



**2007 Annual Report**





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**T-BANK**

**2007  
ANNUAL REPORT**

## Financial Highlights and Key Ratios

### Financial Highlights (YTL thousands/US\$ thousands)

	2007		2006		Change
	YTL	US Dollars	YTL	US Dollars	%
Total Assets	636,452	548,997	526,243	374,390	<b>21</b>
Loan Portfolio	418,286	360,809	305,286	217,193	<b>37</b>
Non-performing Loans (Net)	619	534	718	511	<b>(14)</b>
Securities Portfolio	127,212	109,732	100,349	71,392	<b>27</b>
Total Deposits	331,470	285,923	337,467	240,088	<b>(2)</b>
Funds from Repo Transactions	22,032	19,005	16,045	11,415	<b>37</b>
Borrowings	146,005	125,942	92,678	65,935	<b>58</b>
Shareholders' Equity	105,858	91,312	70,256	49,983	<b>51</b>
Guaranties and Collaterals	378,326	326,340	403,673	287,189	<b>(6)</b>
Net Interest Income	26,171	22,575	12,796	9,104	<b>105</b>
Net Commission Income	5,452	4,703	6,196	4,408	<b>(12)</b>
Profit before Taxes	641	522	(3,570)	(2,540)	<b>118</b>
Net Profit	602	519	(2,571)	(1,829)	<b>123</b>

Key Ratios (%)	2007	2006
Capital Adequacy Ratio	18.9	16.7
Loans/Deposits	126.4	90.7
Loans/Total Assets	65.8	58.1
Liquid Assets/Total Assets*	25.7	33.7
Non-performing Loans/Total Loans	0.15	0.23
Non-performing Loans/Total Assets	0.10	0.14
Specific Loan Provisions/NPL	93.2	88.5

\* Includes Securities portfolio.

### Non-performing Loans/Total Assets (%)

2006	0.14
2007	<b>0.10</b>

### Loans/Total Assets (%)

2006	58.1
2007	<b>65.8</b>

### Liquid Assets/Total Assets (%)\*

2006	33.7
2007	<b>25.7</b>

### Non-performing Loans/Total Loans (%)

2006	0.23
2007	<b>0.15</b>



T-Bank benefits from the experience that Arab Bank and BankMed bring to the Bank. Its new partners began banking in the 1930s and have considerable experience in retail and corporate banking. The synergy created by these banking relationships is surely an asset for the Bank and its clients.

## Brief History

Originally, the Bank was established in 1985 as the Bank of Bahrain and Kuwait, Istanbul Branch and converted to an independent entity under the name of Bahrain and Kuwait Bankası A.Ş. In 1992 Doğu Group acquired the Bank and the name was changed to Garanti Yatırım ve Ticaret Bankası A.Ş. The Bank was acquired by Mehmet Nazif Günel in 1997 and named as MNG Bank. The main focus of MNG Bank was corporate and commercial banking, especially targeting medium-sized companies.

In 2006, Arab Bank and BankMed reached an agreement with Mehmet Nazif Günel for the acquisition of 91% of MNG Bank's shares. This sale was approved by the Turkish Banking Supervision and Regulation Agency on December 29, 2006. In January 2007, the share transfer was completed and Arab Bank and BankMed purchased 50% and 41% of MNG Bank shares, respectively. Currently, Mehmet Nazif Günel holds 9% of the shares.

On April 3, 2007, the Bank's name was changed to Turkland Bank A.Ş., or in its abbreviated form: T-Bank. The change reflects the identity of the Bank, which is being restructured to further expand within its banking niche based on ambitious expansion plans set for 2008.

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## Amendments to the Articles of Association

### Amendments to the MNG Bank A.Ş. Articles of Association

Former Version	Amended Version
Commercial title <b>Article-3</b>	Commercial title <b>Article-3</b>
The Bank's commercial title is "MNG Bank Anonim Şirketi".	The Bank's commercial title is "Turkland Bank Anonim Şirketi".

### Amendments to Turkland Bank A.Ş. Articles of Association

Former Version	Amended Version
Capital <b>Article-7</b>	Capital <b>Article-7</b>
a) The Bank's capital is 35,000,000,000,000-(thirty five trillion) Turkish Liras. It is divided into 350,000,000 (three hundred and fifty million) registered shares each with a nominal value of 100,000 (one thousand) Turkish Liras.	a) The Bank's capital is 70,000,000 (seventy million) New Turkish Liras. The capital is divided into 700,000,000 (seven hundred million) registered shares, each with a nominal value of 10 (ten) New Kurush.
b) Out of this capital, 35,000,000,000,000-(thirty five trillion) Turkish Liras has been wholly paid up.	b) Out of this capital, 35,000,000-(thirty five million) New Turkish Liras of the Capital has been wholly paid up. The increased YTL 35,000,000 (thirty five million) portion has been completely subscribed free from any collusion. The increased cash capital shall be paid up within three months as from its registration date.
c) The dividend coupons for the share certificates shall be a bearer instrument and shall be payable to the person who submits them. The dividends for the temporary share certificates granted to the registered shareholders before issuance of the share certificates shall be payable in return for a receipt and upon endorsement on the back of the certificate.	c) The dividend coupons for the share certificates are bearer instruments and shall be payable to the person who submits them. The dividends for the share certificates granted to the registered shareholders before issuance of the share certificates shall be payable in return for a receipt, and upon endorsement on the back of the certificate.
d) The share certificates shall be issued upon the resolution of the Board of Directors in denominations that represent one or several shares.	d) The share certificates shall be issued upon the resolution of the Board of Directors in denominations that represent one or several shares.






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**The Board of Directors-Division of Roles, Meetings and Resolutions**


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**Article-18**

At its first meeting following the elections; the Board of Directors shall elect a chairman, and a vice-chairman who will preside over the board in the absence of the chairman. The Board of Directors must elect the members and the alternate members who will take role in the Credit Committee. The Board of Directors shall, as frequently as is necessary for the Bank's operations and transactions, meet at the headquarters upon the invitation of the Chairman or the Vice Chairman.

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The Board must meet at least on a monthly basis.

The Board may also meet at another city, or at another convenient location in the city where the Bank Headquarters is located, by serving of a prior written notice to the Vice-Chairman and all members. The presence of a majority of the board members shall be required to convene the Board of Directors. For the resolutions of the Board, the affirmative vote of the Chairman, Vice-Chairman or majority of the members in attendance shall be required. Unless the Chairman, Vice-Chairman or any member of the Board requests consultation, any proposal on a specific matter may also be decided by written consent of the other members.

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The resolutions of the Board of Directors shall be entered into the resolution registry and signed as provided in the Banking Act.

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The Board must meet at least on a quarterly basis.

The presence of a majority of the board members shall be required to convene the Board of Directors. For the resolutions of the Board, the affirmative vote of the Chairman, Vice-Chairman or majority of the members in attendance shall be required. Unless the Chairman, Vice-Chairman or any member of the Board requests consultation on a particular matter, it may also be decided on a proposal of a definite matter by written consent of the other members.

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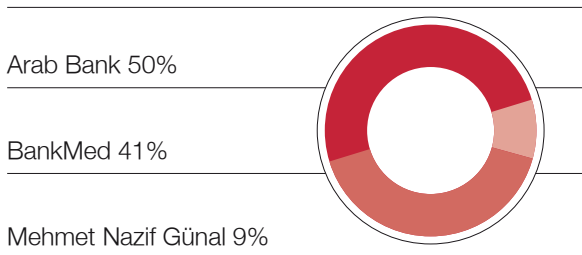
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## Shareholder and Capital Structure

Through a resolution by the General Assembly dated July 30 2007, the latest T-Bank shareholder structure was amended as follows:



Arab Bank	349,999,998 shares (representing 50%)
BankMed	286,999,998 shares (representing 41%)
Mehmet Nazif Günal	63,000,000 shares (representing 9%)
Others	4 shares
Paid-in capital	YTL 70,000,000

### Arab Bank

Arab Bank was established in 1930. Its founding mission and driving force has been to play a significant role in advancing Arab economies through financing strategic projects across the Middle East and North Africa (MENA). The Bank is a key player in facilitating Pan-Arab trade and connecting the world to MENA markets.

Headquartered in Amman, Jordan, Arab Bank is now in its eighth decade of operation. It maintains a leading global network and enjoys a prominent position in the MENA regional centers such as Dubai, Manama and Doha and key international financial centers such as London, Zurich, Frankfurt, New York, Singapore and Sydney.

With the world's largest Arab banking branch network and a global team of professionals, Arab Bank is uniquely positioned to be a partner of choice for MENA expertise. The Bank is a diversified financial institution that extends a broad range of products and services in different areas such as corporate and investment banking, wealth management and retail, all of which cater to the international needs of corporate and institutional customers, government agencies and individuals.

The network of the Arab Bank Group covers over 400 branches in 29 countries spanning five continents: Jordan, Lebanon, Palestine, UAE, Qatar, Bahrain, Yemen, Egypt, Morocco, Algeria, Oman, Saudi Arabia, Tunisia and Syria. The Bank also operates in Switzerland, Germany, Austria, United Kingdom, France, Italy, Spain, the USA, Singapore, China (Shanghai and Hong Kong), South Korea, Kazakhstan, Australia and Turkey. This network is based on the Bank's long-standing strategy to build a presence in regions that best fit the overall vision of Arab Bank and its goal: to be the leading financial institution in the Arab World.



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### **BankMed**

Originally established in 1944, BankMed is headquartered in Beirut. It is one of the largest banks in Lebanon when measured by total assets and a market share of over 9% as of end of 2007. Retail banking, corporate finance, wealth management, brokerage and investment banking are some of the many services BankMed and its subsidiaries provide. BankMed's overseas operations extend to a subsidiary in Switzerland that is engaged in traditional private banking activities and a branch in Cyprus.

BankMed is wholly owned and controlled by the Hariri Family, the owners of the Saudi Oger Group, through their shareholdings in GroupMed S.A.L. Holding. As of the end of 2007, BankMed had total assets of an estimated US\$ 9.2 billion, customer deposits of approximately US\$ 5.1 billion and total loans of about US\$ 1.8 billion. The Bank has a total client base of almost 100,000 customers and employs around 1,000 individuals.

The Saudi Oger Group is a major Middle Eastern financial industrial conglomerate whose investments include a controlling interest in Turk Telecom. As of mid-2007, the Saudi Oger Group had total gross assets in excess of US\$ 27 billion.

BankMed has implemented an expansion strategy that will enable it to enter selected high-growth markets in the region. The strategy aims at diversifying sources of income and increasing shareholder's value. The selected markets carry strategic importance and provide BankMed with the platform to establish itself as a key player in the regional financial system.

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## **Shares Held by the Chairman, Members of the Board, the CEO and Executive Vice-Presidents of the Bank as of December 31, 2007**

The aforementioned people do not hold any share in T-Bank.



Now that a year has passed since the acquisition of the Bank by the new shareholders and with a new management team in place, T-Bank is ready to capitalize on the strength of the Turkish economy to create value for both its owners and clients. In order to implement this strategy, new money has been injected into the capital of the Bank and a reorganization of its operations affecting its physical and human capital was undertaken.

## Chairman's Message

Turkey has been able to avoid the uneasy global economic conditions that prevailed during 2007; it continued its sixth straight year of growth. Now that a year has passed since the acquisition of the Bank by the new shareholders and with a new management team in place, T-Bank is ready to capitalize on the strength of the Turkish economy to create value for both its owners and clients. In order to implement this strategy, new money was injected into the capital of the Bank and a reorganization of its operations affecting its physical and human capital was undertaken

The Turkish economy in 2007 managed to isolate itself from both the volatility and the weakness of the global financial markets. Presidential and parliamentary elections were concluded in a manner that reinforced political and economic stability, underlying the favorable impression that investors have had of Turkey over the last few years. The economy fared well in 2007, with industrial production, export volume, foreign direct investment and GDP continuing to rise, though the latter at a slower pace.

These are all factors that have helped the Turkish banking sector to grow stronger during the year. The ratio of bank assets to GDP has increased and foreign investors continue to express interest in the market. These positive trends within the Turkish banking sector were particularly important to T-Bank during the first year under new management. The stability provided the Bank with the background needed to implement its goals in terms of profitability and growth.

T-Bank is well placed to become a leader in its focus area, mainly the financing of small and medium-sized enterprises (SMEs). It has relocated its main office to impressive new premises and has upgraded its infrastructure with the latest technology. The Bank has increased its branches to 16 with a plan to open an additional nine in the first quarter of 2008. Various areas of the Bank's operations have been newly implemented concurrent with its expansion plans. Human Resources were also part of the major reorganization drive at the Bank, as new executives were appointed to work along with others to lead the Bank into its transition phase.

I would like to extend my thanks to our clients, correspondents, staff and business partners who have made the first year of our operations at T-Bank productive. It is truly gratifying to watch the pieces fall into place. I would also like to extend my thanks to the Board of Directors, General Management and staff at T-Bank for making 2007 such a noteworthy year.

Nemeh Sabbagh  
Chairman



T-Bank has moved to a new Head Office in the center of Istanbul. The premise has been designed to compliment the reorganization of the Bank. The Bank's information technology infrastructure is being upgraded, bringing many benefits to operations, training and security.

## CEO's Message

T-Bank revamped and boosted its operations in 2007. While maintaining its niche bank focus on small and medium-scale enterprises (SMEs), the Bank sharpened its vision for the future by reorganizing and expanding operations inline with the planned three year expansion of its branch network. This was accomplished without losing its ability to respond to customers' needs in a quick, decisive yet personal manner.

In 2007, the Bank expanded its network to 16 branches. At the same time, in order to facilitate its objective to become one of the leading banks in the SME sector, T-Bank took important steps to improve the efficiency of its operations. It moved to a new Head Office in the center of Istanbul. The premises are designed to compliment the reorganization of the Bank. The Bank's information technology infrastructure is being upgraded, bringing many benefits to operations, training and security. New software is being developed for credit monitoring and a new more specialized scoring system for loan applications is being implemented.

T-Bank's Corporate and Commercial Banking operations were reorganized in 2007 concurrent with the expansion plan. The Corporate Department was restructured to strengthen the SME business line and a specialized Corporate Relationship manager was added to every branch to reach potential SME clients and maintain long-term relationships. The planned expansion to 25 branches in 2008 is based on the principal of strategic geographic location to best cater to our SME client base. Areas with high concentrations of SMEs are particularly being targeted.

The revenue stream has been strengthened by a diversified loan portfolio and increased cash management services. Over the last five years, investments in securities have been very profitable for the Bank; however, in line with its overall strategy, T-Bank is further diversifying its sources of income by allocating more funding to its lending operations.

T-Bank repaid its first international syndicated loan of US\$ 40 million on maturity. The Bank then went on to secure another one-year syndicated loan of US\$ 100 million to finance general trade. Seventeen banks from nine countries participated in the deal, reflecting the confidence of the international market in the new shareholders and management of T-Bank.

The management continues to be completely committed to strict standards of conservative risk management and sound corporate governance principals. We are committed to being in full compliance with Basel II with regards to risk management. We will continue to ensure that our business is in compliance with the operating procedures of the Banking Regulation and Supervision Agency. In that context, transparency and accountability are essential corporate management principles at T-Bank.

I am proud of the dedication of T-Bank's staff and the enthusiasm they show as we start the second year of our expansion plan. They have worked hard to ensure a successful first year and to lay the groundwork for the future. Through them, we are providing our clients with quality of service, reliability and trust.

Dinçer Alpman  
CEO



T-Bank is a fast growing niche bank that services its client base in an effective, flexible and personable manner.

## T-Bank as a Niche

Located in the major financial and industrial centers throughout Turkey, T-Bank has 390 employees and 16 branches to serve its clientele.

T-Bank is a fast growing niche bank that services its client base in an effective, flexible and personable manner. Although the Bank specializes in small and medium-sized enterprises (SMEs), it offers clients an array of products and services in areas such as trade finance, investment, treasury and cash management. The managers and

shareholders of T-Bank's corporate clients also have access to personal banking services. The developing relationship between T-Bank and the correspondent banking network of its majority shareholders in the MENA region enables the Bank to further expand its focus on trade-oriented SME companies throughout the country. At the same time, T-Bank is also establishing strong relationships with leading global banks.

In 2008, T-Bank will build further on its sound financial structure and the support of its shareholders. The Bank will continue to focus on providing excellent service to its clients, hence earning their continued loyalty.

### Sectoral Breakdown of the Loan Portfolio as of December 31, 2007 (YTL thousands)

Sector	Cash		Non-Cash		Total	
	Loans	%	Loans	%	Loans	%
<b>Agriculture</b>	<b>25,919</b>	<b>6.20</b>	<b>9,202</b>	<b>2.29</b>	<b>35,121</b>	<b>4.28</b>
Farming	19,498	4.66	6,270	1.56	25,768	3.14
Forestry	6,411	1.53	2,918	0.73	9,329	1.14
Fishing	10	0.00	14	0.00	24	0.00
<b>Industry</b>	<b>117,516</b>	<b>28.09</b>	<b>89,274</b>	<b>22.20</b>	<b>206,790</b>	<b>25.21</b>
Mining and Quarrying	26,861	6.42	33,202	8.26	60,063	7.32
Manufacturing	82,508	19.73	27,971	6.96	110,479	13.47
Power, Gas, Water	8,147	1.95	28,101	6.99	36,248	4.42
<b>Construction</b>	<b>39,458</b>	<b>9.43</b>	<b>158,789</b>	<b>39.50</b>	<b>198,247</b>	<b>24.17</b>
<b>Services</b>	<b>173,705</b>	<b>41.53</b>	<b>93,773</b>	<b>23.32</b>	<b>267,478</b>	<b>32.61</b>
Wholesale and Retail Trade	42,762	10.22	17,854	4.44	60,616	7.39
Hospitality	19,746	4.72	739	0.18	20,485	2.50
Transportation and Communication	70,462	16.85	23,589	5.87	94,051	11.47
Financial Institutions	31,722	7.58	41,191	10.25	72,913	8.89
Real-Estate and Leasing Services	-	0.00	286	0.07	286	0.03
Self-employed	634	0.15	2,695	0.67	3,329	0.41
Education Services	376	0.09	24	0.01	400	0.05
Healthcare and Social Services	8,003	1.91	7,395	1.84	15,398	1.88
<b>Other</b>	<b>61,688</b>	<b>14.75</b>	<b>51,007</b>	<b>12.69</b>	<b>112,695</b>	<b>13.74</b>
<b>Total</b>	<b>418,286</b>	<b>100.00</b>	<b>402,045</b>	<b>100.00</b>	<b>820,331</b>	<b>100.00</b>





In 2007, T-Bank reorganized its sales teams into three banking units; Corporate/Commercial, SME and Retail. The restructuring of these units helped create greater focus and efficiency in each operating area.

## Review of Operations in 2007

### **A close-knit organizational structure**

By operating as a niche bank, T-Bank can react more quickly to the rapidly changing needs of its clients and investors. Our size and scope allow us to make decisions quickly, while ensuring a close relationship with our clients.

In 2007, T-Bank reorganized its sales teams into three banking units; Corporate/Commercial, SME and Retail. The restructuring of these units helped create greater focus and efficiency in each operating area. During the reorganization, T-Bank was very careful to maintain close ties with its client base in an effort to implement its new strategies without affecting the loyalty of its existing clients.

T-Bank constantly strives to increase the size of its portfolio through an active marketing strategy that targets the entire supply chain, hence reaching additional clients such as suppliers and customers.

### **Efficient branch network**

With the opening of six new branches (Bursa, Izmir, Gebze, Bayrampaşa, Beylikdüzü, Dudullu branches) in 2007, T-Bank's total branch network has reached 16. T-Bank's branches are positioned in locations where economic and trade activities are dense. This layout plays an important role in reaching T-Bank's targeted customers.

### **Regional synergy**

On a regional level, T-Bank's close relationship with Arab Bank and BankMed creates network synergy in the MENA region. Turkey continues to maintain very good trade relationships with its neighboring countries and the region. We intend to leverage our know-how in the area to best serve our client base.

### **Segmentation**

T-Bank targets small and medium-sized domestic trade companies, manufacturers and suppliers in the SME banking business line with an annual turnover of between US\$ 1 million and US\$ 7.5 million. In its Corporate/Commercial Business line, T-Bank targets clients that have significant foreign trade activities and in sectors such as energy, tourism and construction (infrastructure in particular). Logistics and health services are of particular importance as well.

### **A sound and profitable loan portfolio**

To ensure a sound and profitable portfolio, T-Bank has diversified its loans in a variety of industries. Client selection is based on a range of factors including their creditworthiness and potential profitability. T-Bank believes that a close and continuous relationship between the two parties is the most efficient way to conduct business.

### **Cash management services**

T-Bank recognizes that cash management services are an effective method to ensure future corporate growth and provide an indispensable source from commercial deposits. The T-Bank client base is large enough to ensure the profitability of its cash management services. Currently, T-Bank credit card payments can be made at either the Bank's own collection points or through a bank contracted for this purpose.

T-Bank's approach to Corporate/Commercial marketing activities in 2007 has been to create long-term shareholder value with sustainable profit. In 2007, no particular focus was given to a specific sector in order to create a dispersed customer base for the Bank.

### **Corporate&Commercial Banking**

During the restructuring of T-Bank, the criteria used to characterize the Bank's Business Units have been redefined. Corporate/Commercial marketing now serves clients with annual turnovers above US\$ 7.5 million.

T-Bank's approach to Corporate/Commercial marketing activities in 2007 was to create long-term shareholder value with sustainable profit. In this respect, T-Bank has developed a diversified customer portfolio in terms of sector and customer endorsements. This has been done to penetrate various sectors and acquire customers with growth potentials. In 2007, no particular focus was given to a specific sector in order to create a dispersed customer base for the Bank. In the future, specific sectors such as logistics and health services will be targeted for expansion.

Another strength of T-Bank has been its strong shareholder structure. With the assistance of new shareholders, T-Bank has already developed a niche market position for foreign trade transactions to and from the MENA region. The Bank has moved quickly into this position by using the facilities of Arab Bank and BankMed to raise its presence and strengthen correspondent relationships in the region.

### **SME Banking**

#### **A strong foundation**

T-Bank's strong capital structure guarantees a pool of resources that firmly supports SME banking. The Bank's organic growth strategy targets locations in major Turkish cities with strong economic activities. T-Bank confidently targets SME-banking opportunities in these locations based on client segmentation and detailed market reports as well as credit and risk analysis. With their knowledge and dedication, the staff and the portfolio managers at T-Bank remain its greatest asset.

#### **Defining the segment**

T-Bank defines SMEs as private and incorporated enterprises or sole proprietorships that have an annual turnover of between US\$ 1 million and US\$ 7.5 million. By targeting this segment, T-Bank offers "boutique" banking with special products and services designed to fit the specific needs of the clients. The Bank has a policy of flexible pricing based on the sector, project and product evaluations. Various credit alternatives are available, ranging, from monthly to seasonal payments according to the client's cash flow needs. Rather than establishing a reputation as a bank that provides inexpensive low quality service, T-Bank seeks a relationship with its SME partners based on finding the best solutions for their long-term growth.

#### **Relationship banking**

The focus of T-Bank is on establishing a sound, long-term relationship with its customers. Our portfolio managers form strong bonds with clients by keeping in regular contact. The detailed information that the portfolio managers collect ensures that the Bank remains ahead of developments, be it an opportunity or a problem.

#### **Credit portfolio**

T-Bank's client portfolio currently includes loans to sectors that constitute the primary focus of SMEs. Potential clients are allocated credit facilities if their industry is dynamic and if the company is running efficiently and profitably based on a successful and sustainable business model. Needless to say, credibility and a commitment to ethical practices are a must.

#### **A promising SME future**

As part of the three-year plan that began in 2007, T-Bank will expand its SME services by developing its branch network in areas with high potential. Aside from the planned increase in branches during 2008, T-Bank intends to serve an additional 10,000 new clients by 2010.





### Credit Department

In the middle of 2007, the Credit Department was reorganized in order to streamline the credit approval process. Four Sections were established, one of which specializes in the Construction Sector while another one specializes in Small and Medium Sized Enterprises (SMEs). Experienced persons were recruited for all sections. This enabled the Credit Department to process and allocate credits efficiently.

### Credit monitoring

In addition to loan monitoring reports, which focus on the terms and conditions of the loan, such as maturity, interest, collateral, variance and risk centralization, monthly loan assessment meetings are held at each branch to review the companies in the Bank's loan portfolio.

T-Bank is also working to further develop its Early Warning Model so as to identify potential risk and take the necessary corrective measures in advance. The new software currently being developed will consolidate and rate all the potentially negative data that have been compiled, thus enhancing the accuracy of credit assessment.

T-Bank defines SMEs as private and incorporated enterprises or sole proprietorships that have an annual turnover of between US\$ 1 million and US\$ 7.5 million. By targeting this segment, T-Bank offers “boutique” banking with special products and services designed to fit the specific needs of the clients.

### Score card project

T-Bank made an agreement with the Consulting Company, which is an authorized distributor of Dun and Bradstreet Ltd, to establish a new Credit Scoring model which is applicable to the Small Business segment and compatible with Basel II which will be in use in mid-2008.

This model will replace the current assessment process with a system that will allow receipt of the credit application and external information and will reach a decision at the time of application based upon a credit scoring model. From this exercise, a credit process that will be formulated in the application scorecards and a decision model will be developed.

### Credit policy

T-Bank's new Credit Policy has been reviewed and reshaped along with the following objectives:

- The safety and integrity of our depositors' funds
- The preservation of the Bank's liquidity
- The realization of a satisfactory profit

This new Credit Policy Manual is designed to be used by the Bank's management as a tool in formulating sound credit decisions and a guide in the application of sound credit procedures. It serves to communicate throughout the Bank a uniform approach to making and administering all types of commitments that result in credit risk exposure to customers and other counterparties.

### Industry Risk Asset Acceptance Criteria (RAACs)

Some RAACs have been already applied to some major industries, while others are being prepared. The purpose of RAACs is to set and convey to the customer relationship team the direction that management is aiming to take while expanding the Bank's business. RAACs address the Bank's risk appetite and strategy with respect to specific Industrial Sectors in its target market.

The Bank strongly upholds the principle of maintaining a high level of liquidity, a low ratio of securities as a percentage of its total assets and a foreign exchange position within prudential limits. The Treasury Department only takes measurable risk based on a thorough assessment of potential loss.

## Treasury

### Core responsibilities

The Treasury Department implements the Executive Management's investment decisions in Money and Capital markets. The Department's primary responsibility is to manage the liquidity, assets and liabilities of the Bank in terms of maturity and interest rates, as well as the securities portfolio and foreign exchange positions in order to contribute to the overall profitability of the Bank.

### Policy compliance

T-Bank's Treasury Department complies with the policies determined by the Board of Directors. The Bank strongly upholds the principle of maintaining a high level of liquidity, a low ratio of securities as a percentage of its total assets and a foreign exchange position within prudential limits. The Treasury Department only takes measurable risk based on a thorough assessment of potential loss.

### Contribution to profitability

Dealing in securities has been particularly profitable in the last five years. However, the potential for profit in the coming years will diminish as the need for public sector borrowing is expected to decrease. The Treasury Department is therefore aligning itself with the Bank's strategic plan by decreasing the asset weight of the securities portfolio in favor of customer lending.

In line with T-Bank's strategic plan for franchise expansion, a Treasury Marketing Unit is to be established in the near future to better serve the Bank's customers. As the balance sheet of T-Bank grows, customer-driven transactions will increase and hence will give the Bank better cross-selling opportunities.

## Financial Institutions

### Managing relationships with financial institutions

The T-Bank Financial Institutions Department is working on further expanding its relationships with international and local financial institutions. Funding the Bank through

syndications, bilateral financing instruments and other means of medium-term financing are also part of its mandate. The T-Bank Financial Institutions Department keeps correspondent banks, rating agencies and creditors updated with the Bank's latest financial performance, developments and changes.

### Developing financial networks

Over the last two years, T-Bank's Financial Institution Department has developed a well-established network internationally in order to raise funds from syndications. The acquisition of the Bank by Arab Bank and BankMed contributed to its strong position, allowing T-Bank to benefit from its shareholders' presence in 30 countries in over five continents. This relationship has given the Bank real advantages over its competitors for a larger share of the increasing business opportunities for Turkish companies in the MENA region. T-Bank has also been able to secure substantial bank limits from a worldwide correspondent network of prime international banks as well as Export Credit Agencies.

### Favorable credit ratings

To create international name recognition for the Bank is part of the Financial Institutions Department's mission. One of its objectives is to get good reviews by international credit agencies. Lately, the favorable upgrade of our ratings have constituted a strong and positive factor for international financial institutions participating in T-Bank's syndicated loan facility of 2006 and 2007.

### Foreign Currency

Long Term/Short Term/Outlook  
BB/B/Stable

### Local Currency

Long Term/Short Term/Outlook  
BBB-/F3/Stable

### National

Long Term/Outlook/Individual/Support  
AAA (tur)/Stable/D/3

### Sovereign Risk

FC Long Term/LC Long Term/Outlook  
BB-/BB/Stable



**T-Bank's Information Technology Department** continuously strives to enhance the Bank's information technology systems, in a way that promotes flexibility, transparency and security. Investments in Information Technology are an ongoing process at T-Bank with a view to meeting customers' expectations.

#### **A successful syndication and more competitive pricing**

T-Bank repaid US\$ 40 million of the syndicated loan facility which matured on July 4, 2007. The Bank then secured a US\$ 100 million club loan facility at a much more competitive price on July 24, 2007. Seventeen banks from nine countries participated in the deal. T-Bank will continue to acquire bilateral loans from correspondent banks as needed and tap the international capital markets when suitable.

#### **Information Technology**

##### **Striving for flexibility, transparency and security**

T-Bank's Information Technology Department continuously strives to enhance the Bank's information technology systems, in a way that promotes flexibility, transparency and security. Investments in Information Technology are an ongoing process at T-Bank with a view to meeting customers' expectations.

##### **Effective system architecture**

The core banking system operates on two servers located in the Head Office. An additional server, to be used for emergency recovery purposes, is located in Ankara. The core banking software is developed by an independent information technology company specializing in banking software. The main operating system server operates on a Unix system whereas other servers and personal computers operate on a Windows platform.

Data processing security is another area of priority for the Department and the Active Directory has been a noteworthy milestone in effective user security. Agreements related to security issues are renewed annually to ensure application of up-to-date technology in order to achieve a strong IT data security.

#### **2007 initiatives**

In 2007, the IT Department initiated an upgrade for the Bank's systems. The upgrade, through which increased benefits will be received, will be implemented by April 2008. The new Oracle 10g upgrade will be installed, bringing T-Bank's information technology up-to-date. At the same time the upgrade will preserve the existing system enhancements which were developed exclusively for T-Bank. The new core system will also bring short training cycles and ease for users who need to become acquainted with the new application. In terms of security, the upgrade is multi-tiered above and beyond the existing system, creating a more secure infrastructure with many new security-related enhancements in its application.

The core-banking system hardware architecture has been altered. An IBM high-end server and EMC storage solutions were purchased to support the Bank's growth and expansion plans. To further protect the Bank and its clients against any eventuality or emergency, T-Bank collaborated with IBM to use its Disaster Center in Izmir.

The IT Department has successfully moved all of the Bank's information technology to the new Head Office. A great deal of equipment has been upgraded in the process. A fiber telecom transmission system with state-of-the-art redundancy has been installed along with an efficient structural cabling system. New equipment from Cisco has been designed for the local area network architecture such as a powerful backbone switch and router. The backbone switch has been put into service; the backbone router will be installed in 2008. The ORACLE Business Intelligence Suite has been purchased to enable OLAP cubes, faster and more flexible generation of reports while enhancing the development of administrative and operational reports.

After recruiting new executives T-Bank has taken a great step toward strengthening its operations in the SME segment in 2007. The Bank's close relationship with Arab Bank and Bank Med creates a network synergy in the MENA Region which provides benefits not only for the Bank, but also for the whole Turkish banking sector.

**SECTION II  
MANAGEMENT AND CORPORATE  
GOVERNANCE**

## Board of Directors

### **Mohammed Hariri**

**Chairman (January 29, 2007-September 3, 2007)**

Mohammed Hariri holds a Bachelor's degree in Business Administration from the University of Ottawa. He is currently the Chairman and General Manager of GroupMed Sal (Holding), as well as BankMed.

He is also a Board Member, Senior Vice-President and General Secretary of the Board of Directors of Saudi Oger Ltd. and the executive in charge of investments and transactions on behalf of Saudi Oger Ltd. and its associates. He is the Chairman of Oger Telecom Ltd., Avea İletişim Hizmetleri in Turkey, Irad Investment Holding and AL Mal Investment Holding. Hariri serves on the board of directors of various companies including Arab Bank plc-Jordan, Turk Telekomunikasyon A.S. and Ojer Telekomunikasyon A.Ş. in Turkey, 3C Telecommunications (PTY) Ltd. in South Africa, as well as, on the boards of Medgulf Holding sal in Lebanon, The Mediterranean & Gulf Insurance and Reinsurance Co. in Bahrain and Saudi Arabia, Oger International S.A. and Enterprise de Travaux Internationaux (ETI) in France.

### **Nemeh Sabbagh**

**Chairman (Appointed Board member on January 29, 2007 and became Chairman on September 3, 2007)**

Nemeh Sabbagh graduated with a Bachelor's degree in International Economics from Johns Hopkins University and holds a Master's degree in Finance from the University of Chicago. He began his banking career at the World Bank in 1973. Prior to his current position as the Executive General Manager of BankMed, he served at various banks, including the National Bank of Kuwait for 19 years and as Chief Executive Officer of the Arab National Bank for seven and a half years.

### **Ibrahim Izziddin**

**Vice-Chairman (Appointed on January 29, 2007 and resigned on April 1, 2007)**

Ibrahim Youssouf Ibrahim Izziddin holds a degree in Political Science from the American University of Beirut. He worked at various posts of the Government of Jordan starting in 1965. Currently retired, Izziddin serves as a member of the Board of Directors of Central Bank of Jordan.

### **Hani Fadayel**

**Vice-Chairman (Appointed on June 18, 2007)**

Hani Fadayel is a graduate of Business Administration from the University of Jordan. He started his career at Citibank, Jordan in 1976. He is Executive Vice President and Regional Manager of Arab Bank plc, Bahrain.

### **Riad Burhan Taher Kamal**

**Board Member (Appointed on January 29, 2007)**

Riad Kamal is a graduate of Civil Engineering and also holds a Master's degree in Structural Engineering. He has worked at Arabtec Construction since 1974, where he currently serves as the Chairman and Managing Director.

### **Henri Jacquand**

**Board Member (Appointed on January 29, 2007)**

Henri Jacquand is a graduate of Ecole des Hautes Etudes Commerciales in France. He holds a Master's degree in Business Administration from University of Chicago. Jacquand served as Vice-President at Citibank, New York, Executive Vice President at CIC Group and Executive Vice President at Rabobank. He is currently advisor to the Chairman and General Manager of BankMed.

**Mustafa Selçuk Tamer**

Board Member (Appointed on January 29, 2007)

Selçuk Tamer is a graduate of Business Administration from the University of Ankara. He started his banking career in 1976. Prior to his current position as a member of the Board of Directors of Turklandbank A.Ş., he worked at various banks including the Yapı ve Kredi Bankası A.Ş., where he spent 18 years and served as Vice-Chairman.

**Ghassan Hanna Suleiman Tarazi**

Board Member (Appointed on January 29, 2007)

Ghassan Tarazi is a graduate of Economics from Acadia University in Canada. He holds a Master's degree from the University of Leuven, Belgium. He started his career at Arthur Anderson as a senior auditor and is currently the Head of Internal Audit Group at Arab Bank plc.

**Amin Rasheed Sa'id Hussein**

Board Member (Appointed on January 29, 2007)

Amin Hussein is a graduate in Physics from Yarmouk University, Jordan. He holds an MBA degree from Fort Hays State University, USA. He started his career at Arab Bank plc and is now Executive Vice-President and Group Head for Financial Institutions and Transactional Services.

**M. Behçet Perim**

(Appointed on June 1, 2007)

Behçet Perim has a Bachelor's degree in Electrical Engineering and an MBA from Boğaziçi University. He started his banking career in 1991 at Interbank. He served for three years at Interbank and three years at Bank Ekspres. He then spent ten years at Denizbank, where his last position was Executive Vice-President in charge of Risk Management and Internal Control.

**Mohamed Ali Beyhum**

Board Member (Appointed on September 18, 2007)

Mohamed Beyhum received a degree in Mechanical Engineering from the American University of Beirut, Lebanon where he earned a degree in Mechanical Engineering. He also holds a Masters of Science in Industrial Management from Columbia University. He worked with Irving Trust Company and the Bank of New York in New York before joining BankMed in December 2005 as Advisor to the Executive Office. More recently he served as Vice-President and Senior Representative at the Bank of New York, Beirut, Lebanon.

**Dinçer Alpman**

Board Member and CEO (Appointed on March 12, 2007)

Dinçer Alpman graduated from Istanbul Technical University with a degree in Management Engineering. He started his banking career at Pamukbank in 1988 and went on to work at Marmara Bank, Tekfen İnşaat and Alternatif Bank. Before joining T-Bank Alpman spent ten years at DenizBank where his last position was Executive Vice-President in charge of Retail Banking.

## Executive Management

### Münevver Eröz

#### Executive Vice-President-Treasury and Financial Institutions

Münevver Eröz graduated from the Business Administration Department at Boğaziçi University and received her MBA from Koç University. She joined the banking industry in 1987 at Saudi American Bank, serving in several managerial positions over a ten-year period. Eröz joined T-Bank at its inception in 1997 and has been Executive Vice-President since 2000.

### Mehmet Özgüner

#### Executive Vice-President-Financial Affairs

Mehmet Özgüner holds a degree in Mining Engineering from Middle East Technical University. He started his banking career in 1994 at the Banking School of Ziraat Bankası. Özgüner was an internal auditor on the Board of Internal Auditors at Osmanlı Bankası for six years. In 2002, he joined T-Bank's Board of Internal Auditors; and in 2003 he was appointed as President of the Board. Özgüner was appointed to his present position at T-Bank in August 2004.

### İlhan Zeki Köroğlu

#### Executive Vice President-Operation and Information Technologies

İlhan Zeki Köroğlu graduated from the Public Administration Department of Middle East Technical University. He acquired his business experience at Pamukbank, Körfezbank and Garanti Investment. His last position at Alternatifbank was as Executive Vice-President.

### Yurdakul Özdoğan

#### Executive Vice-President-Credit Allocation and Follow-up

Yurdakul Özdoğan graduated from the Economics Department at the Faculty of Political Sciences at Ankara University. He has worked at Pamukbank, Toprakbank, İktisatbank and Finansbank. His last position was at Oyakbank where he served as Senior Vice-President of Credit.

### Doruk Parman

#### Executive Vice-President-Marketing and Sales

Doruk Parman graduated in Mechanical Engineering from Middle East Technical University and received his MBA from Bilkent University. He went on to receive a doctorate in Banking from Marmara University. Parman worked at Interbank before his ten years at DenizBank where his last position was Senior Vice President of Retail Banking.

## Statutory Auditors

### Murat Aytoğu

#### Statutory Auditor

Murat Aytoğu graduated from the Marmara University Economics Department and started his career in 1995 as an assistant auditor. From 1999 to 2001, he was an audit manager in London, where he mainly worked on the audits of multinational banking institutions, investment securities companies and investment trusts. In 2002, he became a certified public accountant and in 2004, a senior manager. He focuses on inflation accounting systems and consolidation while serving as financial advisor for multinationals and holding companies.

### Osman Baydoğan

#### Statutory Auditor

Osman Baydoğan graduated from Ege University's Faculty of Business Administration. He worked in the departments of Financial and Administrative Affairs of various leading construction companies between 1978-1985. Beginning in 1985, he spent 13 years at Albarakatürk Katılım Bankası where his last position was Risk Following Manager. From 1998 to 2004, Baydoğan served as Financial Affairs Coordinator at Eksim Şirketler Grubu. He is currently Executive Director at Inter Trade.



## Credit Committee and Other Committees

### T-Bank Credit Committee

Henri Jacquand, Board Member  
M. Selçuk Tamer, Board Member  
Dinçer Alpman, CEO and Board Member

### T-Bank Executive Committee

Dinçer Alpman, CEO and Board Member  
Münevver Eröz, Executive Vice-President  
Mehmet Özgüner, Executive Vice-President  
Doruk Parman, Executive Vice-President  
İlhan Zeki Köroğlu, Executive Vice-President  
Yurdakul Özdoğan, Executive Vice-President  
Hakki Yıldırım, Director

### T-Bank Assets and Liabilities Committee

M. Behçet Perim, Audit Committee Board Member in charge of Risk Management Group, Internal Audit and Internal Control Center  
Dinçer Alpman, CEO  
Münevver Eröz, Executive Vice-President  
Mehmet Özgüner, Executive Vice-President  
İlhan Zeki Köroğlu, Executive Vice-President  
Yurdakul Özdoğan, Executive Vice-President  
Doruk Parman, Executive Vice-President  
Aykut Bayındır, Director, Corporate Banking  
Engin Enver Cebeci, Director, SME Banking  
Elif Ertemel, Director, Retail Banking  
Alper Üstündağ, Manager, Treasury  
Gülçin Su, Manager, Financial Affairs  
Veyis Fertekligil, Chief Economist, Economic Research  
Gülgün F. Erkan, Risk Management Group Head- Member

### T-Bank Audit Committee

Ghassan Hanna Suleiman Tarazi, Board Member  
Mohamed Ali Beyhum, Board Member  
M. Behçet Perim, Board Member

### T-Bank Risk Management Committees

#### Executive Risk Committee

M. Behçet Perim, Audit Committee Board Member in charge of Risk Management Group, Internal Audit and Internal Control Center  
Dinçer Alpman, CEO  
Mehmet Özgüner, Executive Vice-President-Member  
Münevver Eröz, Executive Vice-President-Member  
Doruk Parman, Executive Vice-President-Member  
İlhan Zeki Köroğlu, Executive Vice-President-Member  
Yurdakul Özdoğan, Executive Vice-President-Member  
Gülgün F. Erkan, Risk Management Group Head-Member

### Information on Individuals within Risk Management, Internal Control and Internal Audit

The Chairman of the Risk Management Center, the Chairman of the Internal Control Center and the Deputy Head of the Internal Audit report to the Audit Committee.

#### M. Behçet Perim, (Appointed on June 1, 2007)

**Audit Committee Board Member in Charge of Risk Management, Internal Control and Internal Audit**  
Behçet Perim has a Bachelor's degree in Electrical Engineering and an MBA from Boğaziçi University. He started his banking career in 1991 at Interbank He served for three years at Interbank and three years at Bank Ekspres. He then spent ten years at Denizbank where his last position was Executive Vice President in charge of Risk Management and Internal Control.

#### Gülgün Figen Erkan

##### Group Head, Risk Management

Gülgün Figen Erkan earned a degree in Business Administration from the Marmara University Faculty of Economics. She began working in the banking sector at Türkiye İş Bankası in 1994 as a Financial Analyst. Since 1995, she has served as a senior analyst at TSKB and joined the Risk Management Group of T-Bank in 2005. She is the holder of a Financial Risk Manager (FRM) certificate.

#### Şehsuvar Erol

##### Department Head, Internal Control Center

Şehsuvar Erol is a graduate of the Economics Faculty of Istanbul University. He started his banking career at Koçbank in 1992 as an assistant auditor and has also worked as a senior financial analyst at TSKB. After having served at Denizbank for nine years, he joined the Internal Control Center of T-Bank in 2007.

#### Yakup Akin

##### Unit Assistant Head, Internal Audit

Yakup Akin holds a bachelor's degree in Business Administration from Ankara University. He started his career as an assistant auditor at Kent Bank in 1998 and went on to work at Bayındırbank and Tekstilbank. He has served in the Internal Audit Department of T-Bank since 2004.

## Attendance at the Board of Directors, Audit Committee and Other Committee Meetings

All Board and Committee members attended all the meetings unless a valid excuse was presented.

## Summary Report of the Board of Directors to the General Assembly

In January 2007, Arab Bank and BankMed purchased 50% and 41% of MNG Bank shares, respectively, and the Bank name was changed to Turkland Bank A. Ş. or in its abbreviated form: T-Bank on April 3, 2007. Right after the change of name, T-Bank started its re-organization in line with the growth strategy of the Bank. New Executive Vice Presidents were appointed to Marketing and Sales, Operations and Information Technologies, as well as to Credit Allocation and Risk Follow-up. Careful Risk Management is at the core of T-Bank's overall banking operation along with the segregation of duties. Lately, the favorable upgrade of Fitch Ratings constituted a strong and positive factor for the shareholders of the Bank. T-Bank repaid US\$ 40 million of the syndicated loan facility and then secured another US\$ 100 million Club Loan Facility at a much more competitive price in 2007. Restructuring of the Marketing and Sales Department was finalized with the establishing of Corporate and Commercial Banking, SME Banking and Retail Banking units. The segmentation for SME Banking is the customers with a turnover of between US\$ 1 million and US\$ 7.5 million. Customers with a turnover above US\$ 7.5 million are allocated to Corporate and Commercial Banking.

The increase of YTL 35,000,000 paid-in capital enabled the Bank to expand according to its ambitious targets. Total asset size increased by 21%, loan portfolio increased by 37% and borrowings from financial institutions increased by 58% between 2006 and 2007 year-end. The balance sheet growth is accompanied by an increase in the number of branches from 10 to 16; the Bank has currently 390 employees.

By the end of 2008, T-Bank will have 550 employees and have expanded to 25 branches. Areas with high concentrations of SMEs are being targeted to reach this client base. If market conditions are appropriate, we expect to tap the international market to renew the club loan facility of US\$ 100 million to serve the trade finance needs of our customers and we will pursue our bilateral loans arrangement with our correspondent banks as needed. Our shareholders planned a new capital injection of YTL 100,000,000 in line with the growth plan of the Bank for 2008. We will reach YTL 170,000,000 paid-in capital with this injection of YTL 100,000,000. With a continued emphasis on maintaining accountability towards its stakeholders, T-Bank continues to strive for corporate transparency. In its first full year of operation under new management, T-Bank has made significant strides in achieving its goal of solidifying its presence in the SME segment. The synergy T-Bank is creating with Arab Bank and BankMed in the MENA region has great benefits both for the Turkish Banking industry and the Bank itself.

Nemeh Sabbagh  
Chairman

Diñçer Alpman  
CEO

## Human Resources

T-Bank believes that investing in human capital is as important, if not more important, than investments in physical capital and systems. Recruiting and regular training are constantly conducted to meet the growing need of the Bank as it implements its expansion strategy. In 2007, T-Bank enhanced its senior management team by bringing on-board experienced and reputable executives.

### Recruitment, performance evaluation and career planning

T-Bank has an optimal combination of both young and experienced staff which provides drive and know-how to the operations of the Bank; 32% of the Bank's employees are under 35 while 46% of them have ten years experience in the industry. The average T-Bank employee has also a higher level of education than those working in most of other banks in Turkey.

Candidates for vacant positions are identified through both internal and external recruitment. They undergo a rigorous and comprehensive process of screening that involves personality tests, a group interview, and a competency interview to identify and assess the candidate's particular skills.

T-Bank measures staff performance through annual evaluations and interviews with managers. Areas that need to be developed are identified and, based on these recommendations, training programs such as seminars, on-the-job training or training for job rotation to prepare an employee for a different department as the next step in their career, are implemented. Employees who are successful in the training and development programs and demonstrate consistently satisfactory job performance are offered promotions and provided with the full support they need to achieve their career goals.

### Training

The Bank's training programs are conducted by both internal and external training organizations to enhance the staff's technical know-how and are carried out both on-site and off-site. These programs are developed through a rigorous process of annual performance evaluations and interviews with managers. The results of performance evaluation are used in career, training and reward planning.

### Looking to the future

In 2008, T-Bank plans to expand its branches to 25 and will increase the number of employees to 550. Its Human Resources Department will be looking for new personnel who are capable of participating in the ambitious expansion and growth agenda.

Number of Employees and Branches	2007	2006	2005	2004
Head Office Employees	189	120	123	107
Branch Employees	201	146	151	119
Total Employees	390	266	274	226
Number of Branches	16	10	10	8

Number of Employees	2007	2006	2005	2004
Male	193	131	133	114
Female	197	135	141	112
Average Age of Employees	34	33	33	32

Education Level of Staff (%)	2007	2006	2005	2004
Post-Graduate Degree	7	5	7	8
Undergraduate Degree	63	62	62	59
High School Graduate	27	31	30	29
Primary School Graduate	3	2	1	4

## Social Responsibility and Environmental Friendliness

### Social Responsibility

Last year, the Bank sponsored a book written by the well-known Turkish journalist, Sadi Özdemir. He studied small and medium-sized enterprises in Turkey, which account for 95% of the companies in the country and are the focus of the Bank's business. From these companies, he chose 40 businessmen who had successfully expanded their operations through innovation, showing an awareness of the world market needs.

### Environmental Friendliness

T-Bank is environmentally aware and closely monitors its use of power-efficient equipment and recycles materials wherever possible. Recycling bins are located throughout T-Bank's areas of operation and employees are encouraged to use electronic means of delivery instead of hard copy documents. The new Head Office has been equipped with technologically advanced air-conditioning systems to minimize power consumption.

### Social activities

T-Bank cares about the well-being of its employees as much as it cares about their productivity. Regional tours, dinners to celebrate important occasions, and New-Year's entertainment are some of the many ways the Bank enhances social interaction among its staff.

T-Bank is environmentally aware and closely monitors its use of power-efficient equipment and recycles materials wherever possible.

## Related Party Transactions

### T-Bank Group Risk Exposure by Sector (YTL thousands)

	Cash Loans	Risk Share (%)	Non-cash Loans	Risk Share (%)	Total Loans	Risk Share (%)
Financial Institutions	6	0.0	0	0.0	6	0,0
Transport&Communication	149	0.0	4,088	1.1	4,237	0,5
Manufacturing	0	0.0	252	0.1	252	0,0
Factoring	71	0.0	1,444	0.4	1,515	0.2
Leasing	0	0.0	38	0.0	38	0.0
Airlines	349	0.1	1,482	0.4	1,831	0.2
Construction	0	0.0	3,141	0.8	3,141	0.4
Securities	0	0.0	8	0.0	8	0.0
Other	74	0.0	1,649	0.4	1,723	0.2
Total	649	0.1	12,102	3.2	12,751	1.5

## Persons and Companies that Provide Support Services

In compliance with "Regulations on the Support Services Banks Can Receive and the Authorization of Support Service Organizations," T-Bank receives support services as part of its main banking activity. In accordance with its business requirements, T-Bank has purchased software applications from various domestic and foreign companies. The Bank works in cooperation with Anadolu Kredi Kart Turizm ve Ticaret A.Ş. for its credit card operations and with Securverdi for its cash in transit service.

**T-Bank intends to renew its syndicated loan and continue to acquire bilateral loans from correspondent banks to better meet the financial needs of its clients. Our shareholders planned a new capital injection of YTL 100,000,000 in line with the growth plan of the Bank for 2008.**

**SECTION III  
FINANCIAL INFORMATION AND  
RISK MANAGEMENT**

## Statutory Auditors' Report

To the T-Bank A. Ş. Shareholder General Assembly:

After analyzing the year 2007 transactions and accounts of T-Bank A. Ş. in view of the Turkish Banks Act, Turkish Commerce Law, other laws and regulations and the Bank's Articles of Association, we conclude that the Bank's Balance Sheet and Income Statement are in compliance with the accounting records and the documents are in compliance with the records.

Based on this conclusion, we recommend that the year 2007 Balance Sheet and Income Statement presented by the Board of Directors be approved.

Abdullah Murat Aytozu  
Auditor

Osman Baydoğan  
Auditor



## The Assessments of Audit Committee on Internal Systems

Internal audit, internal control and risk management systems in T-Bank are designed as major components of the Bank's macro level administrative policies and operations to be executed by the Internal Audit Department, Internal Control Department and Risk Management Group. The internal audit function is the set of all activities and consulting services conducted independently to provide objective scrutiny in all of the Bank's transactions. These are performed in line with the governing legislation and international professional audit standards and they are intended to assure the Bank's compliance with the banking legislation and Bank's by-laws, enhance productivity and effectiveness and ensure trustworthiness of the Bank's financial and administrative information. Accordingly, priority is given to scrutinizing the adequacy and effectiveness of the in-house internal control and risk management environment as well as the related tools. Furthermore, other main audit and control areas are identified based on the business plan and business lines of the Bank and evaluations and suggestions are made for these areas following regular and spot audits. Bank's decision process is supported by sharing the audit results and conclusions with the Bank's executive management and the actions initiated pursuant to the audit results are monitored.

The Internal Control System consists of various internal control activities within the Bank that are aimed at creating a common bank-wide internal control culture. Internal control system is the combination of all activities primarily dedicated to optimal adoption and implementation by T-Bank's staff at all levels of the internal control function. Existing written rules regarding the Bank's lines of business are updated, expanded or replaced from this perspective and a new structure is being put in place that will make every employee perform the internal control function primarily through his or her own activities. The role of the Internal Control Department in this process is to plan and coordinate the actions that constitute the internal control system and to directly involve the relevant division or branch employees who possess the required technical attributes with the internal control process as "officers responsible for internal control operations."

The Risk Management Group in T-Bank aims at identifying the risks the Bank faces, then analyzing, measuring, reporting and monitoring these risks and at setting up the appropriate management policies to minimize them. The fundamental structures in the operation of risk management system are the Risk Management Department formed in 2001 and the Executive Risk Committee formed in 2002. Furthermore, risk management concept in T-Bank is an integrated element of the Bank management and such an understanding is being attempted to be made an integral part of the overall Bank and especially the actions of the executive management.

In 2007 new limits for Credit Risk, Market Risk, Economic capital, VaR and stop-loss limits for Treasury positions are set by the Board of Directors. Economic capital calculations cover all types of risk classes; credit, market and operational risk. All limits are calculated and monitored by Risk Management Group and reported to senior management and Audit Committee.

In conclusion, T-Bank considers internal audit, internal control and risk management departments to be components that are of essence to the Bank's management structure and policies. They are not only needed to foster the internal control and risk management culture within the Bank, but also to protect the rights of shareholders as much as possible.



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## Annual Activity Report Compliance Opinion

To the General Assembly of Turkland Bank A. Ş.:

We have audited the accuracy and compliance of the financial information in the accompanying annual activity report of Turkland Bank A. Ş. (the "Bank") with the audit report issued as of December 31, 2007. The Board of Directors of the Bank is responsible for the annual activity report. As independent auditors, our responsibility is to express an opinion on the audited annual activity report based on the compliance of financial information provided in the annual activity report with the audited financial statements and explanatory notes.

Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual activity reports as set out by the Banking Act No: 5411. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the annual activity report is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial information provided in the accompanying annual activity report presents fairly, in all material respects, the financial position of Turkland Bank A. Ş. as of December 31, 2007 in accordance with the prevailing accounting principles and standards set out as per the Article 40 of the Banking Act No: 5411. The financial information provided in the annual activity report is in compliance with the audited financial statements and explanatory notes, and also includes the summary Management report and our audit opinion on these financial statements.

DRT BA ŞİMSİZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of DELOITTE TOUCHE TOHMATSU

Hasan Kılıç  
Partner

İstanbul, March 21, 2008

**TURKLANDBANK ANONİM ŐİRKETİ**

**INDEPENDENT AUDITOR'S REPORT,  
UNCONSOLIDATED  
FINANCIAL STATEMENTS AND NOTES  
FOR THE YEAR ENDED  
DECEMBER 31, 2007**

**Translated into English from the  
Original Turkish Report**





DRT Bağımsız Denetim ve  
Serbest Muhasebeci  
Mali Müşavirlik A.Ş.  
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To the Board of Directors of  
Turklandbank A.Ş.  
İstanbul

**TURKLANDBANK ANONİM FİRKETİ  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR JANUARY 1, 2007-DECEMBER 31, 2007**

We have audited the accompanying balance sheet of Turklandbank A.Ş. as at December 31, 2007, and the related statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

The Board of Directors of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the regulation on "Procedures And Principles Regarding Banks' Accounting Practices And Maintaining Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Licensing and Operations of Audit Firms on Banks" published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent Auditors' Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Turklandbank A.Ş. as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of the Banking Act No: 5411.

**Additional paragraph for English translation:**

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Banks's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAİMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

Hasan Kılıç  
Partner

İstanbul, 22 February 2008



## The Unconsolidated Financial Report of Turklandbank A.fi. for the Year Ended December 31, 2007

Address : 19 Mayıs Mah. 19 Mayıs Cad. fi ifli Plaza A Blok No:7 fi ifli-istanbul  
 Telephone : (0 212) 368 34 34  
 Fax : (0 212) 368 35 35  
 Web Site : <http://www.turklandbank.com>  
 E-mail Address : [t-bank@turklandbank.com](mailto:t-bank@turklandbank.com)

The unconsolidated financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELEVANT PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in thousands of New Turkish Lira, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.

22 February, 2008

Nehme SABBAGH  
Chairman of the Board  
of Directors

A. Dinçer ALPMAN  
General Manager

Mehmet ÖZGÜNER  
Executive Vice  
President

Gülçin SU  
Manager  
Financial Affairs

Mehmet Behçet PERİM  
Member of Audit  
Committee

Mohamed Ali BEYHUM  
Member of Audit  
Committee

Ghassan Hanna Suleiman TARAZ  
Member of  
Audit Committee

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title : Sevgi Üstün/Asistant Manager  
 Telephone Number : (0212) 368 37 24  
 Fax Number : (0212) 368 35 35

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### SECTION ONE

#### GENERAL INFORMATION

##### I. Bank's Incorporation Date, Beginning Statue, Changes in the Existing Statue

Turklandbank Anonim Şirketi ("the Bank"), was established in 1991 in İstanbul under the name of "Bahreyn ve Kuveyt Bankası Anonim Şirketi" (BB&K). Its name was changed as "Tasarruf ve Kredi Bankası Anonim Şirketi" with its acquisition by Doğuş Group in 1992. After the change in the name of the bank as "Garanti Yatırım ve Ticaret Bankası Anonim Şirketi" in 1994, Mehmet Nazif Günal (the main shareholder of MNG Group Companies) has acquired the Bank in 1997 and the name of the Bank has been changed as "MNG Bank Anonim Şirketi".

An agreement has been made with Arab Bank and BankMed upon the sale of 91% of MNG Banks shares in mid of 2006 and this agreement was approved by Banking Regulation and Supervision Agency (BRSA) on December 29, 2006. In this regard, while Arab Bank and BankMed purchasing 50% and 41% of MNG bank shares respectively, Mehmet Nazif Günal retained 9% of the shares. Transfer of the Bank was done at January 29, 2007. The title of the Bank has been changed as "Turkland Bank Anonim Şirketi" with the amendment to the Articles of Association by the decision of the Extraordinary General Assembly at the meeting at March 22, 2007. New title of the Bank was registered at April 3, 2007

On April 3, 2007, "MNG BANK Anonim Şirketi" title of the bank was registered as "TURKLAND BANK Anonim Şirketi".

##### II. Explanations Regarding Bank's Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Bank

As of December 31, 2007, the shareholders' structure and their ownerships are summarized as follows:

Name of shareholders	Share Amount	Share Ratios %	Paid up Shares	Unpaid Shares
ARAB BANK PLC	35,000	%50	35,000	-
BANKMED, SAL	28,700	%41	28,700	-
MEHMET NAZİF GÜNAL	6,300	%9	6,300	-
<b>Total</b>	<b>70,000</b>	<b>%100</b>	<b>70,000</b>	<b>-</b>

Based on the decision at the meeting of the Extraordinary General Assembly on July 30, 2007, the Bank decided to increase the paid-in capital of the Bank to TRY 70,000 Thousand by TRY 35,000 Thousand. The Bank's capital increase amounting to TRY 35,000 Thousand was registered with İstanbul Trade Registry Office on August 16, 2007. The capital increase procedures were completed. The Bank's capital increase amounting to TRY 35,000 Thousand was approved by BRSA's October 3, 2007 dated and 13892 numbered correspondence. As of October 2007, the paid in capital of the Bank is TRY 70,000 Thousand.

As of December 31, 2007 the nominal value of the Bank's paid-in-capital amounting to TRY 70,000 Thousand consists of 700 million shares.



**Turklandbank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

**III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Their Shares in the Parent Bank**

<b>Title</b>	<b>Name and Surname</b>	<b>Education</b>	<b>Number of Years of Previous Experience Prior to Appointment</b>
Chairman of the Board of Directors	NEHME SABBAGH	Postgraduate Degree	35
Members of the Board of Directors	HANI IBRAHİM SULAIMAN FADAYEL	University Degree	32
	MOHAMED ALI BEYHUM	Postgraduate Degree	19
	GHASSAN HANNA SULEİMAN TARAZİ	Postgraduate Degree	20
	HENRI MARIE RENE JACQUAND	Postgraduate Degree	38
	MUSTAFA SELÇUK TAMER	University Degree	19
	AMİN RASHEED SA'İD HUSSEİNİ	Postgraduate Degree	13
	RİYAD KEMAL	Postgraduate Degree	32
	MEHMET BEHÇET PERİM	Postgraduate Degree	16
General Manager and Member of the Board of Directors	A. DİNÇER ALPMAN	University Degree	19
Assistant General Managers	MEHMET ÖZGÜNER	University Degree	12
	MÜNEWER ERÖZ	Postgraduate Degree	20
	DORUK PARMAN	PHD Degree	15
	İLHAN ZEKİ KÖROĞLU	University Degree	20
	YURDAKUL ÖZDOĞAN	University Degree	21
Statutory Auditors	A. MURAT AYTOĞU	University Degree	12
	OSMAN BAYDOĞAN	-	-

(\*) The above stated persons do not have bank shares.

**IV. Information about the persons and institutions that have qualified shares**

Information about the persons and institutions that have qualified shares as of December 31, 2007:

<b>Name/Commercial Name</b>	<b>Share Amount</b>	<b>Share Ratios %</b>	<b>Paid up Shares</b>	<b>Unpaid Shares</b>
ARAB BANK PLC	35,000	50	35,000	-
BANKMED, SAL	28,700	41	28,700	-
<b>Total</b>	<b>63,700</b>	<b>91</b>	<b>63,700</b>	<b>-</b>

**V. Summary on the Bank's Functions and Areas of Activity**

Bank has 16 branches and 390 personnel. Bank has no subsidiaries in the financial sector.

The Bank was established with private capital, has the authority to accept deposits and its operations are mostly based on retail and corporate banking transactions. As it is indicated in Articles of Association, the Bank is mainly dealing in the transactions below:

- Acceptance of Deposit
- Corporate and Retail Banking
- Foreign Trade
- Capital Market Transactions
- Bancassurance

## Turklandbank Anonim Şirketi

### Balance Sheets as of

### December 31, 2007 and 2006

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### SECTION TWO

#### UNCONSOLIDATED FINANCIAL STATEMENTS

##### I. BALANCE SHEET-ASSETS

	Note Ref.	Audited Current Period 31.12.2007			Audited Prior Period 31.12.2006		
		TRY	FC	Total	TRY	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	11,771	4,757	16,528	15,041	3,646	18,687
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(2)	123,324	3,813	127,137	97,966	41	98,017
2.1 Trading financial assets		123,324	3,813	127,137	97,966	-	97,966
2.1.1 Public sector debt securities		123,324	-	123,324	97,619	-	97,619
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Other marketable securities		-	3,813	3,813	347	-	347
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other marketable securities		-	-	-	-	-	-
2.3 Derivative financial assets held for trading		-	-	-	10	41	51
<b>III. BANKS</b>	(3)	15	20,112	20,127	10,033	48,333	58,366
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	75	-	75	75	2,257	2,332
5.1 Share certificates		75	-	75	75	-	75
5.2 Public sector debt securities		-	-	-	-	-	-
5.3 Other marketable securities		-	-	-	-	2,257	2,257
<b>VI. LOANS</b>	(5)	338,193	80,712	418,905	236,150	69,854	306,004
6.1 Loans		337,574	80,712	418,286	235,432	69,854	305,286
6.1.1 Loans to Risk Group of the Bank		392	102	494	3,755	153	3,908
6.1.2 Other		337,182	80,610	417,792	231,677	69,701	301,378
6.2 Non-performing loans		9,151	-	9,151	6,246	-	6,246
6.3 Specific provisions (-)		(8,532)	-	(8,532)	(5,528)	-	(5,528)
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	(6)	-	-	-	-	-	-
8.1 Public sector debt securities		-	-	-	-	-	-
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	-	-	-	-	-	-
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		-	-	-	-	-	-
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	-	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>XI. ENTITIES UNDER COMMON CONTROL (Net)</b>	(9)	-	-	-	-	-	-
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>	(10)	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Uneamed income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	-	-	-	-	-	-
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	5,952	-	5,952	6,710	-	6,710
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	997	-	997	323	-	323
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		997	-	997	323	-	323
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(14)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>	(15)	1,012	-	1,012	1,051	-	1,051
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		1,012	-	1,012	1,051	-	1,051
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	-	-	-	11,245	-	11,245
18.1 Held for sale		-	-	-	11,245	-	11,245
18.2 Discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	17,248	28,471	45,719	1,839	21,669	23,508
<b>TOTAL ASSETS</b>		<b>498,587</b>	<b>137,865</b>	<b>636,452</b>	<b>380,443</b>	<b>145,800</b>	<b>526,243</b>

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

## Turklandbank Anonim Şirketi

### Balance Sheets as of

### December 31, 2007 and 2006

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### I. BALANCE SHEET-LIABILITIES AND EQUITY

	Note Ref.	Audited Current Period 31.12.2007			Audited Prior Period 31.12.2006		
		TRY	FC	Total	TRY	FC	Total
<b>I. DEPOSITS</b>							
1.1 Deposits from Risk Group of the Bank	(1)	215,991	115,479	331,470	197,288	140,179	337,467
1.2 Other		6,676	17,976	24,652	5,113	4,089	9,202
		209,315	97,503	306,818	192,175	136,090	328,265
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	-	399	399	-	4	4
<b>III. FUNDS BORROWED</b>	(3)	2,777	143,228	146,005	4,197	83,475	87,672
<b>IV. MONEY MARKET BALANCES</b>	(4)	22,032	-	22,032	21,051	-	21,051
4.1 Interbank money market takings		-	-	-	5,006	-	5,006
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		22,032	-	22,032	16,045	-	16,045
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. SUNDRY CREDITORS</b>		2,488	305	2,793	2,111	646	2,757
<b>VIII. OTHER LIABILITIES</b>	(5)	17,605	1,779	19,384	1,454	50	1,504
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. FINANCE LEASE PAYABLES (Net)</b>	(6)	-	1,260	1,260	-	-	-
10.1 Finance lease payables		-	1,382	1,382	1	-	1
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	(122)	(122)	(1)	-	(1)
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(7)	-	-	-	-	-	-
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(8)	5,329	-	5,329	4,013	-	4,013
12.1 General loan loss provisions		2,922	-	2,922	2,103	-	2,103
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		1,240	-	1,240	1,030	-	1,030
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		1,167	-	1,167	880	-	880
<b>XIII. TAX LIABILITY</b>	(9)	1,922	-	1,922	1,519	-	1,519
13.1 Current tax liability		1,922	-	1,922	1,519	-	1,519
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	(10)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(11)	-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	(12)	105,858	-	105,858	70,256	-	70,256
16.1 Paid-in capital		70,000	-	70,000	35,000	-	35,000
16.2 Supplementary capital		25,433	-	25,433	25,433	-	25,433
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund		-	-	-	-	-	-
16.2.4 Tangible assets revaluation differences		-	-	-	-	-	-
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-	-	-
16.2.8 Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		25,433	-	25,433	25,433	-	25,433
16.3 Profit reserves		12,487	-	12,487	12,487	-	12,487
16.3.1 Legal reserves	(13)	624	-	624	624	-	624
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves	(14)	11,852	-	11,852	11,852	-	11,852
16.3.4 Other profit reserves		11	-	11	11	-	11
16.4 Profit or loss		(2,062)	-	(2,062)	(2,664)	-	(2,664)
16.4.1 Prior years' income/ (losses)	(15)	(2,664)	-	(2,664)	(93)	-	(93)
16.4.2 Current year income/ (loss)		602	-	602	(2,571)	-	(2,571)
16.5 Minority shares	(16)	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>374,002</b>	<b>262,450</b>	<b>636,452</b>	<b>301,889</b>	<b>224,354</b>	<b>526,243</b>

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

## Turklandbank Anonim Şirketi

### Statements of Off-Balance Sheet Contingencies and Commitments as of December 31, 2007 and 2006

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

	Note Ref.	Audited Current Period 31.12.2007			Audited Prior Period 31.12.2006		
		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>218,311</b>	<b>279,158</b>	<b>497,469</b>	<b>212,829</b>	<b>234,290</b>	<b>447,119</b>
<b>I. GUARANTEES</b>	(1), (3)	<b>196,334</b>	<b>181,992</b>	<b>378,326</b>	<b>191,751</b>	<b>211,922</b>	<b>403,673</b>
1.1. Letters of guarantee		196,334	87,939	284,273	191,751	97,944	289,695
1.1.1. Guarantees subject to State Tender Law		21,311	4,750	26,061	26,041	5,492	31,533
1.1.2. Guarantees given for foreign trade operations		-	21,738	21,738	-	35,296	35,296
1.1.3. Other letters of guarantee		175,023	61,451	236,474	165,710	57,156	222,866
1.2. Bank loans		-	10,303	10,303	-	12,496	12,496
1.2.1. Import letter of acceptance		-	-	-	-	-	-
1.2.2. Other bank acceptances		-	10,303	10,303	-	12,496	12,496
1.3. Letters of credit		-	72,984	72,984	-	62,896	62,896
1.3.1. Documentary letters of credit		-	72,984	72,984	-	62,896	62,896
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	10,766	10,766	-	38,586	38,586
1.9. Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1), (3)	<b>21,977</b>	<b>10,256</b>	<b>32,233</b>	<b>20,181</b>	-	<b>20,181</b>
2.1. Irrevocable commitments		21,977	10,256	32,233	20,181	-	20,181
2.1.1. Forward asset purchase commitments		-	8,513	8,513	-	-	-
2.1.2. Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		5,574	-	5,574	4,447	-	4,447
2.1.5. Securities underwriting commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		14,940	-	14,940	14,170	-	14,170
2.1.8. Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits		1,463	-	1,463	1,564	-	1,564
2.1.10. Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.11. Receivables from short sale commitments		-	-	-	-	-	-
2.1.12. Payables for short sale commitments		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		-	1,743	1,743	-	-	-
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	-	<b>86,910</b>	<b>86,910</b>	<b>897</b>	<b>22,368</b>	<b>23,265</b>
3.1. Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1. Fair value hedge		-	-	-	-	-	-
3.1.2. Cash flow hedge		-	-	-	-	-	-
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		-	86,910	86,910	897	22,368	23,265
3.2.1. Forward foreign currency buy/sell transactions		-	-	-	897	3,803	4,700
3.2.1.1. Forward foreign currency transactions-buy		-	-	-	897	1,477	2,374
3.2.1.2. Forward foreign currency transactions-sell		-	-	-	-	2,326	2,326
3.2.2. Swap transactions related to f.c. and interest rates		-	86,910	86,910	-	18,565	18,565
3.2.2.1. Foreign currency swap-buy		-	43,277	43,277	-	9,303	9,303
3.2.2.2. Foreign currency swap-sell		-	43,633	43,633	-	9,262	9,262
3.2.2.3. Interest rate swaps-buy		-	-	-	-	-	-
3.2.2.4. Interest rate swaps-sell		-	-	-	-	-	-
3.2.3. Foreign currency, interest rate and securities options		-	-	-	-	-	-
3.2.3.1. Foreign currency options-buy		-	-	-	-	-	-
3.2.3.2. Foreign currency options-sell		-	-	-	-	-	-
3.2.3.3. Interest rate options-buy		-	-	-	-	-	-
3.2.3.4. Interest rate options-sell		-	-	-	-	-	-
3.2.3.5. Securities options-buy		-	-	-	-	-	-
3.2.3.6. Securities options-sell		-	-	-	-	-	-
3.2.4. Foreign currency futures		-	-	-	-	-	-
3.2.4.1. Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2. Foreign currency futures-sell		-	-	-	-	-	-
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>910,122</b>	<b>457,898</b>	<b>1,368,020</b>	<b>185,088</b>	<b>23,004</b>	<b>208,092</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>169,380</b>	<b>19,528</b>	<b>188,908</b>	<b>166,377</b>	<b>13,995</b>	<b>180,372</b>
4.1. Assets under management		11,500	-	11,500	11,455	-	11,455
4.2. Investment securities held in custody		3,558	4,599	8,157	7,335	215	7,550
4.3. Checks received for collection		150,194	14,774	164,968	145,877	13,093	158,970
4.4. Commercial notes received for collection		4,128	149	4,277	1,710	655	2,365
4.5. Other assets received for collection		-	6	6	-	32	32
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>740,742</b>	<b>438,370</b>	<b>1,179,112</b>	<b>18,711</b>	<b>9,009</b>	<b>27,720</b>
5.1. Marketable securities		-	-	-	-	-	-
5.2. Guarantee notes		8,310	4,029	12,339	18,711	9,009	27,720
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		149,623	77,048	226,671	-	-	-
5.6. Other pledged items		582,809	357,293	940,102	-	-	-
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1,128,433</b>	<b>737,056</b>	<b>1,865,489</b>	<b>397,917</b>	<b>257,294</b>	<b>655,211</b>

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

## Turklandbank Anonim Şirketi

### Statements of Income for the Years Ended

### December 31, 2007 and 2006

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### III. STATEMENT OF INCOME

	Note Ref	Audited Current Period 01.01-31.12.2007	Audited Prior Period 01.01-31.12.2006
<b>I. INTEREST INCOME</b>	(1)	<b>77,145</b>	<b>58,226</b>
1.1 Interest on loans		49,333	43,184
1.2 Interest received from reserve deposits		2,046	1,703
1.3 Interest received from banks		2,822	1,163
1.4 Interest received from money market placements		463	311
1.5 Interest received from marketable securities portfolio		22,337	11,770
1.5.1 Held-for-trading financial assets		22,276	11,104
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		61	666
1.5.4 Investments held-to-maturity		-	-
1.6 Finance lease Income		-	-
1.7 Other interest income		144	95
<b>II. INTEREST EXPENSE</b>	(2)	<b>(50,974)</b>	<b>(45,430)</b>
2.1 Interest on deposits		(40,711)	(36,649)
2.2 Interest on funds borrowed		(7,035)	(4,113)
2.3 Interest on money market borrowings		(144)	(127)
2.4 Interest on securities issued		-	-
2.5 Other interest expense		(3,084)	(4,541)
<b>III. NET INTEREST INCOME (I-II)</b>		<b>26,171</b>	<b>12,796</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>5,452</b>	<b>6,196</b>
4.1 Fees and commissions received		5,967	6,932
4.1.1 Non-cash loans		3,841	4,105
4.1.2 Other		2,126	2,827
4.2 Fees and commissions paid		(515)	(736)
4.2.1 Non-cash loans		(42)	(36)
4.2.2 Other		(473)	(700)
<b>V. DIVIDEND INCOME</b>	(3)	<b>5</b>	<b>30</b>
<b>VI. NET TRADING INCOME</b>	(4)	<b>2,883</b>	<b>(5,435)</b>
6.1 Securities trading gains/ (losses)		424	(429)
6.2 Foreign exchange gains/ (losses)		2,459	(5,006)
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>3,747</b>	<b>17,184</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>38,258</b>	<b>30,771</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>(5,289)</b>	<b>(7,895)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>(32,328)</b>	<b>(28,217)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>641</b>	<b>(5,341)</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT/(LOSS) ON EQUITY METHOD</b>		-	1,771
<b>XIV. GAIN/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	(8)	<b>641</b>	<b>(3,570)</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(9)	<b>(39)</b>	<b>999</b>
16.1 Provision for current income taxes		-	-
16.2 Provision for deferred taxes		(39)	999
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(10)	<b>602</b>	<b>(2,571)</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>	(8)	-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	(9)	-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	(10)	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(11)	<b>602</b>	<b>(2,571)</b>
23.1 Group's profit/loss		-	-
23.2 Minority shares		-	-
Earnings per share		-	-

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

## Turklandbank Anonim Şirketi

### Statements of Profit Loss Accounted for Under Equity for the Years Ended December 31, 2007 and 2006

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

	Audited Current Period 01.01-31.12.2007	Audited Prior Period 01.01-31.12.2006
I. Additions to marketable securities revaluation differences for available for sale financial assets	-	-
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign currency translation differences for foreign currency transactions	-	-
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-	-
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted for under equity due to TAS	-	-
IX. Deferred tax of valuation differences	-	-
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	-	-
XI. Profit/Loss	-	-
1.1 Change in fair value of marketable securities (Recycling to Profit/Loss)	-	-
1.2 Reclassification of and recycling derivatives accounted for cash flow hedge purposes to Income Statement	-	-
1.3 Recycling hedge of net investments in foreign operations to Income Statement	-	-
1.4 Other	-	-
XII. Total Profit/Loss accounted for in the period (X±XI)	-	-



## Turklandbank Anonim Şirketi

### Statement of Changes in Shareholders' Equity for the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

Audited	Note Ref	Paid-in Capital		Share cancellation		Share certificate	Legal Reserves		Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase	Tangible and Intangible Assets Revaluation Differences	Bonus shares obtained from Associates	Hedging Funds	Acc. val. diff. from assets held for sale and from disc. op.	Total Equity			
		Capital	Reserves premium	profits	Reserves		Reserves	Fund											Fund	Minority Shares	Minority Shares	
<b>Current Period-01.01.-31.12.2007</b>																						
I		35,000	25,432	-	624	-	11,852	11	(2,571)	(93)	1	-	-	-	-	-	-	-	-	-	70,256	
	Changes in the period																					
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1	Cash-flow hedge																					
4.2	Hedge of net investment in foreign operations																					
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII.		35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,000	
12.1	Cash																					
12.2	Internal sources																					
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.		-	-	-	-	-	-	-	602	-	-	-	-	-	-	-	-	-	-	-	602	
XVIII.		-	-	-	-	-	-	-	2,571	(2,571)	-	-	-	-	-	-	-	-	-	-	-	
18.1	Dividends distributed																					
18.2	Transfers to reserves																					
18.3	Other																					
<b>Closing Balance 31.12.2007</b>																						
		70,000	25,432	-	624	-	11,852	11	602	(2,664)	1	-	-	-	-	-	-	-	-	-	-	105,658
		(I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII)																				

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



## Turklandbank Anonim Şirketi

### Cash Flows Statement for the Year Ended December 31, 2007 and 2006

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### VI. STATEMENT OF CASH FLOWS

	Note Ref	Audited Current Period 01.01-31.12.2007	Audited Prior Period 01.01-31.12.2006
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>7,987</b>	<b>(568)</b>
1.1.1 Interest received		71,183	60,932
1.1.2 Interest paid		(50,526)	(44,025)
1.1.3 Dividend received		5	1,801
1.1.4 Fees and commissions received		5,452	6,778
1.1.5 Other income		2,185	14,440
1.1.6 Collections from previously written off loans		1,986	485
1.1.7 Payments to personnel and service suppliers		(19,121)	(12,646)
1.1.8 Taxes paid		-	(2,818)
1.1.9 Others	(1)	(3,177)	(25,515)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(31,334)</b>	<b>6,446</b>
1.2.1 Net (increase) decrease in financial assets held for trading		(21,158)	31,242
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		58,333	(44,692)
1.2.4 Net (increase) decrease in loans		(117,193)	(48,735)
1.2.5 Net (increase) decrease in other assets		(22,325)	(794)
1.2.6 Net increase (decrease) in bank deposits		(427)	382
1.2.7 Net increase (decrease) in other deposits		(4,999)	68,240
1.2.8 Net increase (decrease) in funds borrowed		57,308	42,052
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	19,127	(41,249)
<b>I. Net cash provided from banking operations</b>		<b>(23,347)</b>	<b>5,878</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>13,705</b>	<b>(498)</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		11,245	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(3,280)	(393)
2.4 Fixed assets sales		4,536	114
2.5 Cash paid for purchase of financial assets available for sale		-	(2,180)
2.6 Cash obtained from sale of financial assets available for sale		2,180	-
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(1)	(976)	1,961
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>34,820</b>	<b>-</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		35,000	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		(180)	-
3.6 Other	(1)	-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(1)</b>	<b>(7,194)</b>	<b>-</b>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>		<b>17,984</b>	<b>5,380</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>		<b>18,292</b>	<b>12,912</b>
<b>VII. Cash and cash equivalents at end of the period</b>		<b>36,276</b>	<b>18,292</b>

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

## Turklandbank Anonim Şirketi

### Profit Distribution Table for the Years Ended December 31, 2007 and 2006

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### VII. PROFIT DISTRIBUTION TABLE

	Audited Current Period 31.12.2007 (*)	Audited Prior Period 31.12.2006 (*)
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	641	(3,570)
1.2 TAXES AND DUTIES PAYABLE (-)	(39)	999
1.2.1 Corporate tax (Income tax)	-	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(39)	999
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>602</b>	<b>(2,571)</b>
1.3 PRIOR YEARS' LOSSES (-)	(2,664)	(93)
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>(2,062)</b>	<b>(2,664)</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 DISTRIBUTED 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 preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
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 (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)	-	-

(\*) Profit distribution is decided by the General Assembly. General Assembly is not held as of the date of this report.

(\*\*) Other tax and duties include deferred tax amounts.

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

### **For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### **SECTION THREE**

#### **ACCOUNTING PRINCIPLES**

##### **I. Basis of Presentation**

The Bank prepares financial statements and notes according to Communique on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, other communiques, pronouncements and explanations about accounting and financial reporting issued by Banking Regulation and Supervision Agency (BRSA), Turkish Commercial Code and Tax Legislation.

Certain classifications have been made to the prior year financial statements to comply with the current year presentation.

##### **II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions**

The Bank focuses on corporate banking transactions. The primary objective of the Bank is to sustain liquidity while fulfilling customer needs. Thus, the Bank places approximately 26% of its resources in liquid assets, while the Bank also aims for the highest yield possible with effective maturity management.

Besides its principle activity, the main financial instruments of the Bank are money market placements, treasury bills and government bonds.

Marketable securities comprising 19.98% of total assets are assets with low risk and high yield. Placements in domestic banks and abroad are 3.16% of the total assets and these assets provide liquidity with low risk and yield.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of the risk management strategy of the Bank, the management of risk bearing short positions of currency, interest or price movements is performed only by the Treasury and using the limits defined by the Board of Directors.

##### **III. Explanations on Forward and Option Contracts and Derivative Instruments**

The Bank's derivative instruments consist of foreign currency swaps and the forward foreign currency buy/sell transactions. Derivative instruments are accounted for at their fair values as of the contract date and subsequently valued at fair value. Certain derivative instruments, although economical hedges, are accounted as trading transactions since they are not qualified to be a hedging instrument as per "Financial Instruments: Recognition and Measurement" ("TAS 39"). Realized gains or losses on these instruments are reflected in the statement of income. Unrealized gains or losses arising from the change in the fair value are recorded in disallowable expenses or income according to the current tax legislation.

There are no embedded derivatives separated from the host contract or that are designated as hedging instruments as of the balance sheet date.

##### **IV. Interest Income and Expenses**

Interest income and expense are recognized in the income statement on an accrual basis using the effective interest method. In accordance with the related regulation, interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

##### **V. Fees and Commission Income and Expenses**

Fees for various banking services are recorded as income when collected

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

### **For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### **VI. Explanations and Disclosures on Financial Assets**

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects. Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities and operations of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date. The settlement date is the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the institution accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the institution settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are mentioned below.

#### **Cash, Banks, and Other Financial Institutions**

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book values of these assets approximate their fair values.

#### **Financial Assets at Fair Value Through Profit and Loss**

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost. Transaction costs of the related securities are included in the initial cost. The positive difference between the cost and fair value of such securities is accounted for as interest and income accrual, and the negative difference is accounted for as "Impairment Provision on Marketable Securities".

#### **Held to Maturity Investments, Financial Assets Available for Sale and Loans**

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability and excluding loans and receivables.

On December 27, 2005, the Bank sold the government bonds, classified as held to maturity investments. Because of this fact, the Bank was not able to classify any investments as held to maturity for two years due to "tainting" rules, as of the date of sale, all remaining securities, previously classified as held to maturity investments, have been reclassified as trading financial assets. This restriction was ended as of December 27, 2007.

After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

### **For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### **Financial Assets Available for Sale**

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

The marketable securities are initially recognized at cost including the transaction costs.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices. In the absence of prices formed in an active market fair values of these securities are determined using the Official Gazette prices or other valuation methods stated in TAS.

The Bank has an equity investment with participation rate of 0.0025% in the available for sale financial assets portfolio. Since this equity investment does not have fair value, it is recognized at cost.

The Bank classifies its securities as referred to above at the acquisition date of related assets.

#### **Loans and Provisions for Impairment**

Loans are financial assets which have fixed or determinable payments and are not traded.

The Bank initially records loans and receivables at cost. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

Foreign currency indexed loans are converted into TRY from the foreign currency rate as of the opening date and followed in TRY accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

Net foreign exchange gains and losses on the foreign currency indexed loans are presented under foreign exchange gains and losses.

Specific reserves are provided for Group III, IV and V loans in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 26333 dated November 1, 2006. These provisions are reflected in the income statement under "Provision and Impairment Expenses-Special Provision Expense".

The collections made related to loans for which provision is made in the current period are reversed from the "Provision for Loans and Other Receivables" account in the income statement. The collections made related to loans written off or provisioned in prior years are recorded to "Collections Related to the Prior Period Expenses" under "Other Operating Income" account and related interest income is credited to the "Interest Received from Non-performing Loans" account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; Bank records general loan loss provisions for loans and other receivables. Bank calculated the general loan provision as 0.5% for cash loans and other receivables, and 0.1% for non-cash loans until November 1, 2006. Subsequent to the change in the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 26333 dated November 1, 2006; the Bank started to book general loan loss provision of 1% for cash loans and other receivables; and 0.2% for non-cash loans on the increase in the cash and non-cash loan portfolio as compared to their October 31, 2006 balances whereas allocating 0.5% general loan loss provision for cash loans and other receivables, and 0.1% for non-cash loans for the balances as of October 31, 2006.

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

### **For the Year Ended December 31, 2007**

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#### **VII. Explanations on Impairment of Financial Assets**

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event ("loss event") after the first journalization of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not journalized.

#### **VIII. Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

#### **IX. Explanations on Sales and Repurchase Agreements and Lending of Securities**

The sales and purchase of government securities under repurchase agreements made with the customers are being recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities. These transactions are short-term and consist of domestic public sector debt securities.

The income and expenses from these transactions are reflected to the "Interest Income on Marketable Securities" and "Interest Expense on Money Market Borrowings" accounts in the income statement.

As of December 31, 2007, the Bank does not have any reverse repo transactions (December 31, 2006-None).

As of December 31, 2007, the Bank does not have any marketable securities lending transaction (December 31, 2006-None).

#### **X. Explanations on Assets Held for Sale and Discontinued Operations**

Assets held for sale, that is high probability of sale, are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

The Bank does not have any assets held for sale as of December 31, 2007. (December 31, 2006: TRY 11,245 Thousand)

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately. The Bank does not have any discontinued operations.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### XI. Explanations on Goodwill and Other Intangible Assets

There is no goodwill regarding the investments in associates and subsidiaries.

Other intangible assets are accounted for at cost less accumulated amortization. Other intangible assets are amortized with straight-line method based on their economic lives. There is no anticipated change in the amortization method in the current period.

The intangible assets comprising purchased softwares are in the other intangible fixed asset. As of the balance sheet date, all softwares are purchased and there are no completed or continuing software development project by the Bank.

#### XII. Explanations on Tangible Fixed Assets

Tangible fixed assets are accounted for at acquisition cost less accumulated depreciation. Tangible fixed assets are depreciated with straight-line method. Those acquired before January 1, 2004 are depreciated with the rates valid in prior periods, however the fixed assets acquired after January 1, 2004 are depreciated with the rates determined by the Ministry of Finance based on useful lives.

Depreciation of assets held less than one year as of the balance sheet date is accounted for proportionately. Applied amortization method is not changed in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

	%
Buildings	2
Motor vehicles	20
Furniture, fixtures and office equipment and others	3-50

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Bank's real estate with net book value of TRY 4,419 Thousand was sold to MNG Factoring A.Ş for TRY 4,440 Thousand at May 31, 2007. 21 Thousand TRY gain on sale was accounted for in the accompanying financial statements.

Normal maintenance and repair cost of the properties are expensed.

There is no pledge, mortgage, or any other lien on tangible fixed assets.

#### XIII. Explanations on Leasing Transactions

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS No:17. In accordance with this standard, the leasing transactions, which consist only foreign currency liabilities, are translated to New Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to New Turkish Lira with the Bank's period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, the Bank records depreciation expense for the depreciable leased assets in each period. The depreciation rate is determined in accordance with TAS No:16 "Accounting Standard for Tangible Fixed Assets" and the depreciation rate used is 20% for the leased assets acquired before July 31, 2003 and 3%-50% for leased assets acquired after July 31, 2003 which is in line with Turkish Tax Legislation.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

As of the balance sheet date, the Bank does not have any leasing transactions as lessor.

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

### **For the Year Ended December 31, 2007**

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#### **XIV. Explanations on Provisions and Contingent Liabilities**

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

According to the legal department of the Bank; the total number of ongoing cases against the Bank is 17. The total amount of those cases is TRY 1,603 Thousand that consists of TRY 519 Thousand and 626,800 US Dollars. Considering these cases, it is determined that 2 of 17 cases have rejection possibility and there is a provision of TRY 362 Thousand in the accompanying financial statements for these cases.

#### **XV. Explanations on Liabilities Regarding Employee Benefits**

##### **Defined Benefit Plans**

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

The Bank forecasted present value of future possible liability for defined benefit plans to be recorded in the financial statements before 2007. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank started to use independent actuaries. The Bank makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc.. The carrying value of employee termination benefit provisions as of December 31, 2007 is TRY 1,240 Thousand (December 31, 2006-TRY 1,030 Thousand).

The Bank has no retirement fund or foundation that the employees are the member of.

#### **XVI. Explanations on Taxation**

##### **Corporate tax**

According to the Article 32 of the Corporate Tax Law No. 5520, accepted in the meeting of Grand National Assembly of Turkey (TBMM) on June 13, 2006 and announced in the Official Gazette dated June 21, 2006, the corporate tax rate has been decreased from 30% to 20%, effective from January 1, 2006 as per the Article 37 of the Corporate Tax Law.

The tax legislation, requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year.

Tax returns are required to be filed between the first and twentyfifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.



## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

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#### **Deferred Tax Liability/Asset**

The Bank calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

As of December 31, 2007 and December 31, 2006, in accordance with TAS No: 12 "Turkish Accounting Standard on Income Taxes" and the changes in the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated December 8, 2004, the Bank calculates deferred tax asset on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are reflected in the accompanying financial statements on a net basis.

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax charge is stated under the tax provision amounting to TRY 39 Thousand in the income statement (2006-TRY 999 Thousand TRY deferred tax benefit).

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

#### **XVII. Additional Explanations on Borrowings**

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

The Bank has not issued convertible bonds.

#### **XVIII. Explanations on Share Certificates**

The Bank does not have any issued debt securities. As of the date of this report, there is no subsequent dividend announcement of the Bank.

Based on the decision at the meeting of the Extraordinary General Assembly on July 30, 2007, the Bank decided to increase the paid-in capital of the Bank to TRY 70,000 Thousand by TRY 35,000 Thousand. The Bank's capital increase amounting to TRY 35,000 Thousand was registered with Istanbul Trade Registry Office on August 16, 2007. The capital increase procedures were completed. The Bank's capital increase amounting to TRY 35,000 Thousand was approved by BRSA's October 3, 2007 dated and 13892 numbered correspondence. As of October 2007, the paid in capital of the Bank is TRY 70,000 Thousand.

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

### **For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### **XIX. Explanations on Acceptances**

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

#### **XX. Explanations on Government Incentives**

There are no government incentives utilized by the Bank.

#### **XXI. Explanations on Segment Reporting**

The corporate and retail transactions are not segmented as Gain/ Loss in the current IT system. However, management believes that such segmentation and the omission of the respective disclosure would not have a material effect on readers' conclusion with respect to the accompanying financial statements since the bank mainly operates in corporate banking.

#### **XXII. Explanations on Other Matters**

None, other than above explanations.

Explanation for convenience translation to English.

The accounting principles used in the preparation of the accompanying financial statements differ from International Financial Reporting Standards (IFRS). The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the accompanying financial statements.

## **SECTION FOUR**

### **INFORMATION ON FINANCIAL STRUCTURE**

#### **I. Explanations Related to the Capital Adequacy Standard Ratio**

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published on November 1, 2006 in the Official Gazette numbered 26333 and the Communiqué on "The Amendment in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks" which was published on October 10, 2007 in the Official Gazette numbered 26669. The Bank's unconsolidated capital adequacy ratio in accordance with the related communiqué is 18.90%. (December 31, 2006-16.72%)

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting requirements are used. Additionally, the market risk amount is calculated in accordance with the communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

The values deducted from the capital base in the shareholders' equity computation are excluded while calculating risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and impairment among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

While calculating the basis of non-cash loans subject to credit risk, the net receivable amount from the counter parties net of provision amount set in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" is multiplied by the loan conversion rates presented in the Article 5, the Clause 1 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

Receivables from counter parties from derivative foreign currency and interest rate transactions are multiplied by the loan conversion rates presented in the Article 5, the Clause 2 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

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**Notes to the Financial Statements**  
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**Information related to the capital adequacy ratio:**

	Risk Weight			
	0%	20%	50%	100%
<b>Risk Weighted Assets, Liabilities and Non-Cash Loans</b>				
Balance Sheet items (Net)				
Cash	5,358	-	-	-
Matured Marketable Securities	-	-	-	-
Due From Central Bank of Turkey	10,795	-	-	-
Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad	-	20,117	-	6
Interbank Money Market Placements	-	-	-	-
Receivables From Reverse Repo Transactions	-	-	-	-
Reserve Deposits	28,013	-	-	-
Loans	9,986	580	47,352	357,671
Non-performing loans (Net)	-	-	-	619
Financial Lease Receivables	-	-	-	-
Available-For-Sale Financial Assets	-	-	-	75
Held to Maturity Investments	-	-	-	-
Receivables From Installment Sales of Assets	-	-	-	-
Sundry Debtors	-	-	-	130
Interest and Income Accruals	1,160	16	697	1,339
Subsidiaries, Associates and Entities Under Common Control (Net)	-	-	-	-
Tangible Assets	-	-	-	4,391
Other Assets	13,715	-	-	3,347
Off-Balance Sheet Items				
Guarantees and Commitments	1,474	133,818	41,822	33,685
Derivative Financial Instruments	-	-	-	-
Non Risk Weighted Accounts	-	-	-	-
<b>Total Value at Risk</b>	<b>70,501</b>	<b>154,531</b>	<b>89,871</b>	<b>401,263</b>
<b>Total Risk Weighted Assets</b>	<b>-</b>	<b>30,906</b>	<b>44,935</b>	<b>401,263</b>

**Summary information related to the capital adequacy ratio:**

	Current Period	Prior Period
Total Risk Weighted Assets (TRWA)	477,104	405,664
Amount Subject to Market Risk (ASMR)	20,088	14,150
Amount Subject to Operational Risk (ASOR)	57,364	-
Shareholders' Equity	104,831	70,212
Shareholders' Equity/(TRWA + ASMR + ASOR) *100	18.90%	16.72%

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**Information related to the components of shareholders' equity:**

	Current Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in capital	70,000	35,000
Nominal capital	70,000	35,000
Capital commitments (-)	-	-
Paid-in Capital Indexation Difference	25,432	25,432
Share premium	-	-
Cancellation Profits	-	-
Legal reserves	-	624
First legal reserve (Turkish Commercial Code 466/1)	-	624
Second legal reserve (Turkish Commercial Code 466/2)	-	-
Other legal reserve per special legislation	-	-
Statutory reserves	-	-
Extraordinary reserves	9,823	11,863
Reserves allocated by the General Assembly	9,812	11,852
Retained earnings	11	11
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
Indexation differences of legal, statutory and extraordinary reserves	-	-
Profit	-	-
Current period net profit	602	-
Prior years' profits	-	-
Provision for possible losses up to 25% of the Core Capital	-	-
Gains on sale of associates and subsidiaries and properties to be added to capital	-	-
Primary subordinated loans up to 15% of the Core Capital	-	-
Losses that cannot be covered by reserves (-)	-	-
Net current period loss	-	(2,571)
Prior years' losses	-	(93)
Leasehold improvements (-)	(1,561)	(572)
Prepaid expenses (-)	(1,390)	(1,286)
Intangible assets (-)	(997)	(288)
Deferred tax asset exceeding 10% of the Core Capital (-)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-	-
<b>Total Core Capital</b>	<b>105,857</b>	<b>70,255</b>

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	Current Period	Prior Period
<b>SUPPLEMENTARY CAPITAL</b>	<b>2,922</b>	<b>2,103</b>
General Loan Loss Reserves	2,922	2,103
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures)	-	-
Primary subordinated loans excluded in the calculation of the Core Capital	-	-
Secondary subordinated loans	-	-
Marketable securities value increase fund	-	-
Associates and subsidiaries	-	-
Available for sale securities	-	-
Indexation differences for capital reserves, profit reserves and retained earnings (Except indexation differences for legal reserves, statutory reserves and extraordinary reserves)	-	-
<b>Total Supplementary Capital</b>	<b>2,922</b>	<b>2,103</b>
<b>TIER III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>108,779</b>	<b>72,358</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>(3,948)</b>	<b>(2,146)</b>
Shareholdings of banks and financial institutions (Domestic, Foreign) from which the Bank keeps ten percent or more of capitals	-	-
Shareholdings of unconsolidated banks and financial institutions (Domestic, Foreign) from which the Bank keeps less than Ten percent of capitals which exceed the ten Percent of Bank's Core and Supplementary Capital	-	-
Secondary subordinated loans granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified Shareholders and placements that possess the nature of their Primary or Secondary Subordinated Debt	-	-
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-
The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	-	-
Other	-	-
<b>Total Shareholders' Equity</b>	<b>104,831</b>	<b>70,212</b>

## II. Explanations Related to Credit Risk

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and cause to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

Risks and limits related to treasury activities and customer based commercial activities are monitored daily. Moreover, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

The credit worthiness of the debtors of the loans and other receivables is monitored regularly as prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

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For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and acquirements related to forward transactions is normally realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries whose investment level is rated by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

As of December 31, 2007, the receivables of the Bank from its top 100 cash loan customers amount to TRY 269,240 Thousand (2006-TRY 225,952 Thousand) with a share of 64.27% in the total cash loans (2006-74.01%).

As of December 31, 2007, the receivables of the Bank from its top 100 non-cash loan customers amount to TRY 297,230 Thousand (2006-TRY 310,245 Thousand) with a share of 72.40% in the total non-cash loans (2006-73.20%).

The share of cash and non-cash receivables of the Bank from its top 100 customers in total balance sheet and off-balance sheet assets is 18.21% as of December 31, 2007 (2006-45.38%). As of December 31, 2007, the general loan loss provision related with the credit risk taken by the Bank is TRY 2,922 Thousand (2006-TRY 2,103 Thousand).

#### Credit risk by types of borrowers and geographical concentration:

	Loans to Real Person and Legal Entities		Loans to Banks and Other Financial Institutions		Marketable Securities (*)		Other Loans (**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Loans according to borrowers</b>	<b>386,564</b>	<b>305,286</b>	<b>31,722</b>	<b>-</b>	<b>127,212</b>	<b>100,298</b>	<b>20,127</b>	<b>58,366</b>
Private Sector	382,065	299,991	31,722	-	-	-	-	-
Public Sector	-	-	-	-	127,137	100,223	-	-
Banks	-	-	-	-	-	-	20,127	58,366
Retail	4,499	5,295	-	-	-	-	-	-
Share Certificates	-	-	-	-	75	75	-	-
<b>Information according to geographical concentration</b>	<b>386,564</b>	<b>305,286</b>	<b>31,722</b>	<b>-</b>	<b>127,212</b>	<b>100,298</b>	<b>20,127</b>	<b>58,366</b>
Domestic	382,344	303,983	31,722	-	127,212	100,298	3,309	15,298
European Union Countries	139	-	-	-	-	-	7,775	38,359
OECD Countries (***)	581	491	-	-	-	-	316	309
Off-shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	281	312	-	-	-	-	8,727	882
Other Countries	3,219	500	-	-	-	-	-	3,518
<b>Total</b>	<b>386,564</b>	<b>305,286</b>	<b>31,722</b>	<b>-</b>	<b>127,212</b>	<b>100,298</b>	<b>20,127</b>	<b>58,366</b>

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

(\*\*) Includes the on balance sheet transactions classified in the Uniform Chart of Accounts except the ones in the first three categories and the transactions defined as loan in the Article 48 of the Banking Act No: 5411.

(\*\*\*) OECD countries other than European Union countries, USA and Canada

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**Information according to geographical concentration:**

	Assets	Liabilities	Non-Cash Loans	Equity Investments	Net Income
<b>Current Period</b>					
Domestic	615,342	385,932	359,858	75	602
European Union Countries	7,787	93,077	16,071	-	-
OECD Countries (*)	1,016	4,195	2,397	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	9,007	16,405	-	-	-
Other Countries	3,225	30,985	-	-	-
Associates, Subsidiaries and Entities					
Under Common Control	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
<b>Total</b>	<b>636,377</b>	<b>530,594</b>	<b>378,326</b>	<b>75</b>	<b>602</b>
<b>Prior Period</b>					
Domestic	470,553	369,688	397,707	11,320	(2,571)
European Union Countries	38,359	51,114	4,409	-	-
OECD Countries (*)	309	14,137	438	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	1,193	19,163	-	-	-
Other Countries	4,509	1,885	1,119	-	-
Associates, Subsidiaries and Entities					
Under Common Control	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
<b>Total</b>	<b>514,923</b>	<b>455,987</b>	<b>403,673</b>	<b>11,320</b>	<b>(2,571)</b>

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

(\*\*) Assets and liabilities that cannot be allocated on a coherent basis.

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**Sector concentrations for cash loans:**

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	25,016	7.41	903	1.12	10,839	4.60	-	0.00
Farming and Raising Livestock	18,595	5.51	903	1.12	5,159	2.19	-	0.00
Forestry, Wood and Paper	6,411	1.91	-	0.00	5,450	2.31	-	0.00
Fishery	10	0.00	-	0.00	230	0.10	-	0.00
Manufacturing	87,886	26.03	29,630	36.71	33,543	14.25	8,723	12.49
Mining and Quarry	21,477	6.36	5,384	6.67	12,256	5.21	1,293	1.85
Production	59,648	17.67	22,860	28.32	10,671	4.53	6,120	8.76
Electricity, Gas and Water	6,761	2.00	1,386	1.72	10,616	4.51	1,310	1.88
Construction	35,355	10.47	4,103	5.08	20,990	8.92	6,300	9.02
Services	141,644	41.96	32,061	39.72	104,782	44.51	36,917	52.85
Wholesale and Retail Trade	41,849	12.40	913	1.13	11,100	4.71	211	0.30
Hotel, Tourism, Food and Beverage Services	7,826	2.32	11,920	14.77	2,623	1.11	6,638	9.50
Transportation and Communication	51,234	15.18	19,228	23.82	41,549	17.65	29,782	42.63
Financial Institutions	31,722	9.40	-	0.00	44,684	18.98	-	0.00
Real Estate and Renting Services	-	0.00	-	0.00	-	0.00	-	0.00
Self-Employment Services	634	0.19	-	0.00	-	0.00	-	0.00
Education Services	376	0.11	-	0.00	-	0.00	-	0.00
Health and Social Services	8,003	2.37	-	0.00	4,826	2.05	286	0.41
Other	47,673	14.12	14,015	17.36	65,278	27.73	17,914	25.64
<b>Total</b>	<b>337,574</b>	<b>100</b>	<b>80,712</b>	<b>100</b>	<b>235,432</b>	<b>100</b>	<b>69,854</b>	<b>100</b>

Analysis of Bank's financial assets per sectors considering existing quarantees and not considering as follows: (December 31, 2006: Segmentation cannot be performed)

<b>Current Period</b>	<b>Maximum Gross Amount Exposure to risk (*)</b>	<b>Maximum Net Amount Exposure to risk (*)</b>
Agricultural	37,824	19,440
Farming and Raising Livestock	28,471	19,416
Forestry, Wood and Paper	9,329	-
Fishery	24	24
Manufacturing	202,542	108,513
Mining and Quarry	60,158	43,355
Production	111,429	39,265
Electricity, Gas and Water	30,955	25,893
Construction	198,456	135,845
Services	428,960	280,117
Wholesale and Retail Trade	63,251	43,189
Hotel, Tourism, Food and Beverage Services	20,486	-
Transportation and Communication	94,244	41,247
Financial Institutions	231,566	191,994
Real Estate and Renting Services	286	4
Self-Employment Services	3,329	1,706
Education Services	400	400
Health and Social Services	15,398	1,577
Other	120,191	84,533
<b>Total</b>	<b>987,973</b>	<b>628,448</b>

(\*) Total amount of Cash loan risks and Non-cash loans risks



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Prior Period	Maximum Gross Amount Exposure to risk (*)	Maximum Net Amount Exposure to risk (*)
Agricultural	25,866	-
Farming and Raising Livestock	18,912	-
Forestry, Wood and Paper	6,721	-
Fishery	233	-
Manufacturing	93,486	8,336
Mining and Quarry	22,909	1,724
Production	31,098	-
Electricity, Gas and Water	39,479	6,612
Construction	178,618	22,434
Services	413,966	193,036
Wholesale and Retail Trade	28,204	-
Hotel, Tourism, Food and Beverage Services	9,835	-
Transportation and Communication	101,967	-
Financial Institutions	255,391	188,463
Real Estate and Renting Services	-	-
Self-Employment Services	-	-
Education Services	13	13
Health and Social Services	18,556	4,560
Other	191,611	-
<b>Total</b>	<b>903,547</b>	<b>223,806</b>

(\*) Total amount of Cash loan risks and Non-cash loans risks

The table below shows the maximum exposure to credit risk for the components of the financial statements:

	Current Period	Prior Period
Central Bank of Turkey	11,170	14,974
Due from banks	20,127	58,366
Trading financial assets	127,137	97,966
Derivative financial instruments	-	51
Financial assets available-for-sale	75	2,332
Loans	418,905	306,004
<b>Total</b>	<b>577,414</b>	<b>479,693</b>
Contingent liabilities	378,326	403,673
Commitments	32,233	20,181
<b>Total</b>	<b>410,559</b>	<b>423,854</b>
<b>Total credit risk exposure</b>	<b>987,973</b>	<b>903,547</b>

The maximum credit risk exposure to any client or counterparty as of December 31 2007 for cash loans and non cash loans was TRY 18,479 Thousand and TRY 19,826 Thousand respectively. (December 31, 2006: TRY 18,273 Thousand, TRY 24,042 Thousand) before taking account of collateral and other credit enhancements and TRY 17,947 Thousand and TRY 19,826 Thousand (December 31,2006: TRY 18,273 Thousand for cash loans, TRY 24,042 Thousand ) net of such protection.

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Credit quality per class of financial assets as of December 31, 2007 is as follows:

<b>Current Period</b>	<b>Neither past due nor impaired</b>	<b>Past due or individually impaired</b>	<b>Total</b>
Due from banks	20,127	-	20,127
Financial assets designated at fair value through profit or loss	127,137	-	127,137
Loans to customers			
Corporate lending	364,770	2,443	367,213
Small business lending	44,103	996	45,099
Consumer lending	6,430	163	6,593
Other	-	-	-
<b>Total</b>	<b>562,567</b>	<b>3,602</b>	<b>566,169</b>
Financial investments			
Quoted on a stock exchange-domestic public sector debt securities	-	-	-
Quoted on a stock exchange-Other debt securities	-	-	-
Unquoted on a stock exchange-Debt securities	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>562,567</b>	<b>3,602</b>	<b>566,169</b>

(\*) Prior period segment of line of business can not be done by the system.

	<b>Internal Rating Grade</b>	<b>Total</b>	<b>(%)</b>
High			
Risk rating class 1	A+ Excellent	3,898	0.93
Risk rating class 2	A- Excellent	341	0.08
Good			
Risk rating class 3	B+ Very Good	14,059	3.36
Risk rating class 4	B- Very Good	37,704	9.01
Standard			
Risk rating class 5	C+ Good	77,046	18.42
Risk rating class 6	C- Good	95,142	22.75
Substandard			
Risk rating class 7	D+ Ordinary	66,910	16.00
Risk rating class 8	D- Ordinary	61,517	14.71
Impaired			
Risk rating class 9	E Bad	16,765	4.01
Risk rating class 10	F Very Bad	6,778	1.62
Unrated		38,126	9.11
<b>Total</b>		<b>418,286</b>	<b>100</b>

(\*) Prior period data cannot be obtained by the system.

The Bank use 3 main factors for internal loan rating system. These are financial data, non-financial data and specialist decisions. Financial data consist of liquidity, financial structure, profitability, growth ratios and turnover rate. Non financial data consist of loan client business, relation with finance sector and sector analysis. The Bank measures the credit rating of companies by making comparisons regarding the financial data and non financial-data.

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In the above internal loan rating table, Loans rated as D+ and D- contain customers that are operating in construction, sea transportation and car-rental businesses. Their proportions in the D+ and D- rated loans are 28%, 14% and 14% respectively. There are specific features in the financials of these businesses to affect the rating. Due to these companies operating with a high leverage and negative working capital especially in the sea transportation and car rental businesses, these borrowing customers are rated D despite their high credit worthiness. Construction firms are classified as D+ and D- because of the sector characteristics. In the existing rating system, financial institutions are not rated. In the un-rated section, 22% of TRY 38,126 Thousand balance consists of financial institutions.

In the existing rating system, the collateral assigned to loans are not taken into account in the rating.

The Bank made an agreement with Consulting Company which is authorized distributor of Dun and Bradstreet Ltd to establish a new Credit Scoring model which is applicable to Small Business and commercial/corporate segments to compatible to Basel II and cure determined defaults that will be in use starting from mid 2008.

Recorded amount of financial assets whose terms or maturities have been renegotiated:

	Current Period	Prior Period
Due from banks	-	-
Financial assets designated at fair value through profit or loss	-	-
Loans and advances to customers	176	409
Corporate lending	120	-
Small business lending	56	409
Consumer lending	-	-
Other	-	-
<b>Total</b>	<b>176</b>	<b>409</b>

### III. Explanations Related to Market Risk

The Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" issued on Official Gazette dated November 1, 2006 numbered 26333.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to VAR calculated by using the standard method (summarised below) is taken into consideration. Beside the standart method, market risk (VAR) is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by two different methods which are historic simulation, parametric method, and these results are also reported daily to the management.

Market risk (Value at risk) is also calculated by using internal model beside the standart method and results are supported by using scenario analysis and stress tests.

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**a) Information Related to Market Risk**

	<b>Amount</b>
(I) Capital Requirement to be Employed For General Market Risk-Standard Method	1,341
(II) Capital Requirement to be Employed For Specific Risk-Standard Method	-
(III) Capital Requirement to be Employed For Currency Risk-Standard Method	266
(IV) Capital Requirement to be Employed For Commodity Risk-Standard Method	-
(V) Capital Requirement to be Employed For Settlement Risk-Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options-Standard Method	-
(VII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(VIII) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	1,607
(IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)	20,088

**b) Average market risk table calculated at the end of the months during the period:**

	<b>Current Period</b>			<b>Prior Period</b>		
	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Interest Rate Risk	1,105	1,341	798	1,463	2,169	634
Common Stock Risk	18	51	-	107	335	22
Currency Risk	211	449	102	371	689	36
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
<b>Total Value Subject to Risk</b>	<b>1,334</b>	<b>1,841</b>	<b>900</b>	<b>1,941</b>	<b>3,193</b>	<b>692</b>

**Other price risks:**

The Bank does not invest in share certificates quoted on a stock exchange hence it is not subject to share price risk.

**IV. Explanations Related to Operational Risk**

- a) The Bank calculate amount subject to Operational risk by using the Basic Indicator approach in accordance with the Communiqué on 4. part "amount subject to Operational Risk Calculation" which was published in June 1, 2007, of "Measurement and Assessment of Capital Adequacy of Banks ", which was published on November 1, 2006 in the Official Gazette numbered 26333. Amount subject to Operational Risk is TRY 57,364 Thousand by using the year end gross revenue of prior 3 year 2004, 2005 and 2006. (December 31, 2006: Decree is not in force).
- b) The Bank does not use the Standard Approach.

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**V. Explanations Related to Currency Risk**

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Bank's positions are also monitored.

As an element of the Bank's risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

The announced current foreign exchange buying rates of the Bank at December 31, 2007 and the previous five working days in full TRY are as follows (Bank FC evaluation rate):

	24.12.2007	25.12.2007	26.12.2007	27.12.2007	28.12.2007	31.12.2007
USD	1.1799	1.1746	1.1715	1.1708	1.1647	1.1593
CHF	1.0196	1.0136	1.0175	1.0190	1.0308	1.0290
GBP	2.3333	2.3235	2.3226	2.3297	2.3291	2.3276
100 JPY	1.0324	1.0296	1.0265	1.0237	1.0315	1.0368
EURO	1.6989	1.6912	1.6946	1.6994	1.7115	1.7044

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before December 31, 2007 are as follows:

	Monthly Average Foreign Exchange Rate
USD	1.1730
CHF	1.0287
GBP	2.3703
JPY	1.0427
EURO	1.7079

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**Information on the foreign currency risk of the Bank:**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>YEN</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>Assets</b>					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	1,397	3,291	-	69	4,757
Banks	3,624	15,363	140	985	20,112
Financial Assets at Fair Value Through Profit and Loss (**)	36	3,777	-	-	3,813
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	-	-	-	-	-
Loans (*)	97,374	106,254	-	-	203,628
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets	6,696	21,775	-	-	28,471
<b>Total Assets</b>	<b>109,127</b>	<b>150,460</b>	<b>140</b>	<b>1,054</b>	<b>260,781</b>
<b>Liabilities</b>					
Bank Deposits	29	10	12	-	51
Foreign Currency Deposits	44,429	70,949	-	50	115,428
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	16,843	126,385	-	-	143,228
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	178	127	-	-	305
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities	2,999	434	-	5	3,438
<b>Total Liabilities</b>	<b>64,478</b>	<b>197,905</b>	<b>12</b>	<b>55</b>	<b>262,450</b>
<b>Net Balance Sheet Position</b>	<b>44,649</b>	<b>(47,445)</b>	<b>128</b>	<b>999</b>	<b>(1,669)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(43,633)</b>	<b>43,277</b>	<b>-</b>	<b>-</b>	<b>(356)</b>
Financial Derivative Assets	-	43,277	-	-	43,277
Financial Derivative Liabilities	43,633	-	-	-	43,633
Non-Cash Loans (***)	59,144	118,824	704	3,320	181,992
<b>Prior Period</b>					
Total Assets	61,705	161,554	157	1,051	224,467
Total Liabilities	51,724	172,592	6	32	224,354
Net Balance Sheet Position	9,981	(11,038)	151	1,019	113
Net Off-Balance Sheet Position	(10,743)	9,935	-	-	(808)
Financial Derivative Assets	-	10,780	-	-	10,780
Financial Derivative Liabilities	10,743	845	-	-	11,588
Non-Cash Loans	74,499	136,689	72	662	211,922

(\*) Foreign currency indexed loans amounting to TRY 122,916 Thousand (December 31, 2006: TRY 78,667 Thousand) are included in the loan portfolio

(\*\*) Other liabilities column contains TRY 399 Thousand expense accruals from derivative financial instruments .

(\*\*\*) There are no effects on the net off-balance sheet position.

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**Foreign currency sensitivity:**

The Bank is mainly exposed to EUR and USD currencies.

The following table details the Bank's sensitivity to a 10% increase or decrease in the TRY against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. Positive/(Negative) number indicates a change in profit or loss and other equity where USD and EUR increase %10 against TRY.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		Current Period	Prior Period	Current Period	Prior Period
		USD	10	(417)	(110)
EURO	10	102	(76)	-	-

**VI. Explanations Related to Interest Rate Risk**

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

Risk Department performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank does not permit maturity mismatches or imposes limits on mismatch, a significant interest rate risk exposure is not expected.

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Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non- interest bearing	Total
<b>Current Period</b>							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	-	-	-	-	-	16,528	16,528
Banks	16,588	-	-	-	-	3,539	20,127
Financial Assets at Fair Value Through Profit and Loss	-	7,297	50,809	65,254	3,777	-	127,137
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	-	-	-	-	-	75	75
Loans (**)	346,915	19,551	32,619	19,147	54	-	418,286
Held-To-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*)	21,133	5,405	1,615	-	-	26,146	54,299
<b>Total Assets</b>	<b>384,636</b>	<b>32,253</b>	<b>85,043</b>	<b>84,401</b>	<b>3,831</b>	<b>46,288</b>	<b>636,452</b>
Liabilities							
Bank Deposits	1,000	-	-	-	-	446	1,446
Other Deposits	206,084	80,167	8,951	98	-	34,724	330,024
Money Market Borrowings	22,032	-	-	-	-	-	22,032
Sundry Creditors	-	-	-	-	-	2,793	2,793
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	8,109	123,337	14,559	-	-	-	146,005
Other Liabilities (**)	885	75	351	776	-	132,065	134,152
<b>Total Liabilities</b>	<b>238,110</b>	<b>203,579</b>	<b>23,861</b>	<b>874</b>	<b>-</b>	<b>170,028</b>	<b>636,452</b>
Balance Sheet Long Position	146,526	-	61,182	83,527	3,831	-	295,066
Balance Sheet Short Position	-	(171,326)	-	-	-	(123,740)	(295,066)
Off-Balance Sheet Long Position	-	-	-	-	-	47,531	47,531
Off-Balance Sheet Short Position	-	-	-	-	-	(47,892)	(47,892)
<b>Total Position</b>	<b>146,526</b>	<b>(171,326)</b>	<b>61,182</b>	<b>83,527</b>	<b>3,831</b>	<b>(124,101)</b>	<b>(361)</b>

(\*) The other assets line in the non-interest bearing column consist of tangible assets amounting to 5,952, intangible assets amounting to TRY 997 Thousand, deferred tax asset amounting to TRY 1,012 Thousand, net non performing loans amounting to TRY 619 Thousand and other assets amounting to 17,566 Thousand TRY.

(\*\*) The other liability line in the non-interest bearing column consist of shareholders' equity amounting to TRY 105,858 Thousand.

(\*\*\*) Up to 1 month column consist of rotative loans and corporate FC indexed loans.



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**Average interest rates applied to monetary financial instruments:**

	EURO %	USD %	YEN %	TRY %
<b>Current Period</b>				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	1.70	2.33	-	12.93
Banks	3.41	4.54	-	-
Financial Assets At Fair Value Through Profit And Loss	5.88	6.75	-	16.73
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	-	-	-	-
Loans	6.76	6.66	-	22.62
Held-To-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	16.65
Other Deposits	3.85	5.37	-	19.46
Money Market Borrowings	-	-	-	16.72
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	4.97	5.79	-	15.43

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	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non- interest bearing	Total
<b>Prior Period</b>							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-	-	18,687	18,687
Banks	51,498	-	-	-	-	6,868	58,366
Financial Assets at Fair Value Through Profit and Loss	9,236	3,362	32,647	52,424	-	348	98,017
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	7	3	26	-	2,222	74	2,332
Loans	216,493	29,761	40,043	18,882	107	-	305,286
Held-To-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*)	28,262	3,673	897	-	-	10,723	43,555
<b>Total Assets</b>	<b>305,496</b>	<b>36,799</b>	<b>73,613</b>	<b>71,306</b>	<b>2,329</b>	<b>36,700</b>	<b>526,243</b>
Liabilities							
Bank Deposits	-	-	-	-	-	1,873	1,873
Other Deposits	221,476	74,718	15,408	-	-	23,992	335,594
Money Market Borrowings	21,051	-	-	-	-	-	21,051
Sundry Creditors	-	-	-	-	-	2,757	2,757
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	3,210	4,048	79,137	1,277	-	-	87,672
Other Liabilities (**)	4	-	-	-	-	77,292	77,296
<b>Total Liabilities</b>	<b>245,741</b>	<b>78,766</b>	<b>94,545</b>	<b>1,277</b>	<b>-</b>	<b>105,914</b>	<b>526,243</b>
Balance Sheet Long Position	59,755	-	-	70,029	2,329	-	132,113
Balance Sheet Short Position	-	(41,967)	(20,932)	-	-	(69,214)	(132,113)
Off-Balance Sheet Long Position	10,781	594	304	-	-	-	11,679
Off-Balance Sheet Short Position	(10,743)	(562)	(281)	-	-	-	(11,586)
<b>Total Position</b>	<b>59,793</b>	<b>(41,935)</b>	<b>(20,909)</b>	<b>70,029</b>	<b>2,329</b>	<b>(69,214)</b>	<b>93</b>

(\*) The other assets line in the non-interest bearing column consist of tangible assets amounting to 6,710, intangible assets amounting to TRY 288 Thousand, deferred tax asset amounting to TRY 1,051 Thousand, watch list loans (net) amounting to TRY 718 Thousand and other assets amounting to TRY 1,956 Thousand.

(\*\*) The other liability line in the non-interest bearing column consist of shareholders' equity amounting to TRY 70,256 Thousand.

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**Average interest rates applied to monetary financial instruments**

	EURO %	USD %	YEN %	TRY %
<b>Prior Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	1.73	2.52	-	13.12
Banks	-	5.4	-	-
Financial Assets At Fair Value Through Profit And Loss	-	-	-	20.68
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	-	6.81	-	-
Loans	7.4	7.85	-	22.68
Held-To-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	3.99	5.76	2.02	22.50
Money Market Borrowings	-	-	-	18.98
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	2.55	6.25	-	16.25

**Interest rate sensitivity:**

If interest rates had been increased by 0.5% in TRY and by %0.5 in FC and all other variables were held constant, the Bank's:

- Net profit would change by TRY 293 Thousand (2006-TRY 235 Thousand). The main reason of this is fair value change of held for trading government bonds that the Bank holds.
- Bank Shareholders' equity amount would not be affected. (2006-Shareholders' equity amount would not be affected).

**Interest rate swap contracts:**

The Bank does not have any interest rate swap contracts outstanding as of balance sheet date.

## Turklandbank Anonim Şirketi

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#### VII. Explanations Related to Liquidity Risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TRY and foreign currency assets and liabilities on the balance sheet and their costs. In this sense, quaranteeing to satisfy this, the Board of Directors determines and follows the standards of liquidity ratios.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources.

During current period, liquidity ratios were as follows:

	Current Period		Prior Period	
	FC	Total	FC	Total
31 December	278.21%	532.11%	156.85%	116.87%
Period Avarage	269.67%	340.84%	170.50%	123.46%
Maximum	645.14%	700.46%	212.91%	139.73%
Minumum	100.82%	107.23%	144.97%	107.10%

(\*) Calculated as BRSA decree " Bank's liquidity measurement and evaluation decree".

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**Presentation of assets and liabilities according to their remaining maturities:**

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Undistributed (*)</b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	16,528	-	-	-	-	-	-	16,528
Banks	3,539	16,588	-	-	-	-	-	20,127
<b>Financial Assets at Fair Value Through Profit and Loss</b>								
Money Market Placements	-	-	-	50,809	66,866	9,462	-	127,137
Available-For-Sale Financial Assets	-	-	-	-	-	-	75	75
Loans	-	346,915	19,551	32,619	19,147	54	-	418,286
Held-To-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets	-	38,699	5,405	1,615	-	-	8,580	54,299
<b>Total Assets</b>	<b>20,067</b>	<b>402,202</b>	<b>24,956</b>	<b>85,043</b>	<b>86,013</b>	<b>9,516</b>	<b>8,655</b>	<b>636,452</b>
<b>Liabilities</b>								
Bank Deposits	446	1,000	-	-	-	-	-	1,446
Other Deposits	34,724	206,084	80,167	8,951	98	-	-	330,024
<b>Funds Provided From Other Financial Institutions</b>								
Money Market Borrowings	-	22,032	-	-	-	-	-	22,032
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	2,793	-	-	-	-	-	2,793
Other Liabilities	-	21,763	75	351	776	-	111,187	134,152
<b>Total Liabilities</b>	<b>35,170</b>	<b>261,780</b>	<b>84,854</b>	<b>142,587</b>	<b>874</b>	<b>-</b>	<b>111,187</b>	<b>636,452</b>
<b>Liquidity Gap</b>	<b>(15,103)</b>	<b>140,422</b>	<b>(59,898)</b>	<b>(57,544)</b>	<b>85,139</b>	<b>9,516</b>	<b>(102,532)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	25,555	254,449	77,874	137,752	19,946	108	10,559	526,243
Total Liabilities	25,865	251,520	78,766	94,545	1,277	-	74,270	526,243
<b>Liquidity Gap</b>	<b>(310)</b>	<b>2,929</b>	<b>(892)</b>	<b>43,207</b>	<b>18,669</b>	<b>108</b>	<b>(63,711)</b>	<b>-</b>

(\*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and non-performing loans, are classified as under undistributed.

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**Analysis of financial liabilities by remaining contractual maturities:**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
<b>As of December 31, 2007</b>							
Bank Deposits	1,447	-	-	-	-	(1)	1,446
Other deposits	241,853	81,760	9,305	116	-	(3,010)	330,024
Funds provided from other financial institutions	11,520	4,668	134,391	-	-	(4,574)	146,005
Money market borrowings	22,042	-	-	-	-	(10)	22,032
<b>Total</b>	<b>276,862</b>	<b>86,428</b>	<b>143,696</b>	<b>116</b>	<b>-</b>	<b>(7,595)</b>	<b>499,507</b>
<b>As of December 31, 2006</b>							
Bank Deposits	1,873	-	-	-	-	-	1,873
Other deposits	246,586	76,461	16,150	-	-	(3,603)	335,594
Funds provided from other financial institutions	5,069	4,436	79,876	1,412	-	(3,121)	87,672
Money market borrowings	21,073	-	-	-	-	(22)	21,051
<b>Total</b>	<b>274,601</b>	<b>80,897</b>	<b>96,026</b>	<b>1,412</b>	<b>-</b>	<b>(6,746)</b>	<b>446,190</b>

**Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>As of December 31, 2007</b>						
Net Settled						
Interest rate swaps	-	-	-	-	-	-
Foreign exchange forward contracts	-	-	-	-	-	-
Gross settled	43,633	-	-	-	-	43,633
Foreign exchange forward contracts	-	-	-	-	-	-
Currency swaps	43,633	-	-	-	-	43,633
<b>Total</b>	<b>43,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,633</b>
<b>As of December 31, 2006</b>						
Net Settled	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Foreign exchange forward contracts	-	-	-	-	-	-
Gross settled	11,588	-	-	-	-	11,588
Foreign exchange forward contracts	2,326	-	-	-	-	2,326
Currency swaps	9,262	-	-	-	-	9,262
<b>Total</b>	<b>11,588</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,588</b>

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**VIII. Explanations Related To Presentation of Financial Assets and Liabilities at Fair Value**

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>438,488</b>	<b>365,984</b>	<b>438,018</b>	<b>365,984</b>
Money Market Placements	-	-	-	-
Banks	20,127	58,366	20,127	58,366
Available-For-Sale Financial Assets	75	2,332	75	2,332
Held-To-Maturity Investments	-	-	-	-
Loans	418,286	305,286	417,816	305,286
<b>Financial Liabilities</b>	<b>480,268</b>	<b>427,896</b>	<b>479,978</b>	<b>427,896</b>
Bank Deposits	1,446	1,873	1,446	1,873
Other Deposits	330,024	335,594	329,734	335,594
Funds Borrowed From Other Financial Institutions	146,005	87,672	146,005	87,672
Marketable Securities Issued	-	-	-	-
Sundry Creditors	2,793	2,757	2,793	2,757

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market, and those where the valuation techniques involves the use of non observable inputs.

Current Period	Quoted	Valuation techniques- market observable	Valuation techniques- non market observable	Fair value not available
<b>Financial Assets</b>				
Money Market Placements	-	-	-	-
Banks	-	20,127	-	-
Available-For-Sale Financial Assets	-	75	-	-
Held-To-Maturity Investments	-	-	-	-
Loans	-	417,816	-	-
<b>Financial Liabilities</b>				
Bank Deposits	-	1,446	-	-
Other Deposits	-	329,734	-	-
Funds Borrowed From Other Financial Institutions	-	146,005	-	-
Marketable Securities Issued	-	-	-	-
Sundry Creditors	-	-	-	2,793

Prior Period	Quoted	Valuation techniques- market observable	Valuation techniques- non market observable	Fair value not available
<b>Financial Assets</b>				
Money Market Placements	-	-	-	-
Banks	-	58,366	-	-
Available-For-Sale Financial Assets	-	2,332	-	-
Held-To-Maturity Investments	-	-	-	-
Loans	-	305,286	-	-
<b>Financial Liabilities</b>				
Bank Deposits	-	1,873	-	-
Other Deposits	-	335,594	-	-
Funds Borrowed From Other Financial Institutions	-	87,672	-	-
Marketable Securities Issued	-	-	-	-
Sundry Creditors	-	-	-	2,757

**IX. Explanations Related To Transactions Made on Behalf of Others and Fudiciary Transactions Explanations Related To Transactions Made on Behalf of Others and Fudiciary Transactions**

The Bank does not deal with transactions made on behalf of others and fudiciary transactions.

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**SECTION FIVE**  
**EXPLANATIONS AND DISCLOSURES ON**  
**UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations Related to the Assets**

**1. a) Information on Cash and Balances with the Central Bank of Turkey:**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	1,069	4,289	538	3,175
Balances with the Central Bank of Turkey	10,702	468	14,503	471
Other	-	-	-	-
<b>Total</b>	<b>11,771</b>	<b>4,757</b>	<b>15,041</b>	<b>3,646</b>

**b) Information related to the account of the Central Bank of Turkey:**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Unrestricted demand deposits (*)	10,702	468	14,503	471
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
<b>Total</b>	<b>10,702</b>	<b>468</b>	<b>14,503</b>	<b>471</b>

(\*) Unrestricted demand deposits include TRY 10,695 Thousand (December 31, 2006-TRY 14,105 Thousand) domestic currency unrestricted demand deposit balance comprise of reserve deposits. Unrestricted demand deposits balance also include average reserve deposits held in the Central Bank. The interest rates applied for reserve deposits are 11.81% for TRY deposits and 1.80% -1.95% for foreign currency deposits (December 31, 2006-TRY 13.12% and FC 1.73%-2.52% ), respectively.

**2. Information on financial assets at fair value through profit and loss (net):**

**a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked:**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	44,696	-	38,175	-
Other	-	-	-	-
<b>Total</b>	<b>44,696</b>	<b>-</b>	<b>38,175</b>	<b>-</b>

**a.2) Financial assets at fair value through profit and loss subject to repurchase agreements:**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government bonds	24,161	-	17,378	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>24,161</b>	<b>-</b>	<b>17,378</b>	<b>-</b>

Net book value of unrestricted financial assets at fair value through profit and loss is TRY 54,467 Thousand. (December 31, 2006-TRY 42,066 Thousand).



## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

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#### a.3) Positive differences related to derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	-	-	10	-
Swap Transactions	-	-	-	41
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>41</b>

#### 3. a) Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic	15	3,294	10,033	5,265
Foreign	-	16,818	-	43,068
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>15</b>	<b>20,112</b>	<b>10,033</b>	<b>48,333</b>

#### b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	7,775	38,359	-	-
USA and Canada	8,727	882	-	-
OECD Countries (*)	316	309	-	-
Off-shore banking regions	-	-	-	-
Other	-	3,518	-	-
<b>Total</b>	<b>16,818</b>	<b>43,068</b>	<b>-</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada.

#### 4. Information on financial assets available-for-sale:

a.1) Information on financial assets available-for-sale given as collateral or blocked: None.

a.2) Information on financial assets available for sale subject to repurchase agreements: None.

b) Information on financial assets available for sale: None.

#### 5. Information on loans:

##### a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	74	253	273	7,704
Corporate shareholders	-	-	140	7,519
Real person shareholders	74	253	133	185
Indirect loans granted to shareholders	420	11,849	-	-
Loans granted to employees	155	40	61	-
<b>Total</b>	<b>649</b>	<b>12,142</b>	<b>334</b>	<b>7,704</b>

**Turklandbank Anonim Şirketi**  
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**b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:**

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Cash Loans</b>				
Non-specialized loans	415,127	176	2,983	-
Discount notes	-	-	-	-
Export loans	80,900	120	-	-
Import loans	-	-	-	-
Loans given to financial sector	31,722	-	-	-
Foreign loans	4,220	-	-	-
Consumer loans	4,142	-	-	-
Credit cards	616	-	-	-
Precious metals loans	-	-	-	-
Other	293,527	56	2,983	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>415,127</b>	<b>176</b>	<b>2,983</b>	<b>-</b>

**c) Loans according to their maturity structure:**

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Cash Loans</b>				
Short-term loans and other receivables	366,575	176	2,983	-
Non-specialized loans	366,575	176	2,983	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	48,552	-	-	-
Non-specialized loans	48,552	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>415,127</b>	<b>176</b>	<b>2,983</b>	<b>-</b>

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**d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:**

	Short Term	Medium and Long Term	Total
<b>Consumer Loans-TRY</b>	<b>570</b>	<b>1,879</b>	<b>2,449</b>
Housing Loans	-	118	118
Car Loans	-	164	164
General Purpose Loans	570	1,558	2,128
Other	-	39	39
<b>Consumer Loans-Indexed to FC</b>	<b>-</b>	<b>1,549</b>	<b>1,549</b>
Housing Loans	-	449	449
Car Loans	-	128	128
General Purpose Loans	-	297	297
Other	-	675	675
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TRY</b>	<b>226</b>	<b>-</b>	<b>226</b>
With Installments	-	-	-
Without Installments	226	-	226
<b>Individual Credit Cards-FC</b>	<b>87</b>	<b>-</b>	<b>87</b>
With Installments	-	-	-
Without Installments	87	-	87
<b>Personnel Loans-TRY</b>	<b>75</b>	<b>-</b>	<b>75</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	75	-	75
Other	-	-	-
<b>Personnel Loans-Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	<b>44</b>	<b>-</b>	<b>44</b>
With Installments	-	-	-
Without Installments	44	-	44
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TRY(Real Persons) (*)</b>	<b>69</b>	<b>-</b>	<b>69</b>
<b>Overdraft Accounts-FC(Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,071</b>	<b>3,428</b>	<b>4,499</b>

(\*) Overdraft Accounts includes TRY 36 Thousand personnel loans.

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**e) Information on commercial loans with installments and corporate credit cards:**

	Short Term	Medium and Long Term	Total
<b>Commercial loans with installment facility-TRY</b>	<b>2,419</b>	<b>8,837</b>	<b>11,256</b>
Business Loans	-	1,974	1,974
Car Loans	108	1,837	1,945
General Purpose Loans	-	537	537
Other	2,311	4,489	6,800
<b>Commercial loans with installment facility-Indexed to FC</b>	<b>2,362</b>	<b>26,388</b>	<b>28,750</b>
Business Loans	-	602	602
Car Loans	68	18,327	18,395
General Purpose Loans	-	-	-
Other	2,294	7,459	9,753
<b>Commercial loans with installment facility -FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TRY</b>	<b>101</b>	<b>-</b>	<b>101</b>
With Installments	-	-	-
Without Installments	101	-	101
<b>Corporate Credit Cards-FC</b>	<b>158</b>	<b>-</b>	<b>158</b>
With Installments	-	-	-
Without Installments	158	-	158
<b>Overdraft Accounts-TRY(Legal Entities)</b>	<b>453</b>	<b>-</b>	<b>453</b>
<b>Overdraft Accounts-FC(Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5,493</b>	<b>35,225</b>	<b>40,718</b>

**f) Loans according to borrowers:**

	Current Period	Prior Period
Public	-	-
Private	418,286	305,286
<b>Total</b>	<b>418,286</b>	<b>305,286</b>

**g) Domestic and foreign loans:**

	Current Period	Prior Period
Domestic loans	414,066	303,984
Foreign loans	4,220	1,302
<b>Total</b>	<b>418,286</b>	<b>305,286</b>

**h) Loans granted to subsidiaries and associates:**

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	-	3,634
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>-</b>	<b>3,634</b>

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**i) Specific provisions provided against loans:**

	Current Period	Prior Period
Specific provisions		
Loans and receivables with limited collectibility	2	2
Loans and receivables with doubtful collectibility	3,534	563
Uncollectible loans and receivables	4,996	4,963
<b>Total</b>	<b>8,532</b>	<b>5,528</b>

**j) Information on non-performing loans: (Net):**

j.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled: None.

**j.2) The movement 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
Prior period end balance	11	652	5,583
Additions (+)	4,796	28	67
Transfers from other categories of non-performing loans (+)	-	4,328	1,072
Transfers to other categories of non-performing loans (-)	(4,328)	(1,072)	-
Collections (-)	(333)	(138)	(1,515)
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	146	3,798	5,207
Specific provision (-)	(2)	(3,534)	(4,996)
<b>Net Balances on Balance Sheet</b>	<b>144</b>	<b>264</b>	<b>211</b>

j.3) Information on foreign currency non-performing loans and other receivables: None.

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j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables with	receivables with	loans and
	limited collectibility	doubtful collectibility	receivables
<b>Current Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	146	3,798	5,207
Specific provision (-)	(2)	(3,534)	(4,996)
<b>Loans to Real Persons and Legal Entities (Net)</b>	<b>144</b>	<b>264</b>	<b>211</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other Loans and Receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	11	652	5,583
Specific provision (-)	(2)	(563)	(4,963)
<b>Loans to Real Persons and Legal Entities (Net)</b>	<b>9</b>	<b>89</b>	<b>620</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other Loans and Receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

k) Main principles of liquidation policies of non performing loans and receivables:

According to the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published on Official Gazette No. 26333 dated November 1, 2006; legal action is carried on considering firms, guarantors and existing collaterals and provision sets at the amount of non-performing loan in accordance with the relevant decree.

l) Explanations on write-off policy:

Upon the request of internal legal counsel and credit department for those doubtful loans that have no proven change of recovery, write off is evaluated according to the authority delegated by the Board Of Directors.

m) Other explanations and disclosures:

Current Period	Corporate	Small Business	Retail	Other	Total
Neither past due nor impaired	364,650	44,047	6,430	-	415,127
Past due not impaired	1,987	996	-	-	2,983
Restructured loans	120	56	-	-	176
Individually impaired	7,598	236	1,317	-	9,151
Total gross	374,355	45,335	7,747	-	427,437
Less: allowance for individually impaired loans	(7,142)	(236)	(1,154)	-	(8,532)
Total net	367,213	45,099	6,593	-	418,905

## Turklandbank Anonim Şirketi

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A reconciliation of the allowance for impairment losses and advances by classes is as follows;

	Corporate	Small Business	Retail	Other	Total
At January 1, 2007	4,186	541	801	-	5,528
Charge for the year	3,569	-	393	-	3,962
Recoveries	(613)	(305)	(40)	-	(958)
Amounts written off	-	-	-	-	-
Accrued interest on impaired loans and advances	-	-	-	-	-
At December 31, 2007	7,142	236	1,154	-	8,532

Details about impairment losses provision is as follows;

	Corporate	Small Business	Retail	Other	Total
Special impairment loss provision	7,142	236	1,154	-	8,532
Net value of non performing loans (before impairment loss provision is deducted)	7,598	236	1,317	-	9,151

The fair value of collateral, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined to be impaired at December 31, 2007 is TRY 2,196 Thousand. (2006: TRY 9,102 Thousand).

Collaterals and credit enhancements obtained during the year is amounting to TRY 774 Thousand.

Aging analysis of past due but not impaired loans per class of financial instruments is as follows:

December 31, 2007	Less than 30	31-60 Days	61-90 Days	More than 91 Days	Total
Loans and advances to customers					
Corporate lending	1,987	-	-	-	1,987
Small business lending	958	-	38	-	996
Consumer lending	-	-	-	-	-
Credit cards	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>2,945</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>2,983</b>

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank held as at December 31, 2007 was TRY 27,434 Thousand (2006: TRY 23,560 Thousand) for the total aggregate amount of gross past due but not yet impaired loans and advances to customers.

Loans and advances amounting to TRY 314,041 Thousand have floating interest rates (2006-TRY 183,415 Thousand ) and the rest TRY 104,245 Thousand have fixed interest rates. (2006 -TRY 121,871 Thousand).

#### 6. Information on held-to-maturity investments:

The Bank has no held-to-maturity investments.

#### 7. Information on associates (Net):

The Bank has no associates in the current period

#### 8. Information on subsidiaries (Net):

The Bank has no subsidiaries in the current period.

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**9. Information on entities under common control:**

The Bank has no entities under common control in the current period.

**10. Information on finance lease receivables (Net):**

The Bank has no lease receivables in the current period.

**11. Information on derivative financial assets for hedging purposes:**

The Bank has no financial assets for hedging purposes in the current period.

**12. Information on tangible assets (Net):**

	Opening Balance December 31, 2006	Additions	Disposals	Other	Ending Balance December 31, 2007
Cost:					
Land and buildings	4,980	-	(4,980)	-	-
Leased tangible assets	2,797	1,440	-	-	4,237
Vehicles	459	-	(292)	-	167
Other	9,874	3,280	(539)	-	12,615
<b>Total Cost</b>	<b>18,110</b>	<b>4,720</b>	<b>(5,811)</b>	<b>-</b>	<b>17,019</b>
	Opening Balance December 31, 2006	Period Charge	Disposals	Other	Ending Balance December 31, 2007
Accumulated Depreciation:					
Land and buildings	(528)	-	528	-	-
Leased tangible assets	(2,704)	(76)	-	-	(2,780)
Vehicles	(430)	(9)	273	-	(166)
Other	(7,738)	(812)	429	-	(8,121)
<b>Total Accumulated Depreciation</b>	<b>(11,400)</b>	<b>(897)</b>	<b>1,230</b>	<b>-</b>	<b>(11,067)</b>
<b>Net Book Value</b>	<b>6,710</b>	<b>3,823</b>	<b>4,581</b>	<b>-</b>	<b>5,952</b>

**a) If impairment amount on individual asset recorded or reversed in the current period is material for the overall financial statements:**

a.1) Events and conditions for recording or reversing impairment: None.

a.2) Amount of recorded or reversed impairment in the financial statements: None.

**b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.**

**c) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.**



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**13. Information on intangible assets:**

	Opening Balance December 31, 2006	Additions	Disposals	Other	Ending Balance December 31, 2007
Cost:					
Software cost	3,839	819	-	-	4,658
Other intangible assets	138	158	-	-	296
<b>Total Cost</b>	<b>3,977</b>	<b>977</b>	<b>-</b>	<b>-</b>	<b>4,954</b>
	Opening Balance December 31, 2006	Period Charge	Disposals	Other	Ending Balance December 31, 2007
Accumulated Depreciation:					
Software cost	(3,551)	(286)	-	-	(3,837)
Other intangible assets	(103)	(17)	-	-	(120)
<b>Total Accumulated Depreciation</b>	<b>(3,654)</b>	<b>(303)</b>	<b>-</b>	<b>-</b>	<b>(3,957)</b>
<b>Net Book Value</b>	<b>323</b>	<b>674</b>	<b>-</b>	<b>-</b>	<b>997</b>

- a) Disclosures for book value, description and remaining depreciation time for a specific intangible fixed asset that is material to the financial statements: None.
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.
- e) Amount of purchase commitments for intangible fixed assets: None.
- f) Information on revalued intangible assets according to their types: None.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on entity basis: Not applicable for the unconsolidated financial statements.
- i) Information on goodwill: None.
- j) Movements on goodwill in the current period: None.

**14. Investment Property (Net):** None

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**15. Explanations on deferred tax asset:**

- a) As of December 31, 2007, deferred tax asset computed on the temporary differences is TRY 175 Thousand (December 31, 2006-TRY 214 Thousand). The carried forward tax losses and tax deductions or exemptions over which deferred tax asset is computed as TRY 837 Thousand. (December 31, 2006-TRY 837 Thousand)
- b) **Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods:** None.
- c) **Allowance for deferred tax and deferred tax assets from reversal of allowance:** None.

**d) Movement of deferred tax:**

	Current Period	Prior Period
<b>At January 1, 2007</b>	<b>1,051</b>	<b>52</b>
Effect of change in tax rate	-	-
Deferred tax (charge)/benefit	(39)	999
<b>Deferred tax (charge)/benefit (Net)</b>	<b>-</b>	<b>-</b>
Deferred tax journalized in Shareholders' Equity	-	-
<b>Deferred Tax Asset</b>	<b>1,012</b>	<b>1,051</b>

**16. Information on assets held for sale and discontinued operations:** None.

**17. Information on other assets:**

**a) Breakdown of other assets:**

	Current Period	Prior Period
Prepaid Rent Expenses	831	264
Advances Given	3,344	3
Reserve Deposits	28,145	21,655
Exchange accounts	12,693	-
Other	706	1,586
<b>Total</b>	<b>45,719</b>	<b>23,508</b>

- b) **Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total:** None.

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**II. Explanations Related to the Liabilities**

**1 a) Information on maturity structure of deposits:**

**a.1) Current period:**

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month- 1 Year	1 Year And over	Accumulated Deposits	Total
Saving deposits	2,661	-	9,885	137,855	17,237	1,267	99	-	169,004
Foreign currency deposits	14,543	-	26,911	44,577	24,307	4,333	757	-	115,428
Residents in Turkey	14,223	-	26,706	43,395	22,302	2,640	452	-	109,718
Residents abroad	320	-	205	1,182	2,005	1,693	305	-	5,710
Public sector deposits	3,685	-	-	-	-	-	-	-	3,685
Commercial deposits	13,811	-	14,992	12,088	12	8	-	-	40,911
Other institutions deposits	24	-	15	957	-	-	-	-	996
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	446	-	1,000	-	-	-	-	-	1,446
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	344	-	1,000	-	-	-	-	-	1,344
Foreign Banks	102	-	-	-	-	-	-	-	102
Special finance houses	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>35,170</b>	<b>-</b>	<b>52,803</b>	<b>195,477</b>	<b>41,556</b>	<b>5,608</b>	<b>856</b>	<b>-</b>	<b>331,470</b>

**a.2) Prior period:**

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month- 1 Year	1 Year And over	Accumulated Deposits	Total
Saving deposits	1,427	-	13,933	115,802	22,164	6,811	1	-	160,138
Foreign currency deposits	13,334	-	13,884	70,560	20,785	2,200	17,549	-	138,312
Residents in Turkey	12,407	-	13,884	70,461	17,891	1,762	17,119	-	133,524
Residents abroad	927	-	-	99	2,894	438	430	-	4,788
Public sector deposits	-	-	-	-	-	-	-	-	-
Commercial deposits	8,780	-	7,316	20,244	20	7	-	-	36,367
Other institutions deposits	451	-	8	311	7	-	-	-	777
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	1,873	-	-	-	-	-	-	-	1,873
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	6	-	-	-	-	-	-	-	6
Foreign Banks	1,867	-	-	-	-	-	-	-	1,867
Special finance houses	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>25,865</b>	<b>-</b>	<b>35,141</b>	<b>206,917</b>	<b>42,976</b>	<b>9,018</b>	<b>17,550</b>	<b>-</b>	<b>337,467</b>

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

### For the Year Ended December 31, 2007

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#### b) Information on saving deposits:

##### b.1) Saving deposits under the guarantee of saving deposits insurance and exceeding the limit of insurance:

##### i. Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	Under the Guarantee of Insurance		Exceeding the Limit of Insurance	
	Current Period (*)	Prior Period (*)	Current Period (*)	Prior Period (*)
Saving deposits	44,374	27,987	122,436	129,907
Foreign currency saving deposits	20,613	13,678	49,523	64,818
Other deposits in the form of saving deposits	177	131	2,263	2,606
Foreign branches' deposits under foreign Authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>65,164</b>	<b>41,796</b>	<b>174,222</b>	<b>197,331</b>

(\*) According to the BRSA's circular no 1584 dated on February 23, 2005, accruals are included in the saving deposit amount.

##### ii. Deposits of real persons not under the guarantee of saving deposit insurance:

	Current Period	Prior Period
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman and members of the Board of Directors and their close families	206	70
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

## 2. Information on derivative financial liabilities:

### a) Negative differences table related to derivative financial liabilities held-for-trading:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	-	-	-	4
Swap Transactions	-	399	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>399</b>	<b>-</b>	<b>4</b>

### 3.a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	2,777	4,606	4,197	4,664
From Foreign Banks, Institutions and Funds	-	138,622	-	78,811
<b>Total</b>	<b>2,777</b>	<b>143,228</b>	<b>4,197</b>	<b>83,475</b>

**Turklandbank Anonim Şirketi**  
**Notes to the Financial Statements**  
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**b) Maturity analysis of borrowings:**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	2,777	136,899	4,197	80,136
Medium and long-term	-	6,329	-	3,339
<b>Total</b>	<b>2,777</b>	<b>143,228</b>	<b>4,197</b>	<b>83,475</b>

**c) Additional explanations related to the concentrations of the Bank's major liabilities:**

Bank diversifies its funding resources by customer deposits and foreign borrowings.

3.53% of bank deposits and 34.98% of customer deposits are formed by foreign currency deposits.

**4. Information on funds provided from repurchase agreement transactions:**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
<b>From domestic transactions</b>	<b>22,032</b>	<b>-</b>	<b>16,045</b>	<b>-</b>
Financial institutions and organizations	7,503	-	5,508	-
Other institutions and organizations	14,507	-	10,521	-
Real persons	22	-	16	-
<b>From foreign transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>Total</b>	<b>22,032</b>	<b>-</b>	<b>16,045</b>	<b>-</b>

**5. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:** None.

**6. Explanations on financial lease obligations (Net):**

**a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the bank:**

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Code.

**b) The explanation on modifications in agreements and new obligations resulting from such modifications:** None.

**c) Explanation on finance lease payables:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	560	483	1	-
Between 1-4 Years	822	777	-	-
More than 4 Years	-	-	-	-
<b>Total</b>	<b>1,382</b>	<b>1,260</b>	<b>1</b>	<b>-</b>

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

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#### d) Explanations regarding operational leases:

Head-Office and all branch premises of the Bank are leased under operational leases. During 2007, operational lease expenses amounting to TRY 1,919 Thousand (2006- TRY 1,092 Thousand) have been recorded in the profit and loss accounts. The lease periods vary between 5 and 10 years.

#### e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

#### 7. Information on derivative financial liabilities for hedging purposes: None.

#### 8. Information on provisions:

##### a) Information on general provisions:

	Current Period	Prior Period
General Provisions		
Provisions for First Group Loans and Receivables	2,500	1,678
Provisions for Second Group Loans and Receivables	18	6
Provisions for non-Cash Loans	404	419
Other	-	-
<b>Total</b>	<b>2,922</b>	<b>2,103</b>

##### b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses amounting to TRY 7,394 Thousand (December 31, 2006-TRY 1,862 Thousand) on the foreign currency indexed loans are netted off from loans on the balance sheet.

##### c) The specific provisions of TRY 805 Thousand (December 31,2006-TRY 630 Thousand) were provided for unindemnified non cash loans.

##### d) Information on employee termination benefits and unused vacation accrual:

Bank has calculated the reserve for employee termination benefits by using actuarial valuation methods as set out in the TAS No:19 and reflected this in the financial statements.

##### d.1) Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	1,030	669
Benefits paid	(135)	-
Arising during the year	345	361
<b>Total</b>	<b>1,240</b>	<b>1,030</b>

##### e) Information on other provisions:

##### e.1) Provisions for possible losses: None.

##### e.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
The specific provisions provided for unindemnified non cash loans	805	630
Provisions for litigation	362	250
<b>Total</b>	<b>1,167</b>	<b>880</b>

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### Notes to the Financial Statements

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f) Liabilities on pension rights: None.

f.1) Liabilities for pension funds established in accordance with "Social Security Institution": None.

f.2) Liabilities resulting from all kinds of pension funds, foundations etc, which provide post retirement benefits for the employees: None.

#### 9. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Corporate taxes:

	Current Period	Prior Period
Provision for corporate taxes	-	-

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	-	-
Taxation on Securities	493	585
Property Tax	88	15
Banking and Insurance Transaction Tax (BITT)	447	435
Foreign Exchange Transaction Tax	38	25
Value Added Tax Payable	36	19
Other (*)	441	221
<b>Total</b>	<b>1,543</b>	<b>1,300</b>

(\*) Others include payroll tax amounting to TRY 423 Thousand ( 2006: TRY 215 Thousand) and stamp taxes payable amounting to TRY 16 Thousand (December 31,2006-TRY 6 Thousand).

b) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	143	82
Social Security Premiums-Employer	207	120
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	10	6
Unemployment Insurance-Employer	19	11
Other	-	-
<b>Total</b>	<b>379</b>	<b>219</b>

c) Explanations on deferred tax liabilities, if any: None.

10. Information on liabilities regarding assets held for sale and discontinued operations: None.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

### For the Year Ended December 31, 2007

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#### 11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Bank does not have subordinated loans.

#### 12. Information on Shareholders' Equity:

##### a) Presentation of Paid-in capital:

As of December 31, 2007 the Bank's nominal paid-in-capital amounting to TRY 70,000 Thousand consists of 700 million shares.

##### b) The Bank does not apply registered share capital system.

##### c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

Based on the decision at the meeting of the Extraordinary General Assembly on July 30, 2007, the Bank decided to increase the paid-in capital of the Bank to TRY 70,000 Thousand by TRY 35,000 Thousand. The Bank's capital increase amounting to TRY 35,000 Thousand was registered with Istanbul Trade Registry Office on August 16, 2007 and the procedures for the capital increase were completed. The Bank's capital increase amounting to TRY 35,000 Thousand was approved by BRSA's October 3, 2007 dated and 13892 numbered correspondence. As of October 2007, the paid in capital of the Bank is TRY 70,000 Thousand.

##### d) Information on share capital increases from revaluation funds in the current period: None.

##### e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.

##### f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

Prior year income, profitability and liquidity of the Bank is closely monitored by the Financial Reporting Department and reported to the Board of Directors, Asset and Liability Committee. Risk Management tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for Bank's future interest income via simulations of net interest income and scenario analysis.

##### g) Information on preferred shares: None.

##### h) Information on marketable securities value increase fund: None.

#### 13. Information on legal reserves:

	Current Period	Prior Period
First legal reserves	624	624
Second legal reserves	-	-
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>624</b>	<b>624</b>



**Turklandbank Anonim Şirketi**  
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**14. Information on extraordinary reserves:**

	Current Period	Prior Period
Reserves appropriated by the General Assembly	-	-
Retained earnings	11,852	11,852
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
<b>Total</b>	<b>11,852</b>	<b>11,852</b>

**15. Information on prior years' income/(losses):**

The prior period financial statements, are restated in year 2006 as described below, in line with the principles of Turkish Accounting Standards No:1 "Fundamentals of Preparing and Presenting Financial Statements" published in the Official Gazette on 16 January 2005 with No: 25702, and in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards; and other principles, methods and explanations about accounting and financial reporting procedures issued by BRSA. The adjustments to the prior years incomes, are summarized below:

<b>31 December 2006</b>	<b>Prior years' income/(losses)</b>
Employee benefits obligation adjustment	(134)
Deferred tax adjustment	41
As restated	(93)

**16. Information on minority shares:** None.

**III. Explanations Related to the Off-Balance Sheet Contingencies and Commitments**

**1. Information on off-balance sheet liabilities:**

**a) Nature and amount of irrevocable loan commitments:** Credit card expenditure limit commitments are TRY 1,463 Thousand and TRY 1,564 Thousand; payment commitments for checks are TRY 14,940 Thousand and TRY 14,170 Thousand as of December 31, 2007 and December 31, 2006 respectively.

**b) Possible losses and commitments related to off-balance sheet items including items listed below:**

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

**b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:**

As of December 31, 2007 total guarantees and commitments consist of letters of guarantee amounting to TRY 284,273 Thousand (December 31, 2006-TRY 289,695 Thousand) acceptances amounting to TRY 10,303 Thousand (December 31, 2006-TRY 12,496 Thousand) and letters of credit amounting to TRY 72,984 Thousand (December 31, 2006 -TRY 62,896 Thousand).

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c) c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against achieving cash loans		
With maturity of 1 year or less than 1 year	-	7,020
With maturity of more than 1 year	11,298	36,810
Other non-cash loans	367,028	359,843
Commitments	23,719	20,181
<b>Total</b>	<b>402,045</b>	<b>423,854</b>

c.2) Information on sectoral risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TRY (*)	(%)	FC (*)	(%)	TRY	(%)	FC	(%)
Agricultural	3,367	1.54	5,835	3.18	5,687	2.68	9,340	4.41
Farming and raising livestock	2,060	0.94	4,210	2.29	4,413	2.08	9,340	4.41
Forestry	1,293	0.59	1,625	0.88	1,271	0.60	-	-
Fishery	14	0.01	-	-	3	-	-	-
Manufacturing	36,284	16.62	52,990	28.84	17,254	8.14	33,966	16.03
Mining	20,896	9.57	12,306	6.70	4,313	2.04	5,047	2.38
Production	9,824	4.50	18,147	9.88	4,093	1.93	10,214	4.82
Electric, gas and water	5,564	2.55	22,537	12.27	8,848	4.17	18,705	8.83
Construction	89,287	40.90	69,502	37.83	77,665	36.65	73,663	34.76
Services	67,876	31.09	25,897	14.09	68,030	32.10	30,548	14.41
Wholesale and retail trade	15,863	7.27	1,991	1.08	16,611	7.84	282	0.13
Hotel, food and beverage services	739	0.34	-	-	574	0.27	-	-
Transportation and telecommunication	17,349	7.95	6,240	3.40	14,378	6.78	16,258	7.67
Financial institutions	24,083	11.03	17,108	9.31	23,324	11.01	13,694	6.46
Real estate and renting services	286	0.13	-	-	-	-	-	-
Self-employment services	2,695	1.23	-	-	-	-	-	-
Education services	24	0.01	-	-	13	0.01	-	-
Health and social services	6,837	3.13	558	0.30	13,130	6.28	314	0.15
Other	21,497	9.85	29,510	16.06	43,296	20.43	64,405	30.39
<b>Total</b>	<b>218,311</b>	<b>100</b>	<b>183,734</b>	<b>100</b>	<b>211,932</b>	<b>100</b>	<b>211,922</b>	<b>100</b>

(\*) Non cash loans include commitments.

c.3) Information on I st and II nd Group non-cash loans:

Non-cash loans	I st Group		II nd Group	
	TRY	FC	TRY	FC
Letters of guarantee	187,114	87,674	9,220	265
Bank acceptances	-	10,303	-	-
Letters of credit	-	72,984	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Other commitments and contingencies	-	10,766	-	-
<b>Total</b>	<b>187,114</b>	<b>181,727</b>	<b>9,220</b>	<b>265</b>

The Bank provided a reserve of TRY 805 Thousand for non-cash loans not yet indemnified amounting to TRY 1,202 Thousand.

**Turklandbank Anonim Şirketi**  
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**2. Information related to derivative financial instruments:**

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
<b>Types of trading transactions</b>				
Foreign currency related derivative transactions (I):				
Forward transactions	-	4,700	-	-
Swap transactions	86,910	18,565	-	-
Futures transactions	-	-	-	-
Option transactions	-	-	-	-
Interest related derivative transactions (II):				
Forward rate transactions	-	-	-	-
Interest rate swap transactions	-	-	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	-	-	-	-
Other derivative transactions for trade (III)				
A. Total trading derivative transactions (I+II+III)	-	-	-	-
<b>Types of hedging transactions</b>				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	-	-	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>86,910</b>	<b>23,265</b>	<b>-</b>	<b>-</b>

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value.

As of December 31, 2007 breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TRY equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Future Buy	Future Sell
Current Period								
TRY	-	-	-	-	-	-	-	-
USD	-	-	43,277	-	-	-	-	-
EURO	-	-	-	43,633	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>43,277</b>	<b>43,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Prior Period								
TRY	897	-	-	-	-	-	-	-
USD	1,477	844	9,303	-	-	-	-	-
EURO	-	1,482	-	9,262	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,374</b>	<b>2,326</b>	<b>9,303</b>	<b>9,262</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Turklandbank Anonim Şirketi

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#### 3. Explanations on contingent liabilities and assets:

a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.

a.2) Share of entity under common control (joint venture) in its own contingent liabilities: None.

a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in entities under common control (joint ventures): None.

#### b) Accounting and presentation of contingent assets and liabilities in the financial statements:

b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes. As of December 31, 2007 there are no contingent assets that need to be explained.

b.2) A provision is made for contingent liabilities, if realization is probable and the amount can reliably be determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes: As of December 31, 2007 there are no contingent liabilities that need to be explained.

#### 4. Custodian and intermediary services:

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off Balance Sheet Contingencies and Commitments.

#### 5. The information on the Bank's rating by in the international rating introductions:

The results of the rating performed by Fitch Ratings are shown below:

##### Fitch Ratings: December 2007

##### **Foreign Currency Commitments**

Long term	BB
Short term	B
View	Stable

##### **New Turkish Lira Commitments**

Long term	BBB-
Short term	F3
View	Stable
National	AAA (tur)
View	Stable

**Individual Rating** **D**

**Support Points** **3**

**Turklandbank Anonim Şirketi**  
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**IV. Explanations Related to the Income Statement**

**1. a) Information on interest on loans:**

Interest on loans (*)	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short term loans	40,063	4,258	32,629	5,080
Medium and long term loans	4,629	23	5,352	1
Interest on non-performing loans	360	-	122	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>45,052</b>	<b>4,281</b>	<b>38,103</b>	<b>5,081</b>

(\*) Includes fees and commissions obtained from cash loans.

**b) Information on interest received from banks:**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	12	-	7
Domestic banks	116	429	39	255
Foreign banks	109	2,156	4	858
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>225</b>	<b>2,597</b>	<b>43</b>	<b>1,120</b>

**c) Interest received from marketable securities portfolio:**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Trading securities	22,176	100	11,104	-
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	-	61	-	666
Held-to-maturity securities	-	-	-	-
<b>Total</b>	<b>22,176</b>	<b>161</b>	<b>11,104</b>	<b>666</b>

**d) Information on interest income received from associates and subsidiaries:**

	Current Period	Prior Period
Interest received from associates and subsidiaries	-	925

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### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

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#### 2. a) Information on interest on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on funds borrowed (*)	TRY	FC	TRY	FC
Banks				
The Central Bank of Turkey	-	-	-	-
Domestic banks	476	229	536	273
Foreign banks	-	6,330	-	3,304
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
<b>Total</b>	<b>476</b>	<b>6,559</b>	<b>536</b>	<b>3,577</b>

(\*) Includes fees and commission expenses of cash loans.

#### b. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest expense to associates and subsidiaries	-	15

#### c. Information on interest expense to marketable securities issued: None.

#### d. Distribution of interest expense on deposits based on maturity of deposits:

Account Name	Time Deposits						Accumulated Deposits	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<b>TRY</b>								
Bank deposits	-	6	-	-	-	-	-	6
Saving deposits	-	2,595	23,425	4,860	369	1	-	31,250
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	2,487	2,224	2	1	-	-	4,714
Other deposits	-	16	114	-	-	-	-	130
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5,104</b>	<b>25,763</b>	<b>4,862</b>	<b>370</b>	<b>1</b>	<b>-</b>	<b>36,100</b>
<b>Foreign Currency</b>								
Foreign currency deposits	1	615	2,440	1,167	162	131	-	4,516
Bank deposits	-	95	-	-	-	-	-	95
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>710</b>	<b>2,440</b>	<b>1,167</b>	<b>162</b>	<b>131</b>	<b>-</b>	<b>4,611</b>
<b>Grand Total</b>	<b>1</b>	<b>5,814</b>	<b>28,203</b>	<b>6,029</b>	<b>532</b>	<b>132</b>	<b>-</b>	<b>40,711</b>

#### 3. Information on dividend income:

	Current Period	Prior Period
Trading securities	-	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	5	30
Other	-	-
<b>Total</b>	<b>5</b>	<b>30</b>

**Turklandbank Anonim Şirketi**  
**Notes To The Financial Statements**  
**For The Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

**4. Information on net trading income:**

	Current Period	Prior Period
<b>Income</b>	<b>233,097</b>	<b>311,848</b>
Gains on capital market operations	5,597	5,846
Gains on derivative financial instruments	5,310	5,170
Other	287	676
Foreign exchange gain	227,500	306,002
<b>Losses (-)</b>	<b>230,214</b>	<b>317,283</b>
Losses on capital market operations	5,173	6,275
Losses on derivative financial instruments	5,082	5,657
Other	91	618
Foreign exchange losses	225,041	311,008

**5. Information on other operating income:**

The information on the factors effecting the Bank's income including new developments, and the explanation on nature and amount of income earned from such items:

In accordance with the revision of Uniform Chart of Account and announced at Official Gazette dated January 26, 2007 and numbered 26415, gains from exchange rate increase on "Foreign Exchange Indexed Assets" are recorded to "Foreign Indexed Loans and Leasing Receivables Principal Exchange Increases" account under "Foreign Exchange Gains" instead of "Other Operating Income" account. However, for the decrease of foreign exchange rates under beginning of the period or under the rates of the day of loan agreement, losses from exchange rate decrease are recorded to "Foreign Indexed Loans and Leasing Receivables Principal Exchange Decreases" account under "Foreign Exchange Losses".

As of December 31,2006 foreign exchange gains on foreign currency indexed assets amounting to TRY 8,923 Thousand is recorded under "Other Operating Income" and foreign exchange losses amounting to TRY 3,050 Thousand is recorded under "Other Operating Losses".

As of December 31,2007 foreign exchange gains on foreign currency indexed loans amounting to TRY 157 Thousand are recorded under "Foreign Exchange Gains" and foreign exchange losses amounting to TRY 12,268 Thousand are recorded under "Foreign Exchange Losses".

**6. Provision expenses of banks for loans and other receivables:**

	Current Period	Prior Period
Specific provisions for loans and other receivables	3,962	1,254
III. Group Loans and Receivables	777	36
IV. Group Loans and Receivables	2,061	534
V. Group Loans and Receivables	1,124	684
General loan loss provision expenses	1,017	486
Provision expenses for possible losses	112	-
Marketable securities impairment losses	-	990
Financial assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision expense on investments	-	5,148
Associates	-	-
Subsidiaries	-	5,148
Entities under common control	-	-
Investments held to maturity	-	-
Other	198	17
<b>Total</b>	<b>5,289</b>	<b>7,895</b>

**Turklandbank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

**7. Information on other operating expenses:**

	Current Period	Prior Period
Personnel expenses	19,121	12,646
Reserve for employee termination benefits	210	361
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	882	943
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	303	258
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	15	17
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	9,333	7,553
Rent expenses	1,919	1,119
Maintenance expenses	365	285
Advertisement expenses	1,478	2,007
Other expenses	5,571	4,142
Loss on sales of assets	76	3
Other (*)	2,388	6,436
<b>Total</b>	<b>32,328</b>	<b>28,217</b>

(\*) Included in other, the premiums paid to Saving Deposit Insurance Fund is TRY 299 Thousand (2006-TRY 271 Thousand) (2006-Exchange losses amounting to TRY 3,050 Thousand from foreign exchange indexed loans).

**8. Information on profit/(loss) from continued and discontinued operations before taxes:**

The Bank has TRY 2,571 Thousand loss in 2006 and TRY 602 Thousand profit in 2007. In comparison with the prior year, The Bank's net interest income increased by 104.52% and provisions and operating expenses by 4.17%. Net fees and commissions income decreased by 12.01%.

**9. Information on tax provision for continued and discontinued operations:**

- a) As of December 31, 2007, current tax charge is TRY 39 Thousand (2006-TRY 999 Thousand deferred tax benefit)
- b) Deferred tax benefit on temporary differences is TRY 39 Thousand. (2006-TRY 162 Thousand deferred tax benefit)
- c) Deferred tax benefit or charge for temporary differences on carried forward tax losses or tax exemptions or deductions: None. (2006-837 Thousand deferred tax benefit)
- d) Tax reconciliation:

	Current Period	Prior Period
Profit/loss before tax	641	(3,570)
Corporate tax rate	%20	%20
Tax calculated	128	-
Additions	435	1,682
Disallowables	(563)	(1,806)
Tax calculated	-	-
Deferred tax (charge)/benefit	(39)	999
<b>Total</b>	<b>(39)</b>	<b>999</b>



**Turklandbank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

**10. Information on net profit/(loss) from continued and discontinued operations:**

The Bank has TRY 2,571 Thousand loss in 2006 and TRY 602 Thousand profit in 2007.

**11. The explanations on net income/loss for the period:**

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the understanding of the Bank's performance for the period: None.
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.
- c) Profit or loss attributable to minority shares: None.
- d) If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

	Current Period	Prior Period
Other fees and commissions received		
Credit cards commissions and fees	141	198
Import letters of credit commissions	819	1,276
Other	1,166	1,353
<b>Total</b>	<b>2,126</b>	<b>2,827</b>

	Current Period	Prior Period
Other fees and commissions given		
Credit cards commissions and fees	116	95
Other	357	605
<b>Total</b>	<b>473</b>	<b>700</b>

- e) Nature and amount of changes in accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods: None.

**V. Explanations Related to Statement of Shareholders' Equity Movement**

- a) Increase resulting from revaluation of financial assets available for sale: None.
- b) Increase in cash flow risk hedging items: None.
- b.1) Reconciliation of beginning and ending balances: None.
- b.2) Amount recorded in the current period if a gain or loss from a cash flow hedging derivative or non-derivative financial asset is accounted for under shareholders' equity: None.
- c) The reconciliation related with foreign currency translation reserves at the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) **Dividends per share proposed subsequent to the balance sheet date:** Profit appropriation will be resolved in the General Assembly meeting which has not yet been conducted as of the date of the accompanying financial statements are authorized for issue.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

**f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this:**

The Board of Directors has not decided for profit appropriation as of the date of the financial statements are authorized for issue.

**g) Amounts transferred to legal reserves:** TRY 398 Thousand in 2006.

**h) Information on shares issued:**

The Bank does not have any issued debt securities. As of the date of this report, there is no subsequent dividend announcement of the Bank after the balance sheet date.

Based on the decision at the meeting of the Extraordinary General Assembly on July 30, 2007, the Bank decided to increase the paid-in capital of the Bank to TRY 70,000 Thousand by TRY 35,000 Thousand. The Bank's capital increase amounting to TRY 35,000 Thousand was registered with Istanbul Trade Registry Office on August 16, 2007 and the capital increase procedures were completed. The Bank's capital increase amounting to TRY 35,000 Thousand was approved by BRSA's October 3, 2007 dated and 13892 numbered correspondence. As of October 2007, the paid in capital of the Bank is TRY 70,000 Thousand.

#### VI. Explanations Related To Statement Of Cash Flows

**1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:**

"Other items" amounting to TRY 3,177 Thousand in "Operating profit before changes in operating assets and liabilities" consist of fees and commissions paid and other expenses except for personnel expenses, leasing expenses, reserve for employee termination benefits, depreciation expenses and taxes paid.

"Net increase/decrease in other liabilities" amounting to TRY 19,127 Thousand in "Changes in operating assets and liabilities" consists of changes in sundry creditors, other liabilities, and interbank money market borrowings. "Net increase/decrease in other assets" amounting to TRY 22,325 Thousand consists of changes in sundry debtors and other assets.

**2. Cash and cash equivalents at beginning and end of periods:**

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

Beginning of the period	Current Period	Prior Period
<b>Cash</b>		
Cash in TRY/Foreign Currency	3,713	2,561
Central Bank	14,579	6,151
Other	-	-
<b>Cash equivalents</b>		
Banks	-	-
Money market placements	-	4,200
<b>Total cash and cash equivalents</b>	<b>18,292</b>	<b>12,912</b>
<b>End of the period</b>	<b>Current Period</b>	<b>Prior Period</b>
<b>Cash</b>		
Cash in TRY/Foreign Currency	5,358	3,713
Central Bank	10,794	14,579
Other	-	-
<b>Cash equivalents</b>		
Banks	20,124	-
Money market placements	-	-
<b>Total cash and cash equivalents</b>	<b>36,276</b>	<b>18,292</b>

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### VII. Explanations on the Risk Group of the Bank

##### 1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

###### a) Current Period:

Risk Group of The Bank	Subsidiaries, associates and entities under common control		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	3,634	1,216	273	7,704	-	-
Balance at end of period	-	-	649	12,102	-	-
Interest and commission income	-	-	694	213	-	-

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contains foreign bank accounts amounting to TRY 6 Thousand, and other receivables amounting to TRY 149 Thousand.

###### b) Prior Period:

Risk Group of The Bank	Subsidiaries, associates and entities under common control		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	15,575	1,119	76	8,672	-	-
Balance at end of period	3,634	1,216	273	7,704	-	-
Interest and commission income received	925	50	-	167	-	-

###### c.1) Information on related party deposits balances:

Risk Group of The Bank	Subsidiaries, associates and entities under common control		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	41	107	8,412	11,142	-	-
Balance at end of period	-	41	24,652	8,412	-	-
Interest on deposits	-	15	1,257	744	-	-

c.2) Information on forward and option agreements and other similar agreements made with related parties: None.

#### 2. Disclosures for related parties:

##### a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

- b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	Amount	% Compared to the Amounts in the Financial Statements
Cash loans	649	% 0.15
Non-cash loans	12,102	% 3.01
Deposits	24,652	% 7.44
Banks and other financial institutions	6	%0.03

These transactions are priced in accordance with the general pricing policies of the Bank and are in line with market rates.

- c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: Explained in b).
- d) Transactions accounted under the equity method: None.
- e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts:

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 1.52 %. Details of these loans are explained in the Section V, Note VII- 1a.

#### VIII. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches

##### 1. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches:

	Number	Employees			
Domestic branches	16	390			
			Country		
Rep-offices abroad	-	-	-		
				Total Assets	Capital
Branches abroad	-	-	-	-	-
Off-shore branches	-	-	-	-	-

##### 2. Explanations on Branch and Agency Openings or Closings of the Bank:

The Bank opened 6 new branches in 2007.

**Turklandbank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

**SECTION SIX**  
**OTHER EXPLANATIONS**

**I. Other Explanations on the Operations of the Bank:**

There is no significant explanation or disclosure about the operations of the Bank other than stated above.

The Bank decided to increase its paid-in capital from TRY 70,000 Thousand to TRY 170,000 Thousand by TRY 100,000 Thousand at the 466/B numbered Board of Directors decision on December 14, 2007. Based on decision at the meeting of Extraordinary General Assembly on February 12, 2008, the Bank increased its paid-in capital from TRY 70,000 Thousand to TRY 170,000 Thousand.

**SECTION SEVEN**  
**INDEPENDENT AUDITOR'S REPORT**

**I. Explanations on the Independent Auditor's Report:**

The unconsolidated financial statements of the Bank were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu).

The independent auditor's report is presented preceding the financial statements.

**II. Other Footnotes and Explanations Prepared by Independent Auditors:**

There are no other notes and explanations prepared by Independent Auditors.



**TURKLANDBANK ANONİM ŐİRKETİ**  
(FORMERLY KNOWN AS MNG BANK A.Ő.)

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2007**







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To the Board of Directors and Shareholders of  
Turklandbank A.Ş.  
İstanbul, Turkey

## INDEPENDENT AUDITOR'S REPORT

1. We have audited the accompanying financial statements of Turklandbank A.Ş. (formerly "MNG Bank A.Ş.") (the "Bank") which comprise the balance sheet as at December 31, 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

İstanbul, March 21, 2008

## Turklandbank Anonim Şirketi

### Balance Sheets as of

### December 31, 2007 and 2006

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

	Notes	December 31, 2007	December 31, 2006
<b>ASSETS</b>			
Cash and cash equivalents	4	25,488	62,079
Balances with Central Bank	5	39,314	36,632
Financial assets at fair value through profit and loss	6	127,137	97,966
Derivative financial instruments	15	-	51
Loans and advances to customers	7	416,388	300,512
Investment securities:	6	79	2,336
- Available-for-sale		79	2,336
- Held-to-maturity		-	-
Premises and equipment	8	6,169	7,009
Intangible assets	9	820	286
Deferred tax asset	14	1,596	1,422
Other assets	10	17,574	1,885
Non-current assets held for sale	3	-	133,481
<b>Total assets</b>		<b>634,565</b>	<b>643,659</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Customers' deposits	11	330,025	335,553
Deposits from banks	11	1,446	1,873
Obligations under repurchase agreements	6	22,032	15,040
Interbank money market borrowings		-	5,006
Derivative financial instruments	15	399	4
Funds borrowed	12	146,005	87,672
Other liabilities and provisions	13	28,174	8,085
Income taxes payable	14	-	-
Liabilities related to assets held for sale	3	-	116,202
<b>Total liabilities</b>		<b>528,081</b>	<b>569,435</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital issued	16	218,164	183,164
Legal reserves	17	5,207	5,847
Accumulated losses	17	(116,887)	(118,082)
Minority interest		-	3,295
<b>Total equity</b>		<b>106,484</b>	<b>74,224</b>
<b>Total liabilities and equity</b>		<b>634,565</b>	<b>643,659</b>

The accompanying policies and explanatory notes are an integral part of these financial statements.

## Turklandbank Anonim Şirketi

### Income Statement for the Year Ended

### December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

	Notes	December 31, 2007	December 31, 2006
Interest income	19	77,143	56,427
Interest expenses	20	(50,972)	(45,109)
<b>Net interest income</b>		<b>26,171</b>	<b>11,318</b>
<b>Fees and commissions and other operating income</b>			
Fees and commissions income		5,968	7,758
Fees and commissions expenses		(515)	(927)
<b>Net fees and commissions income</b>		<b>5,453</b>	<b>6,831</b>
Trading income		424	(429)
Provisions for impairment of loan receivables		(5,177)	(2,747)
Foreign exchange gain / (loss)		2,459	860
Other income	21	3,747	2,870
Operating expenses	22	(32,701)	(23,511)
<b>Operating profit</b>		<b>376</b>	<b>(4,808)</b>
Income from associates		5	-
Gain/(loss) on sale of investments	3	69	-
<b>Profit before income Tax</b>		<b>450</b>	<b>(4,808)</b>
Income tax-current	14	-	-
Income tax-deferred	14	174	934
<b>Net profit/(loss) from continuing operations</b>		<b>624</b>	<b>(3,874)</b>
<b>Discontinued operations:</b>			
Net income / (loss) from discontinued operations	23	(69)	3,653
<b>Net profit/ (loss) of the year</b>		<b>555</b>	<b>(221)</b>
<b>Attributable to:</b>			
Equity holders of the parent		555	(1,685)
Minority interest		-	1,464

The accompanying policies and explanatory notes are an integral part of these financial statements.

## Turklandbank Anonim Şirketi

### Statement of Changes in Shareholders' Equity

#### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

	Share capital	Adjustment to share capital	Legal Reserves	Retained earnings	Total	Minority interest	Total equity
<b>At January 1, 2006</b>	35,000	148,164	5,317	(115,867)	72,614	1,812	74,426
Transfer to reserves	-	-	530	(530)	-	-	-
Net profit for the year	-	-	-	(1,685)	(1,685)	1,464	(221)
Changes in minority	-	-	-	-	-	19	19
<b>At December 31, 2006/ January 1, 2007</b>	35,000	148,164	5,847	(118,082)	70,929	3,295	74,224
Disposal of subsidiaries	-	-	(640)	640	-	(3,295)	(3,295)
Net profit for the year	-	-	-	555	555	-	555
Capital increase	35,000	-	-	-	35,000	-	35,000
<b>At December 31, 2007</b>	70,000	148,164	5,207	(116,887)	106,484	-	106,484

The accompanying policies and explanatory notes are an integral part of these financial statements.

**Turklandbank Anonim Şirketi**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

	Notes	2007	2006
<b>Cash flow from operating activities</b>			
Net profit/loss for the year		555	(1,685)
<b>Adjustments for:</b>			
Depreciation and amortization	8-9	1,469	1,520
Provision for losses on loans and advances		5,177	1,518
Provision for employment termination benefits		161	679
Other provision expenses		322	(21)
(Gains) /losses on sale of subsidiaries	3	(69)	-
Accrued interest, net		(5,583)	4,218
(Gains) /losses on sale of premises & equipment		174	(351)
<b>Operating profits before changes in operating assets/liabilities</b>		<b>2,206</b>	<b>5,878</b>
<b>Changes in operating assets and liabilities:</b>			
Net (increase)/decrease in reserve deposit at Central Bank		(6,497)	(2,457)
Net (increase) / decrease in marketable securities		(18,978)	30,075
Net increase from loans and advances		(122,341)	(80,875)
Net (increase)/decrease in other assets		(17,455)	6,532
Net increase in deposits		(5,378)	71,787
Net increase/(decrease) in other creditors, taxes & liabilities		18,966	(45,162)
Income taxes paid		-	(4,730)
<b>Net cash provided by/(used in) operating activities</b>		<b>(149,477)</b>	<b>(18,952)</b>
<b>Cash flows from investing activities</b>			
(Additions) to premises and equipment		(3,594)	(327)
(Additions) to intangible assets	9	(841)	(66)
Proceeds from disposal of premises and equipment		4,537	465
Proceeds from disposal of subsidiaries	3	9,876	-
<b>Net cash provided by/(used in) investing activities</b>		<b>9,978</b>	<b>72</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowed funds, net		62,149	74,612
Issue of share capital	16	35,000	-
<b>Net cash provided by / (used in) financing activities</b>		<b>97,149</b>	<b>74,612</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>		<b>(42,350)</b>	<b>55,732</b>
Effect of inflation on cash and cash equivalents			
Cash & cash equivalents at the beginning of the year	4	79,008	23,276
Cash & cash equivalents at the end of the year	4	36,658	79,008

The accompanying policies and explanatory notes are an integral part of these financial statements.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### 1. CORPORATE INFORMATION

Turklandbank Anonim Şirketi ("the Bank") was established in 1991 in İstanbul under the name of "Bahreyn ve Kuveyt Bankası Anonim Şirketi" (BB&K). Its name was changed as "Tasarruf ve Kredi Bankası Anonim Şirketi" with its acquisition by Doğu Group in 1992. After the change in the name of the bank as "Garanti Yatırım ve Ticaret Bankası Anonim Şirketi" in 1994, Mehmet Nazif Günel (the main shareholder of MNG Group Companies) has acquired the Bank in 1997 and the name of the Bank has been changed as "MNG Bank Anonim Şirketi".

An agreement has been made with Arab Bank and BankMed upon the sale of 91% of MNG Banks shares in mid of 2006 and this agreement was approved by Banking Regulation and Supervision Agency (BRSA) on December 29, 2006. In this regard, while Arab Bank and BankMed purchasing 50% and 41% of MNG bank shares respectively, Mehmet Nazif Günel retained 9% of the shares. Transfer of the Bank was done at January 29, 2007. The title of the Bank has been changed as "Turkland Bank Anonim Şirketi" with the amendment to the Articles of Association by the decision of the Extraordinary General Assembly at the meeting at March 22, 2007. New title of the Bank was registered at April 3, 2007.

On April 3, 2007, "MNG BANK Anonim Şirketi" title of the bank was registered as "TURKLAND BANK Anonim Şirketi".

As of December 31, 2007, the Bank has 16 branches in Turkey and its head office is at 19 Mayıs Mah. 19 Mayıs Cad. Şişli Plaza A Blok No: 7 Şişli-İstanbul.

The financial statements of the Bank were authorized for issue by the management on March 21, 2008. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Basis of Presentation of Financial Statements

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards ("IAS"). The principal accounting policies adopted in the preparation of these financial statements are set out below:

##### Basis of Presentation of Financial Statements:

The Bank maintains its books of account and prepares its financial statements in New Turkish Lira, which is the currency of the primary economic environment in which the Bank operates, in accordance with the Banking Act, based on accounting principles regulated by the Banking Regulation and Supervision Agency ("BRSA"), the other relevant rules and regulations regulated by the Turkish Commercial Code and Turkish tax legislation and relevant accounting rules and regulations.

The accompanying financial statements are based on the statutory records which are maintained under the historical cost convention, except for those items measured at fair value, with adjustments and reclassifications for the purposes of fair presentation in accordance with IFRS. These financial statements are presented in New Turkish Lira since that is the currency in which the majority of the Bank's transactions are denominated.

The accompanying IFRS financial statements adopt the accounting principles and policies applied by the BRSA in the Bank's statutory financial statements wherever those do not conflict with IFRS.

The effects of the differences between IFRS and generally accepted accounting principles in other countries than Turkey have not been quantified in the accompanying notes to the financial statements. In the opinion of the Bank's management, all adjustments necessary for the fair presentation of financial position, results of operations and cash flows for the period have been made in the accompanying financial statements.

Certain reclassifications have been made to the prior year figures to comply with the current year presentation.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### 2.2 Basis of Consolidation

The Bank consolidated the financial statements of its subsidiaries in the previous year financial statements. However, as explained in note 3 Discontinued Operations, the Bank disposed these subsidiaries on January 29, 2007. The balances related to subsidiaries were classified as assets held for sale in the balance sheet and discontinued operations in the income statement as of December 31, 2007 and 2006.

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Bank.

All intra-Bank transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the equity therein.

The financial statements of the entities below have been consolidated with those of the Bank in the accompanying financial statements as of December 31, 2006. The ownership percentages stated below comprise the total of the Bank's direct and indirect holdings:

Entity	Sector	December 31, 2006 The Bank's Ownership %
MNG Menkul Kıymetler Yatırım A.Ş.	Securities Brokerage	84.56
MNG Finansal Kiralama A.Ş.	Leasing Services	76.00
MNG Factoring Hizmetleri A.Ş.	Factoring Services	76.09

#### 2.3 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### 2.4 Functional and Presentation Currency

Functional and presentation currency of the Bank is the New Turkish Lira (TRY).

Financial statements for the year ended December 31, 2005 were restated for the changes in the general purchasing power of the functional currency based on International Accounting Standard No. 29 ("IAS 29") "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Three years inflation rate in Turkey was 36% as of December 31, 2005, based on the Turkish nation-wide wholesale price indices announced by the State Statistics Association ("SSA"). However, IAS 29 does not establish the rate of 100% as an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgment when restatement of financial statements in accordance with IAS 29 becomes necessary. Moreover, hyperinflation is also indicated by characteristics of the economic environment of a country.

As hyperinflationary conditions in Turkey no longer existed starting from January 1, 2006, New Turkish Lira ("TRY") has been treated as a more stable currency since that time and the financial statements of the Bank and those of the subsidiaries located in Turkey prepared in accordance with IFRSs are not required to be adjusted for hyperinflationary accounting.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### 2.5 Foreign Currency Transactions and Translation

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Foreign currency translation rates used by the Bank as of respective year-ends are as follows:

	EUR / TRY	USD / TRY
December 31, 2005	1.5950	1.3418
December 31, 2006	1.8523	1.4056
December 31, 2007	1.7044	1.1593

#### 2.6 Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and impairment as at the reporting date. Premises and equipment, except land that is deemed to have indefinite life, are depreciated on a straight-line basis using the following main rates which write off the assets over their expected useful lives:

Buildings	2%
Safes	2%-10%
Vehicles, Furniture and Fittings	20%-33%
Leasehold Improvements	20%

Leasehold improvements are depreciated based on the shorter of the rental period or useful life of the assets.

The costs of a major inspection or overhaul that are accounted as a separate asset component are capitalized. Subsequent expenditures incurred on the premises and equipment are added to the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the asset will flow to the entity. All other subsequent expenditures and major inspection or overhaul costs that are embodied in the item of property and equipment are recognized as an expense when it is incurred.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of income.

#### 2.7 Intangible Assets

##### Computer Software Development Costs:

The Bank generally recognizes computer software development costs as expenses in the period in which they are incurred. However, if it is probable that future economic benefits will flow to the Bank, to the extent that assets created can be identified and create future economic benefit and expenditures can reliably be measured and attributable to the asset, development costs incurred are incorporated into the initial cost of computer software. All other subsequent expenditure associated with the maintenance of the existing computer software is recognized as expense in the period in which it is incurred.

Computer software development costs capitalized as assets are amortized on a straight line basis over their expected useful lives, generally three years.



## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### 2.8 Investments and Other Financial Assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value (net of transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value). The Bank determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost; change in value is not recognized.

##### a) Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in this category. Trading securities are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exist. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on investments held-for-trading are recognized in income and include any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 25.

##### b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgments. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances-for example selling an insignificant amount close to maturity - it will be required to classify the entire class as available-for-sale. The investments would therefore be measured at fair value; not amortized cost. During 2005, the Bank has sold a certain portion of its held to maturity securities and therefore will not be able to carry such portfolio in the following 2 years as per IAS 39.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Interest earned whilst holding held to maturity securities is reported as interest income.

##### c) Loans and receivables

Loans and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses on remeasurement to fair value are recognized as a separate component of equity until the investment is derecognized, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. However, interest calculated on available-for-sale financial assets using effective interest method is reported as interest income.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive payments is established. The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

For investments that are traded in an active market, fair value is determined by reference to stock exchange or current market bid prices, at the close of business on the balance sheet date. For investments where there is no market price or market price is not indicative of the fair value of the instrument, fair value is determined by reference to the current market value of another instrument which is substantially the same, recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used.

The following equity investment which is shown under securities available for sale have been accounted for at cost:

Entity	Sector	The Bank's Ownership %
İMKB Takas ve Saklama Bankası A.Ş.	Settlement and Custody Bank	0.025

#### e) Repurchase and Resale Transactions

Purchases or sales of investments under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Sales of investments under agreements of repurchase ("Repos") are retained in the balance sheet and corresponding counterparty commitment is included separately under liabilities. The income and expenses on repo transactions are separately recognized as interest income accrued in accordance with its classification as financial assets at fair value through profit or loss, investments held to maturity or investments available for sale, and interest expense is accounted for on an accrual basis over the period of the transactions.

Purchases of securities under agreements of resale ("reverse repos") are separately disclosed under assets as "funds lent under securities resale agreements" and interest income on such transactions is accounted for on an accrual basis over the period of transactions.

### 2.9 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

### 2.10 Cash and Cash Equivalents

For the purposes of the cash flows statement, cash and cash equivalents comprise cash and balances with central banks (excluding obligatory reserve deposits), deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

#### **For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### **2.11 Impairment of Financial Assets**

At each balance sheet date, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **2.12 Non-current assets held for sale**

Certain non-current assets primarily related to the collateral collected on non-performing loans are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

#### **2.13 Borrowings**

##### **Bank borrowings:**

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Bank's accounting policy for borrowing costs.

#### **2.14 Employee Benefits-Defined Benefit Plans**

##### **Defined Benefit Plans:**

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such defined benefit plan is unfunded since there is no funding requirement in Turkey. The cost of providing benefits under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 13 are reviewed regularly. The carrying value of employee termination benefit provisions as of December 31, 2007 is TRY 807 (December 31, 2006 - TRY 655)

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

### **For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### **2.15 Provisions**

Provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### **2.16 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### **The Bank as Lessee**

Assets held under finance leases are recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Bank's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### **2.17 Income and Expense Recognition**

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, throughout the period to the next repricing date. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

#### **2.18 Income Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

#### 2.19 Derivative Financial Instruments

The Bank's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. In the normal course of business, the Bank enters into a variety of derivative transactions principally in the foreign exchange and interest rate markets. These are used to provide financial services to customers and to actively take, hedge and modify positions as part of trading activities. Derivatives are also used to hedge or modify risk exposures arising on the balance sheet from a variety of activities including placements, lending and securities investment. The majority of the counterparties in the Bank's derivative transactions are banks and other financial institutions.

The Bank uses derivative financial instruments (primarily foreign currency forward and swap contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The significant interest rate risk arises from placements, securities invested, loans extended, deposits and bank borrowings.

The use of financial derivatives is governed by the Bank's policies approved by the board of directors, on the use of financial derivatives consistent with the Bank's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date. All unrealized gains and losses on these instruments are included in the statement of income. Unrealized gains and losses on these instruments are not deductible for tax purposes.

#### 2.20 Fiduciary Assets

Assets held by the Bank in a fiduciary, agency or custodian capacity for its customers are not included in the balance sheet, since such items are not treated as assets of the Bank.

#### 2.21 Adoption of New and Revised Standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Bank's accounting policies in the following areas:

IFRS 7, "Financial instruments: Disclosures"

IAS 1, "Presentation of financial statements"

IFRS 7, "Financial instruments: Disclosures"

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Bank's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

### **For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

IAS 1, "Presentation of financial statements"

This amendment requires the Bank to make new disclosures to enable users of the financial statements to evaluate the Bank's objectives, policies and processes for managing capital.

Standards, amendments and interpretations effective in 2007 but not relevant:

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Bank's operations:

IFRS 4, "Insurance contracts",

IFRIC 7, "Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies",

IFRIC 8, "Scope of IFRS 2",

IFRIC 9, "Reassessment of embedded derivatives",

IFRIC 10, "Interim financial reporting and impairment".

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRIC 11, "IFRS 2-Group and treasury share transactions"	Effective for annual periods beginning on or after March 1, 2007
IAS 23, "(Amendment) Borrowing costs"	Effective for annual periods beginning on or after January 1, 2009
IFRS 8, "Operating segments"	Effective for annual periods beginning on or after January 1, 2009
IFRIC 12, "Service concession arrangements"	Effective for annual periods beginning on or after January 1, 2008
IFRIC 13, "Customer loyalty programmes"	Effective for annual periods beginning on or after July 1, 2008
IFRIC 14, "IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction"	Effective for annual periods beginning on or after January 1, 2008
IFRS 2, "Share-based Payment" Amendment relating to vesting conditions and cancellations	Effective for annual periods beginning on or after January 1, 2009
IFRS 3, "Business Combinations"	Effective for annual periods beginning on or after July 1, 2009
IAS 27, "Consolidated and Separate Financial Statements"	
IAS 28, "Investments in Associates"	
IAS 31 "Interests in Joint Ventures" Comprehensive revision on applying the acquisition method	

**Turklandbank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

IAS 1, "Presentation of Financial Statements"	Effective for annual periods beginning on or after January 1, 2009
IAS 32, "Financial Instruments: Presentation" Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	
IAS 1, "Presentation of Financial Statements"	Effective for annual periods beginning on or after January 1, 2009

The Bank's management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Bank.

**3. DISCONTINUED OPERATIONS**

Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. Held for sale assets are not amortized and presented separately in the financial statements. In order to classify an asset as held for sale, only when the sale is highly probable, experienced quite often and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or cancelling the plan is low. Various circumstances and conditions could extend the completion period of the sale more than one year. If such delay happened due to the circumstances and conditions beyond the control of the Group and if there is enough evidence that the sale plan of the related asset (or disposal group of asset) of the Group is still in process, the delay in the sales process does not prevent the classification of the asset (or disposal group of asset) as an asset held for sale.

As per August 10, 2006 dated Board resolution of the Bank, 52.3% share of MNG Factoring Hizmetleri A.Ş., 76% share of MNG Finansal Kiralama A.Ş., 46.5% share of MNG Menkul Kıymetler A.Ş. were decided to be sold to Mehmet Nazif Günel, subsequent to approvals to be obtained from related authorities in regulations.

MNG Bank A.Ş. and Mehmet Nazif Günel signed off a "Share Purchase Agreement" on August 31, 2006 about the sale of subsidiaries.

The sale of MNG Menkul Kıymetler A.Ş. is approved with November 1, 2006 dated and B.02.1.SPK.0.16-1744 numbered decision of Capital Markets Board of Turkey. The sales of MNG Finansal Kiralama A.Ş. and MNG Factoring Hizmetleri A.Ş. are authorized by BRSA with 2nd article of December 29, 2006 dated and BRSA.UYI 47.1.02-15229 numbered letter. Sales transactions were realized on January 29, 2007.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

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In the previous period, the total assets and total liabilities of the subsidiaries of the Parent Bank after the consolidation eliminations are classified and presented in the assets held for sale account as detailed below:

#### Assets held for sale:

	December 31, 2006
Liquid assets	4
Balances with banks	1,364
Interbank money market placements	1,379
Factoring receivables	118,175
Lease receivables	12,398
Other assets	2,267
Provision on assets held for sale	(2,106)
	<b>133,481</b>
Borrowings	(79,572)
Factoring obligations	(32,523)
Provisions	(460)
Tax liabilities	(419)
Other liabilities	(3,228)
	<b>(116,202)</b>
<b>Net assets disposed of</b>	<b>17,279</b>
Minority interest	(3,295)
Intercompany balances	(2,739)
Gain / (loss) on disposal	-
<b>Consideration paid in cash and cash equivalents</b>	<b>11,245</b>

	December 31, 2007
Consideration paid in cash and cash equivalents	11,245
The Bank's share on profit/ (loss) of equity investments	69
Less cash and cash equivalent balances	(1,438)
<b>Net cash inflow on disposal</b>	<b>9,876</b>

#### 4. CASH AND CASH EQUIVALENTS

	December 31, 2007	December 31, 2006
<b>Cash on hand</b>	<b>5,359</b>	<b>3,713</b>
Demand deposits-Turkish Lira	15	18
Demand deposits-Foreign Currency	3,525	6,850
Time deposits	16,589	51,498
<b>Deposits with banks and other financial institutions</b>	<b>20,129</b>	<b>58,366</b>
<b>Cash and cash equivalents</b>	<b>25,488</b>	<b>62,079</b>



## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

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The effective interest rates on deposits and placements are as follows:

	December 31, 2007		December 31, 2006	
	Effective interest rate		Effective interest rate	
	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency
Deposits with banks and other financial institutions	-	3.35% -5.06%	18.00%-18.40%	5.22%-5.32%

#### 5. BALANCES WITH CENTRAL BANK

	December 31, 2007	December 31, 2006
Balances with Central Bank	11,170	14,974
Reserve deposits	28,144	21,658
<b>Balances with Central Bank</b>	<b>39,314</b>	<b>36,632</b>

Under the regulations of the Central Bank of the Turkish Republic ("Central Bank"), banks are required to deposit with the Central Bank a proportion of all deposits taken from customers, other than domestic interbank deposits. These reserves are not available to finance the operations of the Bank. Balances with the Central Bank earn interest at the interest rates determined by the Central Bank.

As of December 31, 2007 under the prevailing regulation the Bank has to maintain the following requirements of the Central Bank of Turkey related to reserve deposits:

Reserve deposits represent the minimum deposits maintained with the Central Bank. The rates used by the Central Bank to determine the required amount of deposits are 6% for New Turkish Lira deposits and 11% for foreign currency deposits. Reserve deposits earn approximately interest at 11.81% for TRY deposits and 1.80% and 1.95% for US\$ and Euro, respectively (December 31, 2006-13.12% and 1.73% - 2.52% for TRY, US\$ and Euro, respectively).

#### 6. INVESTMENTS IN FINANCIAL INSTRUMENTS

##### Financial assets at fair value through profit and loss:

	December 31, 2007	December 31, 2006
<b>Debt instruments</b>		
Turkish government bonds	-	1
Turkish treasury bills	123,323	97,618
Eurobonds issued by the Turkish government	3,814	-
Equity instruments-listed	-	160
Others	-	187
<b>Total financial assets at fair value through profit and loss</b>	<b>127,137</b>	<b>97,966</b>

##### Investment Securities:

	December 31, 2007	December 31, 2006
<b>Available-for-sale securities-Unquoted</b>		
Turkish government bonds	-	-
Turkish treasury bills	-	-
Eurobonds issued by the Turkish government	-	2,257
Equity instruments	79	79
<b>Total available for sale securities</b>	<b>79</b>	<b>2,336</b>
<b>Total investment securities</b>	<b>79</b>	<b>2,336</b>

Unlisted equity securities classified as available-for-sale securities represent the Bank's equity holdings in the companies, shares of which are not publicly traded. Consequently they are reflected at cost less reserve for impairment, as a reliable estimate of their fair values could not be made.

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**Securities Pledged Under Repurchase Agreements:**

Carrying value of debt instruments given as collateral under repurchase agreements which are classified as loaned securities and related liabilities are:

	December 31, 2007	December 31, 2006
Financial assets at fair value through profit and loss	24,161	17,378
Available for sale securities	-	-
Held to maturity securities	-	-
<b>Carrying value of securities under repurchase agreements</b>	<b>24,161</b>	<b>17,378</b>
<b>Related liability</b>	<b>22,032</b>	<b>15,040</b>

Repurchase agreements mature within one month.

In addition, as of December 31, 2007, government securities with carrying values of TRY 44,696 (December 31, 2006-TRY 38,175) are pledged to the Central Bank and the IMKB Takas ve Saklama Bankası A.Ş. (Istanbul Stock Exchange Clearing and Custody Bank) for regulatory requirements and as a guarantee for stock exchange and money market operations.

TRY 7,297 (December 31, 2006 TRY 1,693) of debt securities included in the trading, investment and loaned securities portfolios have floating interest rates, whereas the rest of the debt securities have fixed interest rates.

**7. LOANS AND ADVANCES**

	December 31, 2007			December 31, 2006		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Corporate loans	366,757	15.00%-48.00%	5.25%-11.64%	-	-	-
Small business loans	45,099	15.6%-54.00%	5.41%-8.50%	-	-	-
Consumer loans	6,430	15.00%-48.00%	7.20%-10.20%	-	-	-
Other (*)	-	-	-	301,477	15.00%-43.20%	4.32%-11.64%
<b>Total performing loans</b>	<b>418,286</b>			<b>301,477</b>		
Non performing loans	9,151			6,246		
Less: Specific reserve for impairment	(8,532)			(5,528)		
Less: Portfolio reserve for impairment	(2,517)			(1,683)		
<b>Total</b>	<b>416,388</b>			<b>300,512</b>		

(\*) Segmental distributions of previous year figures could not be obtained from the system.

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Non performing loans represent impaired loans and advances on which interest is not being accrued and loans overdue generally for more than 90 days for which interest is suspended.

	Corporate	Small Business	Consumer	Other	Total
Neither past due nor impaired	364,770	44,103	6,430	-	415,303
Past due not impaired	1,987	996	-	-	2,983
Individually impaired	7,598	236	1,317	-	9,151
<b>Total Gross</b>	<b>374,355</b>	<b>45,335</b>	<b>7,747</b>	<b>-</b>	<b>427,437</b>
Less: allowance for individually impaired loans	(7,142)	(236)	(1,154)	-	(8,532)
Less: allowance for collectively impaired loans	(2,211)	(267)	(39)	-	(2,517)
<b>Total Allowance for impairment</b>	<b>(9,353)</b>	<b>(503)</b>	<b>(1,193)</b>	<b>-</b>	<b>(11,049)</b>
<b>Total net</b>	<b>365,002</b>	<b>44,832</b>	<b>6,554</b>	<b>-</b>	<b>416,388</b>

A reconciliation of the allowance for individually impaired loans by classes is as follows;

	Corporate	Small Business	Consumer	Other	Total
At January 1, 2007	4,186	541	801	-	5,528
Charge for the year	3,569	-	393	-	3,962
Recoveries	(613)	(305)	(40)	-	(958)
Amounts written off	-	-	-	-	-
<b>At December 31, 2007</b>	<b>7,142</b>	<b>236</b>	<b>1,154</b>	<b>-</b>	<b>8,532</b>

Movements in the allowance for impaired loans:

	December 31, 2007	December 31, 2006
<b>At January 1</b>	<b>7,211</b>	<b>5,693</b>
Provision for impairment	4,796	1,681
Recoveries	(958)	(163)
Provision net recoveries	3,838	1,518
Loans written off during the year	-	-
<b>At December 31</b>	<b>11,049</b>	<b>7,211</b>

Movements in the allowance for impaired loans:

	Individual Impairment	Collective Impairment	Total
At January 1, 2007	5,528	1,683	7,211
Charge for the year	3,962	834	4,796
Recoveries	(958)	-	(958)
Amounts written off	-	-	-
<b>At December 31, 2007</b>	<b>8,532</b>	<b>2,517</b>	<b>11,049</b>

The fair value of collateral that the Bank holds relating to loans individually determined to be impaired at December 31, 2007 is TRY 2,196 (2006: 9,102).

Collaterals and credit enhancements obtained during the year is amounting to TRY 774 .

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Aging analysis of past due but not impaired loans per class of financial statements

	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and advances to customers					
Corporate lending	1,987	-	-	-	1,987
Small business lending	958	-	38	-	996
Consumer lending	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>2,945</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>2,983</b>

Of the total aggregate amount of gross past due but not yet impaired loans and advances to customers, the fair value of collateral that the Bank held as at December 31, 2007 was TRY 27,434 (2006: TRY 23,560).

Loans and advances amounting to TRY 314,041 have floating interest rates and the rest have fixed interest rates. (December 31, 2006-TRY 183,415)

**8. PREMISES AND EQUIPMENT**

	Buildings	Machinery and Equipment	Furniture and Fixture	Vehicles	Leasehold Improvements	Others	Total
<b>Acquisition Cost</b>							
At January 1, 2006	5,207	3,192	872	739	5,563	6,792	22,365
Additions	-	255	7	-	-	65	327
Impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(114)	(114)
Reclassification to assets held for sale	-	(1,509)	(260)	(259)	(1,299)	(422)	(3,749)
At December 31, 2006	5,207	1,938	619	480	4,264	6,321	18,829
<b>Accumulated Depreciation</b>							
At January 1, 2006	447	2,258	581	589	4,630	5,808	14,313
Charge for the year	105	419	101	70	292	204	1,191
Impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Reclassification to assets held for sale	-	(1,523)	(253)	(207)	(1,279)	(422)	(3,684)
At December 31, 2006	552	1,154	429	452	3,643	5,590	11,820
<b>At December 31, 2006</b>	<b>4,655</b>	<b>784</b>	<b>190</b>	<b>28</b>	<b>621</b>	<b>731</b>	<b>7,009</b>

**Acquisition Cost**

At January 1, 2007	5,207	1,938	619	480	4,264	6,321	18,829
Additions	-	241	480	-	1,602	2,710	5,033
Impairment	-	-	-	-	-	-	-
Disposals	(5,207)	(20)	(286)	(305)	(91)	(164)	(6,073)
At December 31, 2007	-	2,159	813	175	5,775	8,867	17,789

**Accumulated Depreciation**

At January 1, 2007	552	1,154	429	452	3,643	5,590	11,820
Charge for the year	43	333	97	28	447	214	1,162
Impairment	-	-	-	-	-	-	-
Disposals	(595)	(8)	(263)	(305)	(60)	(131)	(1,362)
At December 31, 2007	-	1,479	263	175	4,030	5,673	11,620
<b>At December 31, 2007</b>	<b>-</b>	<b>680</b>	<b>550</b>	<b>-</b>	<b>1,745</b>	<b>3,194</b>	<b>6,169</b>

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**9. INTANGIBLE ASSETS**

	Software	Other intangibles	Total
<b>Acquisition Cost</b>			
At January 1, 2006	4,251	569	4,820
Additions	63	3	66
Disposals	-	-	-
Reclassification to assets held for sale	(331)	(572)	(903)
At December 31, 2006	3,983	-	3,983
<b>Accumulated Depreciation</b>			
At January 1, 2006	3,678	538	4,216
Charge for the year	299	30	329
Disposals	-	-	-
Reclassification to assets held for sale	(280)	(568)	(848)
At December 31, 2006	3,697	-	3,697
<b>At December 31, 2006</b>	<b>286</b>	<b>-</b>	<b>286</b>
<b>Acquisition Cost</b>			
At January 1, 2007	3,983	-	3,983
Additions	841	-	841
Disposals	-	-	-
At December 31, 2007	4,824	-	4,824
<b>Accumulated Depreciation</b>			
At January 1, 2007	3,697	-	3,697
Charge for the year	307	-	307
Disposals	-	-	-
At December 31, 2007	4,004	-	4,004
<b>At December 31, 2007</b>	<b>820</b>	<b>-</b>	<b>820</b>

**10. OTHER ASSETS**

	December 31, 2007	December 31, 2006
Prepaid taxes	-	390
Prepaid expenses	1,390	1,286
Advances	3,344	3
Clearing account	12,693	-
Other	147	206
<b>Total</b>	<b>17,574</b>	<b>1,885</b>

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**11. DEPOSITS**

	December 31, 2007			December 31, 2006		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Demand	446	-	-	1,873	-	-
Time	1,000	16.65%	-	-	-	-
<b>Total</b>	<b>1,446</b>			<b>1,873</b>		

	December 31, 2007			December 31, 2006		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
<b>Saving</b>						
Demand	17,204	0.00%-5.00%	-	14,732	0.00%-5.00%	-
Time	267,228	12.00%-19.00%	1.00%-6.00%	283,689	11.00%-21.75%	1.00%-6.30%
	<b>284,432</b>			<b>298,421</b>		

**Commercial and other**

Demand	17,520	0.00%-5.00%	-	9,219	0.00%-5.00%	-
Time	28,073	12.00%-19.00%	1.50%-5.75%	27,913	13.50%-21.75%	1.50%-6.05%
	<b>45,593</b>			<b>37,132</b>		

**Total** 330,025 335,553

All deposits have fixed interest for the years ended December 31, 2007 and 2006.

**12. FUNDS BORROWED**

	December 31, 2007	December 31, 2006
Borrowings	146,005	87,672
<b>Total</b>	<b>146,005</b>	<b>87,672</b>

	December 31, 2007		
	Amount	Effective interest rate	
		New Turkish Lira	Foreign currency
<b>Short-term</b>			
Fixed interest	20,950	14.00%-16.00%	3.80%-5.92%
Floating interest	118,726	-	5.72%
<b>Medium/long-term</b>	-		
Fixed interest	5,808	-	5.49%
Floating interest	521	-	5.58%-5.93%
<b>Total</b>	<b>146,005</b>		

	December 31, 2006		
	Amount	Effective interest rate	
		New Turkish Lira	Foreign currency
<b>Short-term</b>			
Fixed interest	19,374	11.00%-16.00%	3.50%-6.53%
Floating interest	64,959	-	6.33%-6.37%
<b>Medium/long-term</b>			
Fixed interest	-	-	-
Floating interest	3,339	-	5.05%-6.06%
<b>Total</b>	<b>87,672</b>		

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Repayment plan of medium and long term borrowings is as follows:

	December 31, 2007		December 31, 2006	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2007	-	-	-	2,074
2008	5,808	521	-	1,265
<b>Total</b>	<b>5,808</b>	<b>521</b>	<b>-</b>	<b>3,339</b>

The Bank has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants during 2007 (2006-none).

**13. OTHER LIABILITIES AND PROVISIONS**

	December 31, 2007	December 31, 2006
<b>Other liabilities</b>		
Taxes and dues payable	1,922	1,519
Trade Payables and Advances	1,035	971
Cheques clearance account	16,772	705
Payables to Government Funds	164	130
Blocked Money	1,587	1,649
Obligations under finance leases	1,260	-
Others liabilities	2,622	782
	<b>25,362</b>	<b>5,756</b>
<b>Provisions</b>		
Employee termination benefits	807	655
Unused vacation provision	433	375
Provision on lawsuits	362	250
Provision on non-cash loans	1,210	1,049
	<b>2,812</b>	<b>2,329</b>
<b>Total</b>	<b>28,174</b>	<b>8,085</b>

**Employee Termination Benefits**

In accordance with existing social legislation, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TRY 2,030, and TRY 1,857 at December 31, 2007, 2006 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2007, the Bank reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date. The annual ceiling has been increased to TRY 2,088 effective January 1, 2008.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

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The principal actuarial assumptions used in the calculation of the total liability at the balance sheet dates are as follows:

	December 31, 2007	December 31, 2006
Discount rate for pension plan liabilities	11%	11%
Inflation	5%	5%

Movements in the defined benefit obligations and unused vacation provision in the current period were as follows:

	December 31, 2007	December 31, 2006
Opening	1,030	528
Current service cost	308	654
Interest cost	67	25
Actuarial (gains)/ losses	(30)	-
Benefits paid	(135)	-
Reclassification to payables related to assets held for sale	-	(177)
<b>Closing</b>	<b>1,240</b>	<b>1,030</b>

#### 14. INCOME TAXES

The Bank is subject to corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Bank's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rates of tax are as follows: 20% in 2007 and 2006.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was 20% for 2007 (2006: 20%).

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profits of the following years. However, losses incurred cannot be deducted from the profits incurred in the prior years retrospectively. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1st to 25th of the fourth month following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

#### Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax was 10% starting from April 24, 2003. This rate was changed to 15% with the Decree of the Council of Ministers of the Republic (Decree No. 2006/10731) commencing from July 23, 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the Bank. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from January 1, 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years as of December 31, 2005 so as to be deducted from taxable income of subsequent profitable years. However companies can deduct carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.



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The tax rate that companies can use in case of deducting tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Bank chooses not to use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be cancelled.

As the management of the Bank does not plan to use the investment incentive, the corporate tax rate was used as 20% as of December 31, 2007.

In the accompanying financial statements corporate tax and deferred tax asset/liability are comprised of the following:

Balance Sheet: Corporate tax

	December 31, 2007	31 December, 2006
Corporate taxes and funds	-	-
Deferred tax (asset) / liability (net)	(1,596)	(1,422)

Income Statement:

	December 31, 2007	31 December, 2006
Current income tax from continuing operations	-	-
Deferred tax benefit/(charge) from continuing operations	174	934
	<b>174</b>	<b>934</b>
Current income tax from discontinued operations	(122)	(1,723)
Deferred tax benefit/(charge) from discontinued operations	(10)	(11)
	<b>(132)</b>	<b>(1,734)</b>

Temporary differences and corresponding deferred taxes are as follows:

	December 31, 2007 Timing Differences	December 31, 2007 Deferred Tax (Asset)/Liability
Useful life difference on premises & equipment and intangible assets	757	151
Retirement pay and unused vacation provision	(1,240)	(248)
Portfolio reserve	(2,922)	(584)
Carry forward tax losses	(4,186)	(837)
Amortised cost fair value difference	(390)	(78)
	<b>(7,981)</b>	<b>(1,596)</b>

	December 31, 2006 Timing Differences	December 31, 2006 Deferred Tax (Asset)/Liability
Useful life difference on fixed assets	274	55
Retirement pay and unused vacation provision	(1,030)	(206)
Portfolio reserve	(2,103)	(421)
Carry forward tax losses	(4,186)	(837)
Amortised cost fair value difference	(66)	(13)
	<b>(7,111)</b>	<b>(1,422)</b>

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

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Movement of deferred tax (asset)/liability:

	December 31, 2007	31 December, 2006
Opening balance at 1 January	(1,422)	(488)
Current year charge / (benefit)	(174)	(1,645)
Effect of tax rate change	-	711
Subtotal	(1,596)	(1,422)
Reclassification to assets held for sale	-	-
<b>Closing balance at period end</b>	<b>(1,596)</b>	<b>(1,422)</b>

Current income tax can be reconciled to the profit per statement of income as follows:

	December 31, 2007	December 31, 2006
Reconciliation of Taxation		
Income/(loss) before taxation and minority interest	450	(4,808)
Tax at the domestic income tax rate of 20% (2006: 20%)	(90)	962
Tax effect of undeductable expenses	(599)	(57)
Tax effect of income that is deductible in determining taxable income and other adjustments	515	740
Effect of tax rate change	-	(711)
<b>Tax benefit / (charge) per income statement</b>	<b>(174)</b>	<b>934</b>

#### 15. DERIVATIVES

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. The table below shows the fair values of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	December 31, 2007			December 31, 2006		
	Fair value assets	Fair value liabilities	Notional amount in New Turkish Lira equivalent	Fair value assets	Fair value liabilities	Notional amount in New Turkish Lira equivalent
<b>Derivatives held-for-trading</b>						
Currency swap contracts	-	399	86,910	41	-	18,565
Other	-	-	-	10	4	4,700
	<b>-</b>	<b>399</b>	<b>86,910</b>	<b>51</b>	<b>4</b>	<b>23,265</b>

#### Fair value hedges

As of December 31, 2007, the Bank has no fair value hedges (2006 - none).

#### Cash flow hedges

As of December 31, 2007, the Bank has no cash flow hedges (2006 - none).

#### Hedge of net investment in foreign operations

As of December 31, 2007, the Bank has no hedge of net investment in foreign operations (2006 - none).

**Turklandbank Anonim Şirketi**  
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**16. SHARE CAPITAL**

	December 31, 2007	December 31, 2006
Total number of shares, TRY 0.1 par value	700 Million	350 Million
<b>Total number of shares</b>	<b>700 Million</b>	<b>350 Million</b>

As of December 31, 2007 and 2006, the composition of shareholders and their respective % of ownership are summarized as follows:

	December 31, 2007	
	Amount	%
Arap Bank PLC	35,000	50.00%
Bankmed, SAL	28,700	41.00%
Mehmet Nazif Günel	6,300	9.00%
Restatement effect	148,164	
<b>Total</b>	<b>218,164</b>	

	December 31, 2006	
	Amount	%
Mehmet Nazif Günel	34,902	99.72%
Hasan Arica	17.5	0.05%
MNG Holding A.Ş.	17.5	0.05%
Günel İnşaat ve Ticaret A.Ş.:	17.5	0.05%
Mapa İnşaat ve Ticaret A.Ş.	17.5	0.05%
Ayşegül Özkaplan	14	0.04%
Ahmet Serdar Özkazanç	14	0.04%
Restatement effect	148,164	
<b>Total</b>	<b>183,164</b>	

Based on the decision at the meeting of the Extraordinary General Assembly on July 30, 2007, the Bank decided to increase the paid-in capital of the Bank to TRY 70,000 by TRY 35,000. This increase was registered with Istanbul Trade Registry Office on August 16, 2007 and the procedures for the capital increase were completed. The Bank's capital increase was approved by BRSA's October 3, 2007 dated and 13892 numbered correspondence. As of October 2007, the paid in capital of the Bank is TRY 70,000.

**17. RESERVES, RETAINED EARNINGS AND DIVIDENDS PAID AND PROPOSED**

Movement in legal reserves and retained earnings are as follows:

	Legal Reserves	Retained Earnings	Total
<b>At January 1, 2006</b>	<b>5,317</b>	<b>(115,867)</b>	<b>(110,550)</b>
Transfer from retained earnings	530	(530)	-
Dividends paid	-	-	-
Net profit for the period (year)	-	(1,685)	(1,685)
<b>At December 31, 2006</b>	<b>5,847</b>	<b>(118,082)</b>	<b>(112,235)</b>
Transfer from retained earnings	-	-	-
Dividends paid	-	-	-
Net profit for the period (year)	-	555	555
Disposal of subsidiaries	(640)	640	-
<b>At December 31, 2007</b>	<b>5,207</b>	<b>(116,887)</b>	<b>(111,680)</b>

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

### For the Year Ended December 31, 2007

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#### Legal Reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

#### Dividends Paid and Proposed

The Bank did not propose dividends per share subsequent to the balance sheet date. Profit appropriation will be resolved in the General Assembly meeting which has not yet been conducted as of the date of the accompanying financial statements are authorized for issue.

#### 18. RELATED PARTIES

A party is related to an entity if: the party controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the entity that gives it significant influence over the entity or has joint control over the entity. Related parties also include individuals that are principal owners, management and members of the Bank's Board of Directors and their families and also post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

#### Transactions with key management personnel:

Key management personnel comprise of the Bank's directors and key management executive officers.

In addition to their salaries, the Bank also provides non-cash benefits to directors.

Total compensation provided to key management personnel is:

	December 31, 2007	December 31, 2006
Salaries and Short-term benefits	6,591	3,732

December 31, 2007	Cash loans	Non-cash loans	Deposits taken	Deposit with banks	Other Receivables	Other Liabilities	Interest income	Interest expense	Net operating Income/(expense)
	494	12,142	24,652	6	149	1,743	694	(1,257)	213
<b>TOTAL</b>	<b>494</b>	<b>12,142</b>	<b>24,652</b>	<b>6</b>	<b>149</b>	<b>1,743</b>	<b>694</b>	<b>(1,257)</b>	<b>213</b>

December 31, 2006	Cash loans	Non-cash loans	Deposits taken	Deposit with banks	Other Receivables	Other Liabilities	Interest income	Interest expense	Net operating Income/(expense)
	273	7,704	8,412	-	3,549	384	280	(744)	(1,784)
<b>TOTAL</b>	<b>273</b>	<b>7,704</b>	<b>8,412</b>	<b>-</b>	<b>3,549</b>	<b>384</b>	<b>280</b>	<b>(744)</b>	<b>(1,784)</b>

**Turklandbank Anonim Şirketi**  
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**19. INTEREST INCOME**

	2007	2006
Loans and advances	49,333	41,385
Investment securities	22,335	11,770
Deposits with banks and other financial institutions	2,821	1,163
Other interest income	2,654	2,109
<b>Total</b>	<b>77,143</b>	<b>56,427</b>

**20. INTEREST EXPENSES**

	2007	2006
Customer deposits	(40,709)	(36,633)
Funds borrowed and deposits from other banks	(7,035)	(3,947)
Other interest expenses	(3,228)	(4,529)
<b>Total</b>	<b>(50,972)</b>	<b>(45,109)</b>

**21. OTHER INCOME**

	2007	2006
Gains/(losses) on sale of premises & equipment	(174)	351
Income from other banking services	587	283
Other	3,334	2,236
<b>Total</b>	<b>3,747</b>	<b>2,870</b>

**22. OPERATING EXPENSES**

	2007	2006
Administrative expenses		
Staff costs	(19,121)	(12,646)
Defined benefit obligation	(210)	(679)
Impairment on securities	-	990
Depreciation and amortization	(1,469)	(1,520)
Provision expense for lawsuits	(112)	-
Rent expenses	(1,903)	(1,119)
Others	(9,886)	(8,537)
<b>Total</b>	<b>(32,701)</b>	<b>(23,511)</b>

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**23. NET INCOME LOSS FROM DISCONTINUED OPERATIONS**

As detailed in note 3, the combined results of the discontinued operations included in the income statement are set out below. The comparative profit from discontinued operations has been re-presented to include those operations classified as discontinued in the current period.

	<b>2007</b>	<b>2006</b>
Interest income	2,162	25,080
Interest expenses	(1,267)	(12,757)
Net interest income/(loss)	895	12,323
Foreign exchange gain/(loss)	(378)	100
Trading income	40	146
Net trading income/(loss)	(338)	246
Provisions for impairment of loan receivables	-	(2,106)
Net operating income/(loss) after impairment	557	10,463
Other income	74	723
Operating expenses	(568)	(5,799)
Profit/(loss) before tax	63	5,387
Taxation	(132)	(1,734)
<b>Net profit/(loss) from discontinued operations</b>	<b>(69)</b>	<b>3,653</b>

The combined cash flow results of the discontinued operations included in the statement of cash flow are set out below:

	<b>2006</b>
Net cash flows from operating activities	(28,305)
Net cash flow from investing activities	(3)
Net cash flows from financing activities	29,345
	<b>1,037</b>

**24. COMMITMENTS AND CONTINGENCIES**

In the normal course of business activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including:

	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Letters of guarantee issued	284,273	288,480
Letters of credit	72,984	62,896
Acceptance credits	10,303	12,496
Other	10,766	38,586
Total non-cash loans	378,326	402,458
Other commitments	30,770	18,617
Credit card limit commitments	1,463	1,564
<b>Total</b>	<b>410,559</b>	<b>422,639</b>

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

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#### **Fiduciary Activities**

The Bank provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in the accompanying financial statements.

The Bank also manages two investment funds, which were established under the regulations of the Turkish Capital Markets Board. In accordance with the funds' charters, the Bank purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

#### **Litigation**

In the normal course of its operations, the Bank can be constantly faced with legal disputes, claims and complaints, which in most cases stem from normal insurance operations. The necessary provision, if any, for those cases are provided based on management estimates and professional advice.

## **25. FINANCIAL RISK MANAGEMENT**

#### **Organization of the Risk Management Function**

The Bank's activities involve some degree of risk or combination of risks. Therefore, procedures and operations throughout the Bank are designed towards contributing to effective addressing of this matter reflecting the disciplined and prudent risk management culture of the Bank. The Bank Risk Management supervises the risk management process of the Bank.

The mission of Bank Risk Management function is to ensure together with executive management that risks taken by the Bank align with its policies and are compatible with its profitability and credit-rating objectives.

The risk management process consists of the stages of defining and measuring the risks; establishing the risk policies and procedures and their implementation; and the analysis, review, reporting, research, recognition and assessment of risks within the framework of the basis set by the Board and the Audit Committee.

In 2007 new limits for Credit Risk, Market Risk, Economic Capital, VAR and stop-loss limits for Treasury positions are set by the Board of Directors. Economic capital calculations cover all types of risk classes; credit, market and operational risk. All limits are calculated and monitored by Risk Management Group and reported to senior management and Audit Committee.

#### **Credit Risk**

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and causes to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank.. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

Risks and limits related to treasury activities and customer based commercial activities are monitored daily. Moreover, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

The credit worthiness of the debtors of the loans and other receivables is monitored regularly as prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

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The percentage of the top 100 cash loan clients of the Bank to the total loan portfolio is 64.66%.

The percentage of the top 100 non-cash loan clients of the Bank to the total loan portfolio is 72.40.%.

The percentage of the total cash and non-cash loans balances of the top 100 clients to the total of assets and off-balance sheet items is 18.22%.

#### **Derivatives:**

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

#### **Credit-related commitments:**

Credit-related commitments include commitments to extend credit, letters of credit, guarantees and acceptances, other irrevocable commitments which are designed to meet the requirements of the Bank's customers.

Letters of credit, guarantees and acceptances commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The Bank monitors the maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Bank sets out the following sound practices so as to minimize risk in credit-related commitments like in cash credits by,

- (i) establishing an appropriate credit risk environment;
- (ii) operating under a sound credit-granting process;
- (iii) maintaining an appropriate credit administration, measurement and monitoring process; and ensuring adequate controls over credit risk.



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An industry sector analysis of the Bank's financial assets, before taking into account collateral held or other credit enhancements is as follows;

	December 31, 2007	December 31, 2006
Agricultural	37,668	25,807
Farming and Raising Livestock	28,354	18,884
Forestry, Wood and Paper	9,290	6,691
Fishery	24	232
Manufacturing	201,835	93,252
Mining and Quarry	59,996	22,834
Production	110,933	31,005
Electricity, Gas and Water	30,906	39,413
Construction	198,219	178,467
Services	427,916	408,165
Wholesale and Retail Trade	62,994	28,142
Hotel, Tourism, Food and Beverage Services	20,367	9,784
Transportation and Communication	93,820	101,573
Financial Institutions	231,376	250,125
Real Estate and Renting Services	286	-
Self-Employment Services	3,325	-
Education Services	398	13
Health and Social Services	15,350	18,528
Other	119,824	191,153
<b>Total</b>	<b>985,462</b>	<b>896,844</b>

The table below shows the maximum exposure to credit risk for the components of the balance sheet;

<b>Gross maximum exposure</b>	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Central Bank	11,170	14,974
Due from banks	20,129	58,366
Financial assets at fair value through profit and loss	127,137	97,966
Derivative financial instruments	-	51
Loans and advances to customers	416,388	300,512
Securities available-for-sale	79	2,336
<b>Total</b>	<b>574,903</b>	<b>474,205</b>
Contingent liabilities	378,326	402,458
Commitments	32,233	20,181
<b>Total</b>	<b>410,559</b>	<b>422,639</b>
<b>Total credit risk exposure</b>	<b>985,462</b>	<b>896,844</b>

The maximum credit risk exposure to any client or counterparty as of December 31 2007 for cash loans and non cash loans was TRY 18,479 and TRY 19,826 respectively. (December 31, 2006: TRY 18,273, TRY 24,042) before taking account of collateral and other credit enhancements and TRY 17,947 and TRY 19,826 (December 31,2006: TRY 18,273 for cash loans, TRY 24,042 ) net of such protection.

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Credit quality per class of financial assets as of December 31, 2007 is as follows;

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	20,129	-	20,129
Financial assets designated at fair value through profit or loss	127,137	-	127,137
Loans and advances to customers			
Corporate lending	362,559	2,443	365,002
Small business lending	43,836	996	44,832
Consumer lending	6,391	163	6,554
Other	-	-	-
<b>Total</b>	<b>560,052</b>	<b>3,602</b>	<b>563,654</b>
Financial investments			
Quoted-Government debt securities	-	-	-
Quoted-Other debt securities	-	-	-
Unquoted-Debt securities	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>560,052</b>	<b>3,602</b>	<b>563,654</b>
	Internal/ External Grades	Share of exposure %	Total TRY
High Grade			
Risk rating class 1	A+Excellent	0.93%	3,898
Risk rating class 2	A-Excellent	0.08%	341
Risk rating class 3	B+Very Good	3.36%	14,059
Risk rating class 4	B-Very Good	9.01%	37,704
Standard Grade			
Risk rating class 5	C+Good	18.42%	77,046
Risk rating class 6	C-Good	22.75%	95,142
Sub Standard Grade			
Risk rating class 7	D+Ordinary	16.00%	66,910
Risk rating class 8	D-Ordinary	14.71%	61,517
Impaired			
Risk rating class 9	E Bad	4.01%	16,765
Risk rating class 10	F Very Bad	1.62%	6,778
Unrated		9.11%	38,126
<b>TOTAL</b>		<b>100.00%</b>	<b>418,286</b>

(\*) Prior period data cannot be obtained by the system.

The Bank use 3 main factors for internal loan rating system. These are financial data, non-financial data and specialist decisions. Financial data consist of liquidity, financial structure, profitability, growth ratios and turnover rate. Non financial data consist of loan client business, relation with finance sector and sector analysis. The Bank measures the credit rating of companies by making comparisons regarding the financial data and non financial-data.

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In the above internal loan rating table, Loans rated as D+ and D- contain customers that are operating in construction, sea transportation and car-rental businesses. Their proportions in the D+ and D- rated loans are 28%, 14% and 14% respectively. There are specific features in the financials of these businesses to affect the rating. Due to these companies operating with a high leverage and negative working capital especially in the sea transportation and car rental businesses, these borrowing customers are rated D despite their high credit worthiness. Construction firms are classified as D+ and D- because of the sector characteristics. In the existing rating system, financial institutions are not rated. In the un-rated section, 22% of TRY 38,126 Thousand balance consists of financial institutions.

In the existing rating system, the collateral assigned to loans are not taken into account in the rating.

The Bank made an agreement with Consulting Company which is authorized distributor of Dun and Bradstreet Ltd to establish a new Credit Scoring model which is applicable to Small Business and commercial/corporate segments to compatible to Basel II and cure determined defaults that will be in use starting from mid 2008.

Carrying amount per class of financial assets whose terms have been renegotiated

	December 31, 2007	December 31, 2006
Due from banks	-	-
Financial assets designated at fair value through profit or loss	-	-
Loans and advances to customers	176	409
Corporate lending	120	-
Small business lending	56	409
Consumer lending	-	-
Other	-	-
<b>Total</b>	<b>176</b>	<b>409</b>

#### Liquidity Risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period.

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TRY and foreign currency assets and liabilities on the balance sheet and their costs.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. The ratios calculated on a standalone basis during the year were as follows:

	December 31, 2007	December 31, 2006
	%	%
December 31	532.11%	116.87%
Average during the period	340.84%	123.46%
Highest	700.46%	139.73%
Lowest	107.23%	107.10%

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Analysis of financial liabilities by remaining contractual maturities;

As of December 31, 2007	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Adjustments	Total
Due to banks	1,447	-	-	-	-	(1)	1,446
Other deposits	241,854	81,760	9,305	116	-	(3,010)	330,025
Obligations under repurchase agreements	22,042	-	-	-	-	(10)	22,032
Interbank money market borrowings	-	-	-	-	-	-	-
Debt issued and funds borrowed	11,520	4,668	134,391	-	-	(4,574)	146,005
<b>Total</b>	<b>276,863</b>	<b>86,428</b>	<b>143,696</b>	<b>116</b>	<b>-</b>	<b>(7,595)</b>	<b>499,508</b>
<b>As of December 31, 2006</b>							
Due to banks	1,873	-	-	-	-	-	1,873
Other deposits	246,545	76,461	16,150	-	-	(3,603)	335,553
Obligations under repurchase agreements	15,056	-	-	-	-	(16)	15,040
Interbank money market borrowings	5,012	-	-	-	-	(6)	5,006
Debt issued and funds borrowed	5,069	4,436	79,876	1,412	-	(3,121)	87,672
<b>Total</b>	<b>273,555</b>	<b>80,897</b>	<b>96,026</b>	<b>1,412</b>	<b>-</b>	<b>(6,746)</b>	<b>445,144</b>

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments;

As of December 31, 2007	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Net settled:						
Interest rate swaps	-	-	-	-	-	-
Foreign exchange forward contracts	-	-	-	-	-	-
Gross settled:						
Foreign exchange forward contracts	43,633	-	-	-	-	43,633
Currency swaps	43,633	-	-	-	-	43,633
<b>Total</b>	<b>43,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,633</b>
<b>As of December 31, 2006</b>						
Net settled:						
Interest rate swaps	-	-	-	-	-	-
Foreign exchange forward contracts	-	-	-	-	-	-
Gross settled:						
Foreign exchange forward contracts	11,588	-	-	-	-	11,588
Currency swaps	2,326	-	-	-	-	2,326
<b>Total</b>	<b>11,588</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,588</b>

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### Net liquidity gap:

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates. Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Presentation of assets and liabilities according to their remaining maturity:

	Demand	Up to 1 Month	1 to 3 month	3 months to 1 year	Over 1 year	Unallocated	Total
<b>As at December 31, 2007</b>							
Assets:							
Cash and cash equivalents	8,899	16,589	-	-	-	-	25,488
Banks with Central bank	11,169	21,125	5,405	1,615	-	-	39,314
Financial assets at fair value through profit and loss	-	-	-	50,809	76,328	-	127,137
Derivative financial instruments	-	-	-	-	-	-	-
Loans and advances to customers (Net)	-	344,828	19,433	32,423	19,085	619	416,388
Investment securities	-	-	-	-	-	79	79
Premises and equipment	-	-	-	-	-	6,169	6,169
Intangible assets	-	-	-	-	-	820	820
Deferred tax asset	-	-	-	-	1,596	-	1,596
Other assets	-	17,574	-	-	-	-	17,574
<b>Total Assets</b>	<b>20,068</b>	<b>400,116</b>	<b>24,838</b>	<b>84,847</b>	<b>97,009</b>	<b>7,687</b>	<b>634,565</b>
Liabilities:							
Deposits from customers	34,724	206,084	80,167	8,951	99	-	330,025
Deposits from banks	446	1,000	-	-	-	-	1,446
Obligations under repurchase agreements	-	22,032	-	-	-	-	22,032
Derivative financial instruments	-	399	-	-	-	-	399
Funds borrowed	-	8,108	4,612	133,285	-	-	146,005
Other	-	24,160	75	351	776	109,296	134,658
<b>Total Liabilities</b>	<b>35,170</b>	<b>261,783</b>	<b>84,854</b>	<b>142,587</b>	<b>875</b>	<b>109,296</b>	<b>634,565</b>
<b>Net liquidity gap</b>	<b>(15,102)</b>	<b>138,333</b>	<b>(60,016)</b>	<b>(57,740)</b>	<b>96,134</b>	<b>(101,609)</b>	<b>-</b>
<b>As at December 31, 2006</b>							
Total assets	25,555	375,901	77,874	134,473	19,254	10,602	643,659
Total liabilities	25,824	366,694	78,766	94,545	1,277	76,553	643,659
<b>Net liquidity gap</b>	<b>(269)</b>	<b>9,207</b>	<b>(892)</b>	<b>39,928</b>	<b>17,977</b>	<b>(65,951)</b>	<b>-</b>

## **Turklandbank Anonim Şirketi**

### **Notes to the Financial Statements**

### **For the Year Ended December 31, 2007**

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

#### **Market Risk**

The Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" issued on Official Gazette dated November 1, 2006 numbered 26333.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to VAR calculated by using the standardised method (summarised below) is taken into consideration. Beside the standardised method, market risk (VAR) is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by two different methods which are historic simulation, parametric method, and these results are also reported daily to the management.

#### **VaR Analysis**

The VaR risk measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers include the historical and variance covariance approaches.

While VaR captures the Bank's exposure under normal market conditions, sensitivity and scenario analysis, and in particular stress testing, is used to add insight to the possible outcomes under abnormal market conditions. The Bank assesses various stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, and consequently reflects the decline in liquidity that frequently accompanies market shocks.

VAR limits have been established for all trading operations and exposures are reviewed daily against the limits by management.

#### **Currency Risk**

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standardised method.

The Board of Directors sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Bank's positions are also monitored.

As an element of the Bank's risk management strategies, foreign currency liabilities are economically hedged against exchange rate risk by derivative instruments.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

#### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

The carrying amount of the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	EURO	USD	Other FC	Total
<b>As of December 31, 2007</b>				
<b>Assets</b>				
Cash and cash equivalents	4,846	18,361	1,194	24,401
Banks with Central bank	6,700	21,914	-	28,614
Financial assets at fair value through profit and loss	36	3,777	-	3,813
Loans and advances to customers (Net)	97,374	106,254	-	203,628
Other assets	171	154	-	325
<b>Total assets</b>	<b>109,127</b>	<b>150,460</b>	<b>1,194</b>	<b>260,781</b>
<b>Liabilities:</b>				
Deposits from customers	44,429	70,949	50	115,428
Deposits from banks	29	10	12	51
Derivative financial instruments	-	399	-	399
Funds borrowed	16,843	126,385	-	143,228
Other liabilities and provisions	3,177	162	5	3,344
<b>Total Liabilities</b>	<b>64,478</b>	<b>197,905</b>	<b>67</b>	<b>262,450</b>
Net on balance sheet position	44,649	(47,445)	1,127	(1,669)
Net off balance sheet position	(43,633)	43,277	-	(356)
Derivative financial assets	-	43,277	-	43,277
Derivative financial liabilities	43,633	-	-	43,633
<b>As of December 31, 2006</b>				
Total assets	70,328	164,655	1,208	236,191
Total liabilities	60,710	175,407	38	236,155
Net on balance sheet position	9,618	(10,752)	1,170	36
Net off balance sheet position	(10,743)	9,935	-	(808)
Derivative financial assets	-	10,780	-	10,780
Derivative financial liabilities	10,743	845	-	11,588

#### Foreign currency sensitivity

The Bank is mainly exposed to EUR and USD currencies.

The following table details the Bank's sensitivity to a 10% increase or decrease in the TRY against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. Positive/ (negative) number indicates a change in profit or loss and other equity where USD and EUR increase/ decrease %10 against TRY.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
USD	10	(417)	(82)	-	-
EUR	10	102	(113)	-	-

#### Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standardized method and included in the market risk for capital adequacy.

Risk Management Department performs duration, maturity and sensitivity analysis to measure the effect of interest rate volatility and report to the Asset-Liability Committee. Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

## Turklandbank Anonim Şirketi

### Notes to the Financial Statements

### For the Year Ended December 31, 2007

(Amounts expressed in thousands of New Turkish Lira [TRY] unless otherwise stated.)

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank does not permit maturity mismatches or imposes limits on mismatch, a significant interest rate risk exposure is not expected.

#### Interest rate sensitivity

If interest rates had been increased by 0.5% in TRY and by % 0.5 in FC and all other variables were held constant, the Bank's:

- Net profit would decrease by TRY 293. The main reason of this is fair value change of held for trading government bonds that the Bank holds.
- Bank Shareholders' equity amount would not be affected.

#### Interest rate swap contracts

The Bank does not have any interest rate swap contracts outstanding as of balance sheet date.

#### Other Price Risks

The Bank does not invest in share certificates quoted on a stock exchange hence it is not subject to share price risk.

#### Capital Adequacy

To monitor the adequacy of its capital, the Bank uses ratios established by Banking Regulation and Supervision Agency (BRSA). The minimum ratio is 8% (12% if a bank operates in offshore markets). These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. As of December 31, 2007, its capital adequacy ratio on an unconsolidated basis is above 12%.

#### Fair Value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

The Bank considers that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

	Carrying value		Fair value	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
<b>Financial assets</b>	<b>436,596</b>	<b>361,214</b>	<b>436,126</b>	<b>361,214</b>
Banks	20,129	58,366	20,129	58,366
Available-For-Sale Financial Assets	79	2,336	79	2,336
Loans	416,388	300,512	415,918	300,512
<b>Financial liabilities</b>	<b>477,476</b>	<b>425,098</b>	<b>477,185</b>	<b>425,098</b>
Bank Deposits	1,446	1,873	1,446	1,873
Other Deposits	330,025	335,553	329,734	335,553
Funds Borrowed From Other Financial Institutions	146,005	87,672	146,005	87,672

#### 26. SUBSEQUENT EVENTS

The Bank decided to increase its paid-in capital from TRY 70,000 to TRY 170,000 by TRY 100,000 at the 466/B numbered Board of Directors decision on December 14, 2007. Based on a decision at the meeting of Extraordinary General Assembly on February 12, 2008, the Bank increased its paid-in capital from TRY 70,000 to TRY 170,000.



## Risk Management Policies

T-Bank Risk Management Department was established in 2001 as an independent unit directly reporting to the Audit Committee member responsible for Internal Audit, Internal Control and Risk Management.

Risk management requires quantification of market, credit and operational risk and determination of their limits and control processes. T-Bank views risk management as an integral part of the overall administrative process. Therefore, it is of utmost importance to create awareness of the importance of risk management within all organizational ranks.

The Risk Management Department submits daily, weekly and monthly reports to senior management and the Audit Committee, where all risks, concentrations, statutory limits and the Bank's own limits are monitored. These reports include daily VaR analyses, credit and market risk limits and concentrations, stress tests and scenario analyses, reports on liquidity and interest rate risk, economic capital and capital adequacy analyses. The management can track performance and limits using these detailed reports.

T-Bank's assets & liabilities management policy focuses on ensuring that the Bank has sufficient funds to meet the demand for loans from its customers as well as satisfying the regulatory requirements. Issues related to the composition of assets and liabilities, financial ratios and maturities are discussed and resolved at the weekly Assets & Liabilities Management Committee meetings.

Presentation is given to audit committee on a quarterly basis covering Banks principal risks. Economic capital calculations covering credit, market and operational risk is presented to the board. Audit committee is informed about the breaches of risk limits. On September 2007 new risk limits prepared by Risk Management and senior management has been accepted by Board.

The Risk Management Department has finalized the necessary preliminary studies for Basel II capital adequacy calculations. Infrastructure analysis needed for an effective risk management system has been conducted conscientiously in coordination with other departments throughout the year.

### Credit risk

The management of credit risk lies at the heart of T-Bank's sustainable growth. The Board of Directors plays a central role in setting a series of credit policies and making sure that their implementation is closely monitored and providing guidance on limits on credit exposure to individual sectors and companies and groups via delegation of loan approval responsibilities.

The Credit Monitoring Department is primarily responsible for monitoring credit risk and identifying early warning signals. Capital requirement resulting from the Bank's lending practices is calculated according to the standard approach that is in compliance with the Banking Regulation and Supervision Agency regulations.

In order to upgrade rating system according to Basel II standards a contract has been made with a vendor named FINAR (agent of Dun & Bradstreet) to develop a new rating system. In August 2007, a rating committee, responsible for organizing a new internal rating system according to Basel II rating criteria, has been established. Regular weekly meetings are held to develop the system and decide upon the financial and non-financial criteria to be used in the model and the appropriate weighting scheme.

### Market risk

Market risk is defined as value fluctuations of positions resulting from price changes. Market risk is analyzed under two groups: Trading Risk and Asset-Liability Mismatch Risk.

The Risk Management Department has been calculating the value at risk (VaR) on a daily basis using a one day holding period and a 99% confidence level since November 2004. Both parametric and historical VaR methods are employed and parametric VaR results are used to calculate the capital requirement for trading risk. Effectiveness of the VaR approach is analyzed using the back-testing method and the number of days where the actual losses are larger than the estimated VaR is calculated with this method.

### **Interest rate risk**

T-Bank maintains a policy of maintaining risk exposure within conservative self-imposed limits and at levels consistent with internal policies. The Risk Management Department prepares regular interest rate GAP analysis as well as sensitivity analysis covering the balance sheet to adequately monitor interest rate exposure.

### **Liquidity risk**

T-Bank maintains a high liquidity level as a matter of policy, and the liquidity position is closely and frequently monitored by the Risk Management Department. The liquid assets on the balance sheet are 10.2% of total assets excluding the securities portfolio and 37.8% of total assets including the securities portfolio.

### **Operational risk**

Operational risk is defined as the risk of loss due to inadequate or failed internal processes, people and systems or from external events. T-Bank's business units manage this risk through clearly defined policies, procedures and internal controls.

At T-Bank, almost all operations are performed by the Central Operations Department in the Head Office. The Internal Control Center regularly monitors and controls these operations. Operation managers in the branches, who act independently from branch managers and report directly to the Central Operations Department, are responsible for the execution of all operations.

The Risk Management Department calculates the operational risk in line with basic indicator, standardized and alternative standardized approaches included in Basel II directives.

The Risk Management Department distributed self-assessment surveys to all bank employees to identify critical points of operational risk, and the results were analyzed after being grouped into various categories. This survey is planned to be conducted every year with a view to identifying critical points of risk and taking appropriate measures.

### **Internal Control Center**

Internal Control Center was established for securing assets of bank, providing effective accomplishment of bank's activities and consistency of these activities with Law, other regarding legislation, bank's policies and the rules, also banking precedents, ensuring reliability and integrity of accounting and financial reporting systems and acquisition of information on time. In order to achieve those objectives, Head Office Internal Control, Branches Internal Control, Treasury Internal Control and Compliance Unites were formed under Internal Control Center. The Head of Internal Control Center reports directly to the Audit Committee.

### **Internal Audit Department**

The Internal Audit Department concentrates on auditing processes and recommends preventive measures in order to minimize risks. It provides guidance to the Bank's various departments based on the knowledge and expertise accumulated during audit activities. The Department also performs branch, Head Office and IT audits on regular intervals.

Audit activities performed by the Department include examination of all records, documents, information and other factors that may have an impact on the Bank's security.

The Internal Audit Department acts independently and is linked to the Audit Committee through the designated Audit Committee Member.

**SECTION IV**

**INFORMATION ON FINANCIAL  
STRUCTURE**

## Assessment of Financial Position

### Assessment of Financial Position, Profitability and Repayment Capacity

As of year-end 2007, total assets reached YTL 636 million indicating an increase of 21%. Guarantees and collaterals of T- Bank stood at YTL 378 million at the year-end.

The paid in capital of YTL 35 million in 2006 was increased by 100% in 2007 to YTL 70 million. Thus the shareholders' equity was YTL 106 million at the end of 2007.

The net income in 2007 was YTL 602,000.

### Credit risks and capital adequacy

The capital adequacy ratio stands at 19%, far above the 8% regulatory minimum threshold.

Loan portfolio reached to YTL 427 million indicating an increase of 37%.

In 2007, the reserve ratio for non-performing loans stands at 93% while non-performing loans account for 2% of total loans.

## Five-Year Summary Financial Statistics

(YTL thousands)	2007	2006	2005	2004 (*)	2003 (*)
Total Assets	636,452	526,243	461,412	367,850	259,234
Loans	418,286	305,286	255,281	160,915	125,370
Non-Performing Loans (Net)	619	718	1,463	1,118	3,181
Securities Portfolio	127,212	100,298	135,859	72,707	62,222
Total Deposits	331,470	337,467	268,973	193,007	158,743
Funds from Repo Transactions	22,032	16,045	58,743	27,003	12,546
Borrowings	146,005	87,672	44,386	55,981	9,912
Shareholders' Equity	105,858	70,256	72,827	65,343	60,434
<b>Guaranties and Collaterals</b>	<b>378,326</b>	<b>403,673</b>	<b>425,295</b>	<b>299,456</b>	<b>204,796</b>
Net Interest Income	26,171	12,796	21,331	11,324	18,307
Net Commission Income	5,452	6,196	6,085	4,615	5,922
Profit before Taxes	641	(3,570)	10,867	5,960	9,431
Net Profit	602	(2,571)	7,636	4,911	4,019

(\*) Prepared in compliance with the Regulation of Accounting Practices

%	2007	2006	2005	2004	2003
Capital Adequacy Ratio	18.9	16.7	17.7	22.6	32.0
Return on Assets	0.1	(0.5)	1.9	1.7	2.0
Return on Equity	0.7	(3.6)	10.8	8.1	7.2
Loans/Deposits	126.4	90.7	95.5	84.0	81.0
Loans/Total Assets	65.8	58.1	55.6	44.0	49.6
Liquid Assets/Total Assets(*)	25.7	33.7	34.9	34.9	27.9
Non-Performing Loans (Net)/Total Loans (Net)	0.15	0.23	0.6	0.7	2.5
Loan Loss Provisions/Non-Performing Loans	0.1	0.14	0.3	0.3	1.2

(\*) Includes Securities portfolio

## T-Bank Credit Ratings

The ratings assigned to T-Bank by Fitch Ratings are summarized below:

### Foreign Currency

Long Term/Short Term/Outlook BB/B/Stable

### Local Currency

Long Term/Short Term/Outlook BBB-/F3/Stable

### National

Long Term/Outlook/Individual/Support AAA (tur)/Stable/D/3

### Sovereign Risk

FC Long Term/LC Long Term/Outlook BB-/BB/Stable

## Directory

### HEADQUARTERS

Address : 19 Mayıs Mah. 19 Mayıs Cad.  
Şişli Plaza A Blok No: 7 Şişli 34360 İSTANBUL  
Tel : (212) 368 34 34  
Fax : (212) 368 35 35

### Main Branch

Address : 19 Mayıs Mah. 19 Mayıs Cad.  
Şişli Plaza A Blok No: 7 Şişli 34360 İSTANBUL  
Tel : (212) 368 35 60  
Fax : (212) 368 35 88

### Adana (\*)

Address : Kurtuluş Mah. Atatürk Bulvarı Mehmet Sümer Apt.  
No: 167 Seyhan ADANA  
Tel : (322) 459 35 00  
Fax : (322) 459 89 59

### Ankara Ostim (\*)

Address : 100. Yıl Bulvarı No: 29 Yenimahalle Ostim ANKARA  
Tel : (312) 386 24 20  
Fax : (312) 386 24 34

### Antalya

Address : Ali Çetinkaya Cad. No: 12 07000 ANTALYA  
Tel : (242) 243 51 50  
Fax : (242) 243 51 54

### AHL

Address : Atatürk Hava Limanı Serbest Bölge 2. Kısım  
A Blok No: 48 Yeşilköy 34149 İSTANBUL  
Tel : (212) 465 01 56  
Fax : (212) 243 01 62

### Bakanlıklar

Address : Atatürk Bulvarı No: 185 Bakanlıklar 06680 ANKARA  
Tel : (312) 419 67 14  
Fax : (312) 419 67 10

### Bayrampaşa

Address : Orta Mahalle Abdi İpekçi Cad. No: 18/1  
Bayrampaşa İSTANBUL  
Tel : (212) 480 06 80  
Fax : (212) 480 04 91

### Beylikdüzü

Address : Merkez Mah. Açelya Cad. Saatli Bina İş Merk. No: 1/6  
Yakuplu Büyükkçekmece İSTANBUL  
Tel : (212) 876 00 00  
Fax : (212) 876 00 20

### Bursa

Address : Fevzi Çakmak Cad. Berk Plaza No: 52/A BURSA  
Tel : (224) 222 57 57  
Fax : (224) 221 55 90

### Dudullu

Address : S.S. İstanbul Anadolu Yakası Kereste ve  
Küçük Sanayiciler Toplu İşyeri Yapı Koop. Keyap Çarşı  
No: 22 Dudullu Ümraniye İSTANBUL  
Tel : (216) 527 44 74  
Fax : (216) 527 41 43

### Etiler

Address : Bebek Mah. Nispetiye Cad.  
No: 18 Etiler 34342 İSTANBUL  
Tel : (212) 257 40 31  
Fax : (212) 263 52 29

### Gebze

Address : Osman Yılmaz Mah. İstanbul Cad.  
Fulya Apt. No: 29 Gebze KOCAELİ  
Tel : (262) 643 26 00  
Fax : (262) 643 18 32

### Güneşli

Address : Evren Mah. Koçman Cad. Ziyal Plaza B Blok K: 2  
No: 38 Güneşli/Bağcılar 34560 İSTANBUL  
Tel : (212) 656 55 15  
Fax : (212) 657 30 33

### İkitelli (\*)

Address : İkitelli Organize Sanayi Bölgesi Atatürk Bulvarı  
Haseyad 1. kısım No: 109 C Blok Göksu Plaza İkitelli-  
İSTANBUL  
Tel : (212) 671 55 54  
Fax : (212) 549 79 62

### İzmir

Address : Cumhuriyet Bulvarı No: 82 Erboy İşhanı  
Alsancak/İZMİR  
Tel : (232) 489 11 33  
Fax : (232) 489 94 21

### Kadıköy

Address : Kurbağalıdere Cad. No: 25/2-3 Hasanpaşa/Kadıköy  
34722 İSTANBUL  
Tel : (216) 414 18 10  
Fax : (216) 414 18 55

### Konya

Address : Mussallabağları Mah. Nalçacı Cad. No: 88/A KONYA  
Tel : (332) 233 63 30  
Fax : (332) 233 68 77

### Kozyatağı

Address : Bayar Cad. Gülbahar Sok. Perdemsac Plaza No: 17  
Kozyatağı 34742 İSTANBUL  
Tel : (216) 362 06 66  
Fax : (216) 362 58 70

### Manavgat

Address : Antalya Cad. Ünal Apt. No: 56/B Manavgat/ANTALYA  
Tel : (242) 743 36 46  
Fax : (242) 743 36 51

Note: "(\*) marked branches were opened to service in March 2008."



