making mechanisms and in its customer service processes.

Both national and international macroeconomic developments are monitored and analyzed and on the basis of its findings, Vakifbank makes its best estimates about the future course of national economic indicators using econometric methods.

In 2009...

In 2009 the world economy will undergo a contraction brought on by widespread recession among its principal actors.

In this process of recession and contraction, Vakifbank's objective will be to remain a leader and front-runner in treasury management and to stand by its customers at all times.

Securitization and syndication facilities at optimal costs

As of 30 September 2008, Vakifbank's received-loan balance stood at TRY 3.6 billion and consisted of USD 2.5 billion and EUR 268 million worth of credit obligations.

Foreign Trade and Correspondent Relations

Global service competencies are among the most important advantages that Vakıfbank has to offer its customers. The network of relationships that the bank has developed give it the ability to negotiate trade dealings anywhere in the world.

Differentiating approaches in banking



With deep-rooted experience in both retail and commercial banking in Turkey and as a major contributor of added value to the national economy, Vakıfbank also ranks high in the sector as a leader in international banking activities as well.

The bank's relations with foreign banks and financial institutions are conducted by the Department of International and Investor Relations through its Office of International Relations and Correspondent Banks. In addition to negotiating foreign trade transactions through a strong network of correspondent banks located all over the world, this office also fulfills an important function by securing medium and long-term resources for Vakıfbank through the same network.

A solid reputation in international markets

Vakıfbank secured two syndicated loans in 2008, a year in which credit either had largely become unavailable in international markets on account of the global crisis or else had become hugely expensive compared with previous years.

A one-year syndicated loan in the amount of USD 700 million that the bank had received in July 2007 was renewed for another year at USD 750 million in July 2008. In December of the latter year, by which time the effects of the global credit crunch had become particularly severe, 90% (corresponding to USD 335 million) of the USD 375 million syndicated loan received the year before was also renewed.

Both renewals are clear proof of the confidence that Vakıfbank inspires in international markets.

Correspondent relationships based on mutual productivity

Vakıfbank has a worldwide network of correspondent banks that it has developed over the years based on the principles of mutual trust and collaboration. At end-2008, this correspondent network consisted of more than 500 banks, the majority of them numbering among the world's leading financial institutions.

Known as a bank which comes up with customer-focused solutions and which develops new financing products, Vakıfbank continues to build its market share in the business of foreign trade finance. Last year the bank handled significant portions of Turkey's total foreign trade: 9% of the country's imports and 6% of its exports.

The total value of Vakıfbank's foreign trade finance operations in 2008 amounted to USD 26.1 billion.

Support for foreign trade

A fundamental principle to which Vakıfbank adheres is that of supporting firms which are involved in foreign trade that contributes to the national economy. Because of this, the bank seeks to help Turkey's exporters increase their competitive strength, defend their positions in existing markets, and enter new markets.

Vakıfbank has three International Operations Centers located one each in Ankara, Istanbul, and Izmir. Through these centers the bank negotiates import/export transactions for Turkey's leading and most respected firms and it provides service in the form of issuing foreign currency letters of guarantee and redeeming and collecting foreign currency checks.

Credit Cards

Successfully blending its technological aptitude with its ability to reach and serve customers, Vakıfbank is one of the fastest growing financial institutions in the credit card business line in Turkey.

Changes in credit cards

As part of its overall, long-term change program, Vakıfbank has initiated a process of change in its credit card business line as well.

Vakıfbank's goal is to offer card-based payment solutions that are sufficiently diversified to satisfy its customers' lifestyles and requirements while also addressing all the needs of different segments with a single card. Through the strategic alliances that it has entered into with the leaders of their respective business lines, Vakıfbank manages a credit card portfolio whose product line is the most comprehensive in Turkey and which consists of:

- Vakıfbank Platinum, equipped with specialized services designed for high-income individuals
- Rail & Miles for those who prefer to travel by train
- Beşiktaş, Fenerbahçe, Galatasaray, and Trabzonspor team credit cards for sports fans
- "Öğretmenim", "Polisnom", and "Kamusen" credit cards designed to meet the needs of specific professional groups
- Vakıfbank Business, for firms that need a full-service company credit card
- Vakıfbank Classic and Vakıfbank Gold cards for customers who are not in any of the groups mentioned above.

All of the products in Vakıfbank's credit card portfolio take full advantage of the World system. At the customer's option, they can also be used to pay municipal transportation fares as well.

Continued growth in the credit card market

Within the framework of its customer-focused strategies, Vakıfbank responds to the needs of different customer groups with a rich array of products. This approach is what keeps Vakıfbank growing in all credit card segments.

In 2008:

- Credit card receivables increased 36% to TRY 761 million.
- Credit card monthly turnover increased 28% to TRY 353 million.
- The number of bank-issued program membership credit cards topped 2 million
- The average card-based expenditure increased from TRY 437 to TRY 541.

Vakıfbank will continue to increase its credit card market share and to develop even more capable payment systems through innovative projects and technology investments.

Vakıfbank credit cards join the World system

In 2008, Vakıfbank entered into a strategic alliance with Yapı Kredi Bank in the business of credit cards.

With more than 2 million credit cards in its own portfolio, the Vakıfbank-Yapı Kredi agreement represents the biggest trademark sharing venture ever undertaken in the Turkish banking industry.

Under the agreement, all of the benefits of the World system will become available to those who use Vakıfbank-issued credit cards at more than 170,000 World merchant partners. Vakıfbank cardholders of course continue to enjoy the advantages of the bank's own merchant partner program.

In 2008 Vakıfbank launched its www.vakifkart.com.tr website. Designed to promote new credit card products and services and to strengthen lines of communication between the bank and its credit card customers, www.vakifkart.com.tr also serves as a source of comprehensive information about credit card campaigns and features.

www.vakifkart.com.tr 444 0 724

Sizin neyiniz eksik?

Geyim kupa mı? Ya da keyifli bi akşam? Bekli pırasızlar için mi kurtulmak? Ya da market alışverişine vaktiniz? Bekli teknolojiyi kullanmaya hazır mısınız? Ya da sevdiğiniz yerlere gitmek için yakıt mı?

Her şey bu kartta, eksik yok hayatta!
Vakıfbank Kredi Kartı'nız yoksa, VB yazıp TC Kimlik numaranızı 5724'e gönderin.

VakıfBank
Burası Sizin Yeriniz



Vakifbank's goal is to offer diversified card-based payment solutions in which a single card is sufficient to suit the different lifestyles and needs of its customers in different segments. Through the strategic alliances that it has entered into with other leading agencies and organizations, Vakifbank manages a credit card portfolio with the broadest range of products of any in Turkey.

For those who prefer to travel by train: Rail & Miles

In line with its objective of reaching out to new customer groups by offering products that appeal to different needs and tastes, Vakifbank launched its Rail & Miles credit card in the first quarter of 2008.



Issued in collaboration with Turkish State Railways and designed for those who prefer to travel by train, Rail & Miles is a specialized credit card that earns "railway travel miles" for its users with every expenditure.

The points that cardholders earn can be used to purchase train tickets, which will even be delivered to them free of charge to their designated address. A special website containing complete information about Vakifbank's unique Rail & Miles credit card has been launched at www.railandmiles.com.

Another Vakifbank innovation: Transportation-fare cards

Vakifbank was the author of yet another first in the sector when it launched its transportation-fare credit and bank cards in Antalya last year. The cards issued under this program are specially designed to be a single card that can be used to pay fares on municipal transportation as well as for shopping, banking transactions, and making any other payments.

As the undisputed leader by virtue of its knowledge and experience and its strategic collaborations in the transportation industry, Vakifbank intends to expand the scope of the fare-card that it launched in Antalya so that it can be used in other cities around the country as well. When the system becomes fully operational, it will be possible to use the cards

not only to pay bus fares but also subway, light-rail, ferry, and seabus fares and even to pay bridge and eventually highway tolls.

Vakifbank plans to integrate its contactless (proximity) payment system into other innovative solutions such as NFC-compliant mobile phones and "smart" watches and keychains.

Sports-club credit cards renewed

In line with the overall changes being carried out in its credit cards, Vakifbank redesigned the credit cards that it issues to Beşiktaş, Fenerbahçe, Galatasaray, and Trabzonspor sports club supporter and it added new program features as well. These cards are now in use.

Fan cards are important because of the cross-sale opportunities that they create. During the year, Vakifbank organized campaigns to encourage cardholders to use their cards in specific ways.

7/24 SeyahAT at the service of customers

7/24 SeyahAT (24/7 TravelLine) is a VakıfBank added-value service designed to meet the travel and accommodation needs of its customers.

VakıfBank 7/24 SeyahAT cardholders can easily make all their travel arrangements and take advantage of a variety of special opportunities simply by calling the VakıfBank Call Center on 444 0 724.

More special campaigns for customers

VakıfBank gives particular importance to customer relationship management (CRM) campaigns aimed at meeting their needs and expectations. Organized so as to increase customer activity, loyalty, and satisfaction and to encourage card use, these campaigns are instrumental in supporting the growth in the bank's turnover.

Sales focus in all delivery channels

In 2008 VakıfBank made it possible for its customers to apply for credit cards via SMS and through the bank's website and call center. Such effective use of alternative distribution channels made a significant contribution to the total number of card applicants last year.

Card application procedures at VakıfBank branches were simplified and speeded up. A project to centralize card applications by taking application processing away from branches and automating it was completed and the system became operational in 2008. Through this new system it is now possible to serve customers better in this business line while also shortening card delivery times.

Efforts to optimize costs and to maximize quality in procedures related to bank card printing, dispatch, and delivery have largely been finalized. Work on this project will continue in 2009.

Innovative ideas in merchant partner services

As of end-2008 the number of places of business in VakıfBank's merchant partner network had reached 79,320. VakıfBank accounted for a 4.74% share of total merchant partner turnover last year and it also ranked fifth among card-accepting banks in terms of turnover secured from merchant partners.

VakıfBank strives to come up with innovative ideas and ways to further develop its merchant partner services:

- Under its alliance agreement with World, VakıfBank has begun having World system features added to its POS devices. With the

completion of this project in the first half of 2009, millions of Yapı Kredi Worldcard users will also be able to make installment purchases and to earn and spend patronage points at VakıfBank merchant partners.

- An agreement has been signed with the Ministry of Finance to set up a system that will allow motor vehicle tax and traffic and other fines to be paid using VakıfBank-issued credit cards via a "virtual POS" that will be integrated into the Department of Revenues' website.
- Software development work was completed for the POS devices that the finance ministry requires private medical practitioners to use at their offices and clinics. VakıfBank customers began using the units when the new procedures went into effect on 1 September 2008.
- The influential role that VakıfBank plays in transportation projects in cities like Antalya, İstanbul, and İzmir will be having a positive impact on the bank's merchant partners' activities as well. Another project has been launched to make it possible for the proximity cards that are used to pay fares to be accepted by the bank's merchant partners as well. The use of proximity cards as payment devices is to be broadened among existing bank merchant partners and in other places during the first half of 2009.



Sayın

VakıfBank Kredi Kartı hesap özeti için ekte bilgilerinize sunulmuştur.

Saygılarımızla...

VAKIFBANK

Hesap özeti açamıyorsanız,
Adobe Reader'i yüklemek için tıklayınız.



VakıfBank
Burası Sizin Yeriniz

Alternative Delivery Channels

Lowering the cost base is one of the most important goals of Vakıfbank's long-term change program.

This project is in line with the bank's high-priority goal of gradually shifting the operational workloads now being carried by the physical (branch) network to alternative delivery channels.

Expanding the branch network

The number of branches in the Vakıfbank network increased by 57 in 2008 and reached 523. 102 of these are satellite branches. A complete list of the new branches that went into service in 2008 is given on the inside of the back cover of this annual report..

Rapid growth in the ATM network

Vakıfbank purchased 1,000 advanced-feature ATM units in late 2007 and another 200 in early 2008. So far, 921 of these units have been installed and are now in operation. During 2008, the bank uninstalled 404 ATM units that were not EMV-compliant from the network and replaced them with new machines.

The number of ATM units equipped with "cash-in" and "coin-out" features has reached 700. Designed to be easy and convenient to use, these machines are capable of performing a wide variety of operations such as accepting credit card and utility bill payments as well as cash deposits that are immediately credited to

account. During 2008, 486 of these units were installed in branches and at other locations and they are now serving customers under the "PARABANKOMAT" trademark.

The bank installed ATM units at 41 shopping centers in 2008, bringing the total number of such locations with Vakıfbank machines to 58.

At end-2007 there were 1,953 ATMs in the Vakıfbank network. During 2008, this number increase to 2,163.

Bankomat 7/24 account

The number of Bankomat 7/24 accounts, which was 12,571,180 at end-2007, reached 14,892,428 (not all of which are active) in 2008. During the same 12-month period, total Bankomat deposits went from TRY 15,573 billion to TRY 32,140 billion.

1,310,406 of these Bankomat 7/24 accounts have been assigned automatic overdrafts. According to end-2008 figures, a total of TRY 726 million had been lent as overdrafts on which the bank earned TRY 281 million in interest. 22% of these overdraft customers were in the commercial category while the remaining 78% were retail customers.

www.vakifbank.com.tr

444 0 724



Dokunmatik: Cep

"Anında Taksitli İhtiyaç Kredisi"

Kredinize cepten başvurmak için aralarında bir boşluk bırakarak TIK, T.C. Kimlik Numaranız ve aylık gelirinizi yazın, 5724'e gönderin, kredi cevabınız 5 dakikada cebinize gelsin.

Dokunmatik
Anında Taksitli İhtiyaç Kredisi

VakıfBank
Burası Sizin Yerimiz

www.vakifbank.com.tr

444 0 724



Dokunmatik: ATM

"Anında Taksitli İhtiyaç Kredisi"

Kredinize ATM'den başvurmak için en yakın VakıfBank Bankomatı'na uğrayın, menüden Dokunmatik Kredi başvurusu yaparak kişisel bilgilerinizi girin ve kredi cevabınız 5 dakikada cebinize gelsin.

Dokunmatik
Anında Taksitli İhtiyaç Kredisi

VakıfBank
Burası Sizin Yerimiz

www.vakifbank.com.tr

444 0 724



Dokunmatik: İnternet

"Anında Taksitli İhtiyaç Kredisi"

Kredinize internette başvurmak için www.vakifbank.com.tr adresine girin, Dokunmatik Kredi başvuru butonuna tıklayın, kişisel bilgilerinizi girin ve kredi cevabınız 5 dakikada cebinize gelsin.

Dokunmatik
Anında Taksitli İhtiyaç Kredisi

VakıfBank
Burası Sizin Yerimiz

Regular payment orders

940,081 customers made use of Vakıfbank's standing payment order service in 2008. In 2007, the number was 902,864.

Prepaid Toll Cards (KGS)

Vakıfbank sells prepaid toll cards that can be used in the Prepaid Toll Card System (KGS) operated by the State Highways Department. Vakıfbank offers two different prepaid toll cards: one is sold for cash and the other is associated with a designated bank account.

The bank sold 25,867 prepaid toll cards in 2008.

Vakıfbank Call Center

The Vakıfbank Call Center is accessible on 444 0 724. The center responded to a total of 7,547,681 calls during 2008. The center processed 529,105 monetary transactions whose total value amounted to TRY 430,937,500.

Customer representatives at the Vakıfbank Call Center had a response-to-call ratio of 87%.

16% increase in internet banking customers

Both the number of customers that Vakıfbank serves online and the number and volume of the bank's online transactions are increasing every year.

The Vakıfbank Internet-7/24 Branch went into service in 2000. Since then the number of internet banking customers has reached 1,181,000. In the year to end-2008, there was a 16% rise in online branch users.

Last year 62,016,907 transactions worth a total of TRY 14,079,300,219 were conducted through the Vakıfbank Internet-7/24 Branch.

WAP banking

Vakıfbank provides 7/24 WAP (GPRS) banking service to its customers via their mobile phones. In 2008, 34,303 transactions worth a total of TRY 379,962 were conducted through this delivery channel.

Tahsilat-724

Vakıfbank's "Tahsilat-7/24" service makes it possible for customers who have Vakıfbank cards but who do not otherwise use telephone or online banking services to pay utility and similar bills via the internet. In 2008, 2,971,094 transactions worth a total of TRY 68,346,723 were conducted through this delivery channel.

Enhanced online banking security with Kart VakıfAnahtar

Taking every possible precaution to ensure the security of the assets and transactions of customers who make use of the bank's online banking services, Vakıfbank constantly seeks ways to improve its performance in this area. Having launched its VakıfAnahtar one-time password generator for online branch customers in 2006, in 2008 Vakıfbank introduced Kart VakıfAnahtar, a new and even more secure device.

ATS devices

Under an agreement with the Highways Department, Vakıfbank began selling automated toll system (ATS) devices on 8 May 2008. These

devices are designed to be attached to vehicles and are used to automatically pay tolls on highways and bridges. By the end of the year the bank had sold units to 1,676 customers.

More innovative banking products and services

Vakıfbank strives to completely satisfy all of the different financial needs that each of its customers may have. One way that the bank continues to do this is by constantly creating and offering its customers innovative products via its alternative delivery channels. The bank's goal in 2009 is to increase both the number of customers who make use of telephone and online banking and the number of their transactions through those channels.

Vakıfbank will continue to come up with and carry out new projects that will keep its technological infrastructure current, make alternative delivery channels as attractive to customers as physical branches, and allow its physical branches to devote more of their time to marketing.

**Vakıfbank delivery channel highlights** as of 31 December 2008

- 523 domestic branches
- 2,163 ATMs
- 14,892,428 Bankomat accounts
- 940,081 standing payment order customers

- Vakıfbank Call Center on 444 0 724 with:
 - 7,547,681 calls
 - 529,105 money transactions
- Vakıfbank 7/24 Online Branch with:
 - 62,016,907 transactions.

Vakıfbank invests constantly in service channels such as ATM, internet, and telephone banking in order to provide the customers that it attracts through its physical branches with more effective and even better-quality service through its non-branch channels.

Investment Banking

Vakifbank is an active player in money and capital markets. Business strategies aimed at making the best possible use of customers' assets and a superior aptitude for developing customer-tailored solutions and for using technology have made Vakifbank a business partner that individual and corporate customers alike prefer to work with in money and capital markets.



The vital importance of competitive strength today

With such fast-paced and crucially important developments taking place in today's capital markets, it is more vital than ever to have the competitive strength that is needed to deal with developments and innovations as they emerge. In such an environment, Vakifbank seeks to enable its customers to make the best possible use of their financial resources by offering them the alternative investment vehicles that it has in its portfolio while also increasing its own market share of capital market transactions by acting as a broker for firms.

A successful investment and securities brokerage services provider

Vakifbank is successful and highly experienced in the business of securities brokerage products and services. Acting as a trading broker for customers in many different segments, the bank also plays a leading role in developing new and more diversified products and services in line with needs.

Vakifbank securities brokerage services are provided by all its branches as well as through its investments unit, online branch, and call center.

Vakifbank acts as both an agent and a broker in public offerings and in stock trading on the Istanbul Stock Exchange.

In the business of corporate finance...

Both developments in the national economy and innovations in technology have been causing important supply-side changes in capital markets. Companies with growth potential are moving rapidly in the direction of tapping capital markets for the financing that they need.

In the public offerings that take place in line with this trend, Vakifbank accepts offers and handles sales through all of its branches and its investments unit as well as through its telephone, online, and WAP banking channels.

Ten mutual funds

As one of the first institutions to introduce mutual funds as broad-based investment vehicles to the Turkish market, Vakifbank is highly experienced in the areas of mutual fund risk and portfolio management. The bank has four "type A" (equity) and six "type B" (money-market) funds.

Shares in the bank's mutual funds can be freely traded without quantity restrictions through all of the bank's branches as well as through its

alternative delivery channels (online branch, call center, and ATM network). Managed to achieve the greatest possible yields in line with customers' needs, Vakifbank's mutual funds account for about a 5% share of the current market.



An active member of the Istanbul Gold Exchange

Gold, which has been attracting increasingly greater investor attention in recent years, is also regarded as one of the soundest investment vehicles in Turkey. As an active market player, Vakifbank is also a member of the Istanbul Gold Exchange, which was set up to provide a safe, convenient, reliable, and transparent platform for trading both in precious metals and in instruments backed by precious metals.

Vakifbank issues 2, 5, 10, 50, and 100 gram bars (in 995 and 999 purities) as well as one-ounce "GAP", "Sinan", and "Osmanlı" commemorative coins. These are available to investors at all Vakifbank branches and through its investments unit.

In its ongoing efforts to diversify and enrich its offerings of investment vehicles, Vakifbank also engages in daily trading in registered gold in addition to its own-issue gold bars and coins on the Istanbul Gold Exchange.

0.995-pure iAB1-code gold bars are purchased on the Istanbul Gold Exchange, where they are also held in Vakifbank's name. The bank's sales of iAB1 registered gold bars are made to customers from this pool.

Registration of investment securities

As a qualified trading and issuing member of the Central Registry Agency, Vakifbank is authorized to process the registration of capital market vehicles. With the introduction of legally required registration, all ten of Vakifbank's mutual funds were immediately registered. As

Communication and Media Relations

For Vakıfbank, change and development are an ongoing, dynamic, and never-ending process that must constantly be renewed to keep it current and relevant.

of end-2008, 95% of the bank's investment accounts had been duly registered and the work of registering the remaining ones is nearing completion.

Vakıfbank's actions are guided by its awareness that products, services, and technologies must all be continuously renewed in light of current needs in order to keep pace with the requirements of individuals in today's constantly and rapidly changing world. The restructuring process that Vakıfbank launched in 2005 in all of the focus units that make up the bank such as products, services, technology, and human resources was accentuated with a renewed corporate identity in 2008.

Taking its corporate service model as its basis, Vakıfbank's goal is to achieve a customer and marketing-focused corporate structure with the completion of this transformation process.

In the restructuring process that has been going on for three years now, Vakıfbank has shed its former stodginess and become a much more dynamic institution. The total cost of this restructuring, which is planned to take six years in all, is estimated at USD 155 million. To date USD 15 million has been spent on corporate identity activities in the conduct of the bank's restructuring process.

Vakıfbank's new corporate identity reflects the bank's new dynamism and its commitment to continuous change.

The revamped infrastructure and corporate identity that highlights Vakıfbank's new dynamic face are supported by successful advertising campaigns. An image film in which the bank's new corporate identity was launched and an advertising spot about the Vakıfbank-World Card alliance both attracted enormous attention when they were broadcast.

The "Vakıfbank: This is where you belong" themed campaign publicized the bank's retail and commercial products and services in all applicable media including TV, newspapers, magazines, radio, cinemas, websites, and outdoor. Press conferences, press statements, and interviews were all employed to draw widespread public attention to Vakıfbank and to its products and services. In the conduct of this campaign, a strong association was made between the habits and preferences of the Turkish people and Vakıfbank's approach to banking with particular emphasis being put on people as the reason for Vakıfbank's existence.

Social responsibility attitudes that support modern banking approaches

Vakıfbank ranks first among the top ten institutions in the Turkish banking industry in terms of average loans and deposits per branch and per employee. As a consequence of the waqf (foundation) concept underlying its guiding philosophy, Vakıfbank completely fulfills all the requirements of modern banking by investing not just in economic ventures but also in socially beneficial activities as well.

In addition to the support that it provides directly to sports and athletes and, through mutual assistance and solidarity associations, to undertakings that will assist the financial and technological development of our country, Vakıfbank also acts as a sponsor of cultural, artistic, and educational activities. Under the heading of its social responsibility and sponsorship activities in 2008, the bank acted as a sponsor for 36 artistic, educational, and socioeconomic symposiums and congresses. During the year, the bank also took part in six professional fairs: three in agriculture, one in information technology, and two in real estate.



Subsidiaries

Subsidiaries and that create added value for the national economy

In addition to modern banking services, Vakıfbank also makes an ongoing contribution to the national economy through subsidiaries and minority stakes in different sectors.

As of end-2008 Vakıfbank had 25 subsidiaries and minority stakes in its portfolio. Sixteen of them are involved in financial services (four in banking, two in insurance, and 10 in other business lines) and nine are involved in non-financial sectors (one in energy, three in tourism, two in manufacturing, and 3 in other business lines).

The Vakıfbank Financial Services Group

Vakıfbank International AG

Vakıfbank International AG was set up in 1999 to increase Vakıfbank's international operations in line with its policy of expanding abroad. Vakıfbank controls a 90% stake in Vakıfbank International, whose capitalization amounts to EUR 20 million.

World Vakıf Offshore Banking Ltd

World Vakıf Offshore Banking Ltd was set up in 1993 to develop international economic relations in line with the increasing internationalization of the Turkish economy and to engage in offshore banking. Vakıfbank controls an 82% stake in World Vakıf Offshore Banking Ltd, whose capitalization amounts to USD 500,000.

Kıbrıs Vakıflar Bankası Ltd

Kıbrıs Vakıflar Bankası Ltd was set up to encourage the use of Visa and MasterCard/Eurocard credit cards issued by Vakıfbank and to increase foreign currency earnings. Vakıfbank controls a 15% stake in Kıbrıs Vakıflar Bankası Ltd, whose capitalization amounts to TRY 20 million.

Türkiye Sınai Kalkınma Bankası AŞ

Türkiye Sınai Kalkınma Bankası AŞ is an industrial development bank founded in 1950. Vakıfbank owns an 8.38% stake in the bank's capital, which amounts to TRY 500 million.

Güneş Sigorta AŞ

Güneş Sigorta is a general (non-life) insurer originally set up in 1957 with Vakıfbank's involvement. Vakıfbank controls a 36.35% stake in the company, whose capitalization amounts to TRY 150 million. Güneş Sigorta AŞ was the first insurance company in Turkey to be awarded TS-EN ISO 9002 Quality Management System certification.

Vakıf Emeklilik AŞ

Vakıf Emeklilik AŞ was set up in 1991 as a life insurer. The company was licensed to sell private pensions on 1 August 2003 pursuant to the private pension system law (Statute 4632) and it received its license to establish private pension funds a few days later on September 5th. Vakıfbank controls a 53.90% stake in Vakıf Emeklilik AŞ, whose capitalization amounts to TRY 26.5 million.

Vakıf Finansal Kiralama AŞ

Vakıf Finansal Kiralama AŞ is a leasing company that numbered among the top 100 leasing companies in Europe when it was originally founded in 1988. Vakıfbank controls a 58.71% stake in Vakıf Finansal Kiralama AŞ, whose capitalization amounts to TRY 20 million.

Vakıf Deniz Finansal Kiralama AŞ

Vakıf Deniz Finansal Kiralama AŞ is a leasing company that was set up in 1993 under Vakıfbank's leadership to acquire and lease cargo ships such as dry bulk carriers and RO-RO vessels. Vakıfbank controls a 68.55% stake in Vakıf Deniz Finansal Kiralama, whose capitalization amounts to TRY 24.9 million.

Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ

Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ is an investment trust originally set up in 1991 as a publicly-held company to make it possible for small and individual investors to put their savings to work in the stock exchange. The company's portfolio is managed by professionals who keep a close watch on money and stock markets and generate portfolio profits by trading in investment securities. Vakıfbank controls an 11.75% stake in Vakıf Menkul Kıymetler, whose capitalization amounts to TRY 7.5 million.

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ was the first real estate investment trust in Turkey. Founded under the leadership of Vakıfbank with an issued capital of TRY 250 thousand, the company owns and manages a portfolio of real estate properties and capital market vehicles based on such properties, making changes in the portfolio from time to time as circumstances warrant. Vakıfbank controls a 27.63% stake in Vakıf Gayrimenkul, whose capitalization amounts to TRY 19.3 million.

Vakıf Finans Factoring Hizmetleri AŞ

Vakıf Finans Factoring Hizmetleri AŞ is a factoring company that was set up in 1998 to provide domestic and international trade factoring services. Vakıfbank controls a 78.39% stake in Vakıf Finans Factoring Hizmetleri, whose capitalization amounts to TRY 22.4 million.

Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ

Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ is a venture capital investment company set up under Vakıfbank's leadership to provide financing support to entrepreneurs, foster the growth and development of technology in Turkey, and make loans to small to medium-sized enterprises. Vakıfbank controls a 31% stake in Vakıf Girişim Sermayesi, whose capitalization amounts to TRY 900,000.

Vakıf Yatırım Menkul Değerler AŞ

Vakıf Yatırım Menkul Değerler AŞ is a brokerage house set up under the leadership of Vakıfbank to engage in capital market activities pursuant to Capital Markets Board governing resolutions dated 15 August 1996. The company was originally founded with the name Vakıf Yatırım AŞ (Vakıf Investment Inc), which was changed to Vakıf Yatırım Menkul Değerler AŞ (Vakıf Securities Inc) in 1998. Vakıfbank controls a 99% stake in Vakıf Yatırım Menkul Değerler, whose capitalization amounts to TRY 35 million.

In addition to brokerage services, Vakıf Yatırım Menkul Değerler also engages in such activities as investment securities repo contract trading, investment advisory, and portfolio management and operation.

Vakıf Portföy Yönetimi AŞ

Vakıf Portföy Yönetimi AŞ is a portfolio/asset management company set up to manage customer portfolios consisting of capital market vehicles under a portfolio management agreement as stipulated in capital markets laws and regulations and also to provide investment advisory and capital market trading services. Vakıfbank controls a 99.99% stake in Vakıf Portföy Yönetimi, whose capitalization amounts to TRY 1.5 million.

Vakıfbank Non-Financial Services Group**Taksim Otelcilik AŞ**

Taksim Otelcilik AŞ was set up in 1966 to build, operate, and manage touristic hotels, motels, and similar facilities capable of increasing Turkey's tourist industry potential. Vakıfbank controls a 51% stake in Taksim Otelcilik, whose capitalization amounts to TRY 97.2 million.

Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret Sanayi AŞ

Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret Sanayi AŞ was set up in 1989 under the leadership of Vakıfbank 1989. The company sells and services office equipment and sells printing, stationery, and computer expendables in addition to providing software, security, and cleaning services. It makes sales to customers outside the Vakıfbank group as well. Vakıfbank controls a 73% stake in Vakıf Sistem, whose capitalization amounts to TRY 3 million.

Vakıf Gayrimenkul Değerleme AŞ

Vakıf Gayrimenkul Değerleme AŞ is a real estate assessor that provides appraisal and valuation services especially for real estate investment trusts set up as a result of changes in the Capital Markets Law. In addition to Vakıfbank, the company's client portfolio includes many of Turkey's leading banks, leasing companies, and private-sector concerns. Vakıfbank controls a 54.29% stake in Vakıf Gayrimenkul Değerleme, whose capitalization amounts to TRY 3.5 million.

Vakıf Enerji ve Madencilik AŞ

Vakıf Enerji ve Madencilik AŞ is an energy and mining company set up under the leadership of Vakıfbank to establish electrical and heat energy generation facilities, to produce electrical and heat energy by means of such facilities, and to sell the electrical and heat energy that it produces, all within the framework of current laws, regulations, and administrative provisions. Vakıfbank controls a 65.50% stake in Vakıf Enerji ve Madencilik, whose capitalization amounts to TRY 85 million.

Roketsan Roket Sanayii ve Ticaret AŞ

Roketsan Roket Sanayii ve Ticaret AŞ engages in the production, manufacturing, and sale of rocket fuel and of missiles, rockets, and rocket launchers, including their engines. Vakıfbank controls a 10% stake in Roketsan, whose capitalization amounts to TRY 146 million.

Vakıfbank Board of Directors and Statutory Auditors



From left to right: Faruk Erođlu, Erkan Topal, Mehmet ekinmez, Hasan zer, Ragıp Dođu, Yusuf Beyazıt, Bilal Karaman, Serdar Tunbilek, Sabahattin Birdal, Cem Demirađ, Ahmet Tanyola

Board of Directors

Yusuf BEYAZIT Chairman

Yusuf Beyazıt began serving as a member and the deputy chairman of Vakıfbank's board of directors on 21 March 2003. He was elected to the position of chairman on 30 April 2004. Mr Beyazıt currently holds the position of director-general of the General Directorate of Foundations. A graduate of Ankara University (Faculty of Law), Yusuf Beyazıt holds a master's degree in public administration from the Public Administration Institute for Turkey & the Middle East.

Ragıp DOĐU Deputy Chairman

Ragıp Dođu began his career at Pamukbank in 1971 and in the years that followed he rose to the position of regional manager at the same bank. Mr Dođu has been a member of the Vakıfbank Board of Directors since 6 April 2005 and he was elected the board's deputy chairman on 31 March 2006. Ragıp Dođu is a graduate of Ankara University (Academy of Economic and Commercial Sciences). In addition to his position as deputy chairman, he is also a full member of the Vakıfbank Credit Committee.

Bilal KARAMAN CEO & Managing Director

Bilal Karaman began his career at Vakıfbank in 1977 and has held a number of different positions at the bank. Mr Karaman served as a member of the bank's board from 30 April 2004 to 22 June 2005 before being appointed general manager and chief executive officer as of the latter date. Bilal Karaman is a graduate of Marmara University (Faculty of Economic and Administrative Sciences).

Sabahattin BİRDAL*
Board Member

Sabahattin Birdal began his career at Vakıfbank in 1977 as an assistant bank inspector and has served in a variety of capacities with different branches and units of the bank. Mr Birdal served as a manager at Faisal Finans Kurumu, a manager and general manager at Kuveyt Türk Evkaf Finans Kurumu, and deputy mayor of Üsküdar municipality. He has been a member of the Vakıfbank Board of Directors since 21 March 2008 and is also a member of the bank's Audit Committee. Sabahattin Birdal is a graduate of Istanbul University (Faculty of Economics, Department of Business Administration and Finance).

Hasan ÖZER
Board Member

Hasan Özer began his career at Vakıfbank 1984 as an assistant bank inspector and served in a variety of positions at the bank until his retirement in 1999. Mr Özer was appointed to a seat on the Vakıfbank Board of Directors on 7 February 2003 and is a member of the Vakıfbank Corporate Governance and Appointments Committee. Hasan Özer is a graduate of the Ankara Academy of Economic and Commercial Sciences (School of Banking and Insurance, Department of Banking).

Serdar TUNÇBİLEK
Independent Board Member

Serdar Tunçbilek began his career in 1985 at T. Emlak Bankası as an assistant bank inspector and served in a number of positions at the same bank. Mr Tunçbilek has been undertaking duties at the Banking Regulation and Supervision Agency and at the Savings Deposit Insurance Fund since 2001. He was appointed to a seat on the Vakıfbank Board of Directors on 24 July 2007 and is an ex officio member of the Vakıfbank Credit Committee. Serdar Tunçbilek is a graduate of Ankara University (Faculty of Political Sciences, Department of Economics).

Cem DEMİRAG
Independent Board Member

Cem Demirağ became a member of the Vakıfbank Board of Directors on 4 April 2005 having previously served in senior management positions at Garanti Bankası AŞ, EGS Bank AŞ, Denizbank AŞ, and Halk Bankası AŞ and, from January 2004 to April 2005, as chief adviser to the Banking Regulation and Supervision Agency. In addition to being an independent auditor, Mr Demirağ is also on the bank's Audit Committee. Cem Demirağ is a graduate of Middle East Technical University (Faculty of Economic and Administrative Sciences, Department of Public Administration).

Mehmet ÇEKİNMEZ
Board Member

Mehmet Çekinmez began his career in 1976 as a bank examiner and subsequently served in a variety of positions that include vice president of the Board of Bank Examiners and head of that board's Department of Banking, as assistant chairman of the Capital Markets Board, and as a member or chairman of the boards of other agencies and organizations. Mr Çekinmez joined the Vakıfbank Board of Directors on 24.07.2007. Mehmet Çekinmez is a graduate of Ankara University (Faculty of Political Sciences, Department of Economics and Public Finance).

Erkan TOPAL
Board Member

Erkan Topal has been a member of the Vakıfbank Board of Directors since 4 April 2006 and currently serves on the Vakıfbank Corporate Governance and Appointments Committee. He is also a member of the faculty of the Department of Industrial Engineering at Fatih University and is a consultant for the Ministry of Health's Public & Private Partnership Program. Prior to joining Vakıfbank, he held general manager and boardmember positions for many companies in Turkey and abroad. Erkan Topal is a graduate of Erciyes University (Faculty of Economic and Administrative Sciences) and holds a doctorate in industrial engineering from USA R.P.I.

* Sabahattin Birdal replaced previous director Selahattin Toraman, whose term of office expired on 21 March 2008, pursuant to a resolution authorizing Mr Birdal's appointment passed by the 54th general assembly of shareholders held on the same date. Mr Birdal was sworn in and took office effective 26 March 2008.

Statutory Auditors

Ahmet TANYOLAÇ

Ahmet Tanyolaç is currently assistant director-general of the General Directorate of Foundations, a position that he has held since 12 June 2000, having previously served in various capacities at the same agency since 1989. Before that, Mr Tanyolaç worked as a self-employed architect and held public office as a deputy mayor. Ahmet Tanyolaç has been a statutory auditor of Vakıfbank since 21 March 2003.

Faruk EROĞLU

Faruk Eroğlu served as an auditor at Vakıfbank from 10 March 1998 to 5 September 2000 having previously worked as a self-employed accountant and served as chief auditor for the Government Accounting Office and chief financial officer of Yem Sanayi TAŞ. Mr Eroğlu is licensed both as a "sworn fiscal consultant" and as an "independent auditor". Faruk Eroğlu has been a statutory auditor of Vakıfbank since 21 March 2003.

Senior Management and Internal Systems Heads



From left to right...(Seated) M. Kürşad Demirkol, Doğan Pençe, Bilal Karaman, Birgül Denli, Metin R. Zafer
(Standing) Feyzi Özcan, Mehmet Cantekin, Tanju Yüksel, Ömer Elmas, İhsan Çakır, Şahin Uğur

Senior Management

Bilal KARAMAN CEO & Managing Director

Please see page 44 for Mr Karaman's biography.

Tanju YÜKSEL Assistant General Manager

International and Investor Relations

Tanju Yüksel began his career in banking as an internal auditor at the Ankara branch of Citibank NA in April 1984. Serving in a variety of capacities at the same bank, he rose to the position of deputy assistant general manager in the Citibank Turkish Financial Institutions Marketing Department. Mr Yüksel was appointed an assistant general manager at VakıfBank on 1 May 2000. Tanju Yüksel is a graduate of Middle East Technical University (Faculty of Administrative Sciences, Department of Business Administration) and speaks English in addition to Turkish.

Şahin UĞUR Assistant General Manager

Support Services

Şahin Uğur began his career at VakıfBank as a trainee foreign exchange clerk. After serving in a variety of capacities at the bank, Mr Uğur was appointed an assistant general manager in 2004. Şahin Uğur is a graduate of Erzurum Ankara University (Faculty of Business, Department of Business Administration) and speaks Arabic and English in addition to Turkish.

Feyzi ÖZCAN Assistant General Manager

Retail Loans, Retail Banking, Delivery Channels, Bank Employee Pension and Health Assistance Fund, Regional Departments

Feyzi Özcan joined VakıfBank in 1989 as an assistant bank inspector and served in a variety of positions in various bank branches and units before being appointed an assistant general manager in 2005. Mr Özcan is a graduate of Gazi University (Faculty of Economic and Administrative Sciences) and speaks English in addition to Turkish.

Doğan PENÇE Assistant General Manager

Commercial Loans & Credit Enquiry

Doğan Pençe joined VakıfBank in 1991 as an assistant bank inspector and served in various bank branch and department head positions before being appointed an assistant general manager in 2006. Mr Pençe was head of the commercial loans department before being appointed an assistant general manager. Doğan Pençe is a graduate of Istanbul University (Faculty of Political Sciences, Department of Public Administration).

Metin R. ZAFER Assistant General Manager

General Accounting & Financial Affairs, Planning & Performance, Human Resources, Investment Banking, Subsidiaries & Affiliates

Metin Recep Zafer joined VakıfBank on 13 June 2006 as an assistant general manager having served in a variety of capacities for many other banks, most recently head of the Department of Financial Management of T.C. Ziraat Bankası (Region III Office). A graduate of Marmara University (Faculty of Economic and Administrative Sciences, Department of Economics), he holds a doctorate in banking and

insurance from Marmara University. Dr Zafer speaks English in addition to Turkish.

Birgöl DENLİ
Assistant General Manager

Treasury

Birgöl Denli joined Vakıfbank in November 2003 as head of the Department of Correspondent Banking and International Finance at Vakıfbank International AG in Vienna and was appointed a Vakıfbank assistant general manager on 3 July 2006. Having served in various capacities in many banks and companies both in Turkey and abroad, Ms Denli most recently held a seat on the board of directors of Vakıfbank International AG / Vienna. Birgöl Denli is a graduate of Middle East Technical University (Department of Statistics), holds a master's degree in financial markets and derivatives from London Metropolitan University, and speaks English in addition to Turkish.

Mehmet Kürşad DEMİRKOL
Assistant General Manager

Software Development, Treasury & International Operations, Banking Operations, Electronic Business Intelligence System Support & Business Analysis, Alternative Delivery Channel Operations

Mehmet Kürşad Demirkol joined Vakıfbank in July 2007 as head of the bank's EBIS unit and was appointed an assistant general manager on 30 November 2007. He had previously served in various capacities in many banks and companies both in Turkey and abroad. Mr Demirkol is a graduate of Bilkent University (Department of Electrical and Electronic Engineering). He holds a master's degree and doctorate in electrical engineering and a doctorate in operations research from Stanford University. Dr Demirkol speaks English and German in addition to Turkish.

İhsan ÇAKIR
Assistant General Manager

Commercial Banking, Corporate Banking, Corporate Salary Payments, Corporate Centers, Cash Management, Communications and Media Relations

İhsan Çakır joined Vakıfbank as an assistant general manager on 30 November 2007 having previously served in various positions at Garanti Bankası and its subsidiaries. Mr Çakır is a graduate of Anadolu University (Faculty of Economic and Administrative Sciences, Department of Business Administration) and holds a master's degree from Istanbul University (Faculty of Business Administration). İhsan Çakır speaks English in addition to Turkish.

Mehmet CANTEKİN
Assistant General Manager

Follow-up Affairs

Mehmet Cantekin joined Vakıfbank as an assistant general manager on 27 December 2007, having previously served in a number of banks and public agencies, most recently that of department head at the Banking Regulation and Supervision Agency. A graduate of Ankara University (Faculty of Political Sciences, Department of Public Finance), Mr Cantekin holds a master's degree in accounting from Illinois University. Mehmet Cantekin speaks English and French in addition to Turkish.

Ömer ELMAS
Assistant General Manager

Legal Affairs

Ömer Elmas is a graduate of Istanbul University (Faculty of Law), holds a master's degree in private law, and is currently working on a doctorate in the same field. He is a practicing attorney, served as a legal coordinator during the liquidation of T. Emlak Bankası, and has undertaken management positions in many companies. While chief legal adviser for T.C. Ziraat Bankası he joined Vakıfbank in 2006 as the bank's chief legal adviser. He was appointed assistant general manager responsible for legal affairs on 5 January 2009. Ömer Elmas speaks English and French in addition to Turkish.

* Under a resolution passed at a meeting of the Vakıfbank Board of Directors on 3 April 2008, Atif Meydan's resignation from his position as assistant general manager was accepted and he was reappointed to be an assistant general manager at the bank's subsidiary, Vakıf Yatırım Menkul Değerler AŞ.

** Under a resolution passed at a meeting of the Vakıfbank Board of Directors on 21 August 2008, Aydın Deliktaşlı's resignation from his position as assistant general manager responsible for human resources and support services was accepted due to his retirement and departure from the company.

Internal System Heads

Yakup ŞİMŞEK
Head of Audit Board

Yakup Şimşek began his career on the Vakıfbank Audit Board on 16 December 1996 as an assistant bank inspector. After serving in a number of the bank's branches and units, Mr Şimşek was appointed head of the Audit Board on 6 March 2008. Yakup Şimşek is a graduate of Ankara University (Faculty of Political Sciences, Department of Business Administration).

Ramazan SIRYOL
Head of Internal Control

Ramazan Sıryol began his career as an assistant bank inspector on the Vakıfbank Board of Inspectors on 13 September 1993. Mr Sıryol served in management positions in a number of the bank's branches and was appointed head of the Internal Control Unit on 10 January 2008. Ramazan Sıryol is a graduate of Istanbul University (Faculty of Economics, Department of Public Finance).

Zeki SÖZEN
Head of Risk Management

Zeki Sözen began his career as a programmer at the Department of Electronic Business Intelligence Systems on 9 September 1987. Having served as senior programmer, assistant manager, manager, and head in a number of that department's units, Mr Sözen was appointed head of Risk Management on 7 August 2008. Zeki Sözen is a graduate of Middle East Technical University (Department of Computer Engineering) and holds a master's degree in the same discipline from the METU Institute of Sciences.

* Under a resolution passed at a meeting of the Vakıfbank Board of Directors on 6 March 2008, Mehmet Turgut Dedeoğlu's resignation from his position as head of the Board of Inspectors was accepted and he was reappointed to a position at the bank's subsidiary, Vakıf Finans Faktoring Hizmetleri AŞ.

** Under a resolution passed at a meeting of the Vakıfbank Board of Directors on 16 October 2008, Hülya Fidanboy's resignation from her position as head of the Risk Management Unit was accepted due to her retirement and departure from the company.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Committees

Audit Committee

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

The Audit Committee has assumed the following tasks and duties:

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

Credit Committee

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

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

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

Corporate Governance and Nominating Committee

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

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

- To monitor the degree of compliance with the corporate governance principles in the Bank and to determine the reasons in case of non-compliance, to determine the negative impacts resulting from incomplete application of such principles and to recommend the corrective actions to be taken in respect thereof;
- To determine the methods that will provide transparency in the election of the candidates for the membership in the Board of Directors that will be recommended to the Board of Directors;
- To perform the related works and develop recommendations about the number of executives in the top management levels;
- To develop and follow the implementation of the recommendations about the principles and applications in respect of performance evaluation and rewarding of members of the Board of Directors and the executives;
- To submit recommendations to the Board of Directors about the persons to be assigned to top management levels including the Assistant General Manager of the Bank or the equivalent competent authorities;
- To investigate the independency of the members of the Board of Directors and to reveal, if any, the conflicts of interest among them;

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Committees

- To make evaluations and recommendations about the structure and functioning of the committees reporting to the Board of Directors;
- To prepare the Corporate Governance Principles Compliance Report for the arrangement of annual report;
- To give detailed information about the activities of the Corporate Governance and Nominating Committee within the scope of the Board of Auditors' Annual Report.

Asset and Liability Management Committee

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

ATTENDANCE TO THE MEETINGS

Board of Directors: It generally convenes in every 15 days and more frequently in case of emergencies. The Board of Directors convened for 35 meetings in total and took 1292 resolutions in 2008.

Audit Committee: It generally convenes once in a month time specified by General Manager depending on the emergency and the number of topics on the agenda. The Audit Committee convened for 16 meetings and took 31 resolutions within 2008.

Credit Committee: It generally convenes in every 15 days and more frequently in case of emergencies. It convened for 48 meetings and took 129 resolutions throughout the year of 2008.

Asset and Liability Management Committee: It convened for weekly 49 meetings throughout the year of 2008.

Corporate Governance and Nominating Committee: It convenes at the times specified by the Chairman of the Committee at least biannually providing not to exceed quarterly or biannual periods.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Human Resources Applications

Improvement-oriented activities were carried out in relation with the employment, promotion, performance appraisal, career planning and training processes knowing that human resources play a significant role in the achievement of targets that we have determined and succeeding in the growth strategy adopted and the restructuring project continued by our Bank in 2008.

The number of branches that was 466 in the beginning of 2008 including the satellite branches reached to 523 at the end of 2008. 1.283 personnel in total were employed due to the personnel requirement resulting from the newly-established units and newly-opened branches in 2008; and 416 people in total quit their employments due to retirement, resignation or other reasons. The number of personnel that was 8.700 by the date of 31st.12.2007 increased by 9,96% and reached to 9.567.

In the employment of new personnel, our Bank accepted the applications of the candidates having bachelor's or master degree from reputable universities of Turkey. The bank took care in selecting candidates who have master degrees, foreign languages and self-educated drives.

First time in Vakıfbank history, it was decided to employ management trainees (MT) in 2008 to train for future management positions and have much needed qualified human resource. Graduates of Economics and Administrative Sciences Faculties as well as graduates of Engineering and Statistics and Mathematics Departments at Science-Literature Faculties were allowed to take the exam. The candidates were tested on General Knowledge, General Aptitude and English and had three-stage interviews including one in English. The candidates started to work as Commercial Portfolio Manager after having attended an 8-week training session taught by internal and external instructors.

While the ratio of the personnel that are graduates of higher schools to all of the personnel was 65% in 2007, this rate increased to 70% by the end of 2008.

Our Bank became a sponsor of the Career Fair and built a stand of our Bank in the fair organized by METU with the participation of the best companies of Turkey in their fields aiming to enable the students to learn their career opportunities; and thus, career opportunities in our Bank were explained to the students participating in the fair.

After the promotion trainings and exams in 2007; of those having succeeded, 412 supervisors were promoted to assistant manager, 187 office chiefs to supervisor, 225 assistant office chiefs to office chief and 220 officers to assistant office chief.

943 personnel included within the professional officials group and meeting the required term of office, performance and other conditions for promotion were recruited within a promotion training in 2008; and those who succeeded in such training were subjected to promotion examination on the date of 23th.11.2008 and will be promoted in 2009.

The trainings determined in accordance with the training need analyses performed by the Directorate of Education were organized in a proper manner to meet the requests of all our personnel. 6.520 personnel in total participated in such trainings in 2008. The number of participants in the trainings was determined as 19.290 since some of them participated in several training at the same time. Of the 1.025 trainings organized in 235 different fields in total, 768 trainings were provided as in-house development training within the Bank, 256 trainings were received from external non-Bank institutions and one of them was given as e-learning.

Furthermore, the automation of the trainings and e-Learning Project were implemented in 2008.

In order to meet personnel requirement resulting from current units, units and branches newly opened and established within the scope of the restructuring project; assistant financial analysts, assistant specialists and trainee officers with good KPSS scores were employed and recruitment will be continued in 2009 applying same criteria.

Those who fulfilled or will have fulfilled necessary term of office for the retirement by 2009 will be evaluated with respect to their performance and decision for their employment will be given accordingly.

The trainings determined by Directorate of Education in accordance with personnel needs will be implemented and great emphasis will be given to e-learning.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Persons and Institutions from Which Support Services are Received

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

For POS operation;

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

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

- SECURVERDİ GÜVENLİK HİZMETLERİ A.Ş.
- GROUP 4 SECURICOR GÜVENLİK HİZMETLERİ A.Ş.
- ERK ARMORED GÜVENLİK HİZMETLERİ A.Ş.

For check book printing;

- MTM HOLOGRAFI GÜVENLİKLİ BASIM VE BİLİŞİM TEK. SAN. VE TİC. A.Ş.

For providing IT software services

- INTERNET BİLGİ İŞLEM PROGRAMLAMA TASARIM LTD.ŞTİ.
- ERETİM BİLGİSAYAR HİZMETLERİ VE DANIŞMANLIK LTD. ŞTİ
- BİZNET BİLİŞİM SİSTEMLERİ VE DANIŞMANLIK SAN. TİC. A.Ş.
- GLOBAL BİLİŞİM YAZ. DAN.TİC.LTD.ŞTİ.
- ORTADOĞU YAZILIM HİZMETLERİ A.Ş.
- SPSS YAZILIM EĞİTİM DANIŞMANLIK TİC. LTD. ŞTİ.
- BİLGE ADAM BİLGİSAYAR VE EĞİTİM HİZMETLERİ SAN. TİC. LTD. ŞTİ.
- IBM TURK LTD. ŞTİ
- NCR BİLİŞİM SİSTEMLERİ LTD. ŞTİ.
- SYBASE YAZILIM ÜRÜNLERİ VE BİLİŞİM HİZMETLERİ LTD.ŞTİ.
- SOTHIS YAZILIM DANIŞMANLIK VE TİC. LTD. ŞTİ.
- INNOVA BİLİŞİM ÇÖZÜMLERİ A.Ş.
- ORACLE BİLGİSAYAR SİSTEMLERİ LTD. ŞTİ.
- INFOTECH BİLİŞİM VE İLETİŞİM TEKNOLOJİLERİ
- NETLAB ULUSLARARASI BİLGİ İŞLEM VE HABER. HİZ. SAN. TİC. A.Ş.
- ETCBASE YAZILIM VE BİLİŞİM TEKNOLOJİLERİ
- 4s BİLGİSAYAR İTH. İHR. YAZ. DAN. LTD. ŞTİ.
- ITD İLETİŞİM TEKNOLOJİ DANIŞMANLIK TİCARET A.Ş.
- V.R.P. VERİ RAPORLAMA PROGRAMLAMA BİLİŞİM YAZILIM VE DANIŞ. HİZM. TİC. A.Ş.
- VEGA BİLGİSAYAR HİZMETLERİ LTD. ŞTİ.

For credit card, check booking, statement printing and electronic distribution of statements

- PROVUS BİLİŞİM HİZMETLERİ A.Ş.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Risk Group in Which Our Bank is Included and the Related Transactions

The details and the related descriptions about the risk group in which our Bank is included and the related transactions performed within the year of 2008 have been presented in the footnote no. VII in the Fifth Section under the footnotes to the financial statements provided within the scope of the annual report.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Corporate Governance Principles Compliance Report

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

Upon the resolution of our Bank's Board of Directors dated 21.08.2008 and numbered 77698, the Corporate Governance and Nominating Committee was established and the Independent Member, Erkan TOPAL and Hasan ÖZER were elected as the members of Corporate Governance and Nominating Committee. Erkan TOPAL is the chairman of this committee since he is the Independent Member.

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

I-SHAREHOLDERS

Shareholders Relations Department

VakıfBank applies Corporate Governance Principles published by Capital Markets Board and of which detailed explanations are presented in parts below.

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

The relations with the shareholders are managed by a separate group within the General Directorate department responsible for Investment Banking and Subsidiaries.

The names and the contact information of the personnel working in the Shareholders Relations Group are as follows.

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

Fax 0312- 455 88 34

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

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

- To give simultaneously correct, clear, net and complete information to the bank's shareholders and investors excluding the information that are within the scope of confidential and trade secrets;
- To organise periodical meetings with the participation of the Bank Management for informing the Bank's shareholders and investors;
- To ensure that the General Assembly meetings are held in accordance with the legislation, articles of incorporation and the in-house regulations of the bank;
- To prepare the documents about the General Assembly meetings and to forward them to the shareholders;
- To take all kinds of actions and precautions that may be required for ensuring the investors' satisfaction about the Bank's services;
- To perform the Bank's capital increases and to ensure the use of bonus share rights and the follow-up of existing shares in registry system in case of bonus share issue.
- To undertake the process of dividend payments if such a decision taken and to ensure the registration of the existing shares and the follow-up of them within the registered book entry system;

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Corporate Governance Principles Compliance Report

· To announce and notify the special case statements and other news about VakıfBank to the investors and Istanbul Stock Exchange by means of the web site.

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

Throughout the period, the Shareholders Relation Group held the Ordinary Meeting of the General Assembly on the date of March 21, 2008, effected the payment of dividends on May 30, 2008.

Throughout the year of 2008, 157 applications including information requests were received by the “Shareholders Relations Group” and all of these applications were answered by means of the fastest means of communications.

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

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

| Name & Surname | Title | Phone Number | e-mail address |
|----------------|----------------------|----------------|--------------------------------|
| Selçuk Gözüak | Head | 0212 - 3167500 | selcuk.gozuak@vakifbank.com.tr |
| Mustafa Turan | Manager | 0212 - 3167120 | mustafa.turan@vakifbank.com.tr |
| Cihat Sobacı | Assistant Specialist | 0212 - 3167383 | cihat.sobaci@vakifbank.com.tr |
| Nergis Özer | Assistant Specialist | 0212 - 3167384 | nergis.ozer@vakifbank.com.tr |

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

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

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

Information requests to above mentioned e-mail addresses are directly responded by Tanju Yüksel and Metin R. Zafer, Assistant General Managers and Adnan Guzel, Head of Investment Banking and Subsidiaries,

Main activities carried out by the International and Investor Relations Department in relation with the investors residing abroad in 2008 include the following:

- Vakıfbank participated in 12 investor information conferences in total, London, New York, Frankfurt, Istanbul, Bodrum and Göcek.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Corporate Governance Principles Compliance Report

- 360 meetings were held both at the conferences and road shows and in our Istanbul office and 614 investors/analysts were met in total.
- Investor presentations by quarters were prepared for use in the meetings. Tanju Yüksel, the Assistant General Manager made a presentation to the investors collectively at the conferences held by Morgan Stanley in London and WSBI European Commission in Brussels.
- Reports were prepared in accordance with the information received from the investors after such investor conferences and these reports were submitted to the senior management.
- Tele-conferences were organized at times of financial results announcements and current information about our Bank was given.
- "Stock Monitor", a monthly bulletin which includes banking sector stock data and economic developments has been prepared and sent to the mail group of investors and analysts. It was also published on the web site.
- Press releases were prepared related with important developments about our Bank and the regulatory authorities and the public were informed about such developments in coordination with the Communications and Media Relations Department and Investment Banking and Participations Department. In addition, the international corporate investors were informed about the said developments by means of the investor announcements sent to the mail group created.
- Close relations were established with all analysts arranging reports about our Bank; accurate and healthy information was provided to them about our Bank in the stage of arrangement of such reports and our views and opinions about the reports were forwarded to the analysts.

Furthermore, the "International and Investor Relations Group" received 526 applications including requests for information and all of such applications were answered with the use of the fastest means of communication.

Exercise of Shareholders' Rights to Obtain Information

The requests for information about various issues received by the Bank from the shareholders are answered with the use of the most efficient and the fastest means of communication. In total, 683 requests for information received from the shareholders by the Shareholders Relations Group and the International and Investor Relations Group were answered in 2008. The information and events about our Bank such as the dates of the general assembly meetings, the minutes of the general assembly meetings, financial reports, special case statements, etc. that attract the shareholders' interest are notified to the related parties regularly by means of the Internet site, newspaper ads, mail and telephone. On the other hand, the said developments and events are also notified to our investors residing abroad via e-mails by the International and Investor Relations group.

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

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

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

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

As for the profit distribution activities, the dividends of our A,B,C group shareholders that are not publicly held are invested to the deposit accounts opened in our Bank under their names and dividends of those having register at Central Registry Agency (CRA) are used in Type B Liquid Investment Fund of Türkiye Vakıflar Bankası until the application of the related shareholders. Dividend payments of Group D shareholders are undertaken through the CRA.

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Corporate Governance Principles Compliance Report

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

- Summarized information about Vakıfbank,
- Shareholding Structure,
- Information about the Board of Directors and the Top Management,
- Act of Foundation and the Articles of Incorporation of Vakıflar Bank,
- The announcements about the General Assembly meetings, the agenda of the General Assembly and the minutes of the meetings,
- Financial data,
- Rating information,
- Audit Reports,
- Annual Reports,
- Presentations about Vakıfbank,
- Special case statements,
- Press Bulletins,

The information and documents specified above are updated regularly.

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

As per the article 24 of the Banking Law and the article 73 of the Articles of Incorporation of Türkiye Vakıflar Bankası, in 2008, an Audit Committee composed of Sabahattin BİRDAL and Cem DEMİRAĞ, the members of our Bank’s Board of Directors was established and assumed the task of performing the functions specified in the said law and the Articles of Incorporation.

Information about the General Assembly

Within the year of 2008, our Bank’s 54th Ordinary Meeting of the General Assembly was held on March 21, 2008. The arrangements about the meetings of our Bank’s General Assembly are specified in the Act of Foundation and the Articles of Incorporation of Türkiye Vakıflar Bankası T.A.O. presented in our Bank’s Internet site that is open to public.

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

The Annual Report arranged for submission to the General Assembly is presented to the information and examination of our Bank’s shareholders before the date of General Assembly meeting. Furthermore, our Bank’s balance sheet and the profit and loss statements, the agenda of the General Assembly, and the copy of proxy statements are kept ready for informing the shareholders in all of the branches of Türkiye Vakıflar Bank. Of our shareholders having the right to participate in the General Assembly meetings and performed the required procedures for participation, 79,72% have participated in the 54th Annual General Assembly.

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Corporate Governance Principles Compliance Report

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

The Annual Report prepared include information such as the activities and operations of our Bank performed in 2008, information about top management, Bank's balance sheets, footnotes to the balance sheet, the independent audit report, the auditors' report, the profit distribution proposal of the Board of Directors, Corporate Governance Principles Compliance Report ,etc. The shareholders may receive from the Investment Banking Shareholders Relations Group the annual report before or after the meeting of the General Assembly upon request.

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

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

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

Voting Rights and Minority Rights:

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

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

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

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

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

Dividend Distribution Policy and Dividend Distribution Time Schedule

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

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Corporate Governance Principles Compliance Report

Transfer of Shares:

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

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

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

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

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

Company's Information Policy

Türkiye Vakıflar Bankası has assigned the Investment Banking, International and Investor Relations and Accounting and Financial Affairs Departments for disclosing information to the public on time and ensuring that the information disclosed is accurate, complete, reliable, comprehensible, and interpretable.

The following is disclosed to the public within the scope of the information policy of the Investor Relations Group:

- Issues (agenda, proxy, invitation to shareholders) to be discussed in the meeting of the General Assembly via press and Internet
- Announcements via Trade Registry Gazette, daily newspapers in case of changes in Act of Foundation, Annual General Assembly, capital increases, profit distribution
- Presentation of the Annual Report to the information and examination of our Bank's shareholders before the date of General Assembly meeting in accordance with BRSA regulations and its publishment on the Website (<http://www.vakifbank.com.tr>), providing hard copies of the report on request from Investor Relations Group and branches.
- Announcement of the dividend policy via ISE and internet site
- The submission of bank only and consolidated financial tables, footnotes and independent audit report to ISE in accordance with BRSA regulations on quarterly basis and release of such information on our web site
- Timely submission of Special Case Statements to ISE as required by CMB Regulation.
- Disclosure of Press releases via the print and visual media. (These press releases can be prepared by the Chairman of the Board of Directors, General Manager or the official authorized by them)

Special Case Statements

As per the Communiqué on the Principles Regarding the Public Disclosure of Special Cases issued by the Capital Market Board, 64 special case statements were presented in 2008 in relation with the issues affecting our Bank and the Bank's operations.

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

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

Company's Internet Site and Its Content

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Corporate Governance Principles Compliance Report

Investor Relations section of the Internet Site of Türkiye Vakıflar Bankası includes following information:

- Information about the Bank
- Shareholding Structure,
- Information about the Board of Directors and the Top Management,
- Act of Foundation
- Articles of Incorporation
- Rating Information
- Ethical Principles
- Copy of Trade Registry
- Financial Data
- Financial Tables and Independent Audit Reports
- Annual Reports,
- Presentations about Vakıfbank

- Special Case Statements
- Special Case Statements in 2005, 2006, 2007, 2008.

- Corporate Governance Report
- Corporate Governance Report.

- General Assembly
- Annual General Assembly
- Agenda
- Invitations to shareholders
- Proxy Statements
- General Assembly List of Attendants
- General Assembly List of Attendants in 2005, 2006, 2007, 2008
- General Assembly Summary Minutes
- General Assembly Summary Minutes in 2005, 2006, 2007, 2008

- News from Vakıfbank

Disclosure of Real Names of Ultimate Controlling Shareholder/Shareholders

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

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

Public Disclosure of Insiders capable of obtaining information

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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SECTION III – STAKEHOLDERS

Disclosure of Information to Stakeholders

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

The requests for information, wishes and complaints and the customer problems about the services and products of our bank received from the Bank's clients are answered and resolved by all units of our Bank in the most effective manner.

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

Stakeholders' Participation in the Management

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

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

The representation of shareholders in Board of Directors was set out in the Bank's Articles of Association as follows:

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

Human Resources Policy

Our Bank's Human Resources policy is outlined below.

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

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

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

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

Furthermore, an appraisal of record model is being established for measuring the performance of the personnel according to the objective criteria, determining their qualifications and the fields in which they can be productive and evaluating their productivity by the fields in which they work and it is targeted to assess the personnel from every aspect.

The training requirements of the personnel are analysed and training programs that will meet the training needs and training requests of all of the personnel are being developed and executed.

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

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

Requests and critics of the bank personnel regarding the working conditions, employee personal rights, duties and responsibilities are forwarded to the employer by the union representatives and followed up closely. The full names and positions of above-mentioned union administrators are given below

| Name & Surname | Title |
|----------------|-----------------------------------|
| Turgut YILMAZ | Head |
| Erol DEMİR | General Secretary |
| Salih KALFA | General Secretary of Education |
| Mustafa EREN | General Secretary of Finance |
| Gökhan EYGÜN | General Secretary of Organization |

The union has branches at the regional directorates and representatives at all branches and units of the bank.

There haven't been any critics from the bank personnel regarding discrimination.

Relations with Customers and Suppliers:

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

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

Social Responsibility:

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

Vakıfbank, has showed the value of supporting Turkish art and artists by opening 61 exhibitions during 2008 at the galleries located in Istanbul and Ankara.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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Vakıfbank provided every opportunity for the Turkish Art and Turkish Folk Music chorus founded by the employees and supported the their concerts during the year.

Vakıfbank-Güneş Sigorta Girls' Volleyball team is one of the symbols showing the importance attached by Vakıfbank to sports and supporting of sports. Our Vakıfbank-Güneş Sigorta Girls' Volleyball Team is considered among the leading teams that brought great accomplishments to our country including European Championship achieved in the last years.

In 2008, Vakıfbank provided sponsorship support for various cultural, artistic, educational and financial activities.

Vakıfbank attended IT, real-estate and agriculture fairs in 2008. With its sound structure and strong products, Vakıfbank supported farmers.

SECTION IV – BOARD OF DIRECTORS

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

| Name & Surname | Position | Start of Service | Line of Responsibility |
|-------------------|--|--------------------------|----------------------------------|
| Yusuf BEYAZIT | Chairman of the Board of Directors (A) | 30.04.2004 (21.03.2003)* | (Credit Committee DEPUTY Member) |
| Ragıp DOĞU | Deputy Chairman of the Board of Directors (A) | 31.03.2006 (06.04.2005)* | (Credit Committee FULL Member) |
| Bilal KARAMAN | CEO & Managing Director | 22.06.2005 (30.04.2004)* | |
| Mehmet ÇEKİNMEZ | Member of the Board of Directors (A) | 24.07.2007 | (Credit Committee DEPUTY Member) |
| Serdar TUNÇBİLEK | Member of the Board of Directors (A) -Independent | 24.07.2007 | (Credit Committee FULL Member) |
| Sabahattin BİRDAL | Member of the Board of Directors (B) | 21.03.2008 | (Audit Committee) |
| Hasan ÖZER | Member of the Board of Directors (C) | 30.04.2004 (07.02.2003)* | (Corporate Governance and |
| Cem DEMİRAĞ | Member of the Board of Directors (C) -Independent | 31.03.2006 (04.04.2005)* | (Audit Committee) |
| Erkan TOPAL | Member of the Board of Directors (D) -Independent | 31.03.2006 | |

(Corporate Governance and Nominating Committee)

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

Qualifications of the Members of the Board of Directors:

The minimum qualifications required in the election of members of our Bank's Board of Directors are in compliance with the requirements specified in the articles 3.1.1, 3.1.2 and 3.1.5 of the Section IV of Corporate Governance Principles of SPK (Capital Market Board).

Mission, Vision and Strategic Targets of the Company:

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

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

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Strategic Targets:

- To increase market share,
- To ensure healthy growth,
- To ensure unconditional customer satisfaction,
- To meet any kind of financing needs of our customers,
- To follow a widespread deposit policy,
- To develop and put into implementation new products and services,
- To increase non-interest incomes ,
- To decrease cost,
- To increase the development and motivation of personnel that is our capital in reaching all these targets.

Risk Management and Internal Control Mechanism:

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

The application was started in 15 branches with 19 internal control personnel in 2002; the number of branches and internal control personnel increased to 364 and 121 respectively as of 2008.

Furthermore, internal control activities were started in General Directorate Departments in 2005; and in 2008, internal control activities were carried out with 7 internal control personnel in 9 General Directorate Unit.

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

The internal control findings are consolidated by types and the evaluation reports arranged in quarters by the Internal Control Department are forwarded to the Person Responsible for Internal Systems and to the Audit Committee, Members of the Board of Directors, Chairman of the Audit Board and the General Directorate. Through the evaluation of the internal control findings, the application errors that are seen in general and the areas not including satisfactory level of control are determined and the possible improvements in the related work processes are proposed to the related General Directorate Units.

Furthermore, quarterly and yearly assessment reports consolidated from internal findings are presented to members of Board of Directors, Audit Committee, Audit Board and thus related senior management is informed regarding the results.

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

In addition, it is provided that all communication channels work efficiently to transmit the problems, suspects from bank personnel to the responsible controller in the branches or Internal Control Department.

At the Audit Committee meetings, the members are provided with the information; about general and important problems during the process, the risky findings in the reports and precautions regarding them.

Aimed at performing internal control activities more efficiently and widespread; an internal control program is prepared for 2009 including all branches. In accordance with our Bank's targets and strategies, the required staff plan and educational programs are being conducted.

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As required by Bank's Internal Systems Regulation; the development of internal systems and ensuring effective, sufficient and appropriate operations of the system is under the responsibility of Board of Directors.

In this context, the duties and responsibilities are determined briefly regarding the establishment of the Chairmanship of the Audit Board, Internal Control Department and Risk Management Department to work with each other in coordination without having conflict.

Intermediated by the Audit Committee members to be affiliated with Board of Directors, the Risk Management Department operates in accordance with local legislation and international arrangements and standards.

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

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

Fundamental Functions of the Board of Directors of our Bank:

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

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

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

35 meetings of the Board of Directors were held in 2008. All of the opinions and objections expressed by the members during the Meetings of the Board of Directors are recorded into the minutes. The members participate in person in the meetings related with the issues specified in the article 2.17.4 of the Section IV of Corporate Governance Principles published by the Capital Markets Board.

Prohibition from Engaging in Transactions and Competing with the Company:

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

Ethical Rules:

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

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Corporate Governance Principles Compliance Report

The Audit Committee is composed of Cem DEMİRRAĞ, appointed on the date of 31st.03.2006 who is at the same time independent member and Sabahattin BİRDAL appointed on the date of 21st.03.2008. The Audit Committee generally convenes at the times specified by the Chairman of the Audit Committee at least biannually providing not to exceed quarterly or biannual periods.

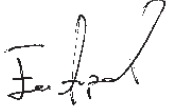
Credit Committee is composed of 2 full and 2 deputy members. Ragıp DOĞU and Serdar TUNÇBİLEK are the full members and Yusuf BEYAZIT and Mehmet ÇEKİNMEZ are the deputy members. The Credit Committee convenes in every 15 days in general and holds extraordinary meetings in case of emergencies. The date of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

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

Remuneration to the Board of Directors:

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

Yours sincerely;



Erkan TOPAL
Member of the Corporate Governance
and Nominating Committee



Hasan ÖZER
Member of the Corporate Governance
and Nominating Committee

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

An Internal Audit Plan was prepared for the year 2008 on the basis of the Risk Assessment Report for 2007, Risk Matrix and the related risk assessments by the Audit Board including 154 Inspectors and Assistance Inspectors employed under its structure; and within the framework of this Internal Audit Plan, periodical audits were performed in order to determine whether the operations and activities of 345 Branches, 11 Participations, 13 General Directorate Units, 2 Foreign Branches and 1 Foreign Participation were carried out in compliance with the Banking Law and the other legal regulations and the in-house strategies, policies, principles and targets of the Bank.

In the context of Article 32 of Banks' Internal Systems, six month-monitoring activities were carried out about the issues brought out in Inspectors' reports after the audits and passed by Audit Board to the Assistant General Managers and/or General Directorate Units authorized to take necessary corrective measures.

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

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

Traditional audit approach was abandoned by Audit Board and in parallel to the BRSA regulations; central audit activities were emphasized in the context of risk-based periodical audit vision put into implementation in 2007, the number of central inquiries developed at different periods and their scope were increased. The inspectors were immediately assigned for transactions with high degree of risks and branches and units where risks are found predominantly were prioritised. In order to enhance the knowledge and abilities of inspectors undertaking IT and central audit and increase the efficiency of central audit; technical trainings were organized. In addition to our inspectors, the Internal Control personnel are enabled to access to the central audit findings related with the branches in which they work via the audit portal prepared and continuously updated by the central audit team; and thus, the efficiency of the coordination between the internal audit and internal control was increased.

During development of Internal Audit Plans by Audit Board and planning of internal control activities by Internal Control; efforts to develop a 'Vakifbank Risk Map' that has the ability to support current quantitative and intuitive criteria and is to be updated from time to time, are continued in coordination with Risk Management.

In 2008, internal control activities were carried out with 121 internal control members in nine General Directorate Units and in 364 branches.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

The deficient or faulty applications detected as a result of the internal control activities carried out by the internal control personnel in General Directorate Units and our branches were first tried to be corrected; in case of failure in receiving results, the reports were completed and forwarded with opinions of the unit or branch to the related General Directorate Unit in case it is a branch or to Assistant General Manager for information and necessary action if it is a unit and results of issues in question were followed up closely. In this way, findings were forwarded to related management units.

The internal control findings including fraud, misconduct or material contradiction with the legislation were notified to the Audit Board together with the information and documents received.

In 2008, meetings related to the 'Modernization of IT System Project' and other centralization projects were attended and suggestions were made with regards to the formation of check points during the implementation of projects. Internal control member as a consultant was assigned to the project; in this way, project were monitored, tests were undertaken at the branches where projects put into practice, issues requiring check points and potential improvements in such processes were forwarded to related units.

In 2009, Internal control activities and the number of personnel are aimed to increase to cover Vakıfbank's domestic and international branches, General Directorate Units and consolidated participations.

Risk Management activities carried out in 2008

In the context of Operational Risk Management, operational risk policy document was amended and updated with inclusion of implementation principles. Furthermore, Operational Risk Framework was updated; New Product Development Regulation, Risk Framework to be used in Support Service Procurement and Workflow Chart were developed.

As part of Market Risk Management, Structural Interest Rate Risk Management Policy Document was developed. In the context of Credit Risk Management, Country Concentration Limits, Sectoral Concentration Limits of Commercial Loans and Retail Loan Concentration Limits were established. Memorandums arranged about activities undertaken were approved by the Board of Directors and activities were notified to the Bank units.

7-year operational loss data were collected in order to establish the database of the operational risk measurements and operational risk analysis report was prepared. The operational loss data were analysed in order to determine the risk factors and the related determinations were presented for review by the management levels of our Bank.

To take operational risk under control through determination of inadequate and unefficient controls after the analysis of business processes and taking necessary measures; 'Impact analysis' efforts for the Presidencies on the organization chart were started.

The submission of reports prepared after the necessary evaluations of business processes and related improvement-targeting action plans to related unit, Audit Committee, Top Management, Audit Board and Internal Control, the monitoring of whether approved action plans are implemented properly, update of risk determination and evaluation processes at specified periods were planned.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

Adopted approach in the context of operational risk management is to support all employees to determine and assess risks in their area of responsibilities, present issues regarding the risk to the attention of directors and to take necessary steps in order to enhance the control.

'Impact Analysis' efforts to be made in this regard are conducted in the form of working group meetings where employees do self-evaluation. The assessments are made by Risk Management regarding information and findings obtained from such meetings and reports for relevant units are concluded taking into consideration Information System Audit Reports, BRSA findings and Internal Control Reports.

In 2008, Impact Analyses for Treasury, Dealing Room Unit, Fund Management Unit, Treasury Marketing Unit, Treasury and Foreign Operations, Deposits and Check Operations Unit, Cash and EFT Operations Unit were concluded; reports were submitted to related departments and they were presented to the approval of the Audit Committee..

Capital Adequacy Ratios are calculated every month on bank only basis and quarterly on consolidated basis and submitted to Top Management and the BRSA. In addition, CAR is monitored on daily basis and presented to the information of the Audit Committee and Bank's top management

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Risk Management Policies Applied By the Risk Types

Market Risk

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

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

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

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

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

Structural Interest Rate Risk

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

Liquidity Risk

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

Operational risk

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

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

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

An "Operational Risk Framework", which is a common dictionary describing comprehensively all important risks incurred by the Bank by their categories and including the related definitions and examples was updated in 2008.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Risk Management Policies Applied By the Risk Types

The operational risk capital requirement is calculated on bank only and consolidated basis within the scope of the Key Indicator Approach; and value at operational risk is reported annually to Top Management and the BRSA. Our target is to use advanced measurement approach in the operational risk measurement.

Loan Risk Policy

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

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

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

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

Rating and scoring models are used in our Bank for the assessment of the debtor's credit quality. SME Scoring Model was developed and put into practice. Efforts were started to revise Retail Loan Scoring Model and to enhance it to cover all retail loans.

In order to determine the risks resulting from loan concentrations and create a balanced loan portfolio, sectoral concentration limits and country risk limits were set taking into account the Bank's credit policy and economic developments.

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Financial Report As at and for the Year Ended 31 December 2008

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Independent Auditors' Report

Convenience Translation of the Auditors' Report
Originally Prepared and Issued in Turkish (See Section 3 Note I)
To the Board of Directors of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı:

We have audited the unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") as at 31 December 2008 and the related unconsolidated income statement, statement of cash flows, statement of changes in shareholders' equity, income statement and expenses recognized in shareholders' equity for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Auditors' Opinion:

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

Istanbul,
19 February 2009

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi



Özkan Genç
Partner
Certified Public Accountant

Additional paragraph for convenience translation to English:

As explained in Section 3 Note I, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report as at and for the Year Ended 31 December 2008

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Kavaklıdere - Ankara
Telephone : 0312 455 75 75
Fax : 0312 455 76 92
Electronic web site : www.vakifbank.com.tr
Electronic mail address : posta@vakifbank.com.tr

The unconsolidated financial report as at and for the year ended 31 December 2008, prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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



Yusuf BEYAZIT
Board of Directors
Chairman



Cem DEMİRAĞ
Board Member
Audit Committee Member



Sabahattin BİRDAL
Board Member
Audit Committee Member



Bilal KARAMAN
General Manager



Metin R. ZAFER
Executive Vice President



Ş. Mehmet BOZ
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

| | | |
|--------------------|------------------------|-----------------------------------|
| Name-Surname/Title | : A. Sonat ŞEN/Manager | S. Buğra SÜRÜEL/Assistant Manager |
| Phone no | : 0 312 455 75 66 | 0 312 455 75 70 |
| Fax no | : 0 312 455 76 92 | 0 312 455 76 92 |

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report as at and for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

SECTION ONE

General Information

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") was established to operate as stated in the disclosure V of this section, under the authorization of a special law numbered 6219, called "the law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı", on 11 January 1954 within the framework of the authority granted to The General Directorate of the Foundations of Turkish Republic Prime Ministry ("The General Directorate of the Foundations"). The Bank's statute has not been changed since its establishment.

II. The Bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the year and information on Bank's risk group

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

As at 31 December 2008, The Bank's paid-in capital is YTL 2,500,000, divided into 2.500.000.000 shares with each has a nominal value of 1 New Turkish Lira.

The Bank's shareholder structure is stated below:

| Shareholders | Number of Shares | Nominal Value of the Shares – Thousands of YTL | Share Percentage (%) |
|---|----------------------|--|----------------------|
| The General Directorate of the Foundations (Group A) | 1,075,058,640 | 1,075,059 | 43.00 |
| Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C) | 402,552,666 | 402,553 | 16.10 |
| Foundations (Group B) | 386,224,785 | 386,225 | 15.45 |
| Other Foundations (Group B) | 4,681,052 | 4,681 | 0.19 |
| Individuals and legal entities (Group C) | 1,863,455 | 1,863 | 0.08 |
| Publicly traded (Group D) | 629,619,402 | 629,619 | 25.18 |
| Total | 2,500,000,000 | 2,500,000 | 100.00 |

III. Information on the Bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their shareholdings in the Bank

| Name and Surname | Responsibility | Date of Appointment | Education | Experience in Banking |
|---------------------------|--------------------------|---------------------|------------|-----------------------|
| Board of Directors | | | | |
| Yusuf BEYAZIT | Chairman | 30 April 2004 | Master | 10 years |
| Ragıp DOĞU | Deputy Chairman | 6 April 2005 | University | 33 years |
| Bilal KARAMAN | Member – General Manager | 22 June 2005 | University | 29 years |
| Hasan ÖZER | Member | 7 February 2003 | University | 22 years |
| Cem DEMİRAĞ | Member | 4 April 2005 | University | 17 years |
| Erkan TOPAL | Member | 4 April 2006 | University | 13 years |
| Mehmet ÇEKİNMEZ | Member | 24 July 2007 | University | 32 years |
| Serdar TUNÇBİLEK | Member | 24 July 2007 | University | 23 years |
| Sabahattin BİRDAL (1) | Member | 21 March 2008 | University | 22 years |
| Audit Committee | | | | |
| Cem DEMİRAĞ | Member | 4 April 2005 | University | 17 years |
| Sabahattin BİRDAL | Member | 21 August 2008 | University | 22 years |
| Auditors | | | | |
| Ahmet TANYOLAÇ | Auditor | 21 March 2003 | University | 5 years |
| Faruk EROĞLU | Auditor | 21 March 2003 | University | 7 years |

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report as at and for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

| Name and Surname | Responsibility | Date of Appointment | Education | Experience in Banking |
|----------------------------------|---|---------------------|------------|-----------------------|
| Executive Vice Presidents | | | | |
| Tanju YÜKSEL | International Relations and Investor Relations | 1 May 2000 | University | 24 years |
| Şahin UĞUR (4) | Support Services | 9 August 2004 | University | 22 years |
| Feyzi ÖZCAN | Retail Banking, Pension Fund, Directorates of the Regions, Distribution Channels, Consumer Loans | 20 September 2005 | University | 19 years |
| Doğan PENÇE | Corporate Loans and Directorates of Information | 7 June 2006 | University | 16 years |
| Dr. Metin Recep ZAFER (5) | Accounting and Financial Affairs, Planning and Performance, Human Resources, Investment Banking and Subsidiaries | 13 June 2006 | PHD | 13 years |
| Birgül DENLİ | Treasury | 3 July 2006 | Master | 14 years |
| Dr. M. Kürşad DEMİRKOL | Software Development, Treasury and Foreign Operations, Banking Support, Ebis Operations, Ebis Support and Work Analysis, Alternative Distribution Channels Operations | 3 December 2007 | PHD | 8 years |
| İhsan ÇAKIR | Commercial Banking, Corporate Banking, Corporate Communication, Corporate Salary Payments and Commercial Centers | 11 December 2007 | University | 13 years |
| Mehmet CANTEKİN | Loans Follow-up | 28 December 2007 | Master | 16 years |
| Ömer ELMAS (6) | Legal Services | 5 January 2009 | Master | 7 years |
| Ahmet Atif MEYDAN (2) | | | | |
| Aydın DELİKTAŞLI (3) | | | | |

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

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

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

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

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

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

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

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

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

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

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

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Balance Sheet at 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

| ASSETS | Notes | Audited Current Year 31 December 2008 | | | Audited Prior Year 31 December 2007 | | |
|--|---------------|---|-------------------|-------------------|---|-------------------|-------------------|
| | | YTL | FC | Total | YTL | FC | Total |
| I. CASH AND BALANCES WITH THE CENTRAL BANK | V-I-1 | 825,741 | 1,279,045 | 2,104,786 | 1,625,518 | 864,684 | 2,490,202 |
| II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net) | V-I-2 | 6,901 | 40,146 | 47,047 | 22,264 | 327,723 | 349,987 |
| 2.1 Financial assets held for trading purpose | - | - | 15,634 | 15,634 | - | 315,047 | 315,047 |
| 2.1.1 Government securities | - | - | 15,634 | 15,634 | - | 315,047 | 315,047 |
| 2.1.2 Equity securities | - | - | - | - | - | - | - |
| 2.1.3 Other securities | - | - | - | - | - | - | - |
| 2.2 Financial assets designated at fair value through profit or loss | - | - | - | - | - | - | - |
| 2.2.1 Government securities | - | - | - | - | - | - | - |
| 2.2.2 Equity securities | - | - | - | - | - | - | - |
| 2.2.3 Other securities | - | - | - | - | - | - | - |
| 2.3 Derivative financial assets held for trading purpose | 6,901 | 24,512 | 31,413 | 22,264 | 12,676 | 34,940 | |
| III. BANKS | V-I-3 | 2,648 | 2,554,652 | 2,557,300 | 810,251 | 1,936,017 | 2,746,268 |
| IV. RECEIVABLES FROM INTERBANK MONEY MARKETS | | 3,201,333 | - | 3,201,333 | 715,335 | - | 715,335 |
| 4.1 Interbank money market placements | 3,201,333 | - | - | 3,201,333 | - | - | - |
| 4.2 Istanbul Stock Exchange money market placements | - | - | - | - | - | - | - |
| 4.3 Receivables from reverse repurchase agreements | - | - | - | - | 715,335 | - | 715,335 |
| V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net) | V-I-4 | 6,397,648 | 1,583,997 | 7,981,645 | 6,430,138 | 2,665,051 | 9,095,189 |
| 5.1 Equity securities | 9,181 | 10,750 | 19,931 | 12,213 | - | 12,213 | |
| 5.2 Government securities | 6,388,467 | 1,566,288 | 7,954,755 | 6,417,925 | 2,665,051 | 9,082,976 | |
| 5.3 Other securities | - | 6,959 | 6,959 | - | - | - | |
| VI. LOANS | V-I-5 | 19,512,373 | 10,989,926 | 30,502,299 | 17,095,172 | 6,374,831 | 23,470,003 |
| 6.1 Performing loans | 19,427,285 | 10,989,926 | 30,417,211 | 17,095,172 | 6,374,831 | 23,470,003 | |
| 6.1.1 Loans provided to Bank's risk group | 74,388 | 60,510 | 134,898 | 15,302 | 51,919 | 67,221 | |
| 6.1.2 Others | 19,352,897 | 10,929,416 | 30,282,313 | 17,079,870 | 6,322,912 | 23,402,782 | |
| 6.2 Loans under follow-up | 1,455,822 | - | 1,455,822 | 1,142,855 | - | 1,142,855 | |
| 6.3 Specific provisions (-) | 1,370,734 | - | 1,370,734 | 1,142,855 | - | 1,142,855 | |
| VII. FACTORING RECEIVABLES | | - | - | - | - | - | - |
| VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net) | V-I-6 | 1,915,921 | 1,555,417 | 3,471,338 | 1,350,673 | 125,689 | 1,476,362 |
| 8.1 Government securities | 1,915,921 | 1,520,332 | 3,436,253 | 1,350,673 | 90,519 | 1,441,192 | |
| 8.2 Other securities | - | 35,085 | 35,085 | - | 35,170 | 35,170 | |
| IX. INVESTMENTS IN ASSOCIATES (Net) | V-I-7 | 56,780 | - | 56,780 | 90,066 | - | 90,066 |
| 9.1 Associates, consolidated per equity method | - | - | - | - | - | - | |
| 9.2 Unconsolidated associates | 56,780 | - | 56,780 | 90,066 | - | 90,066 | |
| 9.2.1 Financial associates | 49,186 | - | 49,186 | 81,887 | - | 81,887 | |
| 9.2.2 Non-Financial associates | 7,594 | - | 7,594 | 8,179 | - | 8,179 | |
| X. INVESTMENTS IN SUBSIDIARIES (Net) | V-I-8 | 382,431 | 100,158 | 482,589 | 454,832 | 41,073 | 495,905 |
| 10.1 Unconsolidated financial subsidiaries | 235,100 | 100,158 | 335,258 | 329,394 | 41,073 | 370,467 | |
| 10.2 Unconsolidated non-financial subsidiaries | 147,331 | - | 147,331 | 125,438 | - | 125,438 | |
| XI. INVESTMENTS IN JOINT-VENTURES (Net) | V-I-9 | - | - | - | - | - | - |
| 11.1 Joint-ventures, consolidated per equity method | - | - | - | - | - | - | |
| 11.2 Unconsolidated joint-ventures | - | - | - | - | - | - | |
| 11.2.1 Financial joint-ventures | - | - | - | - | - | - | |
| 11.2.2 Non-Financial joint-ventures | - | - | - | - | - | - | |
| XII. LEASE RECEIVABLES (Net) | V-I-10 | - | - | - | - | - | - |
| 12.1 Finance lease receivables | - | - | - | - | - | - | |
| 12.2 Operational lease receivables | - | - | - | - | - | - | |
| 12.3 Others | - | - | - | - | - | - | |
| 12.4 Unearned income (-) | - | - | - | - | - | - | |
| XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE V-I-11 | | - | - | - | - | - | - |
| 13.1 Fair value hedges | - | - | - | - | - | - | |
| 13.2 Cash flow hedges | - | - | - | - | - | - | |
| 13.3 Hedges of net investment in foreign operations | - | - | - | - | - | - | |
| XIV. TANGIBLE ASSETS (Net) | V-I-12 | 983,954 | 716 | 984,670 | 905,575 | 455 | 906,030 |
| XV. INTANGIBLE ASSETS (Net) | V-I-13 | 30,774 | - | 30,774 | 13,496 | - | 13,496 |
| 15.1 Goodwill | - | - | - | - | - | - | |
| 15.2 Other intangibles | 30,774 | - | 30,774 | 13,496 | - | 13,496 | |
| XVI. INVESTMENT PROPERTIES | V-I-14 | - | - | - | - | - | - |
| XVII. TAX ASSETS | | 86,057 | - | 86,057 | 49,720 | - | 49,720 |
| 17.1 Current tax assets | - | - | - | - | - | - | |
| 17.2 Deferred tax assets | V-I-15 | 86,057 | - | 86,057 | 49,720 | - | 49,720 |
| XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS | V-I-16 | - | - | - | - | - | - |
| 18.1 Assets held for sale | - | - | - | - | - | - | |
| 18.2 Assets related to the discontinued operations | - | - | - | - | - | - | |
| XIX. OTHER ASSETS | V-I-17 | 372,956 | 313,919 | 686,875 | 271,278 | 238,635 | 509,913 |
| TOTAL ASSETS | | 33,775,517 | 18,417,976 | 52,193,493 | 29,834,318 | 12,574,158 | 42,408,476 |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Balance Sheet at 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

| LIABILITIES AND SHAREHOLDERS' EQUITY | Notes | Audited Current Year 31 December 2008 | | | Audited Prior Year 31 December 2007 | | |
|--|----------------|---|-------------------|-------------------|---|-------------------|-------------------|
| | | YTL | FC | Total | YTL | FC | Total |
| I. DEPOSITS | V-II-1 | 25,420,833 | 11,699,444 | 37,120,277 | 22,402,194 | 6,460,319 | 28,862,513 |
| 1.1 Deposits of the Bank's risk group | V-VII-1 | 1,325,732 | 123,825 | 1,449,557 | 1,218,194 | 114,153 | 1,332,347 |
| 1.2 Others | | 24,095,101 | 11,575,619 | 35,670,720 | 21,184,000 | 6,346,166 | 27,530,166 |
| II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE | V-II-2 | 5,551 | 21,576 | 27,127 | 20,003 | 2,287 | 22,290 |
| III. FUNDS BORROWED | V-II-3 | 74,719 | 5,695,675 | 5,770,394 | 52,803 | 4,640,055 | 4,692,858 |
| IV. INTERBANK MONEY MARKET | | 1,023,695 | 663,407 | 1,687,102 | 793,915 | 1,282,170 | 2,076,085 |
| 4.1 Interbank money market takings | | - | - | - | - | - | - |
| 4.2 Istanbul Stock Exchange money market takings | | - | - | - | - | - | - |
| 4.3 Obligations under repurchase agreements | | 1,023,695 | 663,407 | 1,687,102 | 793,915 | 1,282,170 | 2,076,085 |
| V. SECURITIES ISSUED (Net) | | - | - | - | - | - | - |
| 5.1 Bills | | - | - | - | - | - | - |
| 5.2 Asset backed securities | | - | - | - | - | - | - |
| 5.3 Bonds | | - | - | - | - | - | - |
| VI. FUNDS | | 99,056 | - | 99,056 | 121,964 | - | 121,964 |
| 6.1 Funds against borrower's note | | - | - | - | - | - | - |
| 6.2 Others | | 99,056 | - | 99,056 | 121,964 | - | 121,964 |
| VII. MISCELLANEOUS PAYABLES | | 525,088 | 71,150 | 596,238 | 362,091 | 67,298 | 429,389 |
| VIII. OTHER EXTERNAL RESOURCES PAYABLE | V-II-4 | 116,652 | 234,306 | 350,958 | 142,516 | 139,637 | 282,153 |
| IX. FACTORING PAYABLES | | - | - | - | - | - | - |
| X. LEASE PAYABLES (Net) | V-II-5 | - | 16,427 | 16,427 | - | 24,706 | 24,706 |
| 10.1 Finance lease payables | | - | 16,947 | 16,947 | - | 26,639 | 26,639 |
| 10.2 Operational lease payables | | - | - | - | - | - | - |
| 10.3 Others | | - | - | - | - | - | - |
| 10.4 Deferred finance leasing expenses (-) | | - | 520 | 520 | - | 1,933 | 1,933 |
| XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE | V-II-6 | - | - | - | - | - | - |
| 11.1 Fair value hedges | | - | - | - | - | - | - |
| 11.2 Cash flow hedges | | - | - | - | - | - | - |
| 11.3 Hedges of net investment in foreign operations | | - | - | - | - | - | - |
| XII. PROVISIONS | V-II-7 | 653,999 | 20,508 | 674,507 | 487,778 | 11,312 | 499,090 |
| 12.1 General provisions | | 253,982 | 4,925 | 258,907 | 169,789 | 3,956 | 173,745 |
| 12.2 Restructuring reserves | | - | - | - | - | - | - |
| 12.3 Reserve for employee benefits | | 261,621 | - | 261,621 | 215,295 | - | 215,295 |
| 12.4 Insurance technical provisions (Net) | | - | - | - | - | - | - |
| 12.5 Other provisions | | 138,396 | 15,583 | 153,979 | 102,694 | 7,356 | 110,050 |
| XIII. TAX LIABILITIES | | 177,913 | 2,495 | 180,408 | 169,393 | 1,753 | 171,146 |
| 13.1 Current tax liabilities | V-II-8 | 177,913 | 2,495 | 180,408 | 169,393 | 1,753 | 171,146 |
| 13.2 Deferred tax liabilities | V-I-15 | - | - | - | - | - | - |
| XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS | V-II-9 | - | - | - | - | - | - |
| 14.1 Payables related to the assets held for sale | | - | - | - | - | - | - |
| 14.2 Payables related to the discontinued operations | | - | - | - | - | - | - |
| XV. SUBORDINATED LOANS | V-II-10 | - | - | - | - | - | - |
| XVI. SHAREHOLDERS' EQUITY | | 5,683,305 | (12,306) | 5,670,999 | 5,184,322 | 41,960 | 5,226,282 |
| 16.1 Paid-in capital | V-II-11 | 2,500,000 | - | 2,500,000 | 2,500,000 | - | 2,500,000 |
| 16.2 Capital reserves | | 909,517 | (12,306) | 897,211 | 1,021,532 | 41,960 | 1,063,492 |
| 16.2.1 Share premium | | 723,918 | - | 723,918 | 723,918 | - | 723,918 |
| 16.2.2 Share cancellation profits | | - | - | - | - | - | - |
| 16.2.3 Valuation differences of the marketable securities | V-II-11 | 120,115 | (12,306) | 107,809 | 233,470 | 41,960 | 275,430 |
| 16.2.4 Revaluation surplus on tangible assets | | 25 | - | 25 | 25 | - | 25 |
| 16.2.5 Revaluation surplus on intangible assets | | - | - | - | - | - | - |
| 16.2.6 Revaluation surplus on investment properties | | - | - | - | - | - | - |
| 16.2.7 Bonus shares of associates, subsidiaries and joint-ventures | | 65,459 | - | 65,459 | 64,119 | - | 64,119 |
| 16.2.8 Hedging reserves (effective portion) | | - | - | - | - | - | - |
| 16.2.9 Revaluation surplus on assets held for sale and assets related to the discontinued operations | | - | - | - | - | - | - |
| 16.2.10 Other capital reserves | | - | - | - | - | - | - |
| 16.3 Profit reserves | | 1,520,590 | - | 1,520,590 | 624,204 | - | 624,204 |
| 16.3.1 Legal reserves | | 279,893 | - | 279,893 | 179,631 | - | 179,631 |
| 16.3.2 Status reserves | | - | - | - | - | - | - |
| 16.3.3 Extraordinary reserves | | 1,056,276 | - | 1,056,276 | 296,122 | - | 296,122 |
| 16.3.4 Other profit reserves | | 184,421 | - | 184,421 | 148,451 | - | 148,451 |
| 16.4 Profit or loss | | 753,198 | - | 753,198 | 1,038,586 | - | 1,038,586 |
| 16.4.1 Prior years' profit/loss | | - | - | - | 7,886 | - | 7,886 |
| 16.4.2 Current year's profit/loss | | 753,198 | - | 753,198 | 1,030,700 | - | 1,030,700 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 33,780,811 | 18,412,682 | 52,193,493 | 29,736,979 | 12,671,497 | 42,408,476 |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Off-Balance Sheet Items at 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

| | Notes | Audited Current Year 31 December 2008 | | | Audited Prior Year 31 December 2007 | | |
|---|-----------|---|------------------|-------------------|---|------------------|-------------------|
| | | YTL | FC | Total | YTL | FC | Total |
| A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES | | 9,670,279 | 7,131,591 | 16,801,870 | 9,325,790 | 4,215,193 | 13,540,983 |
| I. GUARANTEES AND SURETIES | V-III-2-4 | 3,449,407 | 4,561,670 | 8,011,077 | 2,773,335 | 3,067,460 | 5,840,795 |
| 1.1. Letters of guarantee | | 3,449,407 | 2,063,290 | 5,512,697 | 2,773,207 | 1,489,200 | 4,262,407 |
| 1.1.1. Guarantees subject to State Tender Law | | 553,624 | 767,022 | 1,320,646 | 378,638 | 359,572 | 738,210 |
| 1.1.2. Guarantees given for foreign trade operations | | 183,909 | 159 | 184,068 | 83,353 | 229 | 83,582 |
| 1.1.3. Other letters of guarantee | | 2,711,874 | 1,296,109 | 4,007,983 | 2,311,216 | 1,129,399 | 3,440,615 |
| 1.2. Bank acceptances | | - | 513,161 | 513,161 | - | 456,865 | 456,865 |
| 1.2.1. Import letter of acceptance | | - | 192,409 | 192,409 | - | 164,948 | 164,948 |
| 1.2.2. Other bank acceptances | | - | 320,752 | 320,752 | - | 291,917 | 291,917 |
| 1.3. Letters of credit | | - | 1,970,897 | 1,970,897 | 128 | 1,117,927 | 1,118,055 |
| 1.3.1. Documentary letters of credit | | - | 1,970,897 | 1,970,897 | 128 | 1,117,927 | 1,118,055 |
| 1.3.2. Other letters of credit | | - | - | - | - | - | - |
| 1.4. Guaranteed pre-financings | | - | 13,240 | 13,240 | - | 2,639 | 2,639 |
| 1.5. Endorsements | | - | - | - | - | - | - |
| 1.5.1. Endorsements to the Central Bank of Turkey | | - | - | - | - | - | - |
| 1.5.2. Other endorsements | | - | - | - | - | - | - |
| 1.6. Marketable securities underwriting commitments | | - | - | - | - | - | - |
| 1.7. Factoring related guarantees | | - | - | - | - | - | - |
| 1.8. Other guarantees | | - | 1,082 | 1,082 | - | 829 | 829 |
| 1.9. Other sureties | | - | - | - | - | - | - |
| II. COMMITMENTS | | 6,060,131 | 219,160 | 6,279,291 | 6,093,123 | 143,077 | 6,236,200 |
| 2.1. Irrevocable commitments | | 6,052,395 | 218,945 | 6,271,340 | 6,084,567 | 142,913 | 6,227,480 |
| 2.1.1. Asset purchase commitments | V-III-1 | 75,063 | 218,702 | 293,765 | 77,031 | 130,104 | 207,135 |
| 2.1.2. Deposit purchase and sales commitments | | - | - | - | - | - | - |
| 2.1.3. Share capital commitments to associates and subsidiaries | | - | - | - | - | - | - |
| 2.1.4. Loan granting commitments | V-III-1 | 1,273,207 | - | 1,273,207 | 1,452,873 | - | 1,452,873 |
| 2.1.5. Securities issuance brokerage commitments | | - | - | - | - | - | - |
| 2.1.6. Commitments for reserve deposit requirements | | - | - | - | - | - | - |
| 2.1.7. Commitments for cheque payments | V-III-1 | 1,456,567 | - | 1,456,567 | 1,330,395 | - | 1,330,395 |
| 2.1.8. Tax and fund obligations on export commitments | | - | - | - | - | - | - |
| 2.1.9. Commitments for credit card limits | V-III-1 | 3,050,410 | - | 3,050,410 | 3,067,930 | - | 3,067,930 |
| 2.1.10. Commitments for credit card and banking operations promotions | | 197,148 | - | 197,148 | 156,338 | - | 156,338 |
| 2.1.11. Receivables from "short" sale commitments on securities | | - | - | - | - | - | - |
| 2.1.12. Payables from "short" sale commitments on securities | | - | - | - | - | - | - |
| 2.1.13. Other irrevocable commitments | | - | 243 | 243 | - | 12,809 | 12,809 |
| 2.2. Revocable commitments | | 7,736 | 215 | 7,951 | 8,556 | 164 | 8,720 |
| 2.2.1. Revocable loan granting commitments | | 7,736 | 215 | 7,951 | 8,556 | 164 | 8,720 |
| 2.2.2. Other revocable commitments | | - | - | - | - | - | - |
| III. DERIVATIVE FINANCIAL INSTRUMENTS | V-III-5 | 160,741 | 2,350,761 | 2,511,502 | 459,332 | 1,004,656 | 1,463,988 |
| 3.1. Derivative financial instruments held for risk management | | - | - | - | - | - | - |
| 3.1.1. Fair value hedges | | - | - | - | - | - | - |
| 3.1.2. Cash flow hedges | | - | - | - | - | - | - |
| 3.1.3. Net foreign investment hedges | | - | - | - | - | - | - |
| 3.2. Trading derivatives | | 160,741 | 2,350,761 | 2,511,502 | 459,332 | 1,004,656 | 1,463,988 |
| 3.2.1. Forward foreign currency purchases/sales | | 12,529 | 12,016 | 24,545 | 248,357 | 236,369 | 484,726 |
| 3.2.1.1. Forward foreign currency purchases | | 6,266 | 6,008 | 12,274 | 124,261 | 118,185 | 242,446 |
| 3.2.2.2. Forward foreign currency sales | | 6,263 | 6,008 | 12,271 | 124,096 | 118,184 | 242,280 |
| 3.2.2. Currency and interest rate swaps | | 148,212 | 2,277,945 | 2,426,157 | 210,975 | 768,287 | 979,262 |
| 3.2.2.1. Currency swaps-purchases | | - | 855,118 | 855,118 | 40,000 | 217,891 | 257,891 |
| 3.2.2.2. Currency swaps-sales | | - | 868,064 | 868,064 | - | 252,737 | 252,737 |
| 3.2.2.3. Interest rate swaps-purchases | | 72,059 | 285,643 | 357,702 | 83,160 | 155,199 | 238,359 |
| 3.2.2.4. Interest rate swaps-sales | | 76,153 | 269,120 | 345,273 | 87,815 | 142,460 | 230,275 |
| 3.2.3. Currency, interest rate and security options | | - | - | - | - | - | - |
| 3.2.3.1. Currency call options | | - | - | - | - | - | - |
| 3.2.3.2. Currency put options | | - | - | - | - | - | - |
| 3.2.3.3. Interest rate call options | | - | - | - | - | - | - |
| 3.2.3.4. Interest rate put options | | - | - | - | - | - | - |
| 3.2.3.5. Security call options | | - | - | - | - | - | - |
| 3.2.3.6. Security put options | | - | - | - | - | - | - |
| 3.2.4. Currency futures | | - | - | - | - | - | - |
| 3.2.4.1. Currency futures-purchases | | - | - | - | - | - | - |
| 3.2.4.2. Currency futures-sales | | - | - | - | - | - | - |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Off-Balance Sheet Items at 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

| | Notes | Audited Current Year 31 December 2008 | | | Audited Prior Year 31 December 2007 | | |
|---|------------|---|-------------------|-------------------|---|-------------------|-------------------|
| | | YTL | FC | Total | YTL | FC | Total |
| 3.2.5. Interest rate futures | | - | - | - | - | - | - |
| 3.2.5.1. Interest rate futures-purchases | | - | - | - | - | - | - |
| 3.2.5.2. Interest rate futures-sales | | - | - | - | - | - | - |
| 3.2.6. Others | | - | 60,800 | 60,800 | - | - | - |
| B. CUSTODY AND PLEDGED ITEMS (IV+V+VI) | | 59,877,902 | 19,836,062 | 79,713,964 | 40,378,971 | 6,814,918 | 47,193,889 |
| IV. ITEMS HELD IN CUSTODY | | 15,408,119 | 370,231 | 15,778,350 | 12,850,573 | 412,381 | 13,262,954 |
| 4.1. Customers' securities held | | - | 14,785 | 14,785 | - | 11,334 | 11,334 |
| 4.2. Investment securities held in custody | 14,312,854 | 3,602 | 14,316,456 | 12,019,535 | 2,761 | 12,022,296 | |
| 4.3. Checks received for collection | 522,369 | 101,000 | 623,369 | 363,710 | 78,135 | 441,845 | |
| 4.4. Commercial notes received for collection | 213,041 | 107,369 | 320,410 | 149,766 | 102,646 | 252,412 | |
| 4.5. Other assets received for collection | 4,993 | 860 | 5,853 | 6,010 | 873 | 6,883 | |
| 4.6. Assets received through public offering | - | 4,798 | 4,798 | - | 333 | 333 | |
| 4.7. Other items under custody | 214,692 | 29,942 | 244,634 | 215,862 | 5,196 | 221,058 | |
| 4.8. Custodians | 140,170 | 107,875 | 248,045 | 95,690 | 211,103 | 306,793 | |
| V. PLEDGED ITEMS | | 44,469,783 | 19,465,831 | 63,935,614 | 27,528,398 | 6,402,537 | 33,930,935 |
| 5.1. Securities | 1,215,495 | 55,497 | 1,270,992 | 811,074 | 50,146 | 861,220 | |
| 5.2. Guarantee notes | 748,070 | 306,292 | 1,054,362 | 514,264 | 246,818 | 761,082 | |
| 5.3. Commodities | 7,885,064 | 30,400 | 7,915,464 | 6,193,978 | - | 6,193,978 | |
| 5.4. Warranties | - | - | - | - | 6,420 | 6,420 | |
| 5.5. Real estates | 31,640,884 | 17,194,560 | 48,835,444 | 19,454,045 | 5,516,873 | 24,970,918 | |
| 5.6. Other pledged items | 2,626,745 | 1,815,280 | 4,442,025 | 368,341 | 559,863 | 928,204 | |
| 5.7. Pledged items-depository | 353,525 | 63,802 | 417,327 | 186,696 | 22,417 | 209,113 | |
| VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES | | - | - | - | - | - | - |
| TOTAL OFF-BALANCE SHEET ITEMS (A+B) | | 69,548,181 | 26,967,653 | 96,515,834 | 49,704,761 | 11,030,111 | 60,734,872 |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Income Statement for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

| | Notes | Audited Current Year 31 December 2008 | Audited Prior Year 31 December 2007 |
|--|----------------|---|---|
| I. INTEREST INCOME | V-IV-1 | 6,413,658 | 5,352,473 |
| 1.1 Interest income from loans | | 4,345,633 | 3,255,886 |
| 1.2 Interest income from reserve deposits | | 183,970 | 161,632 |
| 1.3 Interest income from banks | | 85,422 | 175,985 |
| 1.4 Interest income from money market transactions | | 82,206 | 187,170 |
| 1.5 Interest income from securities portfolio | | 1,695,839 | 1,565,578 |
| 1.5.1 Trading financial assets | | 22,646 | 37,277 |
| 1.5.2 Financial assets at fair value through profit or loss | | - | - |
| 1.5.3 Financial assets available-for-sale | | 1,316,295 | 1,418,205 |
| 1.5.4 Investments held-to-maturity | | 356,898 | 110,096 |
| 1.6 Finance lease income | | - | - |
| 1.7 Other interest income | | 20,588 | 6,222 |
| II. INTEREST EXPENSE | V-IV-2 | 4,438,967 | 3,676,639 |
| 2.1 Interest expense on deposits | | 3,906,897 | 3,241,026 |
| 2.2 Interest expense on funds borrowed | | 232,082 | 255,320 |
| 2.3 Interest expense on money market transactions | | 227,615 | 162,909 |
| 2.4 Interest expense on securities issued | | - | - |
| 2.5 Other interest expenses | | 72,373 | 17,384 |
| III. NET INTEREST INCOME (I – II) | | 1,974,691 | 1,675,834 |
| IV. NET FEES AND COMMISSIONS INCOME | | 466,215 | 360,490 |
| 4.1 Fees and commissions received | | 633,819 | 516,005 |
| 4.1.1 Non-cash loans | | 63,026 | 50,479 |
| 4.1.2 Others | | 570,793 | 465,526 |
| 4.2 Fees and commissions paid | | 167,604 | 155,515 |
| 4.2.1 Non-cash loans | | 10 | 11 |
| 4.2.2 Others | | 167,594 | 155,504 |
| V. DIVIDEND INCOME | V-IV-3 | 25,499 | 34,718 |
| VI. NET TRADING INCOME/LOSSES (Net) | V-IV-4 | 89,720 | 193,349 |
| 6.1 Trading account income/losses (Net) | | 51,354 | 47,522 |
| 6.2 Foreign exchange gains/losses (Net) | | 38,366 | 145,827 |
| VII. OTHER OPERATING INCOME | V-IV-5 | 312,704 | 356,713 |
| VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII) | | 2,868,829 | 2,621,104 |
| IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-) | V-IV-6 | 624,319 | 368,434 |
| X. OTHER OPERATING EXPENSES (-) | V-IV-7 | 1,319,172 | 994,571 |
| XI. NET OPERATING PROFIT/LOSS (VIII-IX-X) | | 925,338 | 1,258,099 |
| XII. INCOME RESULTED FROM MERGERS | | - | - |
| XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING | | - | - |
| XIV. GAIN/LOSS ON NET MONETARY POSITION | | - | - |
| XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV) | | 925,338 | 1,258,099 |
| XVI. PROVISION FOR TAXES FOR CONTINUING OPERATIONS | V-IV-11 | (172,140) | (227,399) |
| 16.1 Current tax (charge) | | (194,149) | (255,483) |
| 16.2 Deferred tax (charge)/credit | | 22,009 | 28,084 |
| XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI) | V-IV-12 | 753,198 | 1,030,700 |
| XVIII. INCOME FROM DISCONTINUED OPERATIONS | | - | - |
| 18.1 Income from investment properties | | - | - |
| 18.2 Income from sales of subsidiaries, affiliates and joint-ventures | | - | - |
| 18.3 Other income from discontinued activities | | - | - |
| XIX. EXPENSES FROM DISCONTINUED OPERATIONS | | - | - |
| 19.1 Investment property expenses | | - | - |
| 19.2 Losses from sales of subsidiaries, affiliates and joint ventures | | - | - |
| 19.3 Other expenses from discontinued activities | | - | - |
| XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES | | - | - |
| XXI. PROVISION FOR TAXES FOR DISCONTINUED OPERATIONS | | - | - |
| 21.1 Current tax charges | | - | - |
| 21.2 Deferred tax charges | | - | - |
| XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS | | - | - |
| XXIII. NET PROFIT/LOSS (XVII+XXII) | V-IV-12 | 753,198 | 1,030,700 |
| EARNINGS PER SHARE (full YTL) | | 0.3013 | 0.4123 |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Statement of Gains and Losses Recognized in
Shareholders' Equity For the Year Ended 31 December 2008
(Thousands of New Turkish Lira (YTL))

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

| GAINS AND LOSSES RECOGNIZED IN SHAREHOLDERS' EQUITY | | Notes | Audited Current Year 31 December 2008 | Audited Prior Year 31 December 2007 |
|---|--|-------|---|---|
| I. | VALUATION DIFFERENCES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS RECOGNIZED IN SECURITIES VALUATION DIFFERENCES | V-V-6 | (113,245) | 100,845 |
| II. | REVALUATION SURPLUS ON TANGIBLE ASSETS | | - | 25 |
| III. | REVALUATION SURPLUS ON INTANGIBLE ASSETS | | - | - |
| IV. | CURRENCY TRANSLATION DIFFERENCES | | - | - |
| V. | GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes) | | - | - |
| VI. | GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion) | | - | - |
| VII. | EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS | | - | - |
| VIII. | OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TASS | | (69,246) | 89,418 |
| IX. | DEFERRED TAXES DUE TO VALUATION DIFFERENCES | V-V-6 | 16,210 | (22,242) |
| X. | NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY | | (166,281) | 168,046 |
| XI. | CURRENT YEAR'S PROFIT/(LOSS) | | 753,198 | 1,030,700 |
| 11.1 | Change in fair value of available-for-sale financial assets (transfers to the income statement) | V-V-6 | 44,324 | 21,666 |
| 11.2 | Gains/Losses recognized in the income statement due to reclassification of cash flow hedges | | - | - |
| 11.3 | Gains/Losses recognized in the income statement due to reclassification of net foreign investment hedges | | - | - |
| 11.4 | Others | | 708,874 | 1,009,034 |
| XXIII. | TOTAL GAINS AND LOSSES RECOGNIZED DURING THE YEAR | | 586,917 | 1,198,746 |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

| Disclosure | Paid-in Capital | Capital Reserves from Inflation Adj.s to Paid in Capital | Share Premium | Share Cancellation Profits | Legal Reserves | Status Reserves |
|--|-----------------|--|---------------|----------------------------|----------------|-----------------|
| | | | | | | |
| Previous year – 31 December 2007 | | | | | | |
| I. Balances at the beginning of the year | 2,500,000 | - | 723,918 | - | 102,658 | - |
| II. Corrections made as per TAS 8 | - | - | - | - | - | - |
| 2.1 Effect of correction of errors | - | - | - | - | - | - |
| 2.2 Effects of changes in accounting policies | - | - | - | - | - | - |
| III. Adjusted balances at the beginning of the year (I+II) | 2,500,000 | - | 723,918 | - | 102,658 | - |
| Changes during the year | | | | | | |
| IV. Merges | - | - | - | - | - | - |
| V. Valuation differences of the marketable securities | - | - | - | - | - | - |
| VI. Hedging reserves | - | - | - | - | - | - |
| 6.1 Cash flow hedge | - | - | - | - | - | - |
| 6.2 Hedging net investment in foreign operations | - | - | - | - | - | - |
| VII. Revaluation surplus on tangible assets | - | - | - | - | - | - |
| VIII. Revaluation surplus on intangible assets | - | - | - | - | - | - |
| IX. Bonus shares of associates, subsidiaries and joint-ventures | - | - | - | - | - | - |
| X. Translation differences | - | - | - | - | - | - |
| XI. Changes resulted from disposal of the assets | - | - | - | - | - | - |
| XII. Changes resulted from reclassifications of the assets | - | - | - | - | - | - |
| XIII. Effect of change in equities of associates on the Bank's equity | - | - | - | - | - | - |
| XIV. Capital increase | - | - | - | - | - | - |
| 14.1 Cash | - | - | - | - | - | - |
| 14.2 Internal sources | - | - | - | - | - | - |
| XV. Share issuance | - | - | - | - | - | - |
| XVI. Share cancellation profits | - | - | - | - | - | - |
| XVII. Capital reserves from inflation adjustments to paid-in capital | - | - | - | - | - | - |
| XVIII. Others | - | - | - | - | - | - |
| XIX. Current year's net profit/loss | - | - | - | - | - | - |
| XX. Profit distribution | - | - | - | - | 76,973 | - |
| 20.1 Dividends to shareholders | - | - | - | - | - | - |
| 20.2 Transferred to reserves | - | - | - | - | 76,973 | - |
| 20.3 Others | - | - | - | - | - | - |
| Balances at the end of the year | 2,500,000 | - | 723,918 | - | 179,631 | - |
| Current year – 31 December 2008 | | | | | | |
| I. Balances at the beginning of the year | 2,500,000 | - | 723,918 | - | 179,631 | - |
| Changes during the year | | | | | | |
| II. Merges | - | - | - | - | - | - |
| III. Valuation differences of marketable securities | - | - | - | - | - | - |
| IV. Hedging Reserves | - | - | - | - | - | - |
| 4.1 Cash flow hedge | - | - | - | - | - | - |
| 4.2 Hedging net investment in foreign operations | - | - | - | - | - | - |
| V. Revaluation surplus on tangible assets | - | - | - | - | - | - |
| VI. Revaluation surplus on intangible assets | - | - | - | - | - | - |
| VII. Bonus shares of associates, subsidiaries and joint-ventures | - | - | - | - | - | - |
| VIII. Translation differences | - | - | - | - | - | - |
| IX. Changes resulted from disposal of assets | - | - | - | - | - | - |
| X. Changes resulted from reclassifications of assets | - | - | - | - | - | - |
| XI. Effect of change in equities of associates on the Bank's equity | - | - | - | - | - | - |
| XII. Capital increase | - | - | - | - | - | - |
| 12.1 Cash | - | - | - | - | - | - |
| 12.2 Internal sources | - | - | - | - | - | - |
| XIII. Share issuance | - | - | - | - | - | - |
| XIV. Share cancellation profits | - | - | - | - | - | - |
| XV. Capital reserves from inflation adjustments to paid-in capital | - | - | - | - | - | - |
| XVI. Others | - | - | - | - | - | - |
| XVII. Current year's net profit/loss | - | - | - | - | - | - |
| XVIII. Profit distribution | - | - | - | - | 100,262 | - |
| 18.1 Dividends to shareholders | - | - | - | - | - | - |
| 18.2 Transferred to reserves | - | - | - | - | 100,262 | - |
| 18.3 Other | - | - | - | - | - | - |
| Balances at the end of the year | 2,500,000 | - | 723,918 | - | 279,893 | - |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

| Extraordinary Reserves | Other Profit Reserves | Current Year's Net Profit/(Loss) | Prior Years' Net Profit/(Loss) | Valuation Differences of the Marketable Securities | Revaluation Surplus on Tangible, Intangible Assets and Investment Property | Bonus Shares of Associates, Subsidiaries and Joint Ventures | Hedging Reserves | Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s | Shareholders' Equity before Minority Interest | Minority Interest | Total Shareholders' Equity |
|------------------------|-----------------------|----------------------------------|--------------------------------|--|--|---|------------------|--|---|-------------------|----------------------------|
| - | 151,974 | 761,576 | 51,747 | 136,386 | - | 35,142 | - | - | 4,463,401 | - | 4,463,401 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | 151,974 | 761,576 | 51,747 | 136,386 | - | 35,142 | - | - | 4,463,401 | - | 4,463,401 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | 139,044 | - | - | - | - | 139,044 | - | 139,044 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 28,977 | - | - | 28,977 | - | 28,977 |
| - | - | - | - | - | 25 | - | - | - | 25 | - | 25 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | 1,030,700 | - | - | - | - | - | - | 1,030,700 | - | 1,030,700 |
| 296,122 | (3,523) | (761,576) | (43,861) | - | - | - | - | - | (435,865) | - | (435,865) |
| - | - | (435,865) | - | - | - | - | - | - | (435,865) | - | (435,865) |
| 296,122 | (3,523) | (325,711) | (43,861) | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| 296,122 | 148,451 | 1,030,700 | 7,886 | 275,430 | 25 | 64,119 | - | - | 5,226,282 | - | 5,226,282 |
| 296,122 | 148,451 | 1,030,700 | 7,886 | 275,430 | 25 | 64,119 | - | - | 5,226,282 | - | 5,226,282 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | (167,621) | - | - | - | - | (167,621) | - | (167,621) |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 1,340 | - | - | 1,340 | - | 1,340 |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | 753,198 | - | - | - | - | - | - | 753,198 | - | 753,198 |
| 760,154 | 35,970 | (1,030,700) | (7,886) | - | - | - | - | - | (142,200) | - | (142,200) |
| - | - | (142,200) | - | - | - | - | - | - | (142,200) | - | (142,200) |
| 760,154 | 35,970 | (888,500) | (7,886) | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| 1,056,276 | 184,421 | 753,198 | - | 107,809 | 25 | 65,459 | - | - | 5,670,999 | - | 5,670,999 |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Statement of Cash Flows for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

| | Notes | Audited Current Year 31 December 2008 | Audited Prior Year 31 December 2007 |
|---|---------------|---|---|
| A. CASH FLOWS FROM BANKING OPERATIONS | | | |
| 1.1 Operating profit before changes in operating assets and liabilities | V-VI-1 | 258,184 | 770,514 |
| 1.1.1 Interests received | | 6,310,344 | 5,034,852 |
| 1.1.2 Interests paid | | (4,450,924) | (3,606,329) |
| 1.1.3 Dividends received | | 18,235 | 34,718 |
| 1.1.4 Fee and commissions received | | 466,215 | 516,005 |
| 1.1.5 Other income | | 117,604 | 550,062 |
| 1.1.6 Collections from previously written-off loans and other receivables | | 107,328 | 73,145 |
| 1.1.7 Payments to personnel and service suppliers | | (1,247,094) | (457,156) |
| 1.1.8 Taxes paid | | (232,473) | (173,017) |
| 1.1.9 Others | | (831,051) | (1,201,766) |
| 1.2 Changes in operating assets and liabilities | V-VI-1 | 1,748,074 | (405,340) |
| 1.2.1 Net (increase) decrease in financial assets held for trading purpose | | 222,214 | 129,802 |
| 1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss | | - | - |
| 1.2.3 Net (increase) decrease in due from banks and other financial institutions | | (314,309) | (104,662) |
| 1.2.4 Net (increase) decrease in loans | | (7,198,604) | (5,346,079) |
| 1.2.5 Net (increase) decrease in other assets | | (176,084) | 89,922 |
| 1.2.6 Net increase (decrease) in bank deposits | | 723,216 | 195,462 |
| 1.2.7 Net increase (decrease) in other deposits | | 7,524,723 | 3,834,552 |
| 1.2.8 Net increase (decrease) in funds borrowed | | 1,086,143 | (309,260) |
| 1.2.9 Net increase (decrease) in matured payables | | - | - |
| 1.2.10 Net increase (decrease) in other liabilities | | (119,225) | 1,104,923 |
| I. Net cash flow from banking operations | V-VI-1 | 2,006,258 | 365,174 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| II. Net cash used in investing activities | V-VI-1 | (267,821) | (570,631) |
| 2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures | V-VI-2 | (1,794) | (5,685) |
| 2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures | | - | 752 |
| 2.3 Purchases of tangible assets | | (224,922) | (160,428) |
| 2.4 Sales of tangible assets | | 37,448 | 71,842 |
| 2.5 Cash paid for purchase of financial assets available-for-sale | | (4,443,967) | - |
| 2.6 Cash obtained from sale of financial assets available-for-sale | | 4,240,695 | 868,127 |
| 2.7 Cash paid for purchase of held-to-maturity investment securities | | (803,484) | (1,345,239) |
| 2.8 Cash obtained from sale of held-to-maturity investment securities | | 928,203 | - |
| 2.9 Others | | - | - |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| III. Net cash used in financing activities | | (150,479) | (423,653) |
| 3.1 Cash obtained from funds borrowed and securities issued | | - | - |
| 3.2 Cash used for repayment of funds borrowed and securities issued | | - | - |
| 3.3 Equity instruments issued | | - | - |
| 3.4 Dividends paid | | (142,200) | (435,865) |
| 3.5 Payments for finance leases | | (8,279) | (12,995) |
| 3.6 Others | | - | 25,207 |
| IV. Effect of change in foreign exchange rates on cash and cash equivalents | | - | - |
| V. Net increase/(decrease) in cash and cash equivalents | | 1,587,958 | (629,110) |
| VI. Cash and cash equivalents at the beginning of the year | V-VI-4 | 5,259,888 | 5,888,998 |
| VII. Cash and cash equivalents at the end of the year | V-VI-4 | 6,847,846 | 5,259,888 |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Statement of Profit Distribution for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

| | Notes | Current Year 31 December 2008 | Prior Year 31 December 2007 |
|-------------|--|----------------------------------|--------------------------------|
| I. | DISTRIBUTION OF CURRENT YEAR PROFIT | | |
| 1.1 | CURRENT YEAR'S PROFIT | 925,338 | 1,258,099 |
| 1.2 | TAXES AND LEGAL DUTIES PAYABLE | (172,140) | (227,399) |
| 1.2.1 | Corporate tax (income tax) | (194,149) | (255,483) |
| 1.2.2 | Withholding tax | - | - |
| 1.2.3 | Other taxes and duties | 22,009 | 28,084 |
| A. | NET PROFIT FOR THE YEAR | 753,198 | 1,030,700 |
| 1.3 | DEFERRED TAX INCOME TRANSFERRED TO OTHER RESERVES | (22,009) | (28,084) |
| B. | NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME | 731,189 | 1,002,616 |
| 1.4 | ACCUMULATED LOSSES | - | - |
| 1.5 | FIRST LEGAL RESERVES | (36,559) | (50,131) |
| 1.6 | OTHER STATUTORY RESERVES | (36,559) | (50,131) |
| C. | NET PROFIT AVAILABLE FOR DISTRIBUTION | 658,071 | 902,354 |
| 1.7 | FIRST DIVIDEND TO SHAREHOLDERS | - | (142,200) |
| 1.7.1 | To owners of ordinary shares | - | (142,200) |
| 1.7.2 | To owners of privileged shares | - | - |
| 1.7.3 | To owners of redeemed shares | - | - |
| 1.7.4 | To profit sharing bonds | - | - |
| 1.7.5 | To holders of profit and loss sharing certificates | - | - |
| 1.8 | DIVIDENDS TO PERSONNEL (*) | - | - |
| 1.9 | DIVIDENDS TO BOARD OF DIRECTORS | - | - |
| 1.10 | SECOND DIVIDEND TO SHAREHOLDERS | - | - |
| 1.10.1 | To owners of ordinary shares | - | - |
| 1.10.2 | To owners of privileged shares | - | - |
| 1.10.3 | To owners of redeemed shares | - | - |
| 1.10.4 | To profit sharing bonds | - | - |
| 1.10.5 | To holders of profit and loss sharing certificates | - | - |
| 1.11 | SECOND LEGAL RESERVES | - | - |
| 1.12 | STATUS RESERVES | - | - |
| 1.13 | EXTRAORDINARY RESERVES | - | (760,154) |
| 1.14 | OTHER RESERVES | - | - |
| 1.15 | SPECIAL FUNDS | - | - |
| II. | DISTRIBUTION FROM RESERVES | | |
| 2.1 | DISTRIBUTION OF RESERVES | - | - |
| 2.2 | SECOND LEGAL RESERVES | - | - |
| 2.3 | DIVIDENDS TO SHAREHOLDERS | - | - |
| 2.3.1 | To owners of ordinary shares | - | - |
| 2.3.2 | To owners of privileged shares | - | - |
| 2.3.3 | To owners of redeemed shares | - | - |
| 2.3.4 | To profit sharing bonds | - | - |
| 2.3.5 | To holders of profit and loss sharing certificates | - | - |
| 2.4 | DIVIDENDS TO PERSONNEL | - | - |
| 2.5 | DIVIDENDS TO BOARD OF DIRECTORS | - | - |
| III. | EARNINGS PER SHARE | | |
| 3.1 | TO OWNERS OF ORDINARY SHARES | 0.3013 | 0.4123 |
| 3.2 | TO OWNERS OF ORDINARY SHARES (%) | 30.13 | 41.23 |
| 3.3 | TO OWNERS OF PRIVILEGED SHARES | - | - |
| 3.4 | TO OWNERS OF PRIVILEGED SHARES (%) | - | - |
| IV. | DIVIDEND PER SHARE | | |
| 4.1 | TO OWNERS OF ORDINARY SHARES | - | 0.0569 |
| 4.2 | TO OWNERS OF ORDINARY SHARES (%) | - | 5.69 |
| 4.3 | TO OWNERS OF PRIVILEGED SHARES | - | - |
| 4.4 | TO OWNERS OF PRIVILEGED SHARES (%) | - | - |
| - | | | |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

SECTION THREE

Accounting Policies

I. Basis of presentation

As per the Article 37 of "Accounting and Recording Rules" of the Turkish Banking Law no.5411 published on the Official Gazette no.25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulation and Supervision Agency ("BRSA") and in effect since 1 November 2006, Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and the related statements and guidance (collectively "Reporting Standards").

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

Additional paragraph for convenience translation to English

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

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

Strategy for the use of financial instruments

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

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

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

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

The Bank takes position against short-term foreign exchange risk, interest rate risk and market risk in money and capital markets, by considering market conditions, within specified limits set by regulations.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

The Bank hedges itself and controls its position against the foreign exchange risk being exposed due to foreign currency available-for-sale investments, investments in other portfolios and other foreign currency transactions by various derivative transactions and setting the equilibrium between foreign currency denominated assets and liabilities. The Bank also hedges itself against the risk exposed due to net investment in foreign operations by the same manner.

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

Information on foreign currency transactions

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

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

III. Information on forwards, options and other derivative transactions

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

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

IV. Information on interest income and expenses

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

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

V. Information on fees and commissions

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

VI. Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

Financial assets at fair value through profit or loss

Such assets are measured at their fair values and gain/loss arising is recorded in the income statement. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the income statement. In case of disposal of such securities before their maturity, the gains/losses on such disposals are recorded under trading income/losses in the accompanying unconsolidated income statement.

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

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

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

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

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

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

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

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

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

Associates and subsidiaries

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

Associates, classified as available-for-sale financial assets in unconsolidated financial statements, which are traded in an active market or whose fair value can be reliably measured, are recorded at fair value. Associates which are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

VII. Impairment of financial assets

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

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

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

VIII. Netting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

IX. Repurchase and resale agreements and securities lending

Securities sold under repurchase agreements are recorded on the balance sheet in accordance with the Uniform Chart of Accounts for Banks. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as "Securities Subject to Repurchase Agreements" and valued based on their original portfolio, either at fair value or at amortized cost using effective interest. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis.

Securities purchased under resale agreements are classified under "Interbank Money Markets" separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

X. Assets and liabilities arising from assets held for sale and discontinued operations

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

XI. Goodwill and other intangible assets

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

Goodwill and other intangible assets are recorded at cost in compliance with the TAS 38 – Intangible Assets.

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

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

XII. Tangible assets

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

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

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

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

Depreciation rates and estimated useful lives are:

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

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

XIII. Leasing activities

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

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realizable value.

Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

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

XIV. Provisions and contingent liabilities

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Bank discloses the contingent asset.

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XV. Obligations of the Bank concerning employee rights

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as of 31 December 2008 is YTL 2.17.

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

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

| | Current Year | Previous Year |
|--|--------------|---------------|
| Discount Rate | 6.26% | 5.71% |
| Expected Rate of Salary/Limit Increase | 5.40% | 5.00% |
| Estimated Employee Turnover Rate | 0.84% | 0.51% |

Other benefits to employees

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

Pension fund

The employees of the Bank are the members of "Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı" ("the Fund") established on 15 May 1957 as per the temporary article no.20 of the Social Security Law no.506.

The first paragraph of the temporary article no.23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the issue date of the Banking Law no.5411, issued in the 1 November 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court's 22 March 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on 15 December 2007 in the Official Gazette no.26731.

Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and the Social Security Law no.5754 ("the Law") has been approved on 17 April 2008. The Law is enacted by the approval of the President of Turkey and issued on the 8 May 2008 dated and 26870 numbered Official Gazette.

In accordance with the temporary article no.20 of the Article no.73 of the Law;

The discounted liability for each fund in terms of the persons transferred as at the transfer date, including the contributors left the fund, should be calculated by the assumptions below,

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

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

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

The employer of pension fund participants (the Banks) will continue to pay the non-transferable social rights, which are already disclosed in the article of association of the pension fund, to the pension participants and their right owners, even though the salary payment obligation has been transferred to the Social Security Foundation.

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

XVI. Taxation

Corporate tax

Corporate tax rate is 20% in Turkey. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, increased to 15% from 10%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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

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

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

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Deferred taxes

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

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

If transactions and events are recorded in the income statement, then the related tax effects are also recognized in the income statement. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.

Transfer Pricing

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

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

XVII. Funds borrowed

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

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

XVIII. Issuance of equity securities

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

XIX. Confirmed bills of exchange and acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any. As at the balance sheet date, there are no acceptances recorded as liability in return for assets.

XX. Government incentives

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

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XXI. Segment reporting

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

XXII. Other disclosures

Changes in accounting policies and valuation basis in the current year

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

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

Earnings per shares

Earning per share is calculated by dividing the net profit for the year to weighted average of outstanding shares. In Turkey, the companies may perform capital increase ("Bonus Shares") from retained earnings. In earning per share computation bonus shares are treated as issued shares.

As at and for the year ended 31 December 2008, earnings per share are YTL 0.3013 (31 December 2007: YTL 0.4123).

Related parties

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

Cash and cash equivalents

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

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SECTION FOUR

Information Related to Financial Position of the Bank

I. Capital adequacy ratio

The Bank's unconsolidated capital adequacy ratio is 14.30% (31 December 2007: 15.32%).

Risk measurement methods in calculation of capital adequacy ratio

Capital adequacy ratio is calculated within the scope of the "Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006, "Regulation for an Amendment for the Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26824 dated 22 March 2008 and "Regulation on the Equity of Banks".

In calculation of capital adequacy ratio, the accounting records prepared in compliance with the current legislation are used.

The items deducted from the capital base are not included in the calculation of risk weighted assets. In calculation of risk weighted assets, impairments, depreciation and amortization, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

In the calculation of the risk based values of the derivative financial instruments, such instruments are weighted and classified according to the related risk groups after being multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

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Unconsolidated capital adequacy ratio

| | 31 December 2008 | | | | | | |
|--|-------------------|-----|------------------|------------------|-------------------|---------------|------------|
| | Risk Weights | | | | | | |
| | 0% | 10% | 20% | 50% | 100% | 150% | 200% |
| Balance sheet items (Net) | 10,578,295 | - | 1,058,832 | 9,025,856 | 23,026,698 | 32,253 | 158 |
| Cash on hand | 439,633 | - | 14 | - | - | - | - |
| Matured securities | - | - | - | - | - | - | - |
| Balances with the Central Bank of Turkey | 801,315 | - | - | - | - | - | - |
| Domestic and foreign Banks, foreign head offices and branches | 1,482,677 | - | 812,475 | - | 261,924 | - | - |
| Interbank money market placements | 3,200,000 | - | - | - | - | - | - |
| Receivables from reverse repurchase agreements | - | - | - | - | - | - | - |
| Reserve deposits | 812,434 | - | - | - | - | - | - |
| Loans | 257,930 | - | 170,118 | 8,867,117 | 20,555,253 | 32,253 | 158 |
| Loans under follow-up (Net) | - | - | - | - | 85,088 | - | - |
| Receivables from leasing activities | - | - | - | - | - | - | - |
| Available-for-sale financial assets | - | - | 19,931 | - | - | - | - |
| Held-to-maturity investment securities | 3,275,520 | - | 34,960 | - | - | - | - |
| Receivables from term sale of assets | - | - | - | - | 158,266 | - | - |
| Miscellaneous receivables | - | - | - | - | 172,784 | - | - |
| Interest and other income accruals | 218,203 | - | 21,334 | 158,739 | 368,003 | - | - |
| Investments in associates, subsidiaries and joint-ventures (Net) | - | - | - | - | 538,088 | - | - |
| Tangible assets (Net) | - | - | - | - | 821,046 | - | - |
| Other assets | 90,583 | - | - | - | 66,246 | - | - |
| Off-balance sheet items | 229,557 | - | 227,182 | 335,257 | 4,782,896 | - | - |
| Non-cash loans and commitments | 229,557 | - | 193,895 | 335,257 | 4,782,777 | - | - |
| Derivative financial instruments | - | - | 33,287 | - | 119 | - | - |
| Non risk weighted accounts | - | - | - | - | - | - | - |
| Total risk weighted assets | 10,807,852 | - | 1,286,014 | 9,361,113 | 27,809,594 | 32,253 | 158 |

Summary information related to unconsolidated capital adequacy ratio

| | Current Year | Prior Year |
|--|--------------|--------------|
| Value at Credit Risk (VaCR) | 32,796,049 | 27,027,653 |
| Value at Market Risk (VaMR) (**) | 755,100 | 650,125 |
| Value at Operational Risk (VaOR) (*) | 4,130,525 | 3,642,163 |
| Shareholders' Equity | 5,389,879 | 4,799,690 |
| Shareholders' Equity/(VaCR+VaMR+VaOR)*100 | 14.30 | 15.32 |

(*) In accordance with the BRSA circular numbered BDDK.BYD.126.01 and dated 7 February 2008, value at operational risk calculated based on gross incomes for the years ended 31 December 2005, 2006 and 2007 is used for the calculation of capital adequacy standard ratio during the year 2008.

(**) In accordance with the second article, which came into force starting from 1 January 2008, of the "Amendment Regulation on the Regulation Regarding Measurement and Assessment of the Capital Adequacy of the Banks" which has been issued in the 10 October 2007 dated and 26669 numbered Official Gazette, since the share of the available-for-sale financial assets within the total securities portfolio of the Bank exceeds 10%, the accounts for the available-for-sale financial assets has been accepted as trading securities and capital obligation has been computed for the general market risk and specific risk in the determination of the market risk.

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Components of shareholders' equity items

| | Current Year | Prior Year |
|---|------------------|------------------|
| CORE CAPITAL | | |
| Paid-in Capital | 2,500,000 | 2,500,000 |
| Nominal Capital | 2,500,000 | 2,500,000 |
| Capital Commitments (-) | - | - |
| Capital Reserves from Inflation Adjustments to Paid-in Capital | - | - |
| Share Premium | 723,918 | 723,918 |
| Share Cancellation Profits | - | - |
| Legal Reserves | 279,893 | 179,631 |
| I. Legal Reserve (Turkish Commercial Code 466/1) | 139,946 | 89,815 |
| II. Legal Reserve (Turkish Commercial Code 466/2) | - | - |
| Reserves allocated as per Special Legislations | 139,947 | 89,816 |
| Status Reserves | - | - |
| Extraordinary Reserves | 1,240,697 | 444,573 |
| Reserve allocated as per the Decision held by the General Assembly | 1,056,276 | 296,122 |
| Retained Earnings | 184,421 | 148,451 |
| Accumulated Losses | - | - |
| Exchange Rate Differences on Foreign Currency Capital | - | - |
| Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves | - | - |
| Profit | 753,198 | 1,038,586 |
| Current Year's Profit | 753,198 | 1,030,700 |
| Prior Years' Profit | - | 7,886 |
| Provision for Possible Losses (up to 25% of Core Capital) | - | - |
| Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase | 25 | 25 |
| Primary Subordinated Debt (up to 15% of Core Capital) | - | - |
| Loss excess of Reserves (-) | - | - |
| Current Year's Loss | - | - |
| Prior Years' Loss | - | - |
| Leasehold Improvements (-) | - | 46,865 |
| Prepaid Expenses (-) | 285,053 | 204,343 |
| Intangible Assets (-) | 30,774 | 13,496 |
| Deferred Tax Asset excess of 10% of Core Capital (-) | - | - |
| Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-) | - | - |
| Total Core Capital | 5,497,731 | 4,886,733 |
| SUPPLEMENTARY CAPITAL | | |
| General Provisions | 258,907 | 173,745 |
| 45% of Revaluation Surplus on Immovables | - | - |
| Bonus shares of Associates, Subsidiaries and Joint-Ventures | 65,459 | 64,119 |
| Primary Subordinated Debt excluding the Portion included in Core Capital | - | - |
| Secondary Subordinated Debt | - | - |
| 45% of Valuation Differences of Marketable Securities | 48,514 | 123,944 |
| Associates and Subsidiaries | 53,411 | 84,736 |
| Available for Sale Investment Securities | (4,897) | 39,208 |
| Other Profit Reserves | - | - |
| Total Supplementary Capital | 372,880 | 361,808 |
| TIER III CAPITAL | | |
| CAPITAL | 5,870,611 | 5,248,541 |
| DEDUCTIONS FROM CAPITAL | 480,732 | 448,851 |
| Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership | 1,281 | 3,224 |
| Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals | - | - |
| Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts | - | - |
| Loan granted to Customer against the Articles 50 and 51 of the Banking Law | - | - |
| Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 Of the Banking Law but Retained more than Five Years | 163,624 | 180,923 |
| Others | - | - |
| TOTAL SHAREHOLDERS' EQUITY | 5,389,879 | 4,799,690 |

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II. Credit risk

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

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

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

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

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

For credit risk management purposes, Risk Management Department 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.

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

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

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The Bank's largest 200 cash loan customers compose 43.12% of the total cash loan portfolio.

The Bank's largest 200 non-cash loan customers compose 76.72% of the total non-cash loan portfolio.

The Bank's largest 200 cash loan customers compose 25.20% of total assets of the Bank and the Bank's largest 200 non-cash loan customers compose 36.58% of total off-balance sheet items.

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

Sectoral and geographical concentration of the credit risk

| | Personal and Commercial Loans | | Banks and Other Financial Institution | | Marketable Securities(*) | | Other Loans(**) | |
|-----------------------------------|-------------------------------|-------------------|---------------------------------------|------------------|--------------------------|-------------------|------------------|------------------|
| | Current Year | Prior Year | Current Year | Prior Year | Current Year | Prior Year | Current Year | Prior Year |
| Sectoral Concentration | | | | | | | | |
| Private Sector | 18,515,581 | 13,230,657 | 1,196,010 | 652,685 | 6,959 | - | 3,368,299 | 2,522,680 |
| Public Sector | 2,129,820 | 2,919,427 | - | 1,042 | 11,406,642 | 10,839,215 | 126,824 | 261,427 |
| Banks | - | - | 7,430,783 | 5,652,394 | 35,085 | 35,170 | 210,067 | 156,855 |
| Consumers | 8,653,877 | 6,545,646 | - | - | - | - | 23,585 | 18,102 |
| Equity Securities | - | - | - | - | 19,931 | 12,213 | 539,369 | 585,971 |
| | 29,299,278 | 22,695,730 | 8,626,793 | 6,306,121 | 11,468,617 | 10,886,598 | 4,268,144 | 3,545,035 |
| Geographical Concentration | | | | | | | | |
| Domestic | 29,277,740 | 22,491,343 | 6,116,605 | 4,485,076 | 11,422,782 | 10,851,428 | 2,965,589 | 2,499,737 |
| EU Countries | - | 191,401 | 920,214 | 1,570,837 | - | - | 723,749 | 541,136 |
| OECD Countries (***) | - | - | 21,594 | 23,880 | - | - | 46,241 | 40,617 |
| Off-Shore Banking Regions | - | - | 10,032 | 12,465 | - | - | - | - |
| USA, Canada | 21,538 | 12,986 | 1,556,495 | 206,618 | 45,835 | 35,170 | 80,285 | 74,888 |
| Other Countries | - | - | 1,853 | 7,245 | - | - | 452,280 | 388,657 |
| Total | 29,299,278 | 22,695,730 | 8,626,793 | 6,306,121 | 11,468,617 | 10,886,598 | 4,268,144 | 3,545,035 |

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

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

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

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Geographical Concentration

| Current Year | Assets | Liabilities | Non- Cash Loans | Capital Expenditures | Net Profit/(Loss) |
|--|-------------------|-------------------|--------------------|-------------------------|----------------------|
| Domestic | 48,898,128 | 45,006,071 | 6,160,128 | 224,922 | 753,198 |
| EU Countries | 1,097,677 | 6,932,280 | 731,582 | - | - |
| OECD Countries (*) | 21,594 | 54,041 | 131,878 | - | - |
| Off-Shore | 10,032 | 119,367 | - | - | - |
| USA, Canada | 1,624,840 | 18,597 | 61,062 | - | - |
| Other Countries | 1,853 | 63,137 | 926,427 | - | - |
| Subsidiaries, Affiliates and Joint-Ventures | 539,369 | - | - | - | - |
| Unallocated Assets/Liabilities | - | - | - | - | - |
| Total | 52,193,493 | 52,193,493 | 8,011,077 | 224,922 | 753,198 |

| Prior Year | Assets | Liabilities | Non- Cash Loans | Capital Expenditures | Net Profit/(Loss) |
|--|-------------------|-------------------|--------------------|-------------------------|----------------------|
| Domestic | 39,732,082 | 35,619,420 | 3,026,179 | 160,428 | 1,030,700 |
| EU Countries | 1,791,146 | 6,502,810 | 1,203,601 | - | - |
| OECD Countries (*) | 23,880 | 60,461 | 306,974 | - | - |
| Off-Shore | 13,337 | 72,596 | 303 | - | - |
| USA, Canada | 254,815 | 86,545 | 387,316 | - | - |
| Other Countries | 7,245 | 66,644 | 916,422 | - | - |
| Subsidiaries, Affiliates and Joint-Ventures | 585,971 | - | - | - | - |
| Unallocated Assets/Liabilities | - | - | - | - | - |
| Total | 42,408,476 | 42,408,476 | 5,840,795 | 160,428 | 1,030,700 |

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

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Sectoral distribution of cash loans

| | Current Year | | | | Prior Year | | | |
|----------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|------------------|---------------|
| | YTL | (%) | FC | (%) | YTL | (%) | FC | (%) |
| Agriculture | 309,429 | 1.59 | 171,139 | 1.56 | 272,203 | 1.59 | 94,935 | 1.48 |
| Farming and Stockbreeding | 266,767 | 1.37 | 116,595 | 1.07 | 234,847 | 1.37 | 35,947 | 0.56 |
| Forestry | 31,062 | 0.16 | 1,541 | 0.01 | 29,134 | 0.17 | 21,314 | 0.33 |
| Fishery | 11,600 | 0.06 | 53,003 | 0.48 | 8,222 | 0.05 | 37,674 | 0.59 |
| Manufacturing | 2,364,755 | 12.17 | 4,636,248 | 42.19 | 2,279,296 | 13.33 | 2,785,864 | 43.70 |
| Mining | 224,354 | 1.15 | 136,273 | 1.24 | 488,795 | 2.86 | 73,994 | 1.16 |
| Production | 1,903,600 | 9.80 | 4,228,621 | 38.48 | 1,667,156 | 9.75 | 2,650,375 | 41.58 |
| Electricity, Gas, Water | 236,801 | 1.22 | 271,354 | 2.47 | 123,345 | 0.72 | 61,495 | 0.96 |
| Construction | 1,141,875 | 5.88 | 927,788 | 8.44 | 1,131,998 | 6.62 | 393,296 | 6.17 |
| Services | 3,744,986 | 19.28 | 4,090,754 | 37.22 | 3,653,285 | 21.37 | 2,418,155 | 37.95 |
| Wholesale and Retail Trade | 1,760,550 | 9.07 | 1,630,989 | 14.85 | 1,483,792 | 8.68 | 708,022 | 11.11 |
| Hotel, Food and Beverage | | | | | | | | |
| Services | 129,019 | 0.66 | 727,824 | 6.62 | 146,479 | 0.86 | 231,104 | 3.63 |
| Transportation and | | | | | | | | |
| Telecommunication | 1,271,162 | 6.55 | 805,854 | 7.33 | 1,578,251 | 9.23 | 878,506 | 13.78 |
| Financial Institutions | 365,853 | 1.88 | 837,168 | 7.62 | 290,492 | 1.70 | 483,781 | 7.59 |
| Real Estate and Renting Services | 57,249 | 0.29 | 31,038 | 0.28 | 17,039 | 0.10 | 8,666 | 0.14 |
| "Self-Employment" Type Services | - | - | - | - | - | - | - | - |
| Educational Services | 24,470 | 0.13 | 12,439 | 0.11 | 22,089 | 0.13 | 12,519 | 0.20 |
| Health and Social Services | 136,683 | 0.70 | 45,442 | 0.41 | 115,143 | 0.67 | 95,557 | 1.50 |
| Others | 11,866,240 | 61.08 | 1,163,997 | 10.59 | 9,758,390 | 57.09 | 682,581 | 10.70 |
| Total | 19,427,285 | 100.00 | 10,989,926 | 100.00 | 17,095,172 | 100.00 | 6,374,831 | 100.00 |

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

| 31 December 2008 | Loans | | Other assets | |
|----------------------------------|------------------|---------------|--------------|----------|
| | Gross | Net | Gross | Net |
| Grade 8 : Individually Impaired | 106,360 | 85,088 | - | - |
| Grade 9 : Individually Impaired | 274,052 | - | - | - |
| Grade 10 : Individually Impaired | 1,075,410 | - | - | - |
| Total | 1,455,822 | 85,088 | - | - |

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

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

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Performing cash and non-cash loans by type of collateral

| Cash loans | 31 December 2008 | 31 December 2007 |
|--|-------------------|-------------------|
| Secured Loans: | 22,391,884 | 17,200,279 |
| Secured by cash collateral | 29,680 | 5,377 |
| Secured by mortgages | 9,133,714 | 6,568,223 |
| Secured by government institutions or government securities | 228,250 | 161,984 |
| Guarantees issued by financial institutions | 21,861 | - |
| Other collateral (pledge on assets, corporate and personal guarantees, promissory notes) | 12,978,379 | 10,464,695 |
| Unsecured Loans | 8,025,327 | 6,269,724 |
| Total performing loans | 30,417,211 | 23,470,003 |

| Non-cash loans | 31 December 2008 | 31 December 2007 |
|--|------------------|------------------|
| Secured Loans: | 4,242,797 | 3,242,020 |
| Secured by cash collateral | 249,244 | 195,264 |
| Secured by mortgages | 1,442,796 | 1,003,575 |
| Secured by government institutions or government securities | 9,908 | - |
| Guarantees issued by financial institutions | 310,482 | 210,669 |
| Other collateral (pledge on assets, corporate and personal guarantees, promissory notes) | 2,230,367 | 1,832,512 |
| Unsecured Loans | 3,768,280 | 2,598,775 |
| Total non-cash loans | 8,011,077 | 5,840,795 |

Fair value of collateral held against impaired loans

| | 31 December 2008 | 31 December 2007 |
|---------------------|------------------|------------------|
| Cash collateral (*) | - | - |
| Mortgage | 634,661 | 428,998 |
| Promissory note (*) | - | - |
| Others (**) | 821,161 | 713,857 |
| Total | 1,455,822 | 1,142,855 |

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

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

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Sectoral and geographical concentration of impaired loans

| Sectoral | 31 December 2008 | 31 December 2007 |
|-----------------------------------|------------------|------------------|
| Durable consumption | 127,072 | 90,840 |
| Textile | 116,458 | 99,836 |
| Consumer loans | 104,568 | 53,716 |
| Food | 82,489 | 92,755 |
| Service sector | 79,708 | 34,546 |
| Construction | 40,687 | 44,183 |
| Agriculture and stockbreeding | 36,398 | 11,366 |
| Metal and metal products | 28,282 | 11,085 |
| Financial institutions | 1,541 | 948 |
| Others | 838,619 | 703,580 |
| Total non-performing loans | 1,455,822 | 1,142,855 |

| Geographical | 31 December 2008 | 31 December 2007 |
|-----------------------------------|------------------|------------------|
| Turkey | 1,455,822 | 1,142,855 |
| Total non-performing loans | 1,455,822 | 1,142,855 |

Past due but not impaired loans and receivables

| | 31 December 2008 | 31 December 2007 |
|---|------------------|------------------|
| Grade 1-3 : Low risk loans and receivables | 333,793 | 483,538 |
| Grade 4-5 : Loans and receivables under follow-up | 82,042 | 87,851 |
| Total | 415,835 | 571,389 |

Aging of past due but not impaired loans and receivables

| | 31 December 2008 | 31 December 2007 |
|--------------|------------------|------------------|
| 0-30 days | 204,982 | 10,694 |
| 30-60 days | 163,620 | 270,329 |
| 60-90 days | 47,233 | 290,366 |
| Total | 415,835 | 571,389 |

Undue and not impaired loans and receivables

| | 31 December 2008 | 31 December 2007 |
|---|-------------------|-------------------|
| Grade 1-3 : Low risk loans and receivables | 28,132,382 | 21,848,927 |
| Grade 4-5 : Loans and receivables under follow-up | 1,602,091 | 859,202 |
| Total | 29,734,473 | 22,708,129 |

| | | |
|--------------------|-------------------|-------------------|
| Restructured loans | 266,903 | 190,485 |
| Total | 30,001,376 | 22,898,614 |

III. Market risk

The Bank has defined its risk management procedures and has taken necessary precaution in order to avoid market risk, in compliance with "Regulation on Bank's Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

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The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates and equity prices on balance sheet and off-balance sheet positions of the banks.

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

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

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

Value at market risk

| | Amount |
|---|----------------|
| (I) Capital Obligation against General Market Risk - Standard Method | 52,008 |
| (II) Capital Obligation against Specific Risks - Standard Method | 557 |
| (III) Capital Obligation against Currency Risk - Standard Method | 7,843 |
| (IV) Capital Obligation against Stocks Risks - Standard Method | - |
| (V) Capital Obligation against Exchange Risks - Standard Method | - |
| (VI) Capital Obligation against Market Risks of Options - Standard Method | - |
| (VII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models | - |
| (VIII) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI) | 60,408 |
| (IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII)) | 755,100 |

Monthly average values at market risk

| | Current Year | | | Prior Year | | |
|----------------------------|------------------|------------------|----------------|----------------|----------------|----------------|
| | Average | Highest | Lowest | Average | Highest | Lowest |
| Interest Rate Risk | 85,440 | 111,294 | 51,558 | 21,224 | 30,442 | 10,705 |
| Common Share Risk | - | - | - | 296 | 1,930 | - |
| Currency Risk | 11,628 | 17,929 | 3,900 | 16,551 | 39,964 | 3,442 |
| Stock Risk | - | - | - | - | - | - |
| Exchange Risk | - | - | - | - | - | - |
| Option Risk | - | - | - | - | - | - |
| Total Value at Risk | 1,213,348 | 1,597,450 | 755,100 | 475,884 | 650,125 | 213,038 |

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.

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The effect on equity as a result of change in the fair value of equity instruments quoted to İstanbul Stock Exchange ("ISE") held as available for sale financial assets, associates and subsidiaries due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

| | Change in index | 31 December 2008 Equity | 31 December 2007 Equity |
|-----------------------|-----------------|----------------------------|----------------------------|
| ISE – 100 (IMKB- 100) | 10% | 7,206 | 24,364 |

IV. Operational risk

The Bank calculated the value at operational risk in accordance with the fourth section published in the Official Gazette date 1 June 2007 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 numbered 26333 and dated 1 November 2006.

The amount calculated as YTL 330,442 from gross income for the years ended 31 December 2005, 2006 and 2007 and used for the calculation of capital adequacy ratio as at 31 December 2008, represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk amounting to YTL 4,130,525 presented in the table included in the note number I of this section is calculated as 12.5 times of the operational risk.

| | 31 December 2008 | 31 December 2007 | 31 December 2006 | 31 December 2005 |
|---|------------------|------------------|------------------|------------------|
| (I) Net Interest Income | 1,974,691 | 1,675,834 | 1,585,250 | 1,319,391 |
| (II) Net Fees and Commission Income | 466,215 | 360,490 | 288,374 | 293,672 |
| (III) Dividends Income | 25,499 | 34,718 | 16,557 | 10,278 |
| (IV) Net Trading Income/(Loss) | 89,720 | 193,349 | 43,150 | 179,990 |
| (V) Other Operating Income | 312,704 | 356,713 | 343,326 | 129,026 |
| (VI) Income/(Loss) from sale of AFS and HTM | | | | |
| Marketable Securities | 58,881 | 46,155 | 43,437 | 118,354 |
| (VII) Extraordinary Income | 1,484 | 2,428 | 4,281 | 6,618 |
| (VIII) Gross Income (I+II+III+IV+V+VI+VII) | 2,808,464 | 2,572,521 | 2,228,939 | 1,807,385 |
| (IX) Capital Requirement (Gross Income x 15%) | 421,270 | 385,878 | 334,341 | 271,108 |
| (X) Average Operational Risk Capital Requirement | 380,496 | 330,442 | - | - |
| (XI) Value at Operational Risk (IX x 12.5) | 4,756,200 | 4,130,525 | - | - |

V. Foreign currency exchange risk

Foreign exchange risk that the Bank exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Bank for the positions being monitored on a daily basis

The Standard Method which is also used in the legal reporting is used in measuring the currency risk of the Bank.

All of the foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the currency risk. The net long and short positions are calculated in New Turkish Lira equivalent of the each currency. The position with the biggest absolute value is determined as the base amount for the capital obligation. The capital obligation is calculated at that amount.

The magnitude of hedging foreign currency debt instruments and net investment in foreign operations by using derivatives As at 31 December 2008 the Bank does not have derivate financial instruments held for risk management.

Management policy foreign currency exchange risk

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

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

The Bank's effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in YTL are as follows:

| | US DOLLAR | EURO |
|---|------------------|-------------|
| The Bank's foreign currency purchase rate at the balance sheet date | 1.5200 | 2.123 |
| Foreign currency rates for the days before balance sheet date; | | |
| Day 1 | 1.4500 | 2.0303 |
| Day 2 | 1.4500 | 2.0620 |
| Day 3 | 1.4700 | 2.0654 |
| Day 4 | 1.4500 | 2.0329 |
| Day 5 | 1.4700 | 2.0534 |
| | US DOLLAR | EURO |
| Last 30-days arithmetical average rate | 1.5020 | 1.9931 |

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Information on currency risk

| Current Year | Euro | US Dollar | Yen | Other FCs | Total |
|---|------------------|-------------------|----------------|------------------|-------------------|
| Assets: | | | | | |
| Cash and Central Bank | 197,230 | 1,077,634 | 65 | 4,116 | 1,279,045 |
| Banks | 813,901 | 1,696,239 | 676 | 43,836 | 2,554,652 |
| Financial Assets at Fair Value through Profit/Loss | 1,089 | 39,057 | - | - | 40,146 |
| Interbank Money Market Placements | - | - | - | - | - |
| Available-for-Sale Financial Assets | 514,193 | 1,069,804 | - | - | 1,583,997 |
| Loans (*) | 3,781,614 | 7,268,765 | 10,700 | 65,377 | 11,126,456 |
| Subsidiaries, Affiliates and Joint-Ventures | 100,158 | - | - | - | 100,158 |
| Held-to-Maturity Investments | 303,586 | 1,251,831 | - | - | 1,555,417 |
| Derivative Financial Assets Held for Risk Management Purpose | - | - | - | - | - |
| Tangible Assets | - | 716 | - | - | 716 |
| Intangible Assets | - | - | - | - | - |
| Other Assets (**) | 20,866 | 261,080 | - | 7 | 281,953 |
| Total Assets | 5,732,637 | 12,665,126 | 11,441 | 113,336 | 18,522,540 |
| Liabilities: | | | | | |
| Bank Deposits | 19,344 | 537,828 | - | 120 | 557,292 |
| Foreign Currency Denominated Deposits | 3,936,931 | 7,157,519 | 1,036 | 46,666 | 11,142,152 |
| Interbank Money Market Takings | 240,053 | 423,354 | - | - | 663,407 |
| Funds Borrowed | 2,172,013 | 3,469,006 | - | 54,656 | 5,695,675 |
| Securities Issued | - | - | - | - | - |
| Miscellaneous Payables | 17,170 | 53,653 | 1 | 326 | 71,150 |
| Derivative Financial Liabilities Held for Risk Management Purpose | - | - | - | - | - |
| Other Liabilities (***) | 108,628 | 133,521 | 1,546 | 5,061 | 248,756 |
| Total Liabilities | 6,494,139 | 11,774,881 | 2,583 | 106,829 | 18,378,432 |
| Net 'On Balance Sheet' Position | (761,502) | 890,245 | 8,858 | 6,507 | 144,108 |
| Net 'Off-Balance Sheet' Position | 851,207 | (841,432) | (6,198) | - | 3,577 |
| Derivative Financial Assets | 876,987 | 269,338 | - | 444 | 1,146,769 |
| Derivative Financial Liabilities | 25,780 | 1,110,770 | 6,198 | 444 | 1,143,192 |
| Non-Cash Loans | 1,857,093 | 2,537,189 | 38,146 | 129,242 | 4,561,670 |
| Prior Year | Euro | US Dollar | Yen | Other FCs | Total |
| Total Assets | 4,016,039 | 8,790,026 | 10,215 | 125,330 | 12,941,610 |
| Total Liabilities | 4,217,999 | 8,296,365 | 4,055 | 111,054 | 12,629,473 |
| Net On Balance Sheet' Position | (201,960) | 493,661 | 6,160 | 14,276 | 312,137 |
| Net Off-Balance Sheet' Position | 215,235 | (233,402) | (3,882) | (57) | (22,106) |
| Derivative Financial Assets | 292,797 | 198,364 | - | 114 | 491,275 |
| Derivative Financial Liabilities | 77,562 | 431,766 | 3,882 | 171 | 513,381 |
| Non-Cash Loans | 1,064,403 | 1,887,798 | 15,585 | 99,674 | 3,067,460 |

(*) Foreign currency indexed loans amounting to YTL 136,530 which are presented in YTL column in the balance sheet are included in the table above. In accordance with the agreements signed with customers, the customers have to compensate the losses of the Bank due to decline in foreign exchange rates. Accordingly, foreign currency indexed loans amounting to YTL 136,530 results position for the Bank when foreign exchange rates increase.

(**) Prepaid expenses amounting to YTL 31,966 is not included.

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

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Exposure to currency risk

A 10 percent devaluation of the YTL against the following currencies as at 31 December 2008 and 31 December 2007 would have increased equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | 31 December 2008 | | 31 December 2007 | |
|-------------------|------------------|--------------|------------------|---------------|
| | Profit or loss | Equity (*) | Profit or loss | Equity (*) |
| US Dollar | 7,912 | 4,881 | 21,607 | 26,026 |
| EUR | 2,768 | (1,045) | (2,557) | (2,780) |
| Other currencies | 917 | 917 | 1,650 | 1,650 |
| Total, net | 11,597 | 4,753 | 20,700 | 24,896 |

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

VI. Interest rate risk

Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into account the developments in market conditions.

Bank's interest rate risk is measured by the standard method.

Measurements for standard method are carried out monthly using the maturity ladder table.

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Interest rate mismatch for the Bank "Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates"

| Current Year | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Year and Over | Non-Interest Bearing | Total |
|--|--------------------|--------------------|------------------|------------------|------------------|----------------------|-------------------|
| Assets: | | | | | | | |
| Cash and Central Bank | 1,665,139 | - | - | - | - | 439,647 | 2,104,786 |
| Banks | 2,225,505 | 67,382 | 87,441 | - | - | 176,972 | 2,557,300 |
| Financial Assets at Fair Value through Profit/Loss | 7,624 | 12,180 | 602 | 11,007 | 15,634 | - | 47,047 |
| Interbank Money Market Placements | 3,201,333 | - | - | - | - | - | 3,201,333 |
| Available-for-Sale Fin. Assets | 549,340 | 2,368,501 | 3,526,420 | 901,796 | 615,657 | 19,931 | 7,981,645 |
| Loans | 8,836,027 | 8,953,135 | 5,637,420 | 4,741,947 | 2,248,682 | 85,088 | 30,502,299 |
| Held-to-Maturity Investments | 110,734 | 1,063,486 | 568,635 | 476,878 | 1,251,605 | - | 3,471,338 |
| Other Assets (*) | 43,686 | 11,122 | 37,372 | 150,644 | - | 2,084,921 | 2,327,745 |
| Total Assets | 16,639,388 | 12,475,806 | 9,857,890 | 6,282,272 | 4,131,578 | 2,806,559 | 52,193,493 |
| Liabilities: | | | | | | | |
| Bank Deposits | 1,456,701 | 16,668 | - | - | - | 1,796 | 1,475,165 |
| Other Deposits | 16,840,523 | 11,497,626 | 1,318,720 | 667,673 | - | 5,320,570 | 35,645,112 |
| Interbank Money Market Takings | 513,724 | 70,236 | 257,464 | 845,678 | - | - | 1,687,102 |
| Miscellaneous Payables | - | 14,153 | 46,675 | - | - | 535,410 | 596,238 |
| Securities Issued | - | - | - | - | - | - | - |
| Funds Borrowed | 1,121,991 | 3,262,575 | 1,198,686 | 187,142 | - | - | 5,770,394 |
| Other Liabilities (**) | 12,107 | 99,380 | 18,680 | 12,443 | - | 6,876,872 | 7,019,482 |
| Total Liabilities | 19,945,046 | 14,960,638 | 2,840,225 | 1,712,936 | - | 12,734,648 | 52,193,493 |
| On Balance Sheet Long Position | - | - | 7,017,665 | 4,569,336 | 4,131,578 | - | 15,718,579 |
| On Balance Sheet Short Position | (3,305,658) | (2,484,832) | - | - | - | (9,928,089) | (15,718,579) |
| Off-Balance Sheet Long Position | 114,619 | 94,856 | 76,000 | 72,227 | - | - | 357,702 |
| Off-Balance Sheet Short Position | (82,992) | (14,153) | (165,231) | (82,897) | - | - | (345,273) |
| Total Position | (3,274,031) | (2,404,129) | 6,928,434 | 4,558,666 | 4,131,578 | (9,928,089) | 12,429 |

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

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

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| Prior Year | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Year and Over | Non-Interest Bearing | Total |
|--|--------------------|--------------------|------------------|------------------|------------------|----------------------|-------------------|
| Assets: | | | | | | | |
| Cash and Central Bank | 2,070,245 | - | - | - | - | 419,957 | 2,490,202 |
| Banks | 2,604,174 | - | - | - | - | 142,094 | 2,746,268 |
| Financial Assets at Fair Value through Profit/Loss | 37,051 | 9,475 | 21,097 | 110,461 | 171,903 | - | 349,987 |
| Interbank Money Market Placements | 715,335 | - | - | - | - | - | 715,335 |
| Available-for-Sale Fin. Assets | 1,158,097 | 2,328,838 | 2,663,164 | 1,798,883 | 1,133,994 | 12,213 | 9,095,189 |
| Loans | 9,362,346 | 3,513,693 | 5,313,690 | 3,502,338 | 1,777,936 | - | 23,470,003 |
| Held-to-Maturity Investments | 215,099 | 648,011 | 262,072 | 281,608 | 69,572 | - | 1,476,362 |
| Other Assets (*) | 31,344 | 3,539 | 25,124 | 77,680 | 1,062 | 1,926,381 | 2,065,130 |
| Total Assets | 16,193,691 | 6,503,556 | 8,285,147 | 5,770,970 | 3,154,467 | 2,500,645 | 42,408,476 |
| Liabilities: | | | | | | | |
| Bank Deposits | 729,371 | 26,269 | 162 | - | - | 1,224 | 757,026 |
| Other Deposits | 14,678,860 | 7,993,927 | 1,326,543 | 587,525 | - | 3,518,632 | 28,105,487 |
| Interbank Money Market Takings | 567,855 | 68,377 | 667,547 | 772,306 | - | - | 2,076,085 |
| Miscellaneous Payables | - | 15,219 | 45,990 | - | - | 368,180 | 429,389 |
| Securities Issued | - | - | - | - | - | - | - |
| Funds Borrowed | 1,285,400 | 2,765,613 | 617,416 | 24,429 | - | - | 4,692,858 |
| Other Liabilities (**) | 129,422 | 3,494 | 11,846 | 24,198 | - | 6,178,671 | 6,347,631 |
| Total Liabilities | 17,390,908 | 10,872,899 | 2,669,504 | 1,408,458 | - | 10,066,707 | 42,408,476 |
| On Balance Sheet Long Position | - | - | 5,615,643 | 4,362,512 | 3,154,467 | - | 13,132,622 |
| On Balance Sheet Short Position | (1,197,217) | (4,369,343) | - | - | - | (7,566,062) | (13,132,622) |
| Off-Balance Sheet Long Position | 83,160 | 85,856 | - | 69,343 | - | - | 238,359 |
| Off-Balance Sheet Short Position | (73,394) | (15,219) | (45,991) | (95,671) | - | - | (230,275) |
| Total Position | (1,187,451) | (4,298,706) | 5,569,652 | 4,336,184 | 3,154,467 | (7,566,062) | 8,084 |

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

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

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Average interest rates applied to monetary financial instruments

| | Euro % | US Dollar % | Yen % | YTL % |
|--|-------------------|------------------------|------------------|------------------|
| Current Year | | | | |
| Assets: | | | | |
| Cash and Central Bank | - | - | - | 12.00 |
| Banks | 1.90 | 2.37 | - | 19.54 |
| Financial Assets at Fair Value through Profit/Loss | - | 11.88 | - | - |
| Interbank Money Market Placements | - | - | - | 15.00 |
| Available-for-Sale Financial Assets | 6.20 | 6.45 | - | 19.29 |
| Loans | 7.53 | 6.05 | 6.77 | 21.91 |
| Held-to-Maturity Investments | 6.70 | 7.43 | - | 19.40 |
| Liabilities: | | | | |
| Bank Deposits | 2.70 | 1.34 | - | 17.49 |
| Other Deposits | 3.37 | 3.43 | - | 15.18 |
| Interbank Money Market Takings | 5.45 | 3.71 | - | 17.73 |
| Miscellaneous Payables | - | - | - | - |
| Securities Issued | - | - | - | - |
| Funds Borrowed | 4.57 | 3.26 | - | 16.24 |
| | Euro % | US Dollar % | Yen % | YTL % |
| Prior Year | | | | |
| Assets: | | | | |
| Cash and Central Bank | 1.80 | 1.95 | - | 11.81 |
| Banks | 3.67 | 4.69 | - | 16.74 |
| Financial Assets at Fair Value through Profit/Loss | 9.45 | 11.66 | - | - |
| Interbank Money Market Placements | - | - | - | 17.10 |
| Available-for-Sale Financial Assets | 6.02 | 6.82 | - | 17.93 |
| Loans | 6.36 | 7.07 | - | 20.49 |
| Held-to-Maturity Investments | 5.31 | 6.34 | - | 18.82 |
| Liabilities: | | | | |
| Bank Deposits | - | 4.52 | - | 18.03 |
| Other Deposits | 3.30 | 3.84 | - | 15.15 |
| Interbank Money Market Takings | 5.19 | 5.41 | - | 18.37 |
| Miscellaneous Payables | - | - | - | - |
| Securities Issued | - | - | - | - |
| Funds Borrowed | 4.81 | 5.90 | - | 14.77 |

Interest sensitivity

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

Interest rate sensitivity of equity is calculated by revaluing available for sale financial assets at 31 December 2008 for the effects of the assumed changes in interest rates.

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

This analysis is performed on the same basis for 31 December 2007.

| 31 December 2008 | Profit or loss | | Equity (*) | |
|---|-----------------|------------------|-----------------|-----------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| Financial assets at fair value through profit or loss | (5,875) | 7,526 | (5,875) | 7,526 |
| Available for sale financial assets | - | - | (56,165) | 58,317 |
| Floating rate financial assets | 221,418 | (221,418) | 221,418 | (221,418) |
| Floating rate financial liabilities | (63,313) | 63,313 | (63,313) | 63,313 |
| Total, net | 152,230 | (150,579) | 96,065 | (92,262) |

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

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

VII. Liquidity risk

In order to avoid the liquidity risk, the Bank diverts funding resources as customer deposits and foreign borrowings, considers the maturity mismatch between assets and liabilities and maintains liquid assets to guarantee sufficient liquidity during market fluctuations.

While the Bank's short term liquidity need is met mainly with deposits, its long term liquidity is provided through foreign funding sources such as syndication and securitization transactions. There are no significant idle liquidity resources.

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Maturity analysis of assets and liabilities according to remaining maturities:

| Current Year | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Year and Over | Undistributed (*) | Total |
|--|--------------------|---------------------|--------------------|-------------------|-------------------|------------------|--------------------|-------------------|
| Assets: | | | | | | | | |
| Cash and Central Bank | 2,104,786 | - | - | - | - | - | - | 2,104,786 |
| Banks | 1,659,650 | 742,827 | 67,382 | 87,441 | - | - | - | 2,557,300 |
| Financial Assets at Fair Value through Profit/Loss | - | 886 | 84 | 849 | 23,104 | 22,124 | - | 47,047 |
| Interbank Money Market Placements | - | 3,201,333 | - | - | - | - | - | 3,201,333 |
| Available-for-Sale Financial Assets | - | 201 | 106,867 | 1,923,117 | 4,404,470 | 1,527,059 | 19,931 | 7,981,645 |
| Loans | - | 3,261,181 | 2,463,619 | 7,815,270 | 13,021,883 | 3,855,258 | 85,088 | 30,502,299 |
| Held-to-Maturity Investments | - | - | 84,324 | 568,635 | 1,500,890 | 1,317,489 | - | 3,471,338 |
| Other Assets | - | 160,823 | 11,122 | 37,376 | 236,697 | - | 1,881,727 | 2,327,745 |
| Total Assets | 3,764,436 | 7,367,251 | 2,733,398 | 10,432,688 | 19,187,044 | 6,721,930 | 1,986,746 | 52,193,493 |
| Liabilities: | | | | | | | | |
| Bank Deposits | 1,796 | 1,456,701 | 16,668 | - | - | - | - | 1,475,165 |
| Other Deposits | 5,320,570 | 16,840,523 | 11,497,626 | 1,318,720 | 667,673 | - | - | 35,645,112 |
| Funds Borrowed | - | 42,105 | 124,811 | 2,506,125 | 166,457 | 2,930,896 | - | 5,770,394 |
| Interbank Money Market Takings | - | 467,695 | 12,326 | 303,492 | 903,589 | - | - | 1,687,102 |
| Securities Issued | - | - | - | - | - | - | - | - |
| Miscellaneous Payables | - | 462,916 | 24,247 | - | 60,828 | - | 48,247 | 596,238 |
| Other Liabilities | - | 69,162 | 4,133 | 212,782 | 65,930 | 37,833 | 6,629,642 | 7,019,482 |
| Total Liabilities | 5,322,366 | 19,339,102 | 11,679,811 | 4,341,119 | 1,864,477 | 2,968,729 | 6,677,889 | 52,193,493 |
| Liquidity Gap | (1,557,930) | (11,971,851) | (8,946,413) | 6,091,569 | 17,322,567 | 3,753,201 | (4,691,143) | - |
| Prior Year | | | | | | | | |
| Total Assets | 2,709,652 | 6,857,595 | 1,934,303 | 8,956,624 | 15,332,391 | 4,955,701 | 1,662,210 | 42,408,476 |
| Total Liabilities | 3,519,856 | 15,970,921 | 8,173,239 | 3,961,251 | 2,224,757 | 2,610,788 | 5,947,664 | 42,408,476 |
| Liquidity Gap | (810,204) | (9,113,326) | (6,238,936) | 4,995,373 | 13,107,634 | 2,344,913 | (4,285,454) | - |

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

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VIII. Fair values of financial assets and liabilities

| | Carrying Value | | Fair Value | |
|--|----------------|------------|--------------|------------|
| | Current Year | Prior Year | Current Year | Prior Year |
| Financial Assets: | | | | |
| Receivables from Interbank Money Markets | 3,201,333 | 715,335 | 3,201,333 | 715,335 |
| Banks | 2,557,300 | 2,746,268 | 2,557,300 | 2,746,268 |
| Financial Assets Available-for-Sale | 7,981,645 | 9,095,189 | 7,981,645 | 9,095,189 |
| Investments Held-to-Maturity | 3,471,338 | 1,476,362 | 3,403,938 | 1,482,109 |
| Loans | 30,502,299 | 23,470,003 | 30,209,902 | 23,512,911 |
| Financial Liabilities: | | | | |
| Bank Deposits | 1,475,165 | 757,026 | 1,475,165 | 757,026 |
| Other Deposits | 35,645,112 | 28,105,487 | 35,645,112 | 28,105,487 |
| Funds Obtained | 5,770,394 | 4,692,858 | 5,770,394 | 4,692,858 |
| Securities Issued | - | - | - | - |
| Miscellaneous Payables | 596,238 | 429,389 | 596,238 | 429,389 |

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

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

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

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

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

X. Segment reporting

The Bank operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; time and demand deposit, accumulating account, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account, cheques, safety boxes, bill payments, tax collections, payment orders.

The Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers' needs effectively and efficiently. The Bank also utilizes alternative delivery channels intensively.

Additionally, the Bank provides "small business" banking service to enterprises in retail and service sectors. Products include overdraft accounts, POS machines, credit cards, cheque books, YTL and foreign currency deposits, investment accounts, internet banking and call-center, debit card, and bill payment.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

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Major financial statement items according to business lines:

| | Retail Banking | Corporate Banking | Investment Banking | Other | Total Operations |
|---|-------------------|----------------------|-----------------------|--------------------|-------------------|
| Current Year | | | | | |
| Operating profit | 214,423 | 253,062 | 1,697,130 | 333,292 | 2,497,907 |
| Undistributed expenses | - | - | - | (1,598,068) | (1,598,068) |
| Operating profit | 214,423 | 253,062 | 1,697,130 | (1,264,776) | 899,839 |
| Income from associates | - | - | - | - | 25,499 |
| Income before taxes | - | - | - | - | 925,338 |
| Provision for taxes | - | - | - | - | (172,140) |
| Net profit | | | | | 753,198 |
| Segment assets | 8,653,877 | 23,513,561 | 17,501,487 | - | 49,668,925 |
| Investments in associates and subsidiaries | - | - | - | 539,369 | 539,369 |
| Undistributed assets | - | - | - | 1,985,199 | 1,985,199 |
| Total assets | 8,653,877 | 23,513,561 | 17,501,487 | 2,524,568 | 52,193,493 |
| Segment liabilities | 12,786,166 | 24,350,538 | 7,644,503 | - | 44,781,207 |
| Shareholders' equity | - | - | - | 5,670,999 | 5,670,999 |
| Undistributed liabilities | - | - | - | 1,741,287 | 1,741,287 |
| Total Liabilities and Shareholders' Equity | 12,786,166 | 24,350,538 | 7,644,503 | 7,412,286 | 52,193,493 |

SECTION FIVE

Disclosure and Footnotes on Unconsolidated Financial Statements

I. Information and disclosures related to assets

1. Cash and balances with Central Bank

| | Current Year | | Prior Year | |
|----------------------------|----------------|------------------|------------------|----------------|
| | YTL | FC | YTL | FC |
| Cash | 375,190 | 63,954 | 363,150 | 55,921 |
| Central Bank of Turkey (*) | 450,536 | 1,214,603 | 1,262,351 | 807,894 |
| Others | 15 | 488 | 17 | 869 |
| Total | 825,741 | 1,279,045 | 1,625,518 | 864,684 |

(*) YTL 815,223 (31 December 2007: YTL 587,886) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve deposits and related interest income accruals; YTL 48,601 (31 December 2007: YTL 38,108) of Turkish Lira balances is comprised of interest income accruals from unrestricted portion of the deposit at Central Bank of Turkey held as reserve requirement.

According to the no. 2005/1 announcement of the CBT, "Announcement on Reserve Deposits", all banks operating in Turkey should provide a reserve amounting to 6% (31 December 2007:6%) of the liabilities in Turkish Lira and 11% (31 December 2007:11%) of the liabilities in foreign currencies.

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

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As at 31 December 2008, interest rate given by CBT is 12% for YTL reserve deposits and interest rate is nil for foreign currency reserve deposits as at 31 December 2008 (31 December 2007: YTL 11.81%, FC 1.95%, 1.80%).

Balances with the CBT

| | Current Year | | Prior Year | |
|------------------------------|----------------|----------------|------------------|----------------|
| | YTL | FC | YTL | FC |
| Unrestricted Demand Deposits | 401,935 | 399,380 | 1,224,243 | 220,008 |
| Unrestricted Time Deposits | - | - | - | - |
| Restricted Time Deposits | - | - | - | - |
| Total | 401,935 | 399,380 | 1,224,243 | 220,008 |

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

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

None.

Trading securities subject to repurchase agreements

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

Positive fair values of trading purpose derivatives

| | Current Year | | Prior Year | |
|----------------------|--------------|---------------|---------------|---------------|
| | YTL | FC | YTL | FC |
| Forward Transactions | 410 | - | 5,115 | 3 |
| Swap Transactions | 6,491 | 24,512 | 17,149 | 12,673 |
| Futures | - | - | - | - |
| Options | - | - | - | - |
| Others | - | - | - | - |
| Total | 6,901 | 24,512 | 22,264 | 12,676 |

3. Banks

| | Current Year | | Prior Year | |
|-----------------------------------|--------------|------------------|----------------|------------------|
| | YTL | FC | YTL | FC |
| Banks | 2,648 | 2,554,652 | 810,251 | 1,936,017 |
| Domestic | 2,648 | 50,191 | 747,194 | 186,425 |
| Foreign | - | 2,504,461 | 63,057 | 1,749,592 |
| Foreign Head Offices and Branches | - | - | - | - |
| Total | 2,648 | 2,554,652 | 810,251 | 1,936,017 |

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Due from foreign banks

| | Unrestricted Balance | | Restricted Balances | |
|---------------------------|----------------------|------------------|---------------------|---------------|
| | Current Year | Prior Year | Current Year | Prior Year |
| EU Countries | 822,645 | 1,505,458 | 91,842 | 63,866 |
| USA, Canada | 1,499,145 | 206,618 | 57,350 | - |
| OECD Countries (*) | 21,594 | 23,880 | - | - |
| Off-shore Banking Regions | 10,032 | 12,465 | - | - |
| Others | 1,853 | 362 | - | - |
| Total | 2,355,269 | 1,748,783 | 149,192 | 63,866 |

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

4. Information on available-for-sale financial assets

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

| | Current Year | | Prior Year | |
|---|------------------|----------------|----------------|----------|
| | YTL | FC | YTL | FC |
| Share Certificates | - | - | - | - |
| Bonds, Treasury Bills and Similar Marketable Securities | 1,891,942 | 475,511 | 947,286 | - |
| Others | - | - | - | - |
| Total | 1,891,942 | 475,511 | 947,286 | - |

Available-for-sale financial assets subject to repurchase agreements

| | Current Year | | Prior Year | |
|-------------------------------------|------------------|----------------|----------------|------------------|
| | YTL | FC | YTL | FC |
| Government Bonds | 1,125,762 | 146,155 | 931,117 | 906,987 |
| Treasury Bills | - | - | - | - |
| Other Debt Securities | - | 355,576 | - | 392,035 |
| Bonds Issued or Guaranteed by Banks | - | - | - | - |
| Asset Backed Securities | - | - | - | - |
| Others | - | - | - | - |
| Total | 1,125,762 | 501,731 | 931,117 | 1,299,022 |

Information related with available for sale financial assets

| | Current Year | Prior Year |
|---------------------------------|------------------|------------------|
| Debt instruments | 8,038,542 | 9,107,249 |
| Quoted | 8,038,542 | 9,107,249 |
| Unquoted | - | - |
| Equity instruments | 19,931 | 18,660 |
| Quoted | - | - |
| Unquoted | 19,931 | 18,660 |
| Impairment provision (-) | 76,828 | 30,720 |
| Total | 7,981,645 | 9,095,189 |

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

As per the resolution of the Board of Directors dated 27 December 2007, it was decided to dispose the shares in İzmir Enternasyonel Otelcilik AŞ through sale to the other existing shareholders.

Equity shares having a carrying value of YTL 77, representing the 0.73% of the outstanding shares of EGS Gayrimenkul Yatırım Ortaklığı AŞ which were classified in the available-for-sale portfolio of the Bank in the prior periods, were sold at a price of YTL 102 on 6 June 2007. The Bank has recorded gain on sale of equity shares amounting to YTL 25 in its unconsolidated financial statements.

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

5. Information on loans

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

| | Current Year | | Prior Year | |
|--|---------------|------------|---------------|------------|
| | Cash | Non-Cash | Cash | Non-Cash |
| Direct loans provided to the shareholders | - | 668 | - | 669 |
| Legal entities | - | 668 | - | 669 |
| Real persons | - | - | - | - |
| Indirect loans provided to the shareholders | - | - | - | - |
| Loans provided to the employees | 40,488 | - | 31,670 | - |
| Total | 40,488 | 668 | 31,670 | 669 |

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

| | Performing Loans and Other Receivables | | Loans under Follow-Up and Other Receivables | |
|-----------------------------|---|---|--|---|
| | Loans and Other Receivables | Restructured or Rescheduled Loans and Other Receivables | Loans and Other Receivables | Restructured or Rescheduled Loans and Other Receivables |
| Cash Loans | | | | |
| Loans | 28,382,737 | - | 1,684,133 | 266,903 |
| Discounted Bills | 187,522 | - | - | 16 |
| Export Loans | 2,105,988 | - | 60,560 | 196,391 |
| Import Loans | - | - | - | - |
| Loans to Financial Sector | 1,203,021 | - | - | - |
| Foreign Loans | 21,538 | - | - | - |
| Consumer Loans | 7,558,215 | - | 333,017 | 644 |
| Credit Cards | 743,003 | - | 18,376 | 596 |
| Precious Metal Loans | - | - | - | - |
| Others | 16,563,450 | - | 1,272,180 | 69,256 |
| Specialization Loans | 83,438 | - | - | - |
| Other Receivables | - | - | - | - |
| Total | 28,466,175 | - | 1,684,133 | 266,903 |

Maturity analysis of cash loans

| | Performing Loans and Other Receivables | | Loans under Follow-Up and Other Receivables | |
|-----------------------------------|---|---|--|---|
| | Loans and Other Receivables | Restructured or Rescheduled Loans and Other Receivables | Loans and Other Receivables | Restructured or Rescheduled Loans and Other Receivables |
| Short-term Loans | 10,419,923 | - | 625,153 | 238,777 |
| Loans | 10,419,923 | - | 625,153 | 238,777 |
| Specialization loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| Medium and Long-term Loans | 18,046,252 | - | 1,058,980 | 28,126 |
| Loans | 17,962,814 | - | 1,058,980 | 28,126 |
| Specialization loans | 83,438 | - | - | - |
| Other Receivables | - | - | - | - |

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(Thousands of New Turkish Lira (YTL))

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

| | Short-Term | Medium and | Long-Term | Total |
|--|------------------|------------|------------------|------------------|
| Consumer Loans – YTL | 371,188 | | 6,845,306 | 7,216,494 |
| Housing Loans | 12,119 | | 3,060,535 | 3,072,654 |
| Automobile Loans | 2,871 | | 125,983 | 128,854 |
| General Purpose Loans | 121,425 | | 3,658,717 | 3,780,142 |
| Others | 234,773 | | 71 | 234,844 |
| Consumer Loans – FC-indexed | - | | - | - |
| Housing Loans | - | | - | - |
| Automobile Loans | - | | - | - |
| General Purpose Loans | - | | - | - |
| Others | - | | - | - |
| Consumer Loans – FC | - | | - | - |
| Housing Loans | - | | - | - |
| Automobile Loans | - | | - | - |
| General Purpose Loans | - | | - | - |
| Others | - | | - | - |
| Retail Credit Cards – YTL | 718,508 | | 399 | 718,907 |
| With Installment | 189,314 | | 399 | 189,713 |
| Without Installment | 529,194 | | - | 529,194 |
| Retail Credit Cards – FC | 1,961 | | - | 1,961 |
| With Installment | - | | - | - |
| Without Installment | 1,961 | | - | 1,961 |
| Personnel Loans – YTL | 1,118 | | 23,317 | 24,435 |
| Housing Loan | - | | - | - |
| Automobile Loans | - | | - | - |
| General Purpose Loans | 1,118 | | 23,317 | 24,435 |
| Others | - | | - | - |
| Personnel Loans - FC-indexed | - | | - | - |
| Housing Loans | - | | - | - |
| Automobile Loans | - | | - | - |
| General Purpose Loans | - | | - | - |
| Others | - | | - | - |
| Personnel Loans – FC | - | | - | - |
| Housing Loans | - | | - | - |
| Automobile Loans | - | | - | - |
| General Purpose Loans | - | | - | - |
| Others | - | | - | - |
| Personnel Credit Cards – YTL | 15,994 | | - | 15,994 |
| With Installment | 5,343 | | - | 5,343 |
| Without Installment | 10,651 | | - | 10,651 |
| Personnel Credit Cards – FC | 59 | | - | 59 |
| With Installment | - | | - | - |
| Without Installment | 59 | | - | 59 |
| Overdraft Checking Accounts– YTL (Real persons) | 650,947 | | - | 650,947 |
| Overdraft Checking Accounts– FC (Real persons) | - | | - | - |
| Total | 1,759,775 | | 6,869,022 | 8,628,797 |

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(Thousands of New Turkish Lira (YTL))

Installment based commercial loans and corporate credit cards

| | Short-Term | Medium and Long-Term | Total |
|--|----------------|----------------------|------------------|
| Installment-based Commercial Loans – YTL | 258,468 | 4,570,815 | 4,829,283 |
| Real Estate Loans | 22 | 110,431 | 110,453 |
| Automobile Loans | 26,443 | 538,783 | 565,226 |
| General Purpose Loans | 232,003 | 3,921,601 | 4,153,604 |
| Others | - | - | - |
| Installment-based Commercial Loans - FC-indexed | - | - | - |
| Real Estate Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Others | - | - | - |
| Installment-based Commercial Loans – FC | 267 | 57,294 | 57,561 |
| Real Estate Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Others | 267 | 57,294 | 57,561 |
| Corporate Credit Cards – YTL | 24,904 | - | 24,904 |
| With Installment | 1,124 | - | 1,124 |
| Without Installment | 23,780 | - | 23,780 |
| Corporate Credit Cards – FC | 150 | - | 150 |
| With Installment | - | - | - |
| Without Installment | 150 | - | 150 |
| Overdraft Checking Accounts– YTL (Corporate) | 72,707 | - | 72,707 |
| Overdraft Checking Accounts– FC (Corporate) | - | - | - |
| Total | 356,496 | 4,628,109 | 4,984,605 |

Allocation of loan customers

| | Current Year | Prior Year |
|----------------|-------------------|-------------------|
| Public Sector | 2,129,820 | 3,302,303 |
| Private Sector | 28,287,391 | 20,167,700 |
| Total | 30,417,211 | 23,470,003 |

Allocation of domestic and foreign loans

| | Current Year | Prior Year |
|----------------|-------------------|-------------------|
| Domestic Loans | 30,391,677 | 23,448,621 |
| Foreign Loans | 25,534 | 21,382 |
| Total | 30,417,211 | 23,470,003 |

Loans to associates and subsidiaries

| | Current Year | Prior Year |
|---|----------------|---------------|
| Direct Loans to Associates and Subsidiaries | 126,461 | 63,102 |
| Indirect Loans to Associates and Subsidiaries | - | - |
| Total | 126,461 | 63,102 |

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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(Thousands of New Turkish Lira (YTL))

Specific provisions for loans

| Specific Provisions | Current Year | Prior Year |
|--|------------------|------------------|
| Loans and Receivables with Limited Collectibility | 21,272 | 67,684 |
| Loans and Receivables with Doubtful Collectibility | 274,052 | 148,064 |
| Uncollectible Loans and Receivables | 1,075,410 | 927,107 |
| Total | 1,370,734 | 1,142,855 |

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

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

| | III. Group Loans and receivables with limited collectibility | IV. Group Loans and receivables with doubtful collectibility | V. Group Uncollectible loans and receivables |
|--|--|--|--|
| Current Year | - | - | 87,748 |
| (Gross amounts before the specific reserves) | - | - | - |
| Loans and other receivables which are restructured | - | - | - |
| Rescheduled loans and other receivables | - | - | 87,748 |
| Prior Year | 2,557 | - | 129,055 |
| (Gross amounts before the specific reserves) | - | - | - |
| Loans and other receivables which are restructured | - | - | - |
| Rescheduled loans and other receivables | 2,557 | - | 129,055 |

Movements in non-performing loan groups:

| | III. Group Loans and receivables with limited collectibility | IV. Group Loans and receivables with doubtful collectibility | V. Group Uncollectible loans and receivables |
|--|--|--|--|
| Prior Year end balance | 67,684 | 148,064 | 927,107 |
| Additions (+) | 575,142 | 1,237 | 8,505 |
| Transfers from other categories of loans under follow-up (+) | 110,487 | 523,159 | 466,049 |
| Transfers to other categories of loans under follow-up (-) | 568,669 | 338,905 | 220,441 |
| Collections (-) | 78,284 | 59,503 | 105,810 |
| Write-offs (-) | - | - | - |
| Commercial and corporate loans | - | - | - |
| Individual loans | - | - | - |
| Credit Cards | - | - | - |
| Others | - | - | - |
| Current Year end balance | 106,360 | 274,052 | 1,075,410 |
| Specific provision (-) | 21,272 | 274,052 | 1,075,410 |
| Net Balance on balance sheet | 85,088 | - | - |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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

| | III. Group Loans and receivables with limited collectibility | IV. Group Loans and receivables with doubtful collectibility | V. Group Uncollectible loans and receivables |
|-------------------------------------|--|--|--|
| Current Period | | | |
| Period end balance | 393 | 58,733 | 181,654 |
| Specific provision (-) | 79 | 58,733 | 181,654 |
| Net balance on balance sheet | 314 | - | - |
| Prior Period | | | |
| Period end balance | 5,002 | 6,976 | 199,835 |
| Specific provision (-) | 5,002 | 6,976 | 199,835 |
| Net balance on balance sheet | - | - | - |

Write-off policy for uncollectible loans and receivables

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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Loan customer concentration of non-performing loans:

| | III. Group Loans and receivables with limited collectibility | IV. Group Loans and receivables with doubtful collectibility | V. Group Uncollectible loans and receivables |
|---------------------------------------|--|--|--|
| Current Year (Net) | 85,088 | - | - |
| Consumer and Commercial Loans (Gross) | 105,650 | 273,599 | 1,048,745 |
| Special Provision (-) | 21,130 | 273,599 | 1,048,745 |
| Consumer and Commercial Loans (Net) | 84,520 | - | - |
| Banks (Gross) | - | - | 1,551 |
| Special Provision (-) | - | - | 1,551 |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | 710 | 453 | 25,114 |
| Special Provision (-) | 142 | 453 | 25,114 |
| Other Loans and Receivables (Net) | 568 | - | - |
| Prior Year (Net) | - | - | - |
| Consumer and Commercial Loans (Gross) | 58,997 | 147,503 | 911,238 |
| Special Provision (-) | 58,997 | 147,503 | 911,238 |
| Consumer and Commercial Loans (Net) | - | - | - |
| Banks (Gross) | - | - | 1,551 |
| Special Provision (-) | - | - | 1,551 |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | 8,687 | 561 | 14,318 |
| Special Provision (-) | 8,687 | 561 | 14,318 |
| Other Loans and Receivables (Net) | - | - | - |

6. Information on held-to-maturity investments

Public sector debt securities classified as held-to-maturity investments

| | Current Year | | Prior Year | |
|-----------------------------|------------------|------------------|------------------|---------------|
| | YTL | FC | YTL | FC |
| Government Bonds | 1,915,921 | 45,126 | 1,350,673 | - |
| Treasury Bills | - | - | - | - |
| Other Government Securities | - | 1,475,206 | - | 90,519 |
| Total | 1,915,921 | 1,520,332 | 1,350,673 | 90,519 |

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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(Thousands of New Turkish Lira (YTL))

Information on held-to-maturity investments

| | Current Year | Prior Year |
|------------------------------|------------------|------------------|
| Debt Securities | 3,476,003 | 1,476,946 |
| Quoted at Stock Exchange | 3,440,918 | 1,441,776 |
| Unquoted at Stock Exchange | 35,085 | 35,170 |
| Impairment Losses (-) | 4,665 | 584 |
| Total | 3,471,338 | 1,476,362 |

The movement of held-to-maturity investments

| | Current Year | Prior Year |
|---|------------------|------------------|
| Balances at the Beginning of the Year | 1,476,362 | 48,391 |
| Foreign Currency Differences On Monetary Assets | 38,444 | (4,032) |
| Purchases During the Year | 2,811,612 | 1,643,570 |
| Disposals Through Sales/Redemptions | (928,203) | (294,194) |
| Impairment Losses | (4,511) | (105) |
| Change in Amortized Costs (*) | 77,634 | 82,732 |
| Balances at the End of the Year | 3,471,338 | 1,476,362 |

(*) Accrual differences on marketable securities calculated based on amortized costs are included in this column.

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. These investment securities have been included in held-to-maturity investment securities portfolio with their fair values as at the reclassification dates. These reclassifications are presented in "purchases during the year" line in the movement table of investments held-to-maturity.

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

The Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of YTL 1,325,000,000 (full YTL), US Dollar 610,000,000 (full US Dollar), and EUR 75,000,000 (full EUR) to its held-to-maturity investment securities portfolio at their fair values of YTL 1,213,358,500 (full YTL), US Dollar 590,404,170 (full US Dollar), and EUR 68,996,250 (full EUR) respectively as at their reclassification dates, in 2008. These reclassifications are presented in "purchases during the period" line in the movement table of held-to-maturity investment securities. The value increases of such securities amounting YTL (9,529,171) (full YTL), US Dollar (13,044,045) (full US Dollar), and EUR (5,325,575) (full EUR) respectively, are recorded under the shareholders' equity and will be amortized through the income statement until their maturities.

Additionally, the Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of YTL 1,240,000,000 (full YTL), US Dollar 40,000,000 (full US Dollar), and EUR 20,000,000 (full EUR) to its investment securities held-to-maturity portfolio at their fair values of YTL 1,237,751,050 (full YTL), US Dollar 41,706,400 (full US Dollar), and EUR 19,475,000 (full EUR), respectively as at their reclassification dates, in 2007. The value increases/(decreases) of such securities amounting YTL 5,217,409 (full YTL), US Dollar 774,816 (full US Dollar), and EUR (448,178) (full EUR) are recorded under shareholders' equity and will be amortized through the income statement until their maturities.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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Information about held-to-maturity investments

| Current Year | Cost | | Carrying Value | |
|--|------------------|------------------|------------------|------------------|
| | YTL | FC | YTL | FC |
| Collateralized/Blocked Investments | 1,261,001 | 80,408 | 1,368,541 | 82,312 |
| Investments subject to Repurchase Agreements | 58,494 | 363,118 | 62,044 | 374,062 |
| Held for structural position | - | - | - | - |
| Receivable from Security Borrowing Market | - | - | - | - |
| Collateral For Security Borrowing Market | - | - | - | - |
| Others (*) | 478,586 | 1,073,538 | 485,336 | 1,099,043 |
| Total | 1,798,081 | 1,517,064 | 1,915,921 | 1,555,417 |

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

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

7. Investments in associates

Investments in associates

| Associate | Address (City/Country) | Bank's Share - If Different, Voting Rights (%) | Bank's Risk Group Share (%) | |
|-----------|---|---|--------------------------------|-------|
| 1 | Kıbrıs Vakıflar Bankası Ltd. (*) | Lefkoşa/TRNC | 15.00 | 15.00 |
| 2 | İşkur İşçi İşadamı Kimya Kuruluşları AŞ | In liquidation | 25.00 | 25.13 |
| 3 | Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ (*) | Istanbul/Turkey | 11.75 | 21.77 |
| 4 | Vakıf Gayrimenkul Yatırım Ortaklığı AŞ (*) | Istanbul/Turkey | 27.63 | 29.47 |
| 5 | Roketsan Roket Sanayi ve Ticaret AŞ (*) | Ankara/Turkey | 10.00 | 10.00 |
| 6 | Türkiye Sınai Kalkınma Bankası AŞ (*) | Istanbul/Turkey | 8.38 | 8.38 |
| 7 | Bankalararası Kart Merkezi AŞ (*) | Istanbul/Turkey | 9.70 | 9.70 |
| 8 | Kredi Kayıt Bürosu AŞ (*) | Istanbul/Turkey | 9.09 | 9.09 |
| 9 | Güçbirliği Holding AŞ (*) | İzmir/Turkey | 0.07 | 0.07 |
| 10 | İzmir Enternasyonal Otelcilik AŞ | Istanbul/Turkey | 5.00 | 5.00 |

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| | Total Assets | Shareholders' Equity | Tangible Assets | Interest Income | Income on Securities Portfolio | Current Year's Profit/Loss | Prior Years' Profit/Loss | Company's Fair Value |
|----|--------------|----------------------|-----------------|-----------------|--------------------------------|----------------------------|--------------------------|----------------------|
| 1 | 559,613 | 41,808 | 4,666 | 67,015 | 870 | 7,528 | 9,496 | - |
| 2 | - | - | - | - | - | - | - | - |
| 3 | 14,176 | 13,395 | 64 | 368 | (2,090) | (2,670) | 2,094 | 500 |
| 4 | 68,974 | 68,728 | 35,751 | 739 | 2,711 | 6,027 | 3,744 | 5,424 |
| 5 | 365,646 | 158,204 | 147,214 | 1,650 | 6 | 21,694 | (1,854) | - |
| 6 | 5,336,070 | 790,038 | 223,656 | 165,174 | 162,240 | 99,377 | 92,268 | 37,112 |
| 7 | 16,215 | 14,381 | 4,972 | 1,190 | - | 2,581 | 2,385 | - |
| 8 | 19,864 | 17,770 | 2,321 | 1,173 | 705 | 4,528 | 2,888 | - |
| 9 | 108,199 | 44,120 | 90,936 | 126 | - | (4,624) | 1,796 | - |
| 10 | 110,240 | 50,182 | 103,404 | 72 | - | (12,159) | 11,104 | - |

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

Movement of investments in associates

| | Current Year | Prior Year |
|--|-----------------|---------------|
| Balance at the beginning of the year | 90,066 | 82,876 |
| Movements during the year | (33,286) | 7,190 |
| Transfers | 2,445 | 7,594 |
| Acquisitions and capital increases | 294 | - |
| Bonus shares received | 8,604 | 9,292 |
| Income/Loss from investments under equity accounting | - | - |
| Sales and liquidations | - | (752) |
| Revaluation decreases due to changes in fair values | (44,629) | (8,944) |
| Impairment losses | - | - |
| Balance at the end of the year | 56,780 | 90,066 |
| Capital commitments | - | - |
| Share percentage at the end of the year (%) | - | - |

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

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

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

Since the Bank's share in Vakıf Gayrimenkul Değerleme AŞ has increased to 54.29% in 2008, it has been reclassified to "Investment in subsidiaries" which was previously classified as "Investment in associates". The subsidiary which had previously carrying value of YTL 586 is presented in "transfers" row in the table above.

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As per the resolution no.77232 of the Board of Directors of the Bank on 3 April 2008, it is decided to work on disposal process of Roketsan Roket Sanayi AŞ ("Roketsan"), that the Bank owns 10% shares representing 14,600 YTL nominal shares of its capital of 146,000 YTL to the third parties or other shareholders of Roketsan.

As per the resolution of the Board of Directors dated 27 December 2007, it is decided to sell the shares of Kıbrıs Vakıflar Bankası Ltd in case of appropriate economic conditions occur for this transaction.

Sectoral distribution of investments and associates

| | Current Year | Prior Year |
|----------------------------|---------------|---------------|
| Banks | 40,231 | 68,262 |
| Insurance Companies | - | - |
| Factoring Companies | - | - |
| Leasing Companies | - | - |
| Finance Companies | - | - |
| Other Financial Associates | 8,955 | 13,625 |
| Total | 49,186 | 81,887 |

Quoted associates

| | Current Year | Prior Year |
|---|---------------|---------------|
| Quoted to domestic stock exchanges | 43,036 | 78,768 |
| Quoted to international stock exchanges | - | - |
| Total | 43,046 | 78,768 |

Investments in associates sold during the current year

There is not any disposal in associates during the year 2008.

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

Investments in associates acquired during the current year

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

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

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

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

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

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

8. Investments in subsidiaries

Investments in subsidiaries

| Associate | Address (City/Country) | Bank's Share – If Different, Voting Rights (%) | Bank's Risk Group Share (%) |
|--|------------------------|---|--------------------------------|
| 1 Güneş Sigorta AŞ (*) | Istanbul/Turkey | 36.35 | 36.35 |
| 2 Vakıf Emeklilik AŞ (*) | Istanbul/Turkey | 53.90 | 75.30 |
| 3 Vakıf Enerji ve Madencilik AŞ (*) | Ankara/Turkey | 65.50 | 84.92 |
| 4 Ataköy Mağazacılık Ticaret AŞ | In Liquidation | 45.79 | 45.79 |
| 5 Taksim Otelcilik AŞ (*) | Istanbul/Turkey | 51.00 | 51.52 |
| 6 Vakıf Finans Faktoring Hizmetleri AŞ (*) | Istanbul/Turkey | 78.39 | 86.97 |
| 7 Vakıf Finansal Kiralama AŞ (*) | Istanbul/Turkey | 58.71 | 64.40 |
| 8 Vakıf Deniz Finansal Kiralama AŞ (**) | Istanbul/Turkey | 68.55 | 73.95 |
| 9 Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ (*) | Ankara/Turkey | 31.00 | 31.09 |
| 10 Vakıf Yatırım Menkul Değerler AŞ (*) | Istanbul/Turkey | 99.00 | 99.44 |
| 11 Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ | Ankara/Turkey | 73.00 | 79.85 |
| 12 Vakıf Gayrimenkul Değerleme AŞ | Ankara/Turkey | 54.29 | 58.54 |
| 13 Vakıfbank International AG (*) | Vienna/Austria | 90.00 | 90.00 |
| 14 World Vakıf Offshore Banking Ltd. (*) | Lefkoşa/TRNC | 82.00 | 84.93 |
| 15 Vakıf Portföy Yönetimi AŞ (*) | Istanbul/Turkey | 99.99 | 99.99 |

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| | Total Assets | Shareholders' Equity | Tangible Assets | Interest Income | Income on Securities Portfolio | Current Year's Profit/Loss | Prior Years' Profit/Loss | Company's Fair Value |
|----|--------------|----------------------|-----------------|-----------------|--------------------------------|----------------------------|--------------------------|----------------------|
| 1 | 617,964 | 231,887 | 136,770 | 2,010 | 14,783 | 25,138 | (7,149) | 71,699 |
| 2 | 826,598 | 100,874 | 37,215 | 2,189 | 44,165 | 11,181 | 19,118 | 73,223 |
| 3 | 260,804 | 241,150 | 244,758 | 488 | - | (2,141) | 1,532 | 21,722 |
| 4 | - | - | - | - | - | - | - | - |
| 5 | 215,034 | 213,940 | 85,682 | 7,176 | 100 | 10,180 | (8,356) | - |
| 6 | 139,149 | 51,349 | 134 | 13,282 | - | 7,544 | (32,229) | 33,708 |
| 7 | 244,794 | 34,629 | 5,481 | 15,132 | 15 | 1,452 | (4,072) | 14,854 |
| 8 | 100,537 | (1,432) | 235 | 10,946 | 3 | (1,686) | (9,570) | - |
| 9 | 4,431 | 4,397 | 13 | 318 | 209 | 223 | (34) | 1,281 |
| 10 | 65,325 | 48,657 | 8,993 | 5,110 | 1,085 | 4,422 | 4,015 | - |
| 11 | 14,304 | 9,316 | 411 | 1,567 | 280 | 2,666 | 2,249 | 10,950 |
| 12 | 13,316 | 9,985 | 653 | 1,239 | 245 | 4,395 | 4,387 | 16,287 |
| 13 | 734,408 | 88,289 | 1,273 | 27,061 | 7,535 | 4,422 | 6,192 | 100,158 |
| 14 | 17,414 | (19,005) | - | 2,133 | - | (6,291) | (13,914) | - |
| 15 | 3,965 | 3,880 | 40 | 103 | 294 | 691 | 616 | - |

(*) Financial Statements are as at and for the nine-month period ended 30 September 2008

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

Movement of investments in subsidiaries

| | Current Year | Prior Year |
|---|-----------------|----------------|
| Balance at the beginning of the year | 495,905 | 391,459 |
| Movements during the year | (13,316) | 104,446 |
| Transfers | 586 | - |
| Acquisitions and capital increases | 1,500 | 5,685 |
| Bonus shares received | - | 29,378 |
| Dividends from current year profit | - | - |
| Sales and liquidations | - | - |
| Revaluation increase, inflation correction difference and currency difference on foreign subsidiaries | (15,402) | 69,383 |
| Impairment losses | - | - |
| Balance at the end of year | 482,589 | 495,905 |
| Capital commitments | - | - |
| Share percentage at the end of year (%) | - | - |

Since the Bank's share in Vakıf Gayrimenkul Değerleme AŞ has increased to 54.29% in 2008, it has been reclassified to "Investment in subsidiaries" which was previously classified as "Investment in associates". The subsidiary which had previously carrying value of YTL 586 is presented in "transfers" row in the table above.

As per the resolution of the Board of Directors of the Bank on 22 August 2006, it is decided to merge Vakıf Deniz Finansal Kiralama AŞ and Vakıf Finansal Kiralama AŞ and authorize a law office to carry required procedures for the merger.

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

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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.

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

Valuation methods of investments in subsidiaries

| | Current Year | Prior Year |
|---------------------------------------|----------------|----------------|
| Valued at Cost | 138,706 | 185,124 |
| Valued at Fair Value | 343,883 | 310,781 |
| Valued by Equity Method of Accounting | - | - |
| Total | 482,589 | 495,905 |

Sectoral distribution of financial investments in subsidiaries

| | Current Year | Prior Year |
|------------------------------|----------------|----------------|
| Banks | 100,158 | 41,073 |
| Insurance Companies | 144,922 | 172,456 |
| Factoring Companies | 33,708 | 24,301 |
| Leasing Companies | 14,854 | 89,078 |
| Finance Companies | - | - |
| Other Financial Subsidiaries | 41,616 | 43,559 |
| Total | 335,258 | 370,467 |

Quoted subsidiaries

| | Current Year | Prior Year |
|---|---------------|----------------|
| Quoted at Domestic Stock Exchanges | 87,834 | 191,536 |
| Quoted at International Stock Exchanges | - | - |
| Total | 87,834 | 191,536 |

Investments in subsidiaries disposed during the current year

None.

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Investments in subsidiaries purchased during the current year

In year 2008, Vakıf Gayrimenkul Değerleme AŞ increased its paid-in capital by YTL 1,500 from YTL 2,000 to YTL 3,500. Increase in the share capital of this subsidiary is fully paid by the Bank by using its precedence right. Related cash injection is presented as "acquisitions and capital increases" row in the movement of investments in subsidiaries table.

In year 2007, as per the resolution of the Board of Directors related to the restructuring of investment in associates and subsidiaries, the Bank acquired the 99.99% shares of Vakıf Portföy Yönetim AŞ, which has a nominal paid in capital of YTL 1,500, previously owned by Vakıf Yatırım Ortaklığı AŞ. The sale price amounting to USD 4,300,000 was determined by an independent appraiser. The share of the Bank is presented as 2007 acquisition in the movement of investments in subsidiaries table.

In year 2007, Taksim Otelcilik AŞ, a subsidiary of the Bank, increased its paid-in capital from internal sources by YTL 4,150 from YTL 93,000 to YTL 97,150. The share of the Bank amounting to YTL 2,116 is presented bonus shares received in the movement of investments in subsidiaries table.

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

9. Investments in joint-ventures

None.

10. Information on finance lease receivables

None

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management

None.

12. Information on tangible assets

| | Real Estates | Leased Tangible Assets | Vehicles | Other Tangible Assets | Total |
|--|-----------------|------------------------------|--------------|-----------------------------|----------------|
| Balance at the end of the prior year: | | | | | |
| Cost | 919,548 | 197,616 | 25,704 | 315,947 | 1,458,815 |
| Accumulated depreciation(-) | 185,727 | 121,891 | 16,775 | 228,392 | 552,785 |
| Net book value | 733,821 | 75,725 | 8,929 | 87,555 | 906,030 |
| Balance at the end of the current year: | | | | | |
| Net book value at the beginning of the current year | 733,821 | 75,725 | 8,929 | 87,555 | 906,030 |
| Additions | 73,897 | 16,583 | 4,376 | 109,035 | 203,891 |
| Disposals (-) | 31,884 | 1,015 | 341 | 1,914 | 35,154 |
| Impairment losses | - | - | - | - | - |
| Depreciation of the current year (-) | 26,879 | 22,494 | 3,735 | 36,989 | 90,097 |
| Currency translation diff. on foreign operations (-) | - | - | - | - | - |
| Cost at the end of the current year | 961,561 | 213,184 | 29,739 | 423,068 | 1,627,552 |
| Accumulated depreciation at the end of the year (-) | 212,606 | 144,385 | 20,510 | 265,381 | 642,882 |
| Net book value at the end of the current year | 748,955 | 68,799 | 9,229 | 157,687 | 984,670 |

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In the current year the Bank does not have impairment loss recorded or written-off for a specific tangible asset that could individually or collectively effect financial statements.

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

13. Information on intangible assets

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

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

The Bank did not declare a commitment to purchase intangible assets. In the current Year Bank has not capitalized research and development expense.

14. Information on investment property

None.

15. Information on deferred tax asset

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

| | Current Year | Prior Year |
|---|----------------|-----------------|
| Deferred tax assets | 94,516 | 82,337 |
| BRSA – Tax Code depreciation differences | 18,231 | 26,704 |
| Reserves for employee termination benefits and unused vacations | 32,894 | 27,070 |
| Valuation difference for associates and subsidiaries | 22,732 | 21,270 |
| Other provisions | 7,899 | 3,954 |
| Valuation differences of financial assets and liabilities | 10,932 | 1,457 |
| Others | 1,828 | 1,882 |
| Deferred tax liabilities | (8,459) | (32,617) |
| Valuation differences of financial assets and liabilities | (2,514) | (27,151) |
| Valuation difference for associates and subsidiaries | (5,945) | (5,328) |
| Others | - | (138) |
| Deferred tax assets, net | 86,057 | 49,720 |

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

None.

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17. Information on other assets

Details of other assets as at 31 December 2008 ve 31 December 2007 is as follows:

| | Current Year | Prior Year |
|---|----------------|----------------|
| Prepaid expenses | 285,053 | 204,343 |
| Receivables from term sale of assets | 158,266 | 138,749 |
| Receivables from derivative financial instruments | 84,558 | 69,344 |
| Receivables from credit cards | 52,416 | 30,087 |
| Receivables from lawsuit and court expenses | 30,684 | 24,455 |
| Others | 75,898 | 42,935 |
| Total | 686,875 | 509,913 |

II. Information and disclosures related to liabilities

1. Information on maturity profile of deposits

| Current Year | Demand | 7 Days Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 months | 1 Year and Over | Accumulating | Total |
|----------------------------------|------------------|------------------|------------------|-------------------|------------------|----------------|--------------------|---------------------|-------------------|
| | | | | | | | | Deposit Accounts | |
| Saving Deposits | 839,372 | - | 732,245 | 6,924,356 | 168,677 | 10,169 | 28,087 | - | 8,702,906 |
| Foreign Currency Deposits | 1,097,263 | - | 2,596,993 | 5,641,389 | 865,877 | 277,277 | 663,353 | - | 11,142,152 |
| Residents in Turkey | 1,079,556 | - | 2,589,199 | 5,625,316 | 864,818 | 276,759 | 652,299 | - | 11,087,947 |
| Residents in Abroad | 17,707 | - | 7,794 | 16,073 | 1,059 | 518 | 11,054 | - | 54,205 |
| Public Sector Deposits | 1,078,139 | - | 1,041,733 | 1,721,947 | 123,714 | 71 | 1,370 | - | 3,966,974 |
| Commercial Deposits | 825,479 | - | 1,901,295 | 3,375,304 | 116,177 | 40,508 | 1,261 | - | 6,260,024 |
| Others | 1,480,317 | - | 525,034 | 3,420,681 | 136,301 | 413 | 10,310 | - | 5,573,056 |
| Precious Metal Deposits | - | - | - | - | - | - | - | - | - |
| Bank Deposits | 1,796 | - | 1,070,729 | 402,640 | - | - | - | - | 1,475,165 |
| Central Bank | 65 | - | - | - | - | - | - | - | 65 |
| Domestic Banks | 115 | - | 1,023,548 | 398,603 | - | - | - | - | 1,422,266 |
| Foreign Banks | 1,356 | - | 47,181 | 4,037 | - | - | - | - | 52,574 |
| Participation Banks | 260 | - | - | - | - | - | - | - | 260 |
| Others | - | - | - | - | - | - | - | - | - |
| Total | 5,322,366 | - | 7,868,029 | 21,486,317 | 1,410,746 | 328,438 | 704,381 | - | 37,120,277 |

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

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

| | Covered by Deposit Insurance Fund | | Exceeding the Deposit Insurance Limit | |
|---|--------------------------------------|------------------|--|------------------|
| | Current Year | Prior Year | Current Year | Prior Year |
| Saving Deposits | 4,549,510 | 3,654,728 | 4,153,396 | 3,208,160 |
| Foreign Currency Saving Deposits | 1,341,128 | 1,286,065 | 2,739,340 | 1,893,244 |
| Other Saving Deposits | - | - | - | - |
| Foreign branches' Deposits Under Foreign Insurance Coverage | - | - | - | - |
| Off-Shore Deposits Under Foreign Insurance Coverage | - | - | - | - |
| Total | 5,890,638 | 4,940,793 | 6,892,736 | 5,101,404 |

Saving deposits out of insurance coverage limits

| | Current Year | Prior Year |
|--|--------------|------------|
| Deposits and other accounts at foreign branches | 591 | 474 |
| Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children | - | - |
| Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children | 2,792 | 600 |
| Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26.09.2004 | - | - |
| Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking | - | - |

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2. Information on derivative financial liabilities held for trading purposes

Negative fair values of trading purpose derivatives

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

3. Information on banks and other financial institutions

| | Current Year | | Prior Year | |
|--------------------------------------|---------------|------------------|---------------|------------------|
| | YTL | FC | YTL | FC |
| Central Bank of Turkey | - | - | - | - |
| Domestic Bank and Institutions | 74,719 | 282,616 | 52,803 | 247,370 |
| Foreign Bank, Institutions and Funds | - | 5,413,059 | - | 4,392,685 |
| Total | 74,719 | 5,695,675 | 52,803 | 4,640,055 |

Maturity information of funds borrowed

| | Current Year | | Prior Year | |
|--------------------------|---------------|------------------|---------------|------------------|
| | YTL | FC | YTL | FC |
| Short-term (*) | 74,719 | 1,891,715 | 52,803 | 1,339,388 |
| Medium and Long term (*) | - | 3,803,960 | - | 3,300,667 |
| Total | 74,719 | 5,695,675 | 52,803 | 4,640,055 |

(*) The maturity profile of funds borrowed has been explained taking the original maturities into account.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 12.4% (31 December 2007: 12.6%) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

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

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

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

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4. Components of other liabilities, those that exceed 10% of total liabilities or those that exceed 20% of the individual liability items in the unconsolidated balance sheet

Other liabilities do not exceed 10% of total liabilities excluding the off-balance sheet items.

5. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Obligations under financial leases

| | Current Year | | Prior Year | |
|-------------------|---------------|---------------|---------------|---------------|
| | Gross | Net | Gross | Net |
| Up to 1 year | 13,319 | 12,876 | 1,627 | 1,494 |
| 1-4 Years | 3,628 | 3,551 | 25,012 | 23,212 |
| More than 4 Years | - | - | - | - |
| Total | 16,947 | 16,427 | 26,639 | 24,706 |

6. Information on derivative financial liabilities held for risk management purposes

Negative fair values of hedging purpose derivatives

None.

7. Information on provisions

Information on general provisions

| | Current Year | Prior Year |
|--|----------------|----------------|
| Provisions for Loans and Receivables in Group I | 202,266 | 151,077 |
| Provisions for Loans and Receivables in Group II | 36,860 | 7,099 |
| Provisions for Non Cash Loans | 19,531 | 15,390 |
| Others | 250 | 179 |
| Total | 258,907 | 173,745 |

Assets subject to general provision and provision amounts as per their risk grading

| 31 December 2008 | Balance sheet items | | Off balance sheet items | |
|--|---------------------|----------------|-------------------------|---------------|
| | Book value | Provision | Book value | Provision |
| Grade 1-3 : Low risk loans and receivables | 27,973,138 | 199,506 | 13,602,667 | 18,952 |
| Grade 4-5 : Loans under follow-up | 1,740,282 | 35,436 | 144,692 | 579 |
| Restructured loans | 208,792 | 1,424 | - | - |
| Other not graded assets | 673,284 | 2,760 | 1,225,095 | 250 |
| Total | 30,595,496 | 239,126 | 14,972,454 | 19,781 |

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

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

None.

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

| | Current Year | Prior Year |
|---|----------------|---------------|
| Non-cash Loans with Limited Collectibility | 1,602 | 1,956 |
| Non-cash Loans with Doubtful Collectibility | 7,914 | 11,613 |
| Uncollectible Non-cash Loans | 95,947 | 68,823 |
| Total | 105,463 | 82,392 |

Information on other provisions

None.

Information on other provisions exceeding 10% of total provisions

| | Current Year | Prior Year |
|---|----------------|----------------|
| Specific provision for non-cash loans | 105,463 | 82,392 |
| Provisions related to the deficit in the equity of World Vakif Offshore Banking Ltd | 15,583 | 7,355 |
| Provisions for law suits against the Bank | 12,371 | 11,413 |
| Provisions for credit card promotions | 9,022 | 7,890 |
| Others | 11,540 | 1,000 |
| Total | 153,979 | 110,050 |

8. Taxation

Current Taxes

Tax provision

As at and for the year ended 31 December 2008, the tax provision was amounted to YTL 197,622 (31 December 2007: YTL 255,578). As at 31 December 2008, corporate tax liabilities of the Bank was amounted to YTL 47,550 (31 December 2007: YTL 82,561), after deducting prepaid taxes paid during temporary tax periods amounted to YTL 150,072 (31 December 2007: YTL 173,017).

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Information on taxes payable

| | Current Year | Prior Year |
|--|----------------|----------------|
| Corporate taxes payable | 47,550 | 82,561 |
| Taxation on securities | 91,324 | 52,709 |
| Capital gains tax on property | 652 | 468 |
| Banking and Insurance Transaction Tax (BITT) | 27,975 | 21,545 |
| Taxes on foreign exchange transactions | - | 1,311 |
| Value added tax payable | 874 | 1,007 |
| Others | 11,276 | 10,785 |
| Total | 179,651 | 170,386 |

Information on premiums payable

| | Current Year | Prior Year |
|---|--------------|------------|
| Social security premiums- employee share | - | - |
| Social security premiums- employer share | - | - |
| Bank pension fund premium- employee share | - | - |
| Bank pension fund premium- employer share | - | - |
| Pension fund membership fees and provisions- employee share | - | - |
| Pension fund membership fees and provisions- employer share | - | - |
| Unemployment insurance- employee share | 252 | 275 |
| Unemployment insurance- employer share | 505 | 485 |
| Others | - | - |
| Total | 757 | 760 |

Information on deferred tax liability

Disclosed in Note 15 of information and disclosures for assets.

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

None.

10. Information on subordinated loans

None.

11. Information on shareholders' equity

Paid-in capital

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

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

Board of Directors' members; one member appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members representing Group (A), one member representing Group (B), and two members representing Group (C); among the nominees shown by the majority of each group, and one member among the nominees offered by the shareholders at the General Assembly are selected.

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Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

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

| Capital System | Paid-in Capital | Ceiling per Registered Share Capital |
|----------------------|-----------------|--------------------------------------|
| Basic capital system | 2,500,000 | 5,000,000 |

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

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

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

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following Year

None.

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

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of marketable securities

| | Current Year | | Prior Year | |
|---------------------------------------|----------------|-----------------|----------------|---------------|
| | YTL | FC | YTL | FC |
| Associates, subsidiaries and JV's | 62,561 | 56,130 | 188,303 | - |
| FV differences | 57,554 | (68,436) | 45,167 | 41,960 |
| Foreign currency exchange differences | - | - | - | - |
| Total | 120,115 | (12,306) | 233,470 | 41,960 |

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

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

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

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

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

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

Final guarantees, provisional guarantees, sureties and similar transactions

| | Current Year | Prior Year |
|---|------------------|------------------|
| Provisional Letters of Guarantee | 102,621 | 107,807 |
| Final Letters of Guarantee | 4,112,388 | 3,432,155 |
| Letters of Guarantee for advances | 1,035,225 | 545,641 |
| Letters of Guarantee given to Customs Offices | 182,196 | 82,595 |
| Other Letters of Guarantee | 80,267 | 94,209 |
| Total | 5,512,697 | 4,262,407 |

2. Non-cash Loans

| | Current Year | Prior Year |
|--|------------------|------------------|
| Non-Cash Loans Given for Cash Loan Risks | 405,492 | 375,627 |
| With Original Maturity of 1 Year or Less | 132,743 | 158,732 |
| With Original Maturity of More Than 1 Year | 272,749 | 216,895 |
| Other Non-Cash Loans | 7,605,585 | 5,465,168 |
| Total | 8,011,077 | 5,840,795 |

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3. Sectoral risk concentrations of non-cash loans

| | Current Year | | | | Prior Year | | | |
|--------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | YTL | % | FC | % | YTL | % | FC | % |
| Agricultural | 30,209 | 0.88 | 57,063 | 1.25 | 24,187 | 0.87 | 25,727 | 0.84 |
| Farming and Stockbreeding | 22,881 | 0.67 | 37,906 | 0.83 | 18,843 | 0.67 | 14,693 | 0.48 |
| Forestry | 4,980 | 0.14 | 3,705 | 0.08 | 3,803 | 0.14 | 90 | 0.00 |
| Fishing | 2,348 | 0.07 | 15,452 | 0.34 | 1,541 | 0.06 | 10,944 | 0.36 |
| Manufacturing | 1,341,409 | 38.88 | 1,827,785 | 40.06 | 1,083,730 | 39.08 | 1,532,477 | 49.95 |
| Mining | 34,613 | 1.00 | 119,474 | 2.62 | 23,992 | 0.87 | 89,892 | 2.93 |
| Production | 953,207 | 27.63 | 1,523,671 | 33.39 | 830,040 | 29.93 | 1,292,455 | 42.13 |
| Electric, gas and water | 353,589 | 10.25 | 184,640 | 4.05 | 229,698 | 8.28 | 150,130 | 4.89 |
| Construction | 581,153 | 16.85 | 1,083,182 | 23.75 | 369,941 | 13.34 | 566,647 | 18.47 |
| Services | 1,203,401 | 34.89 | 841,916 | 18.46 | 1,023,770 | 36.91 | 428,728 | 13.97 |
| Wholesale and retail trade | 466,892 | 13.54 | 260,919 | 5.72 | 526,053 | 18.97 | 172,466 | 5.62 |
| Hotel, food and beverage services | 32,832 | 0.95 | 12,380 | 0.27 | 31,633 | 1.14 | 9,569 | 0.31 |
| Transportation and telecommunication | 205,056 | 5.94 | 356,090 | 7.81 | 144,200 | 5.20 | 60,812 | 1.98 |
| Financial institutions | 467,148 | 13.55 | 192,569 | 4.22 | 294,295 | 10.61 | 169,557 | 5.53 |
| Real estate and renting services | 4,898 | 0.14 | 65 | 0.00 | 1,787 | 0.06 | - | - |
| "Self-employment" type services | - | - | - | - | - | - | - | - |
| Education services | 5,092 | 0.15 | 2,293 | 0.05 | 5,423 | 0.20 | 5,945 | 0.19 |
| Health and social services | 21,483 | 0.62 | 17,600 | 0.39 | 20,379 | 0.73 | 10,379 | 0.34 |
| Others | 293,235 | 8.50 | 751,724 | 16.48 | 271,707 | 9.80 | 513,881 | 16.77 |
| Total | 3,449,407 | 100.00 | 4,561,670 | 100.00 | 2,773,335 | 100.00 | 3,067,460 | 100.00 |

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

| | I. Group | | II. Group | |
|---|------------------|------------------|---------------|---------------|
| | YTL | FC | YTL | FC |
| Letters of Guarantee | 3,308,557 | 2,003,882 | 92,291 | - |
| Confirmed Bills of exchange and Acceptances | - | 485,129 | - | 25,827 |
| Letters of Credit | - | 1,935,200 | - | 33,996 |
| Endorsements | - | - | - | - |
| Purchase Guarantees for Securities Issued | - | - | - | - |
| Factoring Guarantees | - | - | - | - |
| Other Guarantees and Sureties | - | 14,322 | - | - |
| Non-cash Loans | 3,308,557 | 4,438,533 | 92,291 | 59,823 |

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5. Information on derivative transactions

| | Current Year | Prior Year |
|---|------------------|------------------|
| Trading Derivatives | | |
| Foreign Currency Related Derivative Transactions (I) | 1,747,727 | 995,354 |
| Currency Forwards | 24,545 | 484,726 |
| Currency Swaps | 1,723,182 | 510,628 |
| Currency Futures | - | - |
| Currency Options | - | - |
| Interest Rate Derivative Transactions (II) | 702,975 | 468,634 |
| Interest Rate Forwards | - | - |
| Interest Rate Swaps | 702,975 | 468,634 |
| Interest Rate Futures | - | - |
| Interest Rate Options | - | - |
| Other Trading Derivatives (III) | 60,800 | - |
| A. Total Trading Derivatives (I+II+III) | 2,511,502 | 1,463,988 |
| Hedging Derivatives | - | - |
| Fair Value Hedges | - | - |
| Cash Flow Hedges | - | - |
| Hedges for Foreign Currency Investments | - | - |
| B. Total Hedging Derivatives | - | - |
| Derivative Transactions (A+B) | 2,511,502 | 1,463,988 |

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| | 31 December 2008 | | | | | Total |
|--|------------------|---------------|----------------|----------------|------------------|------------------|
| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | |
| Currency swaps: | | | | | | |
| Purchase | 853,425 | 1,693 | - | - | - | 855,118 |
| Sale | 866,389 | 1,675 | - | - | - | 868,064 |
| Currency forwards: | | | | | | |
| Purchase | 6,179 | 3,943 | 2,152 | - | - | 12,274 |
| Sale | 6,177 | 3,941 | 2,153 | - | - | 12,271 |
| Cross currency interest rate swaps: | | | | | | |
| Purchase | - | - | - | 88,112 | 72,059 | 160,171 |
| Sale | - | - | - | 76,153 | 82,992 | 159,145 |
| Interest rate swaps: | | | | | | |
| Purchase | - | - | 118,560 | 78,971 | - | 197,531 |
| Sale | - | - | 118,560 | 67,568 | - | 186,128 |
| Other trading derivatives: | | | | | | |
| Purchase | - | - | - | 15,200 | - | 15,200 |
| Sale | - | - | - | 45,600 | - | 45,600 |
| Total of purchases | 859,604 | 5,636 | 120,712 | 182,283 | 72,059 | 1,240,294 |
| Total of sales | 872,566 | 5,616 | 120,713 | 189,321 | 82,992 | 1,271,208 |
| Total | 1,732,170 | 11,252 | 241,425 | 371,604 | 155,051 | 2,511,502 |

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

6. Contingent assets and liabilities

None.

7. Services rendered on behalf of third parties

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

The Bank's custody services and banking transactions on behalf of individuals and corporate customers does not present a material portion.

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IV. Information and disclosures related to the income statement

1. Interest income

Information on interest income received from loans

| | Current Year | | Prior Year | |
|--|------------------|----------------|------------------|----------------|
| | YTL | FC | YTL | FC |
| Short-term Loans | 1,740,119 | 186,127 | 1,718,940 | 142,020 |
| Medium and Long-term Loans | 1,954,390 | 402,870 | 1,086,953 | 232,900 |
| Loans under follow-up | 62,127 | - | 75,073 | - |
| Premiums received from Resource Utilization Support Fund | - | - | - | - |
| Total | 3,756,636 | 588,997 | 2,880,966 | 374,920 |

Information on interest income received from banks

| | Current Year | | Prior Year | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | YTL | FC | YTL | FC |
| Central Bank of Turkey | - | 3,016 | - | 4,626 |
| Domestic Banks | 12,595 | 3,293 | 20,015 | 891 |
| Foreign Banks | 29,056 | 37,462 | 65,012 | 85,441 |
| Foreign Head Office and Branches | - | - | - | - |
| Total | 41,651 | 43,771 | 85,027 | 90,958 |

Information on interest income received from securities portfolio

| | Current Year | | Prior Year | |
|---|------------------|----------------|------------------|----------------|
| | YTL | FC | YTL | FC |
| Trading Financial Assets | 1,107 | 21,539 | 3,583 | 33,694 |
| Financial Assets at Fair Value through Profit or Loss | - | - | - | - |
| Available-for-Sale Financial Assets | 1,167,063 | 149,232 | 1,198,897 | 219,308 |
| Held-to-Maturity Investments | 298,861 | 58,037 | 105,089 | 5,007 |
| Total | 1,467,031 | 228,808 | 1,307,569 | 258,009 |

Information on interest income received from associates and subsidiaries

| | Current Year | Prior Year |
|--|--------------|------------|
| Interest Received from Associates and Subsidiaries | 10,794 | 3,324 |

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2. Interest Expense

Interest expenses on funds borrowed

| | Current Year | | Prior Year | |
|-----------------------------------|--------------|----------------|--------------|----------------|
| | YTL | FC | YTL | FC |
| Banks | 7,725 | 224,178 | 8,058 | 247,204 |
| Central Bank of Turkey | - | - | - | - |
| Domestic Banks | 7,725 | 1,805 | 8,039 | 2,415 |
| Foreign Banks | - | 222,373 | 19 | 244,789 |
| Foreign Head Offices and Branches | - | - | - | - |
| Other Institutions | 155 | 24 | 39 | 19 |
| Total | 7,880 | 224,202 | 8,097 | 247,223 |

Interest expenses paid to associates and subsidiaries

| | Current Year | Prior Year |
|--|--------------|------------|
| Interest Paid to Associates and Subsidiaries | 26,281 | 15,050 |

Interest expense on securities issued

None.

Maturity structure of interest expense on deposits

| Account Description | Demand Deposits | Time Deposit | | | | | Accumulating Deposit Accounts | Total |
|---------------------------|-----------------|----------------|------------------|----------------|---------------|-----------------|-------------------------------|------------------|
| | | Up to 1 Month | Up to 3 Month | Up to 6 Month | Up to 1 Year | 1 Year and Over | | |
| Turkish Lira: | | | | | | | | |
| Bank Deposits | - | 90,371 | - | - | - | - | - | 90,371 |
| Saving Deposits | 8,173 | 85,672 | 1,061,785 | 29,806 | 3,207 | 4,627 | - | 1,193,270 |
| Public Sector Deposits | 3,685 | 92,991 | 315,103 | 25,378 | 7,234 | 89 | - | 444,480 |
| Commercial Deposits | 2,396 | 149,824 | 535,570 | 16,274 | 2,903 | 333 | - | 707,300 |
| Other Deposits | 958 | 211,966 | 816,923 | 66,444 | 3,914 | 8,654 | - | 1,108,859 |
| "7 Days Notice" Deposits | - | - | - | - | - | - | - | - |
| Total | 15,212 | 630,824 | 2,729,381 | 137,902 | 17,258 | 13,703 | - | 3,544,280 |
| Foreign Currency: | | | | | | | | |
| Foreign Currency Deposits | 7,337 | 72,336 | 176,369 | 52,015 | 20,843 | 26,851 | - | 355,751 |
| Bank Deposits | - | 6,866 | - | - | - | - | - | 6,866 |
| "7 Days Notice" Deposits | - | - | - | - | - | - | - | - |
| Precious Metals Deposits | - | - | - | - | - | - | - | - |
| Total | 7,337 | 79,202 | 176,369 | 52,015 | 20,843 | 26,851 | - | 362,617 |
| Grand Total | 22,549 | 710,026 | 2,905,750 | 189,917 | 38,101 | 40,554 | - | 3,906,897 |

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3. Dividend Income

| | Current Year | Prior Year |
|---|---------------|---------------|
| Trading Purpose Financial Assets | - | - |
| Financial Assets at Fair Value through Profit or Loss | - | - |
| Available-for-Sale Financial Assets | 1,166 | 5,646 |
| Others | 24,333 | 29,072 |
| Total | 25,499 | 34,718 |

4. Trading income/losses (Net)

| | Current Year | Prior Year |
|----------------------------------|------------------|----------------|
| Income | 1,431,062 | 671,441 |
| Trading Account Income | 133,645 | 96,163 |
| Derivative financial instruments | 67,000 | 55,231 |
| Others | 66,645 | 40,932 |
| Foreign Exchange Gain | 1,297,417 | 575,278 |
| Losses (-) | 1,341,342 | 478,092 |
| Trading Account Losses | 82,291 | 48,641 |
| Derivative financial instruments | 74,608 | 38,868 |
| Others | 7,683 | 9,773 |
| Foreign Exchange Losses | 1,259,051 | 429,451 |
| Net trading income | 89,720 | 193,349 |

5. Other operating income

As at 31 December 2008, other operating income consists of; reversal of the impairment losses provided in previous years amounted to YTL 171,847, communication income amounted to YTL 70,513, reversal of the impairment losses of investments in associates provided in previous years amounted to YTL 10,554, gain on sale of assets amounted to YTL 8,554, and other income amounted to YTL 51,236.

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6. Provision expenses for losses on loans and other receivables

| | Current Year | Prior Year |
|---|----------------|----------------|
| Specific Provisions on Loans and Other Receivables | 389,354 | 220,523 |
| Loans and Receivables in Group III | 41,082 | 215,518 |
| Loans and Receivables in Group IV | 153,887 | 5,005 |
| Loans and Receivables in Group V | 194,385 | - |
| Non-performing commissions and other receivables | - | - |
| General Provision Expenses | 84,193 | 43,282 |
| Provision for Possible Losses | - | - |
| Impairment Losses on Financial Assets | 23,931 | 11,711 |
| Financial Assets at Fair Value through Profit or Loss | 1,979 | 992 |
| Available-for-Sale Financial Assets | 21,952 | 10,719 |
| Other Impairment Losses: | 4,511 | 105 |
| Associates | - | - |
| Subsidiaries | - | - |
| Joint Ventures | - | - |
| Held-to-Maturity Investments | 4,511 | 105 |
| Others | 122,330 | 92,813 |
| Total | 624,319 | 368,434 |

7. Other operating expenses

| | Current Year | Prior Year |
|--|------------------|----------------|
| Personnel Costs | 557,063 | 457,156 |
| Reserve for Employee Termination Benefits | 29,120 | 21,663 |
| Deficit Provision for Pension Funds | - | - |
| Impairment Losses on Tangible Assets | - | - |
| Depreciation Expenses on Tangible Assets | 90,097 | 73,575 |
| Impairment Losses on Intangible Assets | - | - |
| Amortization Expenses on Intangible Assets | 3,753 | 2,101 |
| Impairment Losses on Assets to be Disposed | - | - |
| Depreciation Expenses on Assets to be Disposed | - | - |
| Impairment Losses on Assets Held for Sale | - | - |
| Other Operating Expenses | 508,858 | 333,907 |
| Operational lease related expenses | 64,432 | 51,840 |
| Repair and maintenance expenses | 14,615 | 11,792 |
| Advertisement expenses | 45,156 | 32,543 |
| Other expenses | 384,655 | 237,732 |
| Loss on sale of assets | 1,776 | 7,425 |
| Others | 128,505 | 98,744 |
| Total | 1,319,172 | 994,571 |

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8. Information on income/loss from discontinued operations

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

9. Information on tax provision from discontinued operations

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

10. Information on net profit/loss from discontinued operations

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

11. Provision for taxes on income

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

In the current Year, the Bank recorded a tax provision of YTL 194,149 (31 December 2007: YTL 255,483) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

| Sources of deferred tax benefit/charge | Current Year | Prior Year |
|---|---------------|---------------|
| Arising from Origination (+)/Reversal (-) of Deductible Temporary Differences | (1,219) | 9,247 |
| Arising from Origination (+)/Reversal (-) of Taxable Temporary Differences | 23,228 | 18,837 |
| Arising from Origination (+)/Reversal (-) of Tax Losses | - | - |
| Arising from tax rate change | - | - |
| Total | 22,009 | 28,084 |

12. Net profit and loss

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

None.

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

None.

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

None.

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

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

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

2. Information on increases in cash flow hedges:

None.

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

None.

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

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

5. Information on profit distribution

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

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

Movement table related to decreases in revaluation of available-for-sale investments is explained below:

| Valuation Differences of Marketable Securities | Current Year | Prior Year |
|---|-----------------|---------------|
| Valuation differences at the beginning of the year | 87,127 | 6,454 |
| Fair value changes in the current year | (56,872) | 127,924 |
| Effect of deferred and corporate taxes | 3,187 | (25,585) |
| Valuation differences transferred to the income statement | (56,373) | (27,079) |
| Effect of deferred and corporate taxes | 12,049 | 5,413 |
| Valuation differences at the end of the year | (10,882) | 87,127 |

| Valuation Difference of the Subsidiaries and Affiliates | Current Year | Prior Year |
|---|----------------|----------------|
| Valuation differences at the beginning of the year | 188,303 | 129,932 |
| Fair value changes in the current year | (70,586) | 60,441 |
| Effect of deferred and corporate taxes | 974 | (2,070) |
| Valuation differences transferred to the income statement | - | - |
| Effect of deferred and corporate taxes | - | - |
| Valuation differences at the end of the year | 118,691 | 188,303 |

VI. Information and disclosures on cash flow statement

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

In 2008, net cash flow from banking operations amounted to YTL 2,006,258. YTL 1,748,074 of this amount was generated from the change in operating assets and liabilities and YTL 258,184 from operating profit. The net cash used in investing activities amounted to YTL 267,821. The main reason for the cash used in investing activities is due to cash used in new investments in available for sale securities. As at 31 December 2008, cash and cash equivalents increased to YTL 6,847,846 while it was YTL 5,259,888 at the beginning of the current year.

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

In year 2008, the paid-in capital of Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ has been increased from 5,000 YTL to 7,500 YTL. The Bank has been involved in the capital increase proportional to its share and paid 294 YTL. In addition, the paid-in capital of Vakıf Gayrimenkul Değerleme AŞ has been increased by 1,500 YTL from 2,000 YTL to 3,500 YTL in the current year. The 1,500 YTL increase was wholly compensated by the Bank. The related amounts have been shown in "cash paid for purchase of associates, subsidiaries and joint-ventures" under "net cash flow from investing activities" in the statement of cash flows.

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

None.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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(Thousands of New Turkish Lira (YTL))

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

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

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

| | Current Year 31 December 2008 | Prior Year 31 December 2007 |
|--------------------------|----------------------------------|--------------------------------|
| Cash on Hand | 439,144 | 419,071 |
| Cash in YTL | 375,190 | 363,150 |
| Cash in Foreign Currency | 63,954 | 55,921 |
| Cash Equivalents | 6,408,702 | 4,840,817 |
| Others | 6,408,702 | 4,840,817 |
| Total | 6,847,846 | 5,259,888 |

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

Bank's foreign currency demand and time deposits at foreign banks include blocked amounts of YTL 55,724 and 93,468 respectively.

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

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

| Current Year | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Components in Risk Group | |
|---|-----------------------------|----------|---|----------|--------------------------------|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and Other Receivables | | | | | | |
| Balance at the Beginning of the Year | 63,102 | 175,454 | - | 669 | 4,119 | 5,488 |
| Balance at the End of the Year | 126,461 | 207,216 | - | 668 | 8,437 | 5,881 |
| Interest and Commission Income Received | 10,794 | 785 | - | - | 730 | 11 |

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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(Thousands of New Turkish Lira (YTL))

| | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Components in Risk Group | |
|---|-----------------------------|----------|---|----------|--------------------------------|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Prior Year | | | | | | |
| Loans and Other Receivables | | | | | | |
| Balance at the Beginning of the Year | 12,752 | 219,239 | - | 568 | - | - |
| Balance at the End of the Year | 63,102 | 175,454 | - | 669 | 4,119 | 5,488 |
| Interest and Commission Income Received | 3,324 | 897 | - | - | 646 | 13 |

Information on deposits held by the Bank's risk group

| Bank's Risk Group | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Components in Risk Group | |
|--------------------------------------|-----------------------------|------------|---|------------|--------------------------------|------------|
| | Current Year | Prior Year | Current Year | Prior Year | Current Year | Prior Year |
| Deposits | | | | | | |
| Balance at the Beginning of the Year | 270,304 | 128,372 | 918,176 | 77,592 | 143,867 | 2,650 |
| Balance at the End of the Year | 263,719 | 270,304 | 977,811 | 918,176 | 208,027 | 143,867 |
| Interest on Deposits | 26,281 | 15,050 | - | - | 1,210 | 2,567 |

Information on forward and option agreements and similar agreements made with the Bank's risk group

None.

2. Disclosures of transactions with the Bank's risk group

Relations with entities in the risk group of/or controlled by the Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.44% (31 December 2007: 0.29%) and 2.67% (31 December 2007: 3.11%).

| Current Year | Amount | Compared With the Financial | |
|-------------------------------|-----------|-----------------------------|----------|
| | | Statement | Amount % |
| Cash Loans | 134,898 | | 0.44 |
| Non-Cash Loans | 213,765 | | 2.67 |
| Deposits | 1,449,557 | | 3.91 |
| Forward and Option Agreements | - | | - |

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

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

None.

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

Domestic and foreign branches and representative offices

| | Number of Branches | Number of Employees | | | |
|--------------------------------|--------------------|---------------------|------------|---------------------|----------------------|
| Domestic Branches (*) | 523 | 9,551 | | | |
| | | | | Country | |
| Foreign Representative Offices | - | - | 1- | | |
| | | | 2- | | |
| | | | 3- | | |
| | | | | Total Assets | Legal Capital |
| Foreign Branches | 2 | 16 | 1- USA | 2,097,689 | 25,080 |
| | | | 2- Bahrain | 9,996,590 | - |
| | | | 3- | | |
| Off-shore Branches | | | 1- | | |
| | | | 2- | | |
| | | | 3- | | |

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

Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure During 2008, 84 new domestic branches have been opened and 27 branches have been closed.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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SECTION SIX

I. Other Disclosures and Footnotes

1. Other explanations on the Bank's operations

· The Bank decided to buy 6% of Turkish Derivative Exchange Market's shares, at nominal value of YTL 540 of total YTL 9,000 paid-in capital, which is held by Vakıf Yatırım Menkul Değerler A.Ş.

· In conjunction with the "Regulation for an Adjustment on the Regulation on the Procedures and Principles on the Determination of the Nature of the Loans and Other Receivables and their Provisions" which has been published in the Official Gazette no. 26779 dated 6 February 2008, general provision for the restructured or rescheduled loans and other receivables has been increased from 1% to 2%, general provisions for the bills of exchange and sureties and other non-cash loans have been increased from 0.2% to 0.4%.

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

| Profit Distribution Table of Year 2007 | |
|---|------------------|
| Current year's profit | 1,030,700 |
| Deferred tax income not subject to dividend distribution | (28,084) |
| Net profit of the year subject to distribution before legal reserves | 1,002,616 |
| Legal reserves | 100,262 |
| First Legal Reserves | 50,131 |
| Reserves allocated, according to banking law and articles of association. | 50,131 |
| Net profit of the year subject to distribution | 902,354 |
| Extraordinary reserves | 760,154 |
| Dividends to the shareholders | 142,200 |

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

"The Law on the Collection of Some of the Public Receivables by Reconciliation" no.5736 has passed on 20 February 2008 in the Parliament and approved on 26 February 2008 by the President of the Turkish Republic. In accordance with this law's first sub clause of the third article, with the banks will not be sustained; if the banks take into consideration of 65 percent of these losses in the determination of revenues for the year 2001 as previous year losses, and admit to correct taxable income for the subsequent years and declare they have abnegated from all of the courts related to this matter in one month after this law come into effect.

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

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

· The Bank's management has decided to implement growth strategy in credit card business with brand sharing with an existing brand in the market and decided to collaborate with Yapı Kredi Bankası AŞ in World credit card program. The Bank has nominated Bank's general manager for signing and preparation of the agreement. The main agreement and the additional clauses have been signed on 30 June 2008 and 31 July 2008, respectively and the agreement came into effect on 5 August 2008.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

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(Thousands of New Turkish Lira (YTL))

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

| November 2008 (*) | | Standard & Poor's |
|---------------------------------|--|-----------------------------------|
| Foreign Currency Credit Rating | | BB-/Negative/B |
| Local Currency Credit Rating | | BB- /Negative/B |
| National | | trA/--/trA-1 |
| Continuance Rating | | BBB-/--/-- |
| November 2008 (*) | | Moody's Investors' Service |
| Financial Strength Rating | | D+ |
| Local Currency Deposit Rating | | Baa1/P-2 |
| Foreign Currency Deposit Rating | | B1/NP |
| Outlook | | Stable |
| August 2008 (*) | | Fitch Rating |
| Long Term Foreign Currency | | BB- |
| Short Term Foreign Currency | | B |
| Foreign Currency Outlook | | Stable |
| Long Term Local Currency | | BB |
| Short Term Local Currency | | B |
| Foreign Currency Outlook | | Stable |
| National Long Term | | AA (tur) |
| National Outlook | | Stable |
| Individual | | C/D |
| Support | | 4 |
| Base Support Rating | | B+ |
| December 2008 (*) | | Capital Intelligence |
| Financial Strength Rate | | BBB- |
| Short Term Foreign Currency | | B |
| Long Term Foreign Currency | | BB- |
| Support Rating | | 2 |
| Outlook | | Stable |

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Unconsolidated Financial Report for the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

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

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

None.

SECTION SEVEN

I. Independent Auditors’ Review Report

1. Information on the independent auditors’ review report

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

2. Explanations and disclosures by Independent Auditors

None.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

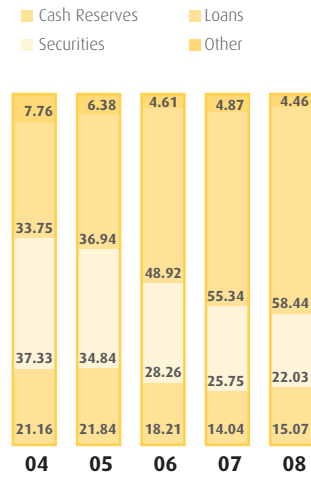
Evaluation of the Financial Situation, Profitability and Solvency

State of Progress in the Assets

Vakıfbank grew by 23,1% in 2008 and increased its assets to the amount of TRY 52,2 billion. Continuing its sound asset structure, the bank increased the ratio of interest earning assets to the total assets from %94,1 in 2007 to %94,6 at the end of 2008.

Our loans that increased by 29,6% and reached to TRY 30,4 billion TRY played an important role in the growth of our assets. Applying a widespread credit policy in order to contribute in the increase of production-employment through financing the real sector and to assist in the expansion of the national economy towards the international markets with its loan and foreign exchange services, our Bank continued to provide financing support with suitable maturity periods, interest rates and payment options directly on its own or through mediation within the scope of the protocols concluded with the other entities or institutions in the year of 2008

Composition of Assets (%)



While the share of loans under follow-up in the banking sector, despite the asset sales, rose from 3,5% to 3,6%; Vakıfbank was able to decrease the ratio to 4,57% from 4,64% in 2008.

The ratio of the securities in the banking sector assets decreased in 2008; in parallel to this, the share of our Bank's securities portfolio which amounted to TRY 11,5 billion in the total assets decreased from 25,8% to 22%.

The ratio of participations and affiliates to the assets decreased from 1,4% to 1,0% in 2008.

While the share of tangible fixed assets in the total assets was 2,1% in 2007, it dropped to 1,9% in 2008.

State of Progress in the Liabilities

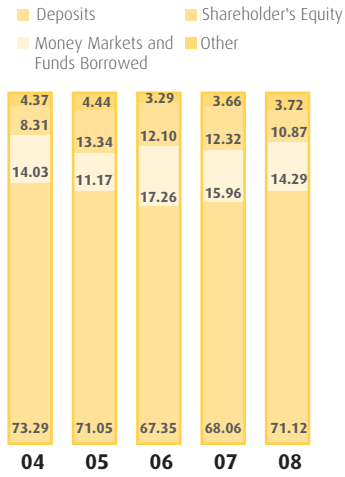
While interest earning assets amounted to TRY 49,4 billion, interest bearing liabilities were TRY 39,5 billion. Consequently, the share of interest bearing liabilities in total liabilities 75,6%; the ratio of interest earning assets to interest bearing liabilities 125,2%

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Evaluation of the Financial Situation, Profitability and Solvency

The bank, thanks to the 51% of boost in demand deposits, increased its total deposits to TRY 37,1 billion up by 29%, outperforming the sector average.

Composition of Liabilities (%)



The ability of external borrowing in 2008 was significantly limited due to the financial crisis and the cost of borrowing was considerably higher compared to previous years. In such an environment, the bank secured two syndicated loans in July and December. In July 2008, Vakıfbank renewed one year maturity loan facility of USD 700 million in July 2007 with an addition of USD 50 million. At the peak of the credit crunch in December 2008, the 90% roll-over of USD 375 million syndicated loan in 2007 with a total amount of USD 335 million has once again confirmed the reputation of Vakıfbank in international markets.

Shareholder's equity of our bank increased to TRY 5.7 billion as a result of the increase in the reserves and profitability.

Evaluation of Profitability

Our Bank's net interest income increased by 17,8% and the net fee and commission income by 29,3% in 2008. Due to the higher operating costs, the cost/income ratio was up to 46% from 37,9%. While the ratio of interest income to interest expenses was 144,5%, the ratio of non-interest income to non-interest expenses dropped to 46,5% from 63%.

In 2008, net profits of the banking sector were down by 10,3% as a result of increased provisioning and contraction in net interest margins due to the financial crisis and this led to a decrease in ROE and ROA. Accordingly, while ROAA was down to 1,6% from 2,6%; ROAE contracted to 13,8% from 21,3% in Vakıfbank. However, thanks to risk management and lending policies the bank follows, CAR was 14,3%.

Solvency

Our Bank continued to strengthen its solvency through increasing the share of interest earning assets in the total assets, its strong liquidity structure in 2008.

Having continued its loan growth without compromising the risk management, Vakıfbank's capital adequacy ratio of 14,30% by the end of 2008 has been another important indicator of its financial strength.

Moody's, one of the international rating agencies has determined the financial strength score of Vakıfbank "D+" in November 2008. The "D+" rating refers to the increasing financial power of Vakıfbank and shows its strong structure in the banking sector with its market shares in assets and in deposits as well as its strong network of branches and its power in the credit cards segment.

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Financial Highlights and Key Ratios for the Five Years Period Including the Reported Period

| (TRY Million) | | | | | | Change (%) |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|------------------|
| ASSETS | 2004 | 2005 | 2006 | 2007 | 2008 | 2007-2008 |
| Liquid Assets and Banks | 5,125 | 7,121 | 6,718 | 5,952 | 7,863 | 32.11 |
| Securities Portfolio | 9,031 | 11,359 | 10,435 | 10,922 | 11,500 | 5.29 |
| Cash Loans | 8,167 | 12,042 | 18,043 | 23,470 | 30,417 | 29.60 |
| Commercial Loans | 5,499 | 8,928 | 13,116 | 16,925 | 21,788 | 28.73 |
| Retail Loans | 2,668 | 3,114 | 4,927 | 6,545 | 8,629 | 31.84 |
| Loans under Follow-up (Net) | 0 | 0 | 0 | 0 | 85 | - |
| Loans under Follow-up (Gross) | 795 | 999 | 1,002 | 1,143 | 1,456 | 27.38 |
| Subsidiaries and Associates | 483 | 612 | 409 | 586 | 539 | -8.02 |
| Fixed Assets | 1,116 | 1,007 | 890 | 906 | 985 | 8.72 |
| Other Assets | 278 | 459 | 389 | 573 | 804 | 40.31 |
| TOTAL | 24,199 | 32,600 | 36,884 | 42,408 | 52,193 | 23.07 |

| (TRY Million) | | | | | | Change (%) |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|------------------|
| LIABILITIES | 2004 | 2005 | 2006 | 2007 | 2008 | 2007-2008 |
| Deposits | 17,736 | 23,161 | 24,842 | 28,863 | 37,120 | 28.61 |
| Term Deposits | 14,464 | 19,552 | 20,546 | 25,343 | 31,798 | 25.47 |
| Demand Deposits | 3,272 | 3,609 | 4,296 | 3,520 | 5,322 | 51.19 |
| Money Markets | 614 | 108 | 1,370 | 2,076 | 1,687 | -18.74 |
| Funds Borrowed | 2,781 | 3,533 | 4,997 | 4,693 | 5,770 | 22.95 |
| Provisions | 419 | 417 | 391 | 499 | 675 | 35.27 |
| Other Liabilities | 637 | 1,032 | 820 | 1,052 | 1,270 | 20.72 |
| Shareholder's Equity | 2,012 | 4,349 | 4,463 | 5,226 | 5,671 | 8.52 |
| -Paid-in capital | 420 | 1,279 | 2,500 | 2,500 | 2,500 | - |
| Profit/Loss | 856 | 587 | 813 | 1,039 | 753 | -27.53 |
| -Profit-Loss of the previous year | 232 | 55 | 52 | 8 | 0 | -100.00 |
| -Net Profit-Loss for the Period | 624 | 532 | 762 | 1,031 | 753 | -26.96 |
| TOTAL | 24,199 | 32,600 | 36,884 | 42,408 | 52,193 | 23.07 |

| (TRY Million) | | | | | | Change (%) |
|--|--------------|--------------|--------------|--------------|--------------|------------------|
| PROFIT/LOSS | 2004 | 2005 | 2006 | 2007 | 2008 | 2007-2008 |
| Interest Income | 3,068 | 3,592 | 4,409 | 5,352 | 6,414 | 19.84 |
| Interest Expense | 1,883 | 2,273 | 2,824 | 3,677 | 4,439 | 20.72 |
| Net Interest Income | 1,185 | 1,319 | 1,585 | 1,676 | 1,975 | 17.84 |
| Net Fee & Commissions Income | 250 | 294 | 288 | 360 | 466 | 29.44 |
| Dividend Income | 52 | 10 | 17 | 35 | 25 | -28.57 |
| Trading Securities Income (Net) | 64 | 131 | 45 | 48 | 51 | 6.25 |
| Foreign Exchange Income (Net) | 53 | 49 | -2 | 146 | 38 | -73.97 |
| Other Operating Income | 246 | 129 | 343 | 357 | 313 | -12.32 |
| Total Revenues | 1,849 | 1,932 | 2,277 | 2,621 | 2,869 | 9.46 |
| Provision for Loan and Other Receivables | 344 | 445 | 308 | 368 | 624 | 69.57 |
| Other Operating Expenses | 722 | 732 | 951 | 995 | 1,319 | 32.56 |
| Operating Profits | 783 | 756 | 1,018 | 1,258 | 925 | -26.47 |
| Net Monetary Position Profit/Loss | -16 | 0 | 0 | 0 | 0 | - |
| Profits before Tax | 767 | 756 | 1,018 | 1,258 | 925 | -26.47 |
| Provision for Tax | 143 | 224 | 256 | 227 | 172 | -24.23 |
| Net Profit/Loss | 624 | 532 | 762 | 1,031 | 753 | -26.96 |

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Financial Highlights and Key Ratios for the Five Years Period Including the Reported Period

| RATIOS (%) | | | | | | Sector ⁽⁴⁾ |
|--|------|------|------|-------|------|-----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2008 |
| Securities/Total Assets | 37.3 | 34.8 | 28.3 | 25.8 | 22.0 | 26.5 |
| Loans/Total Assets | 33.7 | 36.9 | 48.9 | 55.3 | 58.4 | 50.2 |
| Loans/Deposits | 46.0 | 52.0 | 72.6 | 81.3 | 82.2 | 80.9 |
| Retail Loans/Total Loans | 32.7 | 25.9 | 27.3 | 27.9 | 28.4 | 31.9 |
| Loans under Follow Up/Total Loans ⁽¹⁾ | 8.87 | 7.66 | 5.26 | 4.64 | 4.57 | 3.64 |
| Deposits/Total Liabilities | 73.3 | 71.0 | 67.4 | 68.1 | 71.1 | 62.0 |
| Demand Deposits/Total Deposits | 18.4 | 15.6 | 17.3 | 12.2 | 14.3 | 13.7 |
| Shareholders' Equity/Total Liabilities | 8.3 | 13.3 | 12.1 | 12.3 | 10.9 | 11.8 |
| Funds Borrowed/Total Liabilities | 11.5 | 10.8 | 13.5 | 11.1 | 11.1 | 13.5 |
| Capital Adequacy Ratio | 17.3 | 25.4 | 20.7 | 15.3 | 14.3 | 18.0 |
| ROAA ⁽²⁾ | 3.0 | 1.9 | 2.2 | 2.6 | 1.6 | 2.0 |
| ROAE ⁽²⁾ | 39.2 | 16.7 | 17.3 | 21.3 | 13.8 | 16.4 |
| Cost/Income ⁽³⁾ | 48.5 | 38.0 | 41.0 | 37.9 | 46.0 | 43.7 |
| Deposits per Branch (TRY million) | 60.5 | 75.9 | 57.9 | 61.7 | 70.7 | 48.9 |
| Loans per Branch (TRY million) | 27.9 | 39.5 | 42.1 | 50.1 | 57.9 | 39.5 |
| Profits per Branch (TRY million) | 2.1 | 1.7 | 1.8 | 2.2 | 1.4 | 1.4 |
| Deposits per Employee (TRY million) | 2.5 | 3.2 | 3.2 | 3.3 | 3.9 | 2.5 |
| Loans per Employee (TRY million) | 1.1 | 1.7 | 2.3 | 2.7 | 3.2 | 2.0 |
| Profits per Employee (TRY million) | 87.3 | 74.3 | 99.2 | 118.5 | 78.7 | 73.0 |

⁽¹⁾ Non-performing loans (gross) are included in the total loans figure.

⁽²⁾ Average figures are calculated as the arithmetical average of the current and prior period figures.

⁽³⁾ Operating Income = Net Interest Income + Net Fees and Commissions + Dividend Income + Net Commercial Profit (Loss) + Other Operating Income + Profit (Loss) from Subsidiaries and Affiliates

⁽⁴⁾ Sectoral ratios are calculated based on the monthly bulletin of the Banking Regulation and Supervision Agency.

| Market Share (%) | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------------------|------|------|------|------|------|
| Securities Portfolio | 6.9 | 7.7 | 6.2 | 6.2 | 5.9 |
| Loans | 7.9 | 8.1 | 8.3 | 8.4 | 8.3 |
| Commercial Loans | 7.4 | 8.8 | 8.8 | 9.1 | 8.7 |
| Retail Loans | 10.1 | 6.7 | 7.2 | 7.0 | 7.4 |
| Loans under Follow-up (Net) | 0.0 | 0.0 | 0.0 | 0.0 | 3.0 |
| Loans under Follow-up (Gross) | 12.5 | 14.1 | 12.2 | 11.6 | 10.5 |
| Special Provisions (-) | 14.2 | 15.6 | 13.5 | 13.2 | 12.4 |
| Deposits | 8.9 | 9.5 | 7.9 | 8.1 | 8.2 |
| Term Deposits | 9.5 | 9.9 | 7.9 | 8.4 | 8.1 |
| Demand Deposits | 8.2 | 7.7 | 8.1 | 6.2 | 8.5 |
| Funds Borrowed | 9.6 | 8.1 | 8.4 | 7.5 | 5.8 |
| Guarantees and Commitments | 6.8 | 7.6 | 6.4 | 7.0 | 6.4 |
| Total Assets | 7.9 | 8.5 | 7.6 | 7.6 | 7.1 |
| Shareholders' Equity | 4.4 | 8.6 | 7.7 | 7.1 | 6.6 |
| Net Profit/ Loss | 9.7 | 7.3 | 6.9 | 7.2 | 5.6 |

Market shares for 2008 were calculated using monthly BRSA figures.

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