

2007
ANNUAL REPORT

The Bank of Productive Turkey

Contents

Presentation

Corporate Profile	1
Halkbank in Numbers	2
Our Vision, Mission and Goals	4
Our Strategies and Corporate Values	5
Halkbank's Historical Development	6
Halkbank's IPO	8
Chairman's Message	10
General Manager's Assessment of 2007	12
Activities in 2007	16
Subsidiaries and Affiliates	26
Changes Made in the Articles of Association During the Year	28
Annual Activity Report Compliance Opinion	36

Management and Corporate Governance

Board of Directors	38
Senior Management	40
Organization Chart	42
Committees	44
The Heads of Internal Control System Units	47
Board of Directors Report	48
Human Resources Practices	49
Companies from which Support Services are Procured	50
Statutory Auditors' Report	51
Corporate Governance Principles Compliance Report	54

Financial Information and Assessment on Risk Management

The Audit Committee's Assessment of the Functioning of the Internal Control, Internal Audit, and Risk Management Systems and the Committee's Activities in 2007	62
Financial Standing, Profitability, and Solvency	65
Risk Management Policies Adhered to According to Types of Risk	67
Credit Ratings and Notes	68
5-Year Summarized Financial Highlights	69
Independent Auditors' Report for the Period January 1 – December 31, 2007	70

Consolidated Independent Auditors' Report

Consolidated Independent Auditors' Report	151
Information for Shareholders	232

With 69 years of corporate history, Halkbank proudly stands as a prestigious, trusted and pioneering name in the Turkish banking industry and in international markets.

Preserving its nature as a mission bank standing by all entrepreneurs since its foundation, Halkbank is today a strong enterprise offering modern, effective and high-quality banking service in the following customer segments:

- corporate**
- commercial**
- entrepreneur**
- small business**
- retail**

Having been even stronger now with the highly successful public offering in 2007, Halkbank undersigned the largest IPO in the history of the Turkish capital markets. In the process, 24.98% of Halkbank shares were quoted on Istanbul Stock Exchange (ISE).

Backing up and maintaining its identity as the leading SME bank and combining this with its customer-focused corporate structuring, Halkbank will continue to be the bank of a productive Turkey in the period coming.

Halkbank in Numbers

Halkbank's Capital Structure

Halkbank's paid-in capital is TRY 1.250.000.000, 99,999996207% of which originally belonged to the Undersecretariat of Treasury. Under Privatization High Council resolution 2007/08 dated 5 February 2007, which was passed after judgment 2006/4258 dated 29 November 2006 of the 13th chamber of the Council of State had countermanded Privatization High Council resolution 2006/69 dated 11 August 2006, the shares corresponding to the Treasury's stake were transferred to the Privatization Administration.

As per Article 27 of the Law no. 5615 dated 28 March 2007, the Bank's shares were converted into TRY.

Based on the decision of Privatization Administration dated 05 February 2007 and numbered 2007/08, of the Bank's general assembly dated 19 April 2007, and of the Capital Markets Board of Turkey (CMB) dated 26 April 2007 and numbered 16/471, the Bank's shares were offered to the public on 10 May 2007.

The Bank's ultimate controlling shareholder is the Privatization Administration, Prime Ministry, Republic of Turkey, with a shareholding percentage of 74,9820454%. (Address: Ziya Gökalp Cad. No: 80 Kurtuluş/ANKARA)

The chairman, the members of the Board of Directors, the general manager and the deputy general managers are not a shareholder in the Bank.

Shareholder	Number of Shareholder*	Paid-in Capital (TRY)	Share (%)
Privatization Administration	1	937.275.568	74,9820
Banks	4	14.105	0,0011
Cooperatives	143	17.244	0,0014
Municipalities	980	186.854	0,0149
Local City Authorities	67	93.891	0,0075
Chambers of Commerce	12	2.086	0,0002
Individuals and Corporations	13.535	159.910	0,0128
Publicly Held	1	312.250.342**	24,9800
Total	14.743	1.250.000.000	100,0000
Shareholding by Minority Shareholders (%)			0,0379
Shareholding by the Privatization Administration (%)			74,9820
Publicly Held (Traded at the Stock Exchange) (%)			24,9800
Total (%)			100

* Indicates the number of shareholders listed in the Register of Shareholders.

** Also, registered shares representing TRY 86.- in total held by real persons have been converted into bearer shares and transferred to the relevant shareholders' accounts with their respective brokerage houses as per their requests, so as to enable their trading at the Stock Exchange.

Capital Adequacy Ratio

The 20,0% capital adequacy ratio the Bank enjoyed in 2007 is above the sectoral average and supports the solid growth in lending volume.

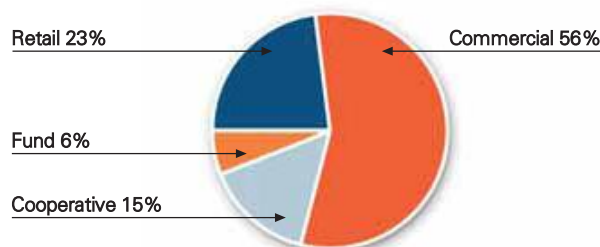
20,0%

ROE

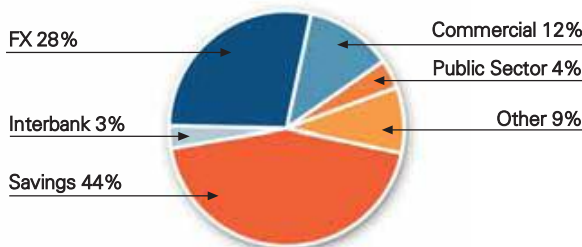
The 27,7% ROE was an indicator of sustainable profitability.

27,7%

Breakdown of Loans



Breakdown of Deposits



Financial Highlights

(TRY million)	2007	2006	Change (%)
Total Assets	40.234	34.425	16,9
Total Loans	18.121	11.646	55,6
Total Deposits	30.841	27.188	13,4
Shareholders' Equity	4.383	3.780	16,0
Pretax Profit	1.407	1.117	25,9
Net Profit	1.131	863	31,0

(USD million)	2007	2006	Change (%)
Total Assets	34.685	24.415	42,1
Total Loans	15.622	8.259	89,1
Total Deposits	26.587	19.282	37,9
Shareholders' Equity	3.779	2.681	41,0
Pretax Profit	1.213	792	53,0
Net Profit	975	612	59,2

(%)	2007	2006
Interest Bearing Assets/Total Assets	95,6	96,4
Total Loans/Total Assets	45,0	33,8
NPL/Total Loans (Gross)	5,4	8,5
Demand Deposits/Total Deposits	10,7	8,9
Total Loans/Total Deposits	58,8	42,8
Return on Assets	3,0	2,8
Return on Equity	27,7	24,4
Net Interest Margin	4,6	4,2

Calculated over our Bank's FX buy rates as of 31 December 2006 and 2007.

Total Assets TRY 40.234 million

The Bank's assets registered a year-on rise by 16,9% and reached TRY 40.234 million. During 2007, importance was given to improve the asset quality and productivity. While the share of loans and available-for-sale securities portfolio in assets increased, the share of held-to-maturity securities diminished.

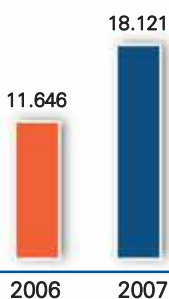
Shareholders' Equity TRY 4.383 million

Possessing a capital adequacy ratio of 20.03%, Halkbank's shareholders' equity increased 16%, despite cash dividends that it paid out.

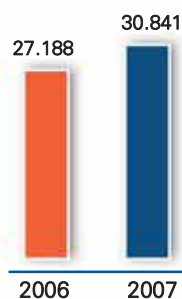
Net Profit TRY 1.131 million

As a result of the importance it gave to improving the quality of its assets and to their productivity, Halkbank booked a year-end profit of TRY 1.131 million in 2007, securing a 31% increase year-on.

Total Loans
(TRY million)



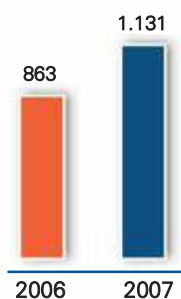
Total Deposits
(TRY million)



Shareholders' Equity
(TRY million)



Net Profit
(TRY million)



The leading SME bank

Our Vision

To be region's leading SME bank fulfilling all the requirements of modern banking while asserting a strong presence in retail services as well.

Our Mission

To continuously create added value for customers, shareholders, and employees by effectively carrying out all its banking services with an awareness and understanding of its social responsibilities and duties; to contribute to the development of the banking industry and capital markets; to secure itself a respected position in the banking industry in our region and in the world.

Our Goals

- Be the leading SME bank in the region
- Be the first preference of SMEs and retail customers for fulfillment of their banking needs
- Be the bank employing qualified personnel in the banking industry, and be the bank which such qualified personnel wish to be employed by
- Ensure customer satisfaction achieving the industry's highest quality levels in service in all of its business processes
- Be a bank attaining stable growth and sustainable profit

Our Strategies and Corporate Values

Our Strategies

- Increase specially-designed product and service options while carrying out traditional banking activities.
- Under the heading of customer segmentation, offer privileged products and services to small to medium-sized companies as well as middle and upper-income group retail customers.
- Adopt a customer-focused, high-quality approach to service.
- Ensure effectiveness in all critical processes, particularly in the management of credit and financial risk.
- Achieve productivity in all business processes by means of a rich product line, transaction and system security, rapid high-quality transactions, and competitive pricing.
- Motivate and support the ongoing development of employees by means of effective career progression and performance management systems.
- Ensure that our internal as well as external customers are fully cognizant of our corporate identity.
- Provide high-quality service in international banking through an extensive network of correspondent banks.

Our Corporate Values

- Customer focus
- Reliability
- Integrity
- Creativity
- Dynamism
- Rationalism
- Team spirit
- Productivity
- Transparency
- Sensitivity
- Self-confidence
- Openness to change
- Commitment to social responsibilities
- Knowledge and experience sharing

A success story

Incorporation process...

The young Republic of Turkey that had just left behind the War of Independence had been dragged to an environment of severest economic conditions characterized by shortage of every kind, rampant inflation, and high interest rates resulting from the Great Depression of 1929. This negative environment also had a deep impact on the tradesmen and artisans that made up the backbone of the socio-economic order.

Banks and other public enterprises that started operating in the years that followed the foundation of the republic failed to provide sufficient solutions for the problems of this vast segment of the community.

For the purposes of supplying tradesmen and artisans with the suitably-priced loans needed to promote permanent economic development, maintain social balance and peace, it had been decided to establish Türkiye Halk Bankası (known as Halkbank today).

Founded under Statute 2284 in 1933, the Bank commenced offering service in 1938.

Period of development and growth...

Having provided its services between 1938 and 1950 through the "People's Funds" that had also been set up along with the Bank, Halkbank was authorized to directly open branches and lend money directly to borrowers in 1950.

In 1964, the Bank embarked upon an ambitious program in which its capitalization was increased and it became a more active player. The result was a strong rise in the Bank's deposit and lending volumes.

A key actor in the consolidation process...

From 1992 onwards, Halkbank has been an important hub in the consolidation process underwent by the Turkish banking industry. The following acquisitions by Halkbank took place during this process:

- 1992 - TÖBANK (Türkiye Öğretmenler Bankası) with its staff, branches, all assets and liabilities
- 1993 - Sümerbank only with its debts and obligations
- 1998 - Etibank only with its debts and obligations
- 2001 - The insolvent Türkiye Emlak Bankası with its 96 branches, personnel and balance sheet
- end-2004 - Pamukbank with all its assets and liabilities, branches and personnel

Restructuring years...

Upon enforcement in 2000 of the Statute 4603 relating to the restructuring of Turkey's publicly-owned banks to bring them into line with the requirements of modern banking so as to prepare them for privatization, Halkbank went into the process of restructuring.

Along these lines, Halkbank's organizational structure was completely made over and a customer-focused approach was adopted in the Bank's activities which it had been conducting under the guidelines of commercial banking.

With its modern banking approach, Halkbank will continue to support the tradesmen, artisans, and SMEs that make up the backbone of the national economy as well as all entrepreneurs that contribute towards increases in overall investment and employment.

In 2001, a single board of governors was set up and given responsibility for all of the country's publicly-owned banks. Under the new system, Halkbank remade itself into a productive and profitable institution capable of creating added value for the national economy within the framework of modern banking principles and the rules of commercial banking.

Halkbank further strengthened its position in the sector by the successful integration of Halkbank and Pamukbank that occurred in late 2004, upon which the Bank had gathered all of the retail banking practices offered by privately-owned banks in its portfolio. Relieved of its operational burdens, Halkbank gave momentum to market-focused initiatives and reshaped its branch organization. Under the new organization, Halkbank focused on customer segmentation in which it became important to develop and offer customer-focused and high-quality products and services addressing the particular needs of SMEs as well as of retail customers in the middle and upper-middle income groups.

With a view to improving efficiency in decision-making processes and speeding up privatization efforts, the management which had joint control over the Bank and T.C. Ziraat Bankası (Ziraat Bank) was separated in early 2005. The consequences of this move were a new organization chart, abolishing of the executive board and managing director administration bodies, and transition to the direction system under a general manager, which position held a broad range of powers along with the authorities of the abolished functions.

In 2006, under the Privatization High Council resolution it was decided to privatize the shares held in the Bank's capital by the Undersecretariat of Treasury using "block sale" method. This decision was cancelled in 2007, and thus started the project to privatize up to 25% of the shares by way of public offering.

Halkbank became one with the public...

Carried out in May 2007 and having attracted a record-level of subscriptions, Halkbank's IPO represents the largest one that ever occurred in the Turkish capital markets and went down in the history of ISE as a success story. The oversubscription was an amazing 8-fold of the issue in the public offering of the Bank's shares.

As a reflection of intense interest and high trading volume, Halkbank shares were included under the ISE-30 index as of July 2007 and the Bank took its eminent place within Turkey's top 30 publicly-floated companies.

Servicing different customer segments via its nationwide branch network, offices, special transaction centers and international representatives, Halkbank, being a key player in the national economy, presents its investors with attractive opportunities.

Just as in the past so too in the future, Halkbank will, with its modern banking approach, continue to support the tradesmen, artisans, and small to medium-sized enterprises that make up the backbone of the national economy as well as all entrepreneurs that contribute towards increases in overall investment and employment.

Record subscription

In overall subscriptions, Halkbank shares achieved the highest figure on the ISE with oversubscriptions with demands from foreign and local investors as 9-fold and 3-fold of the issue, respectively.



One of Europe's leading investment companies, East Capital honored Halkbank with the "Best IPO" award. Halkbank's General Manager Mr. Hüseyin Aydın received the award on behalf of the Bank in the ceremony held in Stockholm, Sweden on 22 November 2007.

THE LARGEST PUBLIC OFFERING IN THE TURKISH CAPITAL MARKETS

A period of intense promotion in national and international markets...

Restructuring was undertaken since 2001 in keeping with the target of Halkbank's reorganization and privatization. Along the road, many important turning points were successfully taken thanks to the reforms in financial and administrative structures.

Following the Privatization High Council decision to privatize up to 25% of the shares in Halkbank through public-offering, the related work was started on 14 February 2007, and a challenging goal and deadline were set - completion of the IPO within two months.

One month after the IPO decision;

- introductory information on Halkbank's administrative and financial structures was provided to national and international analysts and all queries received about the Bank were responded,
- international prospectus was started to be developed,
- annual report and independent auditors' reports were issued,
- legal regulation relating to tradesmen loans was put into life,
- preparations for the general meeting and international promotion organizations were completed.

Led by İş Yatırım (İş Investment) in Turkey and Goldman Sachs in the international arena, the bookrunning process was first initiated in foreign countries.

During the intense two-week international promotion organization, one-on-one meetings were held with the world's 185 leading financial institutions. During these contacts, the performance results achieved by the Bank in the recent periods were appreciated by all of the foreign institutions, which showed great interest in Halkbank.

10 May 2007: Halkbank shares were started to be traded on the ISE.

With the successful IPO of 10 May 2007, 24,98% of Halkbank shares have been quoted on the ISE.

In the float with an issue of shares worth USD 1,8 billion, the subscriptions by local investors amounted to TRY 1,9 billion and to TRY 15,4 billion by foreign investors, totaling TRY 17,3 billion. Nine times oversubscribed in foreign investors and three times by local investors with respect to the amount of floated shares, Halkbank's IPO achieved the highest figure in total subscriptions in the history of the Turkish capital markets. The resulting oversubscription was 8 times of the issue.

A very broad base of investors was reached as the number of subscribing individuals and corporations totaled 52.100 with a composition of 51.655 national individual investors, 205 national corporate investors and 240 international corporate investors. Of the received requests, 50.502 received allocations. Out of the floated shares, 69,5% was purchased by international corporate investors and the remaining 30,5% by national individual and corporate investors.

The fulfillment ratios of subscriptions in the IPO stood at 11% in the international corporate investors category, and at 42% and 9% in the national individual and corporate investor categories, respectively. Overall, 14,6% of the investors' demands could be met.

On the date of the IPO, the Bank's share certificates started to be traded at TRY 8, which was set as the maximum price, driving the ISE trading volume to a record TRY 2,98 billion, while the shares quoted broke trading volume record.

Having captured a trading volume of TRY 1,21 billion as early as in the first session, Halkbank shares made up nearly 70% of the total first session volume of TRY 1,76 billion. On the same day, total trading volume on Halkbank shares materialized as TRY 1,8 billion.

A total of 312.250.256 shares were offered to the public.

Due to the intense demand for 271.521.962 shares offered to the public each with a nominal value of TRY 1, additional 40.728.294 shares were subsequently offered, bringing the total number of floated shares to 312.250.256.

After a very busy operating period and with hard work put into investor relations, the price of Halkbank share certificates offered to the public at TRY 8 rose to TRY 12,2 at the end of the year, and the Bank's market capitalization increased from USD 7,5 billion to USD 12,8 billion.

As revealed by these figures, the investors who preferred the Bank's stocks earned a 52,5% return during the time that passed from the IPO until the end of the year.

Awards: proof of a major success...

The results that the Bank achieved were followed up with a keen interest by international investors.

One of Europe's important investment companies, East Capital honored Halkbank with the "Best IPO" award on 22 November 2007.

Its activities concentrated heavily in Russia and Eastern Europe, East Capital gives awards to most successful companies to introduce the outstanding firms which are behind the strong and regular development recently observed in most of the economies in the said region. The 'East Capital Awards' are given in the 'Best Growth', 'Best IPO' and 'Discovery of the Year' categories. Last year's winner of 'Best IPO' award was Halkbank.

Halkbank was honored with this award for a number of reasons which included the fact that the IPO that took place in May 2007 was the largest public offering ever held in Turkey and was successfully finalized by reaching the broadest investor base, as well as the strong growth performance displayed by Halkbank as revealed by the financial results for the first quarter of 2007. This title granted to Halkbank by an international company that manages funds worth in excess of EUR 5 billion is just another solid verification of the Bank's successful efforts.

Solid growth



2007 was a year of globalization and hence maximum integration in the world economies. Integration made itself felt most heavily in the capital markets.

The mortgage crisis in the USA that led to significant volatilities in global financial markets was reflected in the FED's monetary policies in the form of significant interest rate cuts. By decreasing short-term interest rates, FED is attempting to revive the overall demand, placing the housing sector in the focal point of these efforts.

The record current deficit in the USA and the depreciation of the US dollar against euro and yen amplified the pressure on the world economies.

Losing value in the global markets, dollar caused price increases primarily in oil and also in commodities. With the impact of these developments that took place in the USA and the capital movements that occurred in the world markets, the US-oriented structure of the global economy started to change.

Our Bank made a massive contribution to the national economy and the banking industry with its floatation, and continued to take place among the key actors of the financial services sector.

The development and rapid transformation in Asian countries resulted in significant changes in the movements of capital markets, as well. International capital gained momentum towards emerging countries and brought along diversification in investments made in these geographies.

World economy sustained its rapid growth in the past decade.

It is estimated that the growth in the global economy will be maintained in 2007, even if at a lower extent compared with the previous year. The greatest contributor to the growth was once again the economies of emerging countries, led by the Chinese economy.

The emerging European markets including Turkey became the cynosure of international investors.

2007 was a year of continued development for Turkey.

In 2007, the building stones of economy were improved and firmly established to a large extent from the standpoint of Turkey. Upon settlement of political uncertainties, economic developments adopted a more positive trend starting from the last quarter. Influenced by the volatilities in the world markets, inflation closed the year at a figure that was above the target. Despite its vibrant and fluctuating course, 2007 was a good year for the markets.

At a time when the national economy gained stronger resilience against shocks, it has become of greater importance with respect to sustainable growth to persevere with structural and corporate reforms in order to maintain the positive trend of Turkey's competitive muscle and external balances.

While 2007 was characterized by foreign investors' greater interest in Turkey, the level of this attention is expected to escalate in the period coming. Marked by the political agenda in the country, and by the contraction in the credits market in the international arena, in 2007 the ISE succeeded in being one of the best performing stock exchanges across the world.

During 2007, which saw increased direct foreign investments in Turkey, we have authored a big success for our Bank and for our country.

Our Bank's IPO which occurred in May attracted a level of subscriptions that is unprecedented and unlikely to be matched in the Turkish markets. This intense interest in our Bank took the form of an oversubscription that was eight times the issue. Halkbank IPO went on record as the largest public offering in our country.

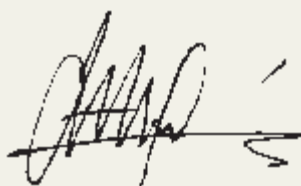
As a bank devoted to its mission, Halkbank added new links to its chain of achievements in 2007.

For 69 years Halkbank has worked towards helping the small to medium-sized enterprises to grow in line with its mission, and was amply rewarded for these efforts in 2007. Our Bank made a massive contribution to the national economy and the banking industry with its floatation, and continued to take place among the key actors of the financial services sector.

As our position in the SME banking field is further strengthened by the day, our share in the retail banking sector also increases constantly.

In addition to the healthy expansion achieved in lending activities, Halkbank will maintain the success it has captured in profitability and productivity growth also in 2008. Our performance in 2007 has pushed the bar even higher with respect to our shareholders' expectations from our Bank.

I thank the entire Halkbank team for their committed work and for their contributions during 2007, which was a successful and intense year. On behalf of the Board of Directors and myself, I would also like to express our gratitude to our customers, business partners and shareholders who hold their trust in us.



Hasan Cebeci
Chairman

Productive and profitable



Halkbank completed the year 2007 undersigning a successful IPO of a record-breaking trading volume and a brilliant balance sheet result that outperformed sectoral development. The Bank carried the profitability, productivity and growth targets to beyond expected levels and increased its market share.

Before presenting my assessment of our Bank's performance last year I want to touch briefly on the economic environment in 2007 and on some of the developments experienced in the Turkish banking sector. 2007 was full of global developments to be remembered by the whole world. The effects of the housing crisis that broke out in the USA started outspreading to the other countries in the last quarter of last year and 2007 became synonymous with the US housing crisis in the world.

The first half of 2007, which was a successful one, was overshadowed by the significant volume brought about in housing loans designed for the lower-income group through secondary markets and artificial increases in house prices, and the subsequent collapse of this artificial market, concurrently turning into a serious financial crisis.

In 2007 Halkbank outdid the sector by a large margin in terms of balance sheet performance, and the growth and profitability ratios attained made it possible for the Bank to increase its market share.

Emerging countries that were able to get through 2007 without being influenced by this crisis served as a relatively safe haven for the investments of foreign capital with their attractive prices and potential investment areas they present.

In an environment characterized by ongoing concerns about global growth, though decelerated compared with the previous year the growth performance that maintained high levels contributed to Turkey's continued stance as a preferred country for investments. In the light of the progress made in the combat against inflation as well as of these developments, the interest rates that adopted a downward trend supported the confidence held in our country. Also deserving to be stated is the positive contribution of the decreased need for public borrowing and budget deficit resulting from strict fiscal policies in an environment which is now much less fragile than it was in the past.

This fragility is relatively alleviated by the increases particularly in energy and food prices, and the valuation of the Turkish lira as a result of the persistent speed of foreign currency inflow, coupled with the improvement of the funding quality of the expanding current deficit and the support lent by direct capital inflows. Continuing on an increasing scale by way of mergers and acquisitions, the foreign demand for financial assets in our country is an evident indication of the foreign economies' trust in Turkey's strength and future. In the light of these developments, Halkbank's performance has been a major contributor within the financial markets which develop with our country that grows stronger.

For Halkbank, 2007 was a year of ongoing success story first with the IPO and then with the profitability, productivity and growth accelerated by the offering.

Even at a slower pace, the banking sector kept growing in the reporting period. However, 2007 was a year of successful balance sheet performance for our Bank that highly outdid the sector.

With a 17% year-on rise, the Bank's total assets reached TRY 40,2 billion. Almost doubling the increase in the sector, total loans grew 56% to TRY 18,1 billion, and increased their share in the balance sheet to 45% from 34%.

An indication of our customers' trust in our Bank, deposits registered 14% increase in spite of the intense competition in the sector. Paralleling these developments, the ratio of total loans to total deposits rose from 43% to 59%. The Bank's net profit stood at TRY 1.131 million in 2007, corresponding to a 31% growth year-on. The Bank's return on equity climbed to 28%, revealing the productive use of capital. These growth and profitability ratios also enabled Halkbank to get higher share from the sector.

Our goal is to provide our customers with the best in service and pursue profitable and productive growth, while contributing even more to our country's economic development.



To add to the acceleration reflected in its figures also lent to it by the public offering, Halkbank, in 2007, worked towards qualitative improvement in its products and services. This progress was supported particularly by the strategic partnerships aimed at expanding the customer base, and enabled the Bank to reach more customers with more products. As the work has been ongoing for enhancing the product and service quality via its extensive branch network, special transaction centers, offices and international representatives, the effective pricing policy and other banking instruments employed by the Bank served to the utmost fulfillment of the needs of customers in the corporate, commercial, entrepreneur and retail banking segments.

In line with the targets set in 2007, and with the leverage of the existing trend, the share investment securities had in the balance sheet was reduced, whereas that of liquid assets and loans was increased. Adhering to the strategy of decreasing the share of securities in the balance sheet, which had also been pursued in 2006, this percentage was pushed below 40%, and the Bank's asset quality was further improved.

Aiming to present its customers with the most convenient and highest quality service, Halkbank continued to remodel its branches, an initiative taken on since 2005. In this frame, the branches were continued to be remade into modern and contemporary locations that are aligned with the customer concepts.

Halkbank continued to increase its support to tradesmen, artisans and SMEs in 2007.

Turkey's first SME bank, Halkbank is always there for SMEs with its nearly 50 credit products specially designed for small to medium-sized enterprises, and with its expert teams. The Bank keeps supporting this sector through specialized solutions formulated to fulfill the needs of SMEs.

Just a few of these that might be mentioned here are investment/working capital credit from domestic and international sources; loans specially designed for the tourism, agricultural, manufacturing, industry, and technology sectors with flexible repayment terms that can be adjusted according to the borrower's own cash flow; loans for tradesmen's cooperatives; and loans to finance the cost of having a transport vehicle registered or to pay for a franchising license.

Halkbank's lending to SMEs accounts for about 55% of its total loans.

As was the case in 2006, that is the highest percentage in the Turkish banking industry in 2007. The Bank remains one step ahead of other banks in the sector with the product packages offered in line with the needs of SMEs, a segment gradually increasing its share in the loans extended by the sector, and with its in-depth experience in this field.

Halkbank sustains its development in retail lending.

In 2007 Halkbank made important progress in retail lending. The Bank's retail loans increased over 90% compared with 2006 to TRY 4,1 billion. The efforts put in to grow retail loans in the past two years bore their fruits and our share in the sector rose to 4,5%. Various new products were developed in this field in order to offer maximum benefit to the customers. In addition to the Overdraft Account, Salary Advance campaign, and Smiling Pensioner Loan campaign, the Bairam Comes Early Loan campaign, Special Consumer Loan campaign, the People's Day campaign organized for the 69th anniversary of the Bank, and lending campaigns targeted at a number of professional groups launched in 2007 helped expand the lending volume.

On another wing, cooperation was established with the Advantage brand in credit cards, thus creating the possibility to offer our customers further diversified services.

Work has been ongoing in 2007 to improve the Bank's asset quality.

Non-performing loans, which corresponded to 16% of the total lending in 2005, declined to 8,5 in 2006 and to 5,4% in 2007. Owing to the growth in the lending volume as well as to the efforts for preserving the quality of loans, Halkbank achieved NPL rates well below the sectoral average.

We have presented an important chance at profitability to our investors who trusted in our Bank and invested in its stock.

The Bank's share certificates started to be traded on the ISE with a maximum price of TRY 8 on 10 May 2007, and completed 2007 with a closing price of TRY 12,20. In the 8 months that followed floatation, the Bank's share gained 52,5% value, giving its national and international investors access to a considerable return.

We left behind a year that was full of achievements and firsts for Halkbank. Our goal is to provide our customers with the best in service and pursue profitable and productive growth, while contributing even more to our country's economic development with the invaluable support of Halkbank employees, our business partners and our thousands of investors.

As we advance all together towards that goal, it is my earnest wish that the collaboration we have created with our dedicated employees and with all the customers who have chosen Halkbank will be the source of even greater successes for Halkbank and for our country. In closing I take this occasion to extend my grateful thanks to our business partners, our colleagues, and to everyone who has had a hand in our collective success.



Hüseyin Aydın
General Manager

Solid, reliable

Halkbank, with its modern banking approach, continues to support all entrepreneurs that contribute towards increases in overall investment and employment as well as the tradesmen, artisans, and SMEs.

CORPORATE - SME MARKETING

Effective and quality service presentation aligned with customer segments

It is the foundation of Halkbank's marketing policy to develop differentiated products through a customer-focused structure fitting the targeted customer groups, and to maximize customer satisfaction through flexible pricing and provision of services based on a fast and high-quality service approach in the face of the intense competition and in line with evolving customer needs.

Halkbank carried out its business on the basis of multi-segmentation of customers in order to maximize its service efficiency. The Bank's customers are categorized as follows:

- corporate
- commercial
- entrepreneur
- small business
- retail

Along these lines, companies with an annual turnover of:

- over TRY 40 million are defined as corporate,
- between TRY 7,5-40 million are defined as commercial,
- between TRY 2-7,5 million are defined as entrepreneur, and
- up to TRY 2 million are defined as small business.

With the aim of providing its customers with superior quality and of producing customized solutions to fulfill their needs, Halkbank undertook restructuring on the basis of branches with a keen eye on customer segmentation criteria and scoring models.

Halkbank services companies with its strong marketing team via its retail, entrepreneur, commercial and corporate branches. The customers' short, medium and long-term needs are met through special products designed in line with the dimensions of the enterprise and business volume.

Halkbank's unvarying priority

In line with its leading and traditional position in SME banking in Turkey, Halkbank is focused on presenting SMEs with privileged products and services, getting less share from the lendings to SMEs and constantly expanding its customer portfolio in this segment.

To this end, the Bank continued in the reporting period to extend low-interest and long-term loans to SMEs under the protocols signed with various professional organizations and establishments including KOSGEB (Small and Medium Industry Development Organization), TOBB (Union of Chambers and Commodity Exchanges of Turkey), and chambers of commerce and industry, as it did in the past.

Halkbank further strengthened its position in the market by virtue of the long-term projects realized and alternative financing possibilities presented. Thus, it succeeded in being the reference bank among the banks turning to SMEs.

Halkbank continued to allocate long-term, low-cost funds obtained from international sources such as the World Bank, the French Development Agency, and the European Investment Bank, to the use of SMEs.

Our corporate and commercial banking activities are developing...

In addition to being the leading SME bank, Halkbank made headway also in corporate and commercial banking.

Halkbank continued in 2007 to effectively respond to the demands of its corporate and commercial customers in the financing of their foreign trade and investments. The Bank is determined to increase its transaction volumes and placements in corporate and commercial banking business lines as well.

Activities concentrating in cash management

As opposed to the previous years, weight was given in 2007 to projects in cash management for a variety of purposes that included increasing the volume of the Bank's demand deposits, reducing the cost of its funding, deepening customer-bank relations, and creating cross-sale opportunities.

In this frame, directed towards ensuring systematic and coordinated growth, the dealers and suppliers of the customers of corporate and commercial branches were referred to the Bank's branches in other segments, targeting to create synergy through cross-marketing.

Cash management products and services were diversified, and a greater number of customers were reached by using the extensive branch network and alternative delivery channels.

TRADESMEN AND SME BANKING

Modern service to all entrepreneurs

As the strong and trusted bank of the sector, Halkbank, with its modern banking approach, continues to support the tradesmen, artisans, and small to medium-sized enterprises that make up the backbone of the national economy as well as all entrepreneurs that contribute towards increases in overall investment and employment, in line with its mission.

For the past 69 years, Halkbank has been providing affordable interest rates, long-term investment and working capital credits, and products and services designed for different sectors in tradesmen, artisan and SME banking that make up its core business.

The Bank's lending to SMEs constitutes almost 55% of its total cash credits. This is the highest percentage in the Turkish banking sector.

Halkbank has nearly 50 credit products specifically designed for SMEs, some of which are presented below:

- investment/working capital credits from domestic and international sources,
- loans specially designed for the tourism, agricultural, manufacturing, industry, and technology sectors with flexible repayment terms that can be adjusted according to the borrower's own cash flow,
- loans for tradesmen's cooperatives,
- loans to finance the cost of having a transport vehicle registered,
- loans to pay for a franchising license.

Products differentiated through tradesmen and small business banking

Halkbank placed companies with an annual turnover up to TRY 2 million in small business customer segment and began offering them special services.

Lending to tradesmen and artisans since 1942, Halkbank's support help them develop their businesses, create employment, and contribute to the country's economic development. While there are 732 thousand artisans and tradesmen borrowing from the Bank, the number of enterprises posing a credit risk reached 268 thousand as of year-end 2007.

To boost the Bank's efficiency in SME banking, "Small Business Support Package" was formulated which provides grace period and flexible repayment terms in line with their cash flows for the borrowers in the small business segment. By this package, it is targeted to expand the lending volume, to create cross-sale opportunities, to increase the number of customers using the product and to grow profitability.

Other packages designed were the "Pharmacist Support Package - Medicredit" for pharmacists and "Professional Driver Support Package" for professional drivers.

Also revisions were made to the "Sun Package" designed for the tourism sector, which offers flexible repayment terms in line with the cash flows of the borrowers, and was introduced for the purpose of increasing Halkbank's share among firms that are active in tourism. Another revised package was the "Transport Industry Support Package" developed for companies engaged in passenger and goods transport by overland motor vehicles.

Increasing cooperation with sectoral organizations

Since the beginning of 2007, Halkbank made protocols with 221 chambers of commerce and/or industry. The target of this cooperation is to extend loans to chamber members with attractive terms and conditions. In this frame, cash and non-cash credits with a term of 36 months were provided to SMEs.

Further, protocols are being signed with chambers of pharmacy across Turkey within the scope of the Pharmacist Support Package.

The series of "Producing Turkey" meetings were held during 2007 which give manufacturers and producers in the country a chance to talk with Halkbank. Held in Elazığ, Diyarbakır, Gaziantep and Adıyaman last year, the purpose of these meetings is to bring SMEs up to date on various topics and contribute towards their development within the framework of the Bank's sense of its social responsibility. The Bank intends to continue with "Producing Turkey" meetings also in 2008. In addition to these activities, the Bank participated in KOBİF - SME Information and Training Fairs organized under the leadership of the Union of Chambers and Commodity Exchanges of Turkey in 20 cities across Turkey throughout 2007.

Customer-focused

With respect to retail banking, 2007 saw the acceleration of structuring efforts based on Halkbank's customer-focused approach to banking.

Widespread and strong support for mass housing and business property banking

In 2007, resources supplied by the Ministry of Industry and Commerce continued to be channeled through Halkbank to organized industrial zones and small industrial sites with a view to ensuring construction of industrial buildings in areas that are deemed fit for such purpose, steering urbanization, preventing environmental issues, and establishing and developing manufacturing industries under a specific plan. Last year, loans were extended to 129 industrial zones and 168 small industrial sites.

Within the scope of financing the completion of mass housing construction projects that had already been started by building cooperatives, municipalities and construction companies, Housing Development Administration housing loans were extended to 11.494 people.

The Bank also developed credit products aimed at financing housing construction projects of construction companies, building cooperatives, business property construction cooperatives and municipalities, upon undertaking the necessary review of large-scale mass housing and business property projects whose constructions are in progress.

Such loans were extended to 6.044 members of 58 housing construction cooperatives last year. Construction loans were extended to 21 cooperatives with 1.279 members, and business property construction loans were extended to 7 small industrial site construction cooperatives with 766 members.

The Bank extended loans to 1.763 people who purchased homes from the housing project developed by Denizli municipality.

Housing loans were allocated also for financing Adapazarı municipality's project for a total of 1.120 dwellings, and Kocaeli municipality's project for 260 units. Lending will be commenced within the scope of the protocol made with the Bank.

Within the frame of the protocols signed between the Housing Development Administration and Halkbank, the Bank continued to intermedate the sales of housing units owned by TOKİ, and sales transactions of 54.092 housing units were carried out in this scope.

The Bank continued in 2007 to put into life projects aimed at making low-income families homeowners.

Under this heading Halkbank has extended:

- Disaster recovery credit from resources supplied by the Ministry of Public Works and Settlement to 42.460 victims of natural disasters to reinforce their houses or business places or buy new ones.
- Housing Development Administration home financing to the families of 1.164 military personnel and police died in the line of duty.
- Home financing to 2.064 people from the resources of the European Settlement Fund and the Social Solidarity Fund.
- Slum house loans to 220 people from resources supplied by the Ministry of Public Works and Settlement for the purpose of preventing squatting.

Lending to farmers and agricultural establishments for every aspect of their businesses

Halkbank aims at contributing to the healthy growth of national agriculture by fulfilling the financial needs of nearly 4 million farmers and agricultural establishments all over the country via modern banking services and the broad product range at its disposal.

The Bank set up the Agricultural Banking Department in June 2007 to provide the banking products, services and loan types that will be able to respond to the needs of the agricultural industry.

Along these lines, the scope of the "Agricultural Support Package", which was designed for farmers and agricultural establishments, was expanded with the addition of new products.

The Bank introduced the "Greenhouse Operation/Construction Loan", which represents a comprehensive loan for greenhouse owners, and the "Hydroponics Loan" designed for establishments engaged in soilless agriculture for the first time in Turkey. In 2007, "Agricultural Support Loan" and "Tractor and Agricultural Implements/Equipment Loan" covered under the Agricultural Support Package were revised to better meet the needs of farmers.

To increase the volume of Tractor Loans and to provide the farmers with credit at more favorable terms and conditions, the Bank made protocols with the leading tractor sales companies, and extended tractor loans involving contributions/campaigns.

In setting the maturities of agricultural loans, the repayment abilities of farmers and agricultural establishments were taken into consideration and such loans were redesigned to allow for repayments linked to harvest times which coincide with their cash inflow.

Under a protocol between the Turkish Grain Board (TMO) and Halkbank, TMO loans are extended to producers delivering their produce to the Board.

Our investments in a Productive Turkey will be continual...

Halkbank's goal is to continue to be the business and solution partner of SMEs on a growing basis. In keeping with this goal, the Bank is focused on transporting its deeply-rooted business relationships established with the SMEs into the future on the foundation of modern components.

Halkbank is firm in its commitment to fulfill the needs of all entrepreneurs contributing to increases in overall production, investment and employment on the basis of its fast, effective and high-quality approach to service, and to support them by making available the most favorable terms and conditions.

RETAIL BANKING

With respect to retail banking, 2007 saw the acceleration of structuring efforts based on Halkbank's customer-focused approach to banking, as well as completion of the Bank's future vision.

In this frame, Halkbank gave priority to sales and marketing by creating product and service strategies that are aligned with market conditions and that completely fulfill customer needs.

As a natural outcome of its contemporary, modern and high-quality approach to service, Halkbank ranked first among the publicly-owned banks in the retail banking segment in the Turkish Customer Satisfaction Survey conducted by Kalder (Turkish Quality Association) with the participation of 46.925 respondents.

Growth in retail loans continues at full speed

The Bank captured a stable upward trend in retail loans throughout 2007 and achieved a remarkable 93% growth year-on in total retail lending volume.

With 108%, consumer loans were accountable for the greatest rise in retail loans. Almost doubling, housing financing loans registered 97% increase during the same period. Despite 10% decline in the overall sector in car loans, the Bank sustained a mere 2% contraction thanks to its strategies geared towards preserving its existing portfolio.

Sectoral share is going up in retail loans

Standing at 4,2% at year-end 2006, Halkbank's share in total retail lending sector excluding credit cards rose to 5,8% in 2007.

The Bank's market share in housing loans increased to 5,4% from 3% and in consumer loans to 7,2% from 4% in 2006. The Bank has a 1% market share in car loans.

Campaigns increasingly contribute towards the customer base

Effective product management and campaigns carried out during 2007 were the key drivers behind the growth in total retail lending volume and the increased share in the sector.

These initiatives also supported cross-sales of products, and enhanced customer loyalty; in this way, a profitable growth strategy was pursued on macro basis. Under the significant credit campaigns and new product projects realized during 2007, loans were extended to nearly 130 thousand customers, winning over 35 thousand new customers for the Bank.

By virtue of the cross-sale opportunities it presents, company salary payments continued to be one of the areas of severe competition with respect to retail banking in 2007. Last year, intermediation agreements relating to salary payments were concluded with 232 new companies and establishments.

Know-how and experience

Based on its experience and know-how in funds obtained from international resources, Halkbank keenly placed contributing to SMEs to support their new investments and expansion within its key targets and priorities.

ALTERNATIVE DELIVERY CHANNELS

Solid steps in e-banking

Halkbank's website was completely revamped both in terms of design and infrastructure prior to the Bank's floatation. The website was vested in a structure that provides all kinds of up-to-date information to the Bank's customers in a dynamic environment. It was also remade into a comprehensive financial services portal with such interactive applications as the Portfolio Management, Information Bar, My Screen serving as key supporting features for investors presenting real-time stock exchange and market data.

The Bank's goals for 2008 include setting up new portals focusing on various products and customer segments and thus diversifying its services in this arena in accord with customer needs.

Within the scope of ADC Security project, the Bank introduced the SMS verification password practice. Additionally, devices producing one-time passwords and Java practices used via telephones will be launched in 2008.

WAP banking module became in 2007 a dynamic mobile branch enabling transacting via GPRS. In 2008, Halkbank Mobile Branch customers will be presented with an enriched array of services and transactions.

Full-range services supported with the Call Center

Projects for upgrading the hardware and software infrastructure of the Call Center were initiated. The aim of these projects is to renew the Call Center with all of its components and transform it into a communications center employing current technologies.

With the new service launched via the Call Center, all SMEs, irrespective of their being a customer of the Bank or not, are given information on the credit products offered by Halkbank.

The average response time by the Customer Care Center to the queries and demands of customers now stands below 24 hours.

Major breakthrough in credit cards

2007 was a year of breakthrough at Halkbank with respect to credit cards.

On the axis of efforts geared towards fulfillment of customer expectations, the Bank reached an agreement with a supermarket chain controlling an extensive distribution network in Turkey. This initiative made Halkbank customers the first ones to enjoy the privileges of the "money points" implementation.

The Bank effectively used all of its branches and delivery channels during transition to the Chip&PIN system which commenced on 1 June 2007 across the sector. Halkbank ranked among the top 5 banks that were able to best manage this transition process.

Halkbank credit cards now possess Advantage Card features.

The market partnership agreement with "Advantage Card" represented the greatest structural transformation in credits cards.

Considered as the fastest implementation in the industry and completed in as short a period of time as 2 months, the integration made it possible for Halkbank credit cards to be used on the Advantage network without requiring them to be replaced by new cards.

TREASURY MANAGEMENT

Fund management geared towards profit-focused growth

The volatilities that started in the US housing sector in 2007 and that have been influential on other credit markets took place among the key factors that set the course of international markets.

While the emerging countries including our country were affected by these volatilities to a limited extent, Turkey was observed to display a better performance than other emerging countries owing to the higher resilience of the national economy and of the country's banking system as compared with the past.

Pursuing its activities as one of the market maker banks for Turkish Government Debt Instruments, Halkbank, backed by its solid capital and sound financial structure, successfully carried out its profit-focused growth adhering to proactive treasury strategies in response to economic developments.

In line with the decisions of the Bank's Assets and Liabilities Committee, the risk/return balance of the balance sheet was optimally observed, targeting maximization of profit.

The Bank's liquidity is effectively managed by making use of derivative instruments such as swap and forwards when fulfilling its short-term funding needs or using the surplus therein through money market transactions. Interest and maturity risks are managed by obtaining long-term funding in the form of derivative products from international resources to be channeled into financing of housing loans.

Capitalizing on the advantage granted to it by the vast customer portfolio constituted by SMEs for the large part, Halkbank expanded its transaction volume in domestic foreign currency market, while maintaining its successful profile in securities transactions and has been the priority choice of customers. The share taken from the industry's deposits stocks continued to rise consistently, and the growth in the credit portfolio significantly exceeded the sectoral average.

The liquidity that was created by redeeming special-issue government borrowing instruments and their coupons in the Bank's held-to-maturity securities portfolio was used first of all to finance the Bank's lending activities. Last year the share of investment securities in the Bank's balance sheet was reduced from 53% to 40% while the share of special-issue securities was lowered from 31% to 18%.

Under the rapidly developing derivatives markets, the Bank continues with the necessary preparations to offer services in products that will offer ways to be protected against alternative risks and that will increase the income corresponding to customer needs and demands. The target is to actively market these products to corporate, commercial and retail customers, and thus to contribute positively to the Bank's profitability.

INTERNATIONAL BANKING

Growing success in structured finance

In the recent years, Halkbank captured significant increase and success in structured finance activities which it commenced in 2004 with a view to,

- fulfilling the general financing needs of its customers in the corporate and commercial segments, and
- producing solutions for privatizations,
- acquisitions and mergers,
- project finance,
- other corporate finance needs.

During 2007, Halkbank continued to offer customized structured finance products in accord with the needs of its customers in its corporate and commercial portfolio.

Having earned greater international recognition through structured finance transactions in which it participated at various levels and in different amounts, Halkbank became one of the sought-after actors in the industry.

As of year-end 2007, Halkbank's syndication loans portfolio totaled USD 1 billion.

Despite the problems experienced by the international markets, Halkbank was able to increase the limits it has allocated for foreign trade and treasury transactions, as well as the number of its correspondent banks. In the process, the Bank revised its scoring model and undertook a healthy risk analysis and management, while keeping a close eye on the international markets.

Financing SMEs with funds obtained from international resources

Halkbank enjoys a long-standing and successful cooperation in relation to the financing of SMEs with leading international financial institutions like the World Bank, the European Investment Bank, the Council of Europe Development Bank, and the French Development Agency.

Combining its in-depth experience, know-how and broad product range in SME banking with its expertise and knowledge in funding obtained from international resources, Halkbank placed contributing to SMEs to support their new investments and expansion within its key targets and priorities.

The Bank continued in 2007 to fulfill the financing SME's investment and working capital needs with the funds received from international financial institutions. Last year Halkbank obtained long-term financings in the amount of EUR 100 million from the World Bank and EUR 90 million from the European Development Bank, which amounts were channeled to SMEs.

Respect and trust

Halkbank employees reflect an organization that is united on the shared principles of commitment, tolerance, respect, trust and sharing.

The Bank intends to increase and deepen its existing relations with international financial institutions and aims to attain a high growth level in this department.

Solid relationships with financial institutions

With its nationwide branch network, with the breadth and depth of its experience in the industry and particularly in SME banking, and with its vast customer base and strong shareholding structure, Halkbank furthers its trusted and respected position earned in Turkey and in international markets.

Halkbank has established relations with more than 1.000 correspondents. Through this channel, the Bank supports its customers in the financing of the importation of medium and long-term investment goods under the insurance of export credit agencies (ECA) of numerous countries, in addition to foreign trade products.

Halkbank has one of the highest credit lines among Turkish banks within the framework of the US Department of Agriculture's GSM-102 export credit guarantee program. The Bank makes this product available to its customers frequently.

Corresponding to its policy of growing in foreign trade transactions, Halkbank intensified the offering of these services to its expansive SME customer portfolio and also to its corporate customers. While the Bank's foreign trade transactions developed significantly in 2007, the share taken from the sector increased as well.

Halkbank's international organization covers:

- 3 financial services branches in Germany,
- Bahrain Branch,
- Tehran Representative Office
- Lefkoşa (Nicosia) and Gazimağusa (Famagusta) branches in the Turkish Republic of Northern Cyprus, which have commenced operations with a new approach to service and new product line.

Effective information sharing with investors

Following a successful IPO that took place on 10 May 2007, 24,98% of Halkbank's shares were quoted on the ISE.

The highest figure of the Turkish capital markets was reached in total subscriptions during the public offering, which was 8-times oversubscribed.

In the aftermath of the Bank's floatation that triggered large-scale repercussions both in and out of Turkey, the organizational structure was modified in line with the requirements of corporate governance principles and the need for regulating investor relations. In this frame, the Bank set up its Financial Institutions and Investor Relations Department.

Investor relations were carried out at a high tempo with entrepreneurs who invested in the Bank's shares or intended to do so, as well as with the analysts who assessed the Bank's financial structure.

The organizations that came in the 7-month period covering the public offering and thereafter included 4 international roadshows, 2 domestic one-on-one meetings with international participation, 4 teleconferences with extensive participation, and 75 one-on-one meetings held at the Bank's headquarters.

Contacts were held with a total of 390 investors/analysts: 235 in international roadshows, 40 in one-on-one meeting organizations, 75 at the headquarters and 40 via the teleconference. During the process, more than 9.000 queries were responded.

ORGANIZATIONAL STRUCTURE

In 2007 Halkbank conducted its activities through its alternative delivery channels and its physical service network consisting of:

- 559 branches (6 corporate, 7 retail, 29 commercial, 514 entrepreneur and 3 international),
- 14 regional coordinator's offices,
- 18 special transaction centers,
- 13 bureaus,
- 2 exchange offices,
- 3 financial services branches,
- 1 international representative office.

The branch premises renovation project that Halkbank has been undertaking for several years continued in 2007 and 115 branches were renovated.

Developed for increasing the resilience of 3 branches against earthquake, reinforcement projects were also put into life in this frame.

HUMAN RESOURCES

Halkbank employees reflect an organization that is united on the shared principles of commitment, tolerance, respect, trust and sharing.

Halkbank constantly strengthens this organization by providing training and dynamic career opportunities, and a modern working environment with a keen eye on employee satisfaction.

Career guidance projects

During 2007, the Bank took part in Bilkent University Career Fair, Hacettepe University Personal Development Days, and Mersin University Career Fair within the scope of its project to participate in the career days of universities. In this way, the Bank exhibited its support for career guidance programs and was represented in these projects by top level managers.

New recruitments

As a result of the exam administered to fulfill the assistant inspector needs of the Board of Inspectors, 56 assistant inspectors who have successfully passed the exam were appointed to their posts at the Bank.

Applications filed for the recruitment of 1.300 new staff members were collected via the Internet, and screened and placed electronically. Subsequently, 2.672 candidates were interviewed by the regional coordinator's offices and 1.087 people who proved successful were appointed to relevant posts.

Halkbank had 11.484 people on its payroll as of end 2007.

TRAINING

7 days average training time per person

During the formulation of the 2007 Training Plan, department heads and regional coordinator's offices were involved in the decision-making process at the phases of determining the subject matter, content, target audience, goal of training programs, and priorities in training.

In 2007, e-learning training programs were launched which are followed up and managed on the "Halk Academy" portal, in line with the aim of creating cost, time and location optimization and providing a continuous learning. This method made it possible for a predetermined high number of employees to receive training topics targeting a large audience within the period of time set.

To ensure that the entire marketing and operation teams gained detailed knowledge quickly on the floatation during Halkbank's IPO, an e-learning content was created, resulting in the highly successful management of the process. In addition to the training courses offered via the e-learning module, exams of classroom sessions were also carried out electronically making use of the Halk Academy exam module. Eliminating time and location constraints, this practice was another success with its error-free completion.

In 2007, the Bank's training plan called for 1.006 group training programs on 247 different subjects. A total of 60.560 people took part in these programs.

The training programs were planned "on location and towards fulfilling the regional needs". In this scope, the following topics were addressed individually:

- specific projects such as the Anatolian Approach and the public offering,
- orientation training for new hires,
- orientation training for employees successfully passing the career progression exams,
- e-learning training programs,
- training programs for branch manager nominees.

Average training time at the Bank in 2007 was 7 days per person. 56% of the training sessions were given by the Bank's own personnel, with the remaining 44% being provided by outsourced training firms or trainers.

Cutting-edge technology

During 2007, major technology projects were brought to completion and launched in parallel with Halkbank's growing transaction volume and product diversity.

INFORMATION SYSTEMS

Upgraded and stronger technology for better banking services...

In 2007, which was a very successful and active year in every aspect and particularly with respect to the public offering, major technology projects were brought to completion and launched in parallel with Halkbank's growing transaction volume and product diversity.

A new subscription structure was erected which focused on performance and practicability criteria for transactions relating to the public offering that was predicted to attract a great level of purchase requests. These coupled with effective marketing and sales efforts brought Halkbank the "Best IPO" award.

Important innovations in lending infrastructure

The structure aiming to ensure full automation in lending processes went live in 2007, while new loan products were introduced, marketing group structure was established and the reliability was enhanced for entrepreneur selection model (scoring) and creditworthiness assessment.

The Bank's implementation infrastructure was also redesigned to parallel the new customer segmentation model.

Regarded as a significant added value to the banking system by the World Bank teams, the Medium and Long Term Company Analysis and Reporting system was put into life.

The system was adapted as necessary in line with the mortgage law.

Developments reflecting technology in ADCs

Possessing a wide delivery channel network that makes use of the Internet, WAP, SMS, ATM, kiosks, telephones and televisions, Halkbank introduced new security measures in 2007.

While virtual POS transactions became more secure with 3D Acquire, the 2-way identification verification performed in the internet banking application via OTP-based (One Time Password) solutions were introduced also for such delivery channels as WAP, SMS, television, and telephone banking.

In addition to these structures, the Bank's Internet network, Internet banking and corporate portal implementations were scanned with respect to information security by international professionals.

The infrastructural work was completed which was necessary to enable mobile ATMs to offer the same services inside the mobile vehicle or in locations outside the coverage of Turkish Telecom, without needing the Turkish Telecom infrastructure.

Management support and operational improvement

During 2007, Halkbank successfully completed a series of projects directed at management support and operational improvement.

The teftiş.net structure set up for remote auditing purposes brought to life a proactive audit mechanism.

The work has been ongoing on infrastructure and reporting in accord with the Basel-II roadmap, while efforts were continued to be spent in advanced methodology and CRD (Capital Requirement Directive).

In addition intranet-based structures were formed on the Bank's corporate portal, which target to increase communication between units and branches, along with their productivities.

Service continuity in extraordinary circumstances

Halkbank effectively organized the Izmir Disaster Recovery Center for the purpose of sustaining its services without interruption in case of a contingency.

An infrastructure developing and improving in parallel with the advancements in technology

The network and hardware infrastructure in all of the branches and headquarters building of Halkbank are equipped with new technology, high performance and high capacity components.

The IPT (IP telephone) substructure was installed in 110 branches, as well as in all headquarters units and regional coordinator's offices. This system allows for free-of-charge calls among these units while enabling videoconferencing for managers.

Major technological transformation targets in 2008

In keeping with the transformation that continues on an increasing scale in technology and banking, Halkbank plans significant technological transformations for 2008.

"Internet and Call Center" projects are two infrastructural transformation initiatives slated for introduction in 2008. These projects will serve to make use of the possibilities offered by new technologies, and refreshing and improving perspectives.

Work is ongoing at full speed for upgrading the existing basic banking applications development platform.

In addition to technological innovations, automation of IT processes is intended to be achieved by way of projects initiated to enhance the effectiveness and quality of IT services.

ADVERTISING AND PUBLIC RELATIONS

While very successfully satisfying the mission it has taken on as the "leading bank of a Productive Turkey", Halkbank gains the foreground through its contributions to the community, as well as its corporate activities, and steadfastly maintains its place in the national and international agenda with its eminent brand identity.

Awards Received by Halkbank

Customer-focused quality

Halkbank claimed The Bank of New York Excellence Award for a second time, in recognition of its error-free processing of USD payment orders forwarded in swift environment.

Based on the results of the Turkish Customer Satisfaction Index by the Turkish Quality Association, Halkbank ranked the first in retail banking among all publicly-owned banks.

The best IPO

Having displayed strong growth performance on the basis of the data for the first half of 2007, and having carried out the largest public offering ever in Turkey, Halkbank received the "Best IPO" award of East Capital, a leading European investment company based in Sweden.

Ranking in the top three in corporate tax

Halkbank was given the "Fourth Highest Corporate Tax Payer in 2005" and the "Third Highest Corporate Tax Payer in 2006" awards.

Getting together with SMEs

Halkbank;

- was the "Project Partner" of SME fairs organized throughout 2007 in 20 cities for the purpose of familiarizing SMEs with new opportunities, creating joint solutions in line with their needs, and contributing directly to the national economy by helping the development of SMEs;
- held the 7th edition of its "Productive Turkey Meetings" series whereby the Bank aims to reach entrepreneurs all over the country, and got together with nearly 4 thousand entrepreneurs;
- kept working on the project of ensuring re-channeling of the credit debts of the SMEs into the economy within the scope of "Anatolian Approach", a program for the restructuring of financial debts.

Halkbank in social contribution activities

In addition to its contributions to the national economy, Halkbank extends support to social responsibility projects to flourish social life.

During 2007, primary and secondary school books consisting of 100 key works recommended by the Ministry of National Education were delivered to schools identified on the basis of their need within the scope of the "Support to Education" project.

The Bank also offered convenient interest rates and maturities to show its support to its customers who were affected by the flood disaster that occurred in Samsun in August 2007.

Art with Halkbank

Also in 2007, Halkbank put on display its invaluable art collection on special occasions in order to contribute to the furtherance of culture and the arts in our country.

Halkbank supports sports

Taking supporting sports for our country at its point of departure, Halkbank Sports Club sustained its successful performance in 2007. Undersigning a first in the 2006-2007 season by claiming the third place in the European Championships and successfully representing Turkey in the European Confederation Cup, Halkbank Men's Volleyball Team continues to give us deserved pride.

Halkbank also includes sports in its sponsorships. In this frame, the Bank sponsored;

- domestic and international competitions participated by the Turkish Wrestling Federation in 2007,
- Mount Erciyes Climb for Juniors organized by the Turkish Mountaineering Federation.

An extensive portfolio

Halkbank has an extensive subsidiaries portfolio consisting of 24 companies of which 3 are engaged in banking outside Turkey, 2 are in insurance, 14 are in financial services, and 5 are involved in trade and services.

The Bank's basic objective is to structure this portfolio so that it consists of equity stakes that will create added value, contribute towards product diversity and the consolidation of marketing processes, enhance operational productivity, reduce service production costs, and have the potential to provide the services that the Bank's customers may need quickly, reliably, and satisfactorily.

In addition to the advanced banking products and services that the Bank provides, Halkbank customers are also able to conveniently and effectively take advantage of an extensive array of financial products and services in the areas of insurance, investment, and leasing.

The following is a brief summary of the companies in which Halkbank controls a stake of 10% or more.

DOMESTIC PARTICIPATIONS

Halk Yatırım Menkul Değerler

Halk Yatırım Menkul Değerler was founded in 1997 to engage in capital market brokerage activities. Halkbank controls a 99,94% stake in the Company's capital, amounting TRY 20,2 million. The Company's period profit in 2007 was TRY 4.183 thousand.

Birlik Hayat Sigorta

Birlik Hayat Sigorta is an insurance company established in 1998 to provide life insurance and reinsurance products and services both in Turkey and in other countries. Halkbank controls a 94,4% stake in the Company's capital, which amounts to TRY 7 million. The Company's period profit in 2007 was TRY 14.707 thousand.

Birlik Sigorta

Birlik Sigorta is a general insurance company originally founded in 1958. Halkbank controls a 82,26% stake in the Company's capital, amounting to TRY 24.509 thousand. The Company's period profit in 2007 was TRY 3.037 thousand.

Halk Finansal Kiralama

Halk Finansal Kiralama was founded in 1991 to provide financial leasing products and services in Turkey and abroad. Halkbank controls a 47,75% stake in the Company's capital, amounting to TRY 55.350 thousand. The Company's period profit in 2007 was TRY 6.250 thousand.

KOBİ Girişim Sermayesi Yatırım Ortaklığı

KOBİ Girişim Sermayesi Yatırım Ortaklığı was founded in 1999 to assist SMEs in their development and economic activities and to provide them with project development and training services. Halkbank controls a 31,47% stake in the Company's capital, amounting to TRY 20 million. The Company's period profit in 2007 was TRY 3.230 thousand.

Fintek-Finansal Teknoloji Hizmetleri

Fintek-Finansal Teknoloji Hizmetleri was founded in 2001 to provide information concerned to developing software programs and acquiring and leasing software licensing rights. Halkbank controls a 24% stake in the Company's capital, amounting TRY 2,5 million. The Company's period profit in 2007 was TRY 349 thousand.

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri was founded in 1998 to deal with payment cards business and to handle the operational aspects of POS, ATM, and credit card systems. Halkbank controls a 24% stake in the Company's capital, amounting TRY 1 million. The Company's period profit in 2007 was TRY 3.795 thousand.

Bankalararası Kart Merkezi

Bankalararası Kart Merkezi was founded in 1990 for the purposes of finding solutions to common problems in card-based payment systems and to develop rules and standards governing bank in Turkey. Halkbank controls an 18,95% stake in the Company's capital, amounting TRY 6 million. The Company's period profit in 2007 was TRY 1.228 thousand.

KKB Kredi Kayıt Bürosu

KKB Kredi Kayıt Bürosu was founded in 1995 to share information among financial institutions engaged in the businesses of money capital markets and in insurance for the purposes of monitoring and risk controlling their consumer loans. Halkbank controls an 18,18% stake in the Company's capital, amounting TRY 7.425 thousand. The Company's period profit in 2007 was TRY 3.457 thousand.

INTERNATIONAL PARTICIPATIONS

Demir-Halkbank (Nederland) N.V.

Rotterdam-headquartered Demir-Halkbank (Nederland) NV was founded in 1992. Halkbank controls a 30% stake in the Bank's capital amounting EUR 113.445.054. The Bank's period profit in 2007 was EUR 18.598 thousand.

Macaristan Halk Bankası - Magyarorszagi Volksbank RT

Budapest-headquartered Magyarorszagi Volksbank RT (Volksbank Hungary) was founded in 1994. Halkbank controls a 4,44% stake in the Bank's capital amounting HUF 9 billion. The Bank's period profit in 2007 was HUF 2.712.927.

Uluslararası Garagum Ortaklar Bankası - International Joint Stock Bank (Garagum)

Ashgabat-headquartered International Joint-Stock Bank (Garagum) was established in Turkmenistan 1993. Halkbank controls a 6,57% stake in the Bank's capital amounting TMM 26 billion. The Bank's period profit in 2007 was TMM 7.114.422 thousand.

Changes Made in the Articles of Association During the Year

At the Bank's General Meeting convened on 19 April 2007, changes were made in the Bank's articles of association. Relevant sections in the Bank's articles of association were amended for the transfer of the shares in the Bank to the Republic of Turkey, Prime Ministry, Privatization Administration, and for the public offering of up to 25% of these shares.

OLD VERSION

TURKISH HALK BANK INC ARTICLES OF ASSOCIATION

PART ONE FOUNDATION

Article 1- The Articles of Association of the T. Halk Bank Inc has been revised as per the Law No 4603 as follows.

Headquarters and Organization:

Article 3- The headquarters of the Bank is located in Ankara. The Bank's organization is comprised of the General Directorate, domestic and international service units.

Objective and Scope:

Article 4- The objective of the Bank is to fulfill all kinds of banking transactions that the deposit bank are capable of, provided that the liabilities stipulated in the Banking Law and other relevant legislation are undertaken.

The Bank shall use all the authorities vested by the Banking Law and the provisions of the other legislation to reach its objectives.

Moreover the Bank shall be authorized to carry out transactions such as listed below: to facilitate all kinds of cash and non-cash loans over Turkish Lira and foreign currency, to mediate the exportation, purchase and sale of financial instruments used in the international financial markets, to carry out investment bank transactions, to purchase, sell, transfer loans in wholesale and retail forms, to carry out purchasing and sales transactions in domestic and international futures markets, to furnish funds from the interbank monetary market, from the country and abroad, to conduct all kinds of capital market transactions, to mediate importation and exportation transactions, to act as an agent for insurance companies and other financial institutions, to participate in all kinds of partnerships founded by the banks or to be party thereto in Turkey and abroad in line with the relevant legislation, or to establish such partnerships or to withdraw from such partnerships.

NEW VERSION

TURKISH HALK BANK INC ARTICLES OF ASSOCIATION

PART ONE FOUNDATION

Article 1- The Articles of Association of the Turkish Halk Bank Inc has been revised as per the Law No 4603 as follows.

Headquarters and Organization:

Article 3- The headquarters of the Bank is located in Ankara. The address of the Headquarters is Söğütözü 2. Cad. No. 63 Çankaya, Ankara. Should the address of the Headquarters of the Bank is changed, the new address shall be registered in the Trade Registry and published in the Turkish Trade Registry Gazette. The correspondences sent to the registered and published address of the Bank shall be deemed as duly made to the Bank. On the condition that the Bank has changed its registered and published address and that the Bank has not registered its new address in the due time, it shall be deemed as a rationale for termination.

The changes in the address shall be notified to the Banking Regulation and Supervision Authority, Capital Market Board and the other relevant institutions.

The organization of the Bank; is comprised of the General Directorate, domestic and international service units. The Board of Directors shall be authorized to define the characteristics, duties and authorities and legal structure of the service units.

Objective and Scope:

Article 4- The objective of the Bank is to fulfill all kinds of banking transactions that the deposit banks are capable of, provided that the liabilities stipulated in the Banking Law and other relevant legislation are undertaken.

The Bank shall use all the authorities vested by the Banking Law and the provisions of the other legislation to reach its objectives.

Moreover in line with the relevant legislation, the Bank shall be authorized to carry out transactions such as listed below: to facilitate all kinds of cash and non-cash loans over Turkish Lira and foreign currency, to mediate the exportation, purchase and sale of financial instruments used in the international financial markets, to carry out investment bank transactions, to purchase, sell, transfer loans in wholesale and retail forms, to carry out purchasing and sales transactions in domestic and international futures markets, to furnish funds from the interbank monetary market, from the country and abroad, to conduct all kinds of capital market transactions, to mediate importation and exportation transactions, to act as an agent for insurance companies and other financial institutions, to participate in all kinds of partnerships founded by the banks or to be party thereto in Turkey and abroad, or to establish such partnerships or to withdraw from such partnerships.

Furthermore the Bank shall facilitate loans to artisans, tradesmen and small to medium sized enterprises directly and/or through the Artisans and Craftsmen Loan Cooperatives, provided that the loan facilitation is limited and the interest rates are not below the Bank's resource costs.

OLD VERSION

Acquisition of Movables and Immovables and Relevant Transactions:

Article 5- The Bank shall not be authorized to purchase and sell immovables and assets for commercial purposes. The Bank shall not be authorized to participate in corporations dealing with the trade of immovables exclusively, and to furnish loans to the natural persons and legal entities engaged in the trade of immovables except for the real-estate investment trusts and the financial institutions providing finance for pledged housing.

Provided that the relevant legislative provisions are reserved, the Bank - through the decision of Board of Directors - shall be authorized to acquire all kinds of movables and immovables, the interests thereof, particularly industrial and intellectual property rights, rights of redemption and loyalty rights, real rights such as usufruct rights, easement and top rights and chose in action; and to sell, to transfer, to give in mortgage or to put in pledge such rights; to receive mortgage and pledge in favor of the Bank; to release the mortgages; to rent or lease movables and immovables, industrial and intellectual rights and similar rights; to annotate lease agreements and sales agreement in favor of the Bank in the title deed documents; to release such annotations; to place mortgage and pledge on property pro rata, severally or generally.

Within the framework of the legislation, the Bank shall be authorized to purchase immovables and to dispose of such immovables through sales, barter and other methods, when deemed necessary, to carry out banking transactions or to collect Bank's receivables.

The Bank shall be authorized to receive all kinds of security, in kind or personal, so as to collect and assure the Bank's receivables. Accordingly, the Bank shall also be authorized to carry out registration, cancellation and all other transactions before the title deed offices, tax offices and similar public and private institutions.

PART TWO CAPITAL

Capital:

Article 6- The capital of the Bank is TL 1.250.000.000.000.000.-. The breakdown of the capital is as follows: TL 24.208.500.- corresponds to 242.085 registered shares. Each share has a value of TL 100. These registered shares were issued before the enforcement of the Turkish Code of Commerce No 6762, and they are still in force.

TL 3.042.500.- corresponds to 6.085 registered shares, each having the value of TL 500.-,
TL 972.749.000.- corresponds to 972.749 registered shares, each having the value of TL 1000.-,
TL 499.000.000.000.- corresponds to 49.900.000 registered shares, each having the value of TL 10.000.-,
TL 1.000.000.000.000.- corresponds to 10.000.000 registered shares, each having the value of TL 100.000.-,
TL 3.500.000.000.000.- corresponds to 35.000.000 registered shares, each having the value of TL 100.000.-,
TL 10.000.000.000.000.- corresponds to 100.000.000 registered shares, each having the value of TL 100.000.-,

NEW VERSION

On the condition that the public shares are decreased below fifty percent (50%), the loan facilitation with low interest rates provided to the artisans, craftsmen and small to medium sized enterprises by the Bank, shall continue as per the procedures and principles set by the Council of Ministers.

The Bank shall by no means is authorized to carry out transactions that the deposit banks are banned to do by the Banking law, Law on Capital Market and relevant regulations, and that the deposit banks are prevented from doing by the provisions of the other legislation concerning specific circumstances in which necessary permits and licenses are not taken from the relevant institutions, although such transactions are stipulated in this Articles of Association.

Acquisition of Movables and Immovables and Relevant Transactions:

Article 5- The Bank shall not be authorized to purchase and sell immovables and assets for commercial purposes. The Bank shall not be authorized to participate in corporations dealing with the trade of immovables exclusively, and to furnish loans to the real and legal entities engaged in the trade of immovables except for the real-estate investment trusts and the financial institutions providing finance for pledged housing.

Provided that the relevant legislative provisions are reserved, the Bank - through the decision of Board of Directors - shall be authorized to acquire all kinds of movables and immovables, the interests thereof, particularly industrial and intellectual property rights, rights of redemption and loyalty rights, real rights such as usufruct right, easement and top right and chose in action; and to sell, to assign, to transfer, to give in a mortgage or to put in pledge such rights; to receive mortgage and pledge in favor of the Bank; to release the mortgages; to rent or lease movables and immovables, industrial and intellectual rights and similar rights; to annotate lease agreements and sales agreements in favor of the Bank in the title deed documents; to release such annotations; to place mortgage and pledge on property pro rata, severally or generally.

Within the framework of the legislation, the Bank shall be authorized to purchase immovables and to dispose of such immovables through sales, barter and other methods, when deemed necessary, to carry out banking transactions or to collect Bank's receivables.

The Bank shall be authorized to receive all kinds of security, in kind or personal, so as to collect and assure the Bank's receivables. Accordingly, the Bank shall also be authorized to carry out registration, cancellation and all other transactions before the title deed offices, tax offices and other public and private institutions.

PART TWO CAPITAL

Capital:

Article 6- The share capital of the Bank is TRY 1.250.000.000,00 (one billion two hundred fifty million) and the whole share capital is paid up.

The capital corresponds to 1.250.000.000 (one billion two hundred fifty million) registered shares, each having the value of TRY 1.-

TRY 1.249.525.824,00 (one billion, two hundred forty nine million five hundred twenty five thousand eight hundred twenty four) corresponds to 1.249.525.824 shares and belong to the Republic of Turkey, Prime Ministry, Privatization Authority, and the rest of the shares belong to the other public or private legal entities and natural persons.

After the public offering of the Bank, the shares shall be issued in line with the provisions of the Capital Market legislation and principles for the registration of the shares.

Changes Made in the Articles of Association During the Year

OLD VERSION

TL 60.000.000.000.000.- corresponds to 60.000.000 registered shares, each having the value of TL 1.000.000.-,
TL 175.000.000.000.000.- corresponds to 175.000.000 registered shares, each having the value of TL 1.000.000.-,
TL 1.000.000.000.000.000.- corresponds to 1.000.000.000 registered shares, each having the value of TL 1.000.000. The whole capital is paid up.

A Group shares of the capital belong to the Treasury,
B Group shares of the capital belong to the Treasury, other public or private legal entities and natural persons.

Before the date of enforcement of the Law of 15 November 2000 and No 4603, the shares and the rights thereof that belong to various public and private legal entities and natural persons shall continue to be valid in relation to the B Group Shares, exclusively.

PART THREE BANK ORGANS

Article 7- Authorized organs of the Bank are the General Assembly, Board of Directors, Loan Committee, General Manager and auditors.

General Assembly:

Article 8- General Assembly of the Bank may convene ordinarily or extraordinarily. The Ordinary General Assembly convenes within three months as from the end of the accounting period. The Ordinary General Assembly convenes and resolves according to provisions stipulated in the Turkish Code of Commerce and this Articles of Association herein in cases and at times as may be necessary for the Bank's works.

General Assembly Meetings:

Article 10- General Assembly convenes at the city, where the Bank is based.

Invitation to the General Assembly Meeting:

Article 11- Date, time, venue and agenda of the General Assembly meetings and invitation to the meeting shall be announced in the Turkish Commercial Registry Gazette and at least one local newspaper published at the location of Bank headquarters.

Furthermore, invitation may be made by notifying the date, time, venue and agenda of the meeting to the address of shareholders by means of registered mail.

Agenda:

Article 12- The agenda covers reading of reports of the Board of Directors and auditors, review and approval of profit/loss accounts of the balance sheet, release from liability of the Members of the Board of Directors and Auditors, proposals relating to profit distribution, election of the Board Members and Auditors having terminated their tenure as well as other matters to be discussed.

NEW VERSION

PART THREE BANK ORGANS

Article 7- Authorized organs of the Bank are the General Assembly, Board of Directors, Loan Committee, Audit Committee, General Manager and Auditors.

General Assembly:

Article 8- General Assembly of the Bank may convene ordinarily or extraordinarily. The Ordinary General Assembly convenes at least once in a year and within three months as from the end of the accounting period. The Ordinary General Assembly convenes and resolves according to provisions stipulated in the Turkish Code of Commerce and this Articles of Association herein in cases and at times as may be necessary for the Bank's works.

General Assembly Meetings:

Article 10- General Assembly may convene at the Bank headquarters or within the jurisdiction of the senior administrative office at the location of headquarters or within the provincial borders of Istanbul. The power of selecting the venue shall belong to the side making the invitation.

Invitation to the General Assembly Meeting:

Article 11- General Assembly may be invited to meeting by the Board of Directors or those who are vested this power in the legislation. Date, time, venue and agenda of the General Assembly meetings and invitation to the meeting shall be announced in the Turkish Commercial Registry Gazette and at least one local newspaper published at the location of Bank headquarters.

Agenda:

Article 12- The Ordinary General Assembly convenes with an agenda covering reading of reports of the Board of Directors and Auditors, review and approval of profit/loss accounts of the balance sheet, release from liability of the Members of the Board of Directors and Auditors, proposals relating to profit distribution, election of the Board Members and Auditors having terminated their tenure as well as other matters to be discussed.

Agenda of the Ordinary General Assembly meeting covers main issues of the meeting and other matters as may be required for discussion at the time of the meeting.

OLD VERSION

General Assembly Sitting:

Article 13- The General Assembly sitting is opened by the Chair of the Bank's Board of Directors, and in his/her actual and legal absence by the Deputy Chair. The sitting shall comprise two clerks and two vote takers holding or not holding shares as elected by the General Assembly under the direction of the Chair or Deputy Chair of the Board.

Right to Vote and the Voting Procedure:

Article 15- Shareholders attending the General Assembly have the right to vote for each share. The voting at the General Assembly is an open procedure by show of hands. However, should there be a request raised by minimum one tenth of shareholders represented by those available at the meeting, the procedure should be converted into secret voting.

Approval of the Balance Sheet and Release from Liability

Article 16- The General Assembly resolution approving the balance sheet shall be interpreted as release of the members of the Board of Directors, Auditors and Managers from liability. Yet, should the balance sheet fail to depict some facts or be issued with errors, the Board of Directors, auditors and managers shall not be deemed to be released from liability.

Duties and Powers of the Board of Directors:

Article 18- The Bank is governed and represented by the Board of Directors.

18.1- For any and all contracts, bonds, powers of attorney and other documents alike issued in the name of the Bank to be binding for the Bank, they should be cited under the title of the Bank and duly signed by at least two authorized officials as per the conditions laid down in the circulars of signature prepared by the Board of Directors and published in the Turkish Trade Registry Gazette.

18.2- Board of Directors shall be liable for executing the duties and exercising the rights empowered to itself by the Turkish Code of Commerce and the other respective legislation. The Board bears to authority to transfer some of these duties and authorities within limits they shall agree or to ensure proper exercising and control of such duties and powers.

18.3- Board of Directors shall appoint one member as the General Manager agreeing that the member in question qualifies for the position as per the Banking law. Board of Directors may transfer some of its duties and powers to the General Manager subject to conditions and limits it shall agree. The General Manager shall perform all the tasks and administrative works of the Bank as stipulated for the position in the Banking Law and the respective legislation, and shall coordinate effective and sound execution of the bank's activities.

18.4- The Board of Directors will assign at least two Board members, who do not have executive duties and who possess the qualifications as set forth by the Banking Regulation and Supervision Agency, to form the Audit Committee, which will support the Board of Directors in the fulfillment of its auditing and supervision activities.

NEW VERSION

General Assembly Sitting:

Article 13- The General Assembly sitting is opened by the Chair of the Bank's Board of Directors, and in his/her actual and/or legal absence by the Deputy Chair. The sitting shall comprise two clerks and two vote takers holding or not holding shares as elected by the General Assembly under the direction of the Chair or Deputy Chair of the Board.

Right to Vote and the Voting Procedure:

Article 15- Shareholders attending the General Assembly have the right to vote for each share. The voting at the General Assembly is an open procedure by show of hands. However, should there be a request raised by minimum one tenth of shareholders represented by those available at the meeting, the procedure should be converted into secret voting.

Regulations of the Capital Market Board shall apply for voting in proxy.

Approval of the Balance Sheet and Release from Liability

Article 16- The General Assembly resolution approving the balance sheet shall be interpreted as release of the members of the Board of Directors, Auditors and Managers from liability. Yet, should the balance sheet fail to depict some facts and/or be issued with errors, the Board of Directors, Auditors and Managers shall not be deemed to be released from liability.

Duties and Powers of the Board of Directors:

Article 18- The Bank is governed and represented by the Board of Directors.

18.1- For any and all contracts, bonds, powers of attorney and other documents alike issued in the name of the Bank to be binding for the Bank, they should be cited under the title of the Bank and duly signed by at least two authorized officials as per the conditions laid down in the circulars of signature prepared by the Board of Directors and published in the Turkish Trade Registry Gazette.

18.2- Board of Directors shall be liable for executing the duties and exercising the rights empowered to itself by the Turkish Code of Commerce and the other respective legislation. The Board bears to authority to transfer some of these duties and authorities within limits they shall agree or to ensure proper exercising and control of such duties and powers.

18.3- Board of Directors shall appoint one member as the General Manager agreeing that the member in question qualifies for the position as per the Banking Law. Chair of the Board of Directors cannot be elected as General Manager.

Board of Directors may transfer some of its duties and powers to the General Manager subject to conditions and limits it shall agree. The General Manager shall perform all the tasks and administrative works of the Bank as stipulated for the position in the Banking Law and the respective legislation, and shall coordinate effective and sound execution of the bank's activities.

18.4- Deleted.

Changes Made in the Articles of Association During the Year

OLD VERSION

Tenure of the Board Members and Termination of Membership:

Article 19.1- The Board members shall be elected for three years

19.2- Any Board Member not attending three consecutive meetings without consent of the Board of Directors or missing half of the meetings in a given accounting period due to any reason or excuse whatsoever shall be deemed to have resigned from post.

Board Meetings:

Article 20.1- Board of Directors shall convene as may be required for the works of the Bank upon invitation of the Chair, Deputy Chair or any member of the Board. It is obligatory for the Board to convene at least once every month.

20.2- As a rule, Board meetings shall take place in the city, where the Bank is based. However, meetings can be held anywhere else upon agreement of the majority of members.

20.3- Agenda of the Board of Directors shall be set by either the Chair or the Deputy Chair making the invitation and shall be sent or hand delivered to the members in the attachment of the invitation letter.

Meeting agenda shall be set and circulated to the members 24 hours prior to the meeting. In emergencies, items may be added to the agenda upon request of the Board Chair. Members of the Board of Directors may also raise proposal for matters to be agreed by the Board.

20.4- For the Board of Directors to convene and discuss its agenda, absolute majority (5 members) from the full number of members should be available at the meeting. Decisions of the Board of Directors shall be taken by absolute majority of all members.

20.5- Unless negotiation is requested by any one of the members, board decisions may also be taken by written approval on any proposal by rest of the members, in which case unanimity would be a must.

Number, Election and Tenure of Auditors:

Article 23- The General Assembly shall elect maximum 3 auditors amongst those holding a university degree with minimum 10 years experience in banking, economy or finance. Auditors shall be elected for maximum three years. Remuneration to be paid to auditors shall be set by the General Assembly.

NEW VERSION

Tenure of the Board Members and Termination of Membership:

Article 19.1- The Board members shall be elected for maximum three years depending on the resolution of the General Assembly.

19.2- Any Board Member not attending three consecutive meetings without consent of the Board of Directors or missing half of the meetings in a given accounting period due to any reason or excuse whatsoever shall be deemed to have resigned from post.

Board Meetings:

Article 20.1- Board of Directors shall convene as may be required for the works of the Bank upon invitation of the Chair, Deputy Chair or any member of the Board. It is obligatory for the Board to convene at least once every month.

20.2- As a rule, Board meetings shall take place in the city, where the Bank is based. However, meetings can be held anywhere else upon agreement of the majority of members.

20.3- Agenda of the Board of Directors shall be set by either the Chair or the Deputy Chair making the invitation at least 24 hours prior to the meeting and shall be sent or hand delivered to the members in the attachment of the invitation letter.

In emergencies, items may be added to the agenda upon request of the Board Chair. Members of the Board of Directors may also raise proposal for matters to be agreed by the Board of Directors.

20.4- The meeting and resolution quora needed for the Board of Directors to convene, discuss and resolve on the agenda are given below according to the full number of Board members.

Full Number of Members	Meeting Quorum	Resolution Quorum
7	5	5
8	5	5
9	6	6

20.5- Unless negotiation is requested by any one of the members, board decisions may also be taken by written approval on any proposal by rest of the members, in which case unanimity would be a must.

Audit Committee:

Article 23- The Board of Directors shall set up an Audit Committee with minimum two members to help audit and supervision activities of the Board. Members of this Committee shall be elected by the Board of Directors amongst those members of the Board, who do not have any executive duty and meet the qualifications laid down by the Banking Regulation and Supervision Authority.

Audit Committee shall carry out tasks under the Banking Law as well as the current and/or future regulations of the Banking Regulation and Supervision Authority relating to acts of the audit Committee.

Number, Election and Tenure of Auditors:

Article 24- The General Assembly shall elect maximum 3 auditors amongst those holding a university degree with minimum 10 years experience in banking, economy or finance. Auditors shall be elected for maximum three years according to the General Assembly resolution. Remuneration to be paid to auditors shall be set by the General Assembly. Auditors shall perform their duty as per the provisions of the Articles of Association of the, the Banking Law, Turkish Code of Commerce no 6762 and the other relevant legislation.

OLD VERSION

PART FOUR ACCOUNTS AND DIVIDEND DISTRIBUTION

Accounting Period :

Article 24- The accounting period of the Bank shall commence on the first day of January of each year and end on the last day of December.

Balance Sheet and Profit and Loss Table, Board of Directors and Auditor Reports:

Article 25- The Bank shall keep and publish its accounts, annual balance sheets and profit and loss tables in accordance with the principles and procedures stipulated under the Banking Law and shall present the same to the related authorities accordingly. The balance sheet, profit and loss table, the reports of the Board of Directors and the Auditors approved by an independent auditing company shall be made available for the review of the shareholders fifteen days prior to the date of the General Assembly meeting.

Identification, Allotment and Distribution of Net Profit:

Article 26.1- The net profit shall be the amount left after all the expenses, reserves and taxes are deducted from the revenues of the Bank for a given accounting period.

Net profit shall be allocated as follows;

26.1.1- Five percent (5%) for the legal reserve fund,

26.1.2- As for the remaining amount, first dividend in the ratio of five percent (5%) over the paid-in capital to the shareholders.

26.1.3- As for the remaining amount;

26.1.3.1- "Provided that it is approved by the General Assembly and further that the related ratio and amount is identified by the General Assembly, the portion up to maximum five percent (5%) may be distributed to the Board Members and the Bank personnel to the extent not exceeding three folds of their gross salaries"

26.1.3.2- An amount to be decided by the General Assembly shall be reserved as the "second dividend" so as to be distributed to the shareholders.

26.1.4- Ten percent (10%) of the total amount to be distributed as per paragraphs 26.1.3.1 and 26.1.3.2 shall be reserved to the reserve fund according to sub-paragraph 3, paragraph 2, article 466 of the Turkish Code of Commerce.

NEW VERSION

PART FOUR ACCOUNTS AND DIVIDEND DISTRIBUTION

Accounting Period:

Article 25- The accounting period of the Bank shall commence on the first day of January of each year and end on the last day of December.

Balance Sheet and Profit and Loss Table, Board of Directors and Auditor Reports:

Article 26- The Bank shall keep and publish its accounts, annual balance sheets and profit and loss tables in accordance with the principles and procedures stipulated under the Banking Law and shall present the same to the related authorities accordingly. The Board of Directors shall bear the final function and responsibility on the matter.

The balance sheet, profit and loss table, the reports of the Board of Directors and the Auditors approved by an independent auditing company shall be made available for the review of the shareholders fifteen days prior to the date of the General Assembly meeting.

Notwithstanding the related provisions of the Banking Law, financial tables and reports proposed to be issued by the Capital Market Board and the independent audit report shall be sent to the Capital Market Board and made public in accordance with the principles set by the Capital Market Board.

Identification, Allotment and Distribution of Net Profit:

Article 27.1- The net profit shall be the amount left after all the expenses, reserves and taxes are deducted from the revenues of the Bank for a given accounting period.

Unless the reserve fund required to be reserved under the law and the first dividend set for the shareholders are reserved; no decision shall be made for allocating more reserve fund, transferring profit to the coming year and distributing dividend to the members of the Board of Directors and the personnel of the Bank.

In this respect, net profit shall be allocated as follows;

27.1.1- Five percent (5%) for the legal reserve fund,

27.1.2- For the remaining amount, first dividend in the ratio of five percent (5%) over the paid-in capital to the shareholders.

27.1.3- As for the remaining amount;

27.1.3.1- Provided that it is approved by the General Assembly and further that the related ratio and amount is identified by the General Assembly, the portion up to maximum five percent (5%) may be distributed to the Board Members and the Bank personnel to the extent not exceeding three folds of their gross salaries.

27.1.3.2- An amount to be decided by the General Assembly shall be reserved as the "second dividend" so as to be distributed to the shareholders.

27.1.4- Ten percent (10%) of the total amount to be distributed as per paragraphs 27.1.3.1 and 27.1.3.2 shall be reserved to the reserve fund according to sub-paragraph 3, paragraph 2, article 466 of the Turkish Code of Commerce.

Changes Made in the Articles of Association During the Year

OLD VERSION

26.1.5- The remaining net profit amount shall be transferred to the reserve fund.

26.2- The General Assembly shall decide for the date of payment and amounts of the annual dividends upon the recommendation of the Board of Directors.

26.3- Dividends distributed in accordance with the provisions of this Articles of Association shall not be revoked. Provisions of article 473 of the Turkish Code of Commerce are reserved.

26.4- In case the reserve fund does not suffice for the supply of capital due to incurrance of loss by the Bank, no dividend shall be distributed to the shareholders until the loss is fully recovered.

PART FIVE DISSOLUTION, LIQUIDATION, MERGER OR TRANSFER OF THE BANK

Dissolution or Liquidation of the Bank:

Article 27- In case the Bank is required to be dissolved and liquidated for any reason whatsoever except for bankruptcy, the General Assembly shall be invited for an extraordinary meeting and the liquidation process shall be carried out according to the general provisions upon such a decision of the Assembly by the three liquidators to be appointed by the General Assembly either from among the shareholders or from outside.

Merger or Transfer:

Article 28- The General Assembly shall decide for the merger or transfer of the Bank. Notwithstanding the provisions of the Laws No. 4603 and 4684, merger or transfer procedures shall be fulfilled in accordance with the provisions of the Banking Law and the related legislation.

PART SIX MISCELLANEOUS PROVISIONS

Article 29- Announcements related to the Bank shall be made in accordance with the provisions of the relevant legislation.

Article 30- Provisions of the Law No. 4603, Banking Law, Turkish Code of Commerce and the relevant legislation shall apply for the matters not governed under this Articles of Association.

PART SEVEN PROVISIONS ON THE PERSONNEL

Article 31- Regardless of the Legal basis for the appointment of the Bank personnel, the personnel shall be liable to abide by the requirements of Contemporary Banking and International Competition and the rules and objectives of the Restructuring during the performance of their functions.

Article 32- Members of the Board of Directors and the Audit Committee elected by the General Assembly and the Contractual Personnel under the Provisions of the Private Law shall be subject to Private Law in terms of the financial liability arising from their acts and positions.

NEW VERSION

27.1.5- The remaining net profit amount shall be transferred to the reserve fund.

27.2- The General Assembly shall decide for the date of payment and amounts of the annual dividends upon the recommendation of the Board of Directors.

27.3- Dividends distributed in accordance with the provisions of this Articles of Association shall not be revoked. Provisions of article 473 of the Turkish Code of Commerce are reserved.

27.4- - In case the reserve fund does not suffice for the supply of capital due to incurrance of loss by the Bank, no dividend shall be distributed to the shareholders until the loss is fully recovered.

PART FIVE DISSOLUTION, LIQUIDATION, MERGER OR TRANSFER OF THE BANK

Dissolution or Liquidation of the Bank:

Article 28- The voluntary dissolution and liquidation process of the Bank for any reason whatsoever shall be carried out by convening the General Assembly extraordinarily and taking such a decision accordingly, provided that article 20 of the Banking Law No. 5411 is followed and article 106 is reserved. Liquidation shall be carried out by the three liquidators to be appointed by the General Assembly either from among the shareholders or from outside, according to the general provisions.

Merger or Transfer:

Article 29- The General Assembly shall decide for the merger or transfer of the Bank. Notwithstanding the provisions of the Laws No. 4603 and 4684, merger or transfer procedures shall be fulfilled in accordance with the provisions of the Banking Law, Capital Market Law and the related legislation.

PART SIX MISCELLANEOUS PROVISIONS

Article 30- Announcements related to the Bank shall be made in accordance with the provisions of the relevant legislation.

Article 31- Provisions of the Law No. 4603, Banking Law, Capital Market Law, Turkish Code of Commerce and the relevant legislation shall apply for the matters not governed under this Articles of Association.

PART SEVEN PROVISIONS ON THE PERSONNEL

Article 32- Regardless of the Legal basis for the appointment of the Bank personnel, the personnel shall be liable to abide by the requirements of Contemporary Banking and International Competition and the rules and objectives of the Restructuring during the performance of their functions.

Article 33- Members of the Board of Directors and the Audit Committee elected by the General Assembly and the Contractual Personnel under the Provisions of the Private Law shall be subject to Private Law in terms of the financial liability arising from their acts and positions.

OLD VERSION

PART EIGHT TEMPORARY PROVISIONS

Use of Right to Recourse:

Temporary Article 2- Until the public shares go below fifty percent (50%), the crediting activities of the Bank to the tradesmen and craftsmen and the small and medium sized industrial enterprises shall continue provided that such credits are limited to those furnished directly and/or via the intermediation of the Tradesmen and Craftsmen Credit Cooperatives and that the interest rates are not below the resource cost of the Bank.

NEW VERSION

PART EIGHT TEMPORARY PROVISIONS

Use of Right to Recourse:

Temporary Article 2- In order to fulfill the amended article 399 of the Turkish Code of Commerce with the Law of December 9, 2004 and No. 5274; within the framework of the article 400 and provisional article 1 of the Turkish Code of Commerce and Provisional Article 9 annexed to the Law No. 4603 through article 27 of the Law of March 1, 2007 and No. 5588; the shareholding structure of the Bank has been changed; shares which belong to the shareholders other than the Turkish Privatization Authority and having a nominal value of 100.-TL have been substituted with 1 share with a nominal value of 1 TRY, those having a nominal value of 500.-TL with 5 shares with a nominal value 1 TRY for each, and those having a nominal value of 1.000.-TL with 10 shares with a nominal value of 1 TRY for each, as free of charge by way of transfer/assignment from the shares of the Turkish Privatization Authority, without raising any demand from such shareholders and without increasing the capital stock of the Bank; furthermore the shares with various nominal values of 100 TL, 500 TL, 1.000 TL, 10.000 TL, 100.000 TL ve 1.000.000 TL corresponding to the remaining shareholding of the Turkish Privatization Authority have been substituted with shares having a nominal value of 1 TRY by way of merging the shares and/or converting the same to the new monetary system, upon the approval of the shareholder in question.

Whereas following the conversion to TRY, 1.249.525.824 (onebilliontwohundredandfortyninemillionfivehundredandtwentyfivethousandeighthundredandtwentyfour) shares with a nominal value of 1.249.525.824,00 (onebilliontwohundredandfortyninemillionfivehundredandtwentyfivethousandeighthundredandtwentyfour) TRY of the paid-in capital corresponding to 1.250.000.000,00 (onebilliontwohundredandfiftymillion) New Turkish Liras are held by the Turkish Privatization Authority; and the remaining 474.176 (fourhundredandseventyfourthousandhundredandseventysix) shares with a nominal value of 474.176,00 (fourhundredandseventyfourthousandhundredandseventysix) New Turkish Liras are held by the other public, private or legal entities and the real persons.

The Board of Directors and persons to be appointed by the Board of Directors shall be entitled and authorized to perform all the required procedures accordingly including identification of the shareholders holding shares with a nominal value of 1 TRY following the substitution, merger and conversion procedures and reorganization of the stock ledger.

The former shares having issued over Turkish Liras shall be replaced with the new shares following the announcement of the Articles of Association in the trade registry.

The procedures to be followed under the scope of this article shall be recorded in the stock ledger following the registration of the articles of association and the shareholders shall exercise their rights under the new shares.

Annual Activity Report Compliance Opinion

Deloitte.

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ANNUAL ACTIVITY REPORT

Compliance Opinion

To the General Assembly of Türkiye Halk Bankası A.Ş.:

We have audited the accuracy and compliance of the financial information in the accompanying annual activity report of Türkiye Halk Bankası 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 Türkiye Halk Bankası 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 BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU

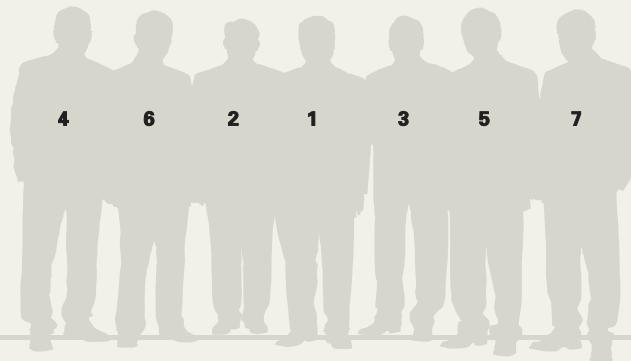


Sibel Türker
Partner

İstanbul, March 20, 2008

Management and Corporate Governance

Board of Directors



**(1) Hasan Cebeci
Chairman**

Hasan Cebeci is a graduate of Ankara Academy of Economic and Commercial Sciences. He began his career in 1975 as an Assistant Inspector at Vakıflar Bank, where he subsequently appointed as Inspector, Branch Manager, Unit Manager, Regional Manager, and Assistant General Manager. In 2003 he was made an Executive Board Member of Halkbank responsible for loans. The same year, he became the Bank's General Manager and Chairman of its Audit Board. Mr. Cebeci has been the Chairman of the Board since 2005.

**(2) Hasan Sezer
Vice Chairman**

Hasan Sezer is a graduate of Ankara Academy of Economic and Commercial Sciences (Department of Foreign Trade and Foreign Exchange). He began his career with a privately owned firm in 1982. He joined Ziraat Bank in 1983 as an Assistant Inspector, subsequently rising to the positions of Inspector, Assistant Unit Manager and Unit Manager. He served as the general manager of Ziraat Menkul Değerler. In 2003 he was made an Executive Board Member of Halkbank responsible for risk management and control. Mr. Sezer has been Vice Chairman since 2005.

**(3) Hüseyin Aydın
General Manager and Member of the Board**

Hüseyin Aydın is a graduate of Ankara Academy of Economic and Commercial Sciences (Faculty of Economics). He began his career in 1983 as an Assistant Inspector at Ziraat Bank subsequently becoming an Inspector, Assistant Manager, Office Head, Foreign Office Representative, and Branch Manager. Between 2003-2005 he served as an Executive Board Member of Halkbank and as a Board Member of Pamukbank. He held a position as Vice-Chairman of Ziraat Bank. Mr. Aydın has been the General Manager and Board Member of Halkbank since 2005.

**(4) Emin Süha Çayköylü
Board Member**

Emin Süha Çayköylü is a graduate of Middle East Technical University (Department of Mechanical Engineering) and also holds an MBA degree from Syracuse University Business School, an MSc degree from Manchester University U.K. Technology, and a PhD degree in Business Administration from Washington International University. He began his career in 1972 in a privately owned company and subsequently joined Development Bank of Turkey in 1977 as a Project Manager. He served as Unit Manager for Islamic Development Bank, and as General Manager, Project Coordinator, and Managing Director in various privately-owned companies. Mr. Çayköylü has been a Board Member of Halkbank since 2003.

**(5) Nurzahit Keskin
Board Member**

Nurzahit Keskin is a graduate of the Afyon Faculty of Economic and Administrative Sciences of Anadolu University and received a master's degree in international banking from the Institute of Banking and Insurance of Marmara University. He is currently working on his doctorate thesis at Sakarya University. He worked as an Instructor at Marmara University for a time after which he entered the private sector in 1990, serving at managerial positions. In 2003 he became a Member of the Executive Committee and Executive Board Member in Ziraat Bank. Mr. Keskin has been a Board Member of Halkbank since 2005.

**(6) Burhaneddin Tanyeri
Board Member**

Burhaneddin Tanyeri is a graduate of Atatürk University (Faculty of Business Administration). He worked at the Agricultural Equipment Agency between 1976-1982. Subsequently he served Ziraat Bank as an Assistant Inspector, Inspector, Chief Inspector, Branch Manager, and Regional Manager. Mr. Tanyeri has been a Board Member of Halkbank since 2005.

**(7) Yusuf Dağcan
Member of the Audit Board**

Yusuf Dağcan is a graduate of Eskişehir Academy of Economic and Commercial Sciences. He began his career in 1977 at Vakıflar Bank as an Assistant Inspector and subsequently served as Inspector and Branch Manager. Mr. Dağcan has been an Audit Board Member of Halkbank since 27 March 2003.

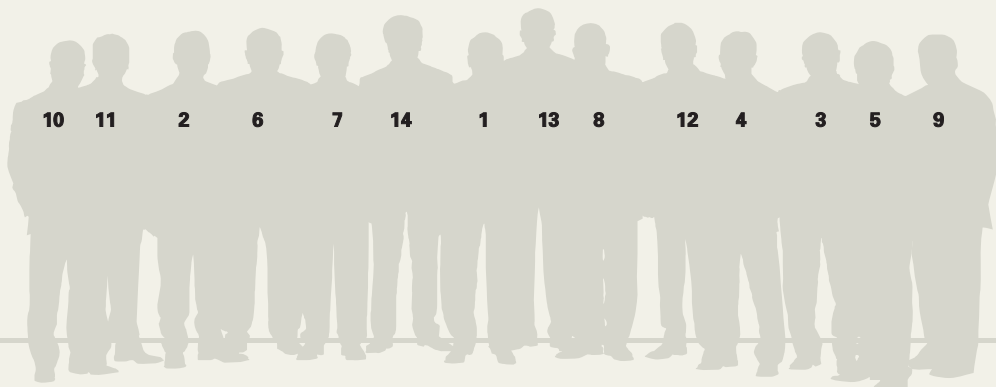
**(8) Şeref Efe
Member of the Audit Board**

Şeref Efe is a graduate of Ankara University (Faculty of Political Sciences, Department of Public Administration) and holds a masters degree from Harvard University, JFK School of Government. He began his career in 1992 as an Assistant Auditor at the Government Accounting Bureau, where he subsequently rose to the positions of Auditor and Chief Auditor. Mr. Efe has been an Audit Board Member of Halkbank since 2003. He is also a Counselor at the Turkish Treasury. (Not present in the photograph.)

**(9) Erol Berktaş
Board Member**

Erol Berktaş graduated from Middle East Technical University (Faculty of Petroleum Engineering) in 1982. He received his master's degree from Marmara University Banking and Insurance Institute. Starting from 1986 he served Garanti Bank in such areas as automation, correspondent banking, international transactions, funds management & planning, planning & budget, and credit marketing. Mr. Berktaş was a Financial Affairs Manager in a major multinational in Turkey for a time. Between 2003-2005 he worked as a Executive Board Member in Ziraat Bank. He became a Board Member of Halkbank in 2005. Mr. Berktaş quitted his job in Halkbank on 04 November 2007. (Not present in the photograph.)

Senior Management



(1) Hüseyin Aydın
General Manager

The CV of Hüseyin Aydın is presented on page 39.

(2) Osman Arslan
Deputy General Manager
Corporate Communication - Structuring

Osman Arslan is a graduate of Middle East Technical University (Faculty of Arts and Science, Department of Statistics) and still pursuing his master's degree studies in Business Administration at the same university. He served as a Manager at various banks from 1995 to 2004. He joined Halkbank as a Division Manager in 2004 and held the positions of Division and Senior Manager. He has been appointed as the Bank's Deputy General Manager in 2007, a position he still holds.

(3) Süleyman Aslan
Deputy General Manager
Treasury Management

Süleyman Aslan is a graduate of Middle East Technical University (Faculty of Economic and Administrative Sciences, Department of International Relations). He began his career in 1992 at Ziraat Bank where he served as an Associate, Specialist, Assistant Manager, Division Manager and Department Head. He functioned as the General Manager and Board Member of Ziraat Asset Management. Mr. Aslan became a Deputy General Manager at Halkbank in 2005, a position he currently holds.

(4) Ömer Muzaffer Bakır
Deputy General Manager
Corporate and SME Marketing

Ömer Bakır is a graduate of Istanbul Technical University (Faculty of Mining Engineering). He began his career in 1990 as an Assistant Inspector at Pamukbank and subsequently served as Inspector, Service Manager, and Department Manager at the same bank. In 2004 Mr. Bakır became a Deputy General Manager at Halkbank, in which post he still functions.

(5) Halil Çelik
Deputy General Manager
Operations and Support Services

Halil Çelik is a graduate of Anadolu University (Faculty of Economics). From 1982, he held various positions at Ziraat Bank as an Assistant Inspector, Inspector, Chief Inspector, and regional Manager, and also served as an Inspector at İller Bankası (Bank of Provinces). Since 2003, he functions as a Deputy General Manager at Halkbank.

(6) Erdal Ersoy
Deputy General Manager
Financial Management and Planning

Erdal Ersoy is a graduate of Marmara University (Faculty of English Language and Literature) and Anadolu University (Department of Economics). He held management positions at various privately-owned banks since 1975. He serves as a Deputy General Manager at Halkbank since 2002.

(7) Yunus Esmer
Deputy General Manager
Loan Allocations

Yunus Esmer is a graduate of Ankara Academy of Economic and Commercial Sciences (Department of Business Administration & Accounting). He functioned in various positions at Halkbank since 1979 including Assistant Specialist, Specialist, Chief Specialist; Assistant Manager; Division Manager and Department Head. Mr. Esmer has become a Deputy General Manager in 2005, a post he still holds.

(8) M. Cengiz Göğebakan
Deputy General Manager
Lending Policies

M. Cengiz Göğebakan is a graduate of Ankara University (Faculty of Political Sciences, Department of Economics). He began his career in 1987 as an Assistant Inspector at Pamukbank, where he subsequently served as an Inspector and Division Manager. Since 2004, Mr. Göğebakan functions as a Deputy General Manager at Halkbank.

(9) Erol Göncü
Deputy General Manager
Information Systems and Technical Services

Erol Göncü is a graduate of Middle East Technical University (Department of Mathematics). He worked as an IT Manager at various banks and private sector companies since 1988. He serves as a Deputy General Manager at Halkbank since 2004.

(10) Dr. Şahap Kavcıoğlu
Deputy General Manager
Tradesmen and SME Banking

Dr. Şahap Kavcıoğlu is a graduate of Dokuz Eylül University (Faculty of Business Administration and Economic Sciences, Department of Business Administration) after which he graduated from Istanbul University's Institute of Accounting and studied business administration at Hastings College in England. He received his master's degree and doctorate in banking at the Marmara University Institute of Banking and Insurance. He worked as a Manager at various privately-owned banks since 1990. Dr. Kavcıoğlu joined Halkbank in 2003 as the Bank's Regional Coordinator for Istanbul. Since 2005, he holds the position of a Deputy General Manager at the Bank.

(11) Bilgehan Kuru
Deputy General Manager
Retail Banking

Bilgehan Kuru is a graduate of Middle East Technical University (Faculty of Engineering, Department of Mining Engineering) and received his master's degree from the Graduate School of Natural and Applied Sciences at the same university. He worked at Halkbank from 1986 to 1988. From 1988, he served as an Assistant Specialist, Division and Department Manager at Pamukbank. He rejoined Halkbank in 2004 as a Department Head in 2004. He has been appointed a Deputy General Manager in 2007, in which post he still serves.

(12) Mustafa Savaş
Deputy General Manager
Risk Management and Internal Control

Mustafa Savaş is a graduate of Ankara University (Faculty of Political Sciences). From 1991, he worked at Halkbank as an Assistant Inspector, Inspector, Branch Manager, and Head of the Internal Control Office. He became the Bank's Deputy General Manager in 2002, a position he still holds.

(13) Selahattin Süleymanoğlu
Deputy General Manager
Risk Monitoring and Liquidation

Selahattin Süleymanoğlu is a graduate of Gazi University (Faculty of Economics and Administrative Sciences, Department of Business Administration.) He worked as a Manager at various banks since 1990. After functioning as a Manager in various branches of Halkbank since 2001, he has been appointed a Deputy General Manager in 2007, in which position he still serves.

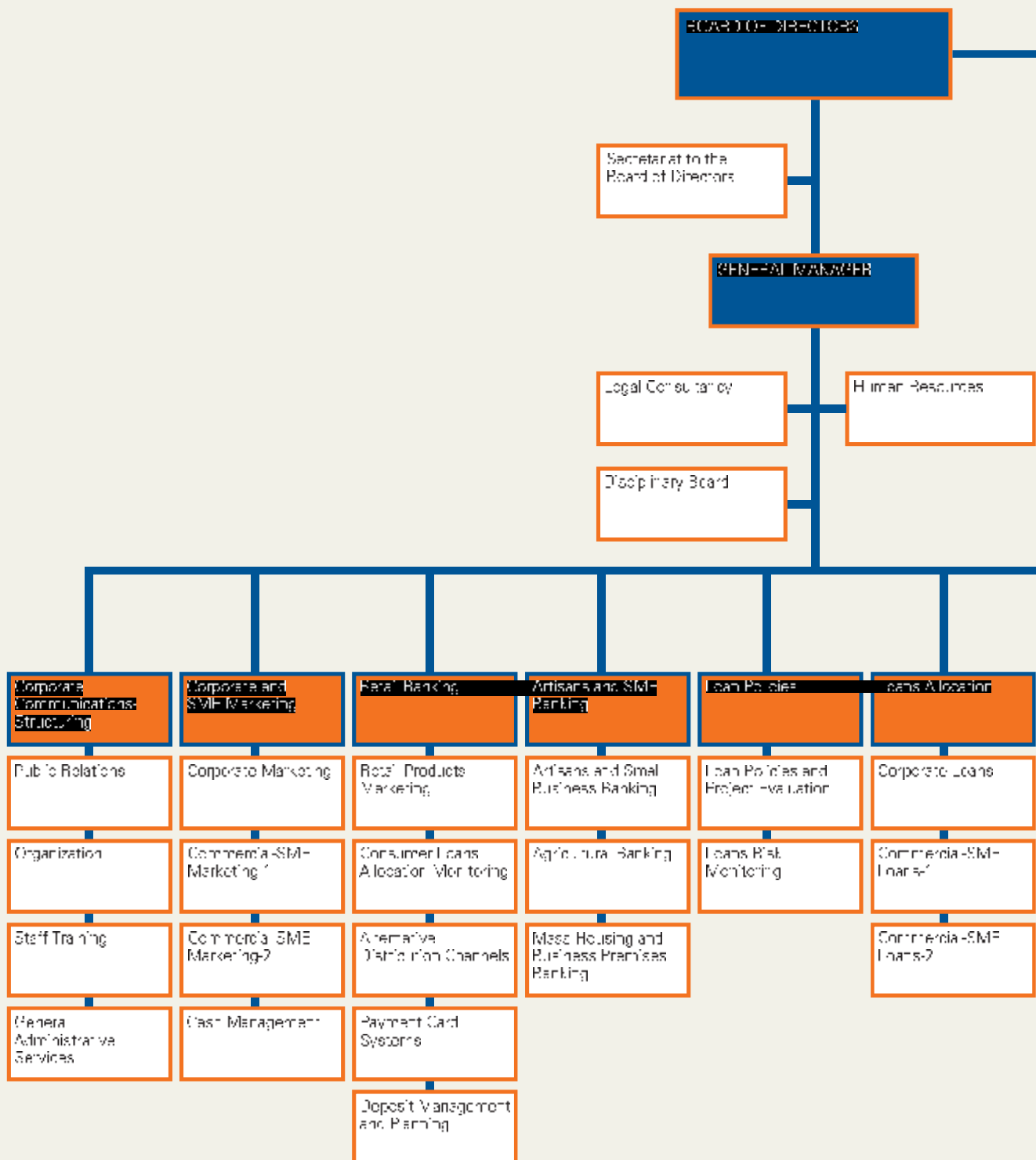
(14) Ali İpek
Head of Board of Inspectors

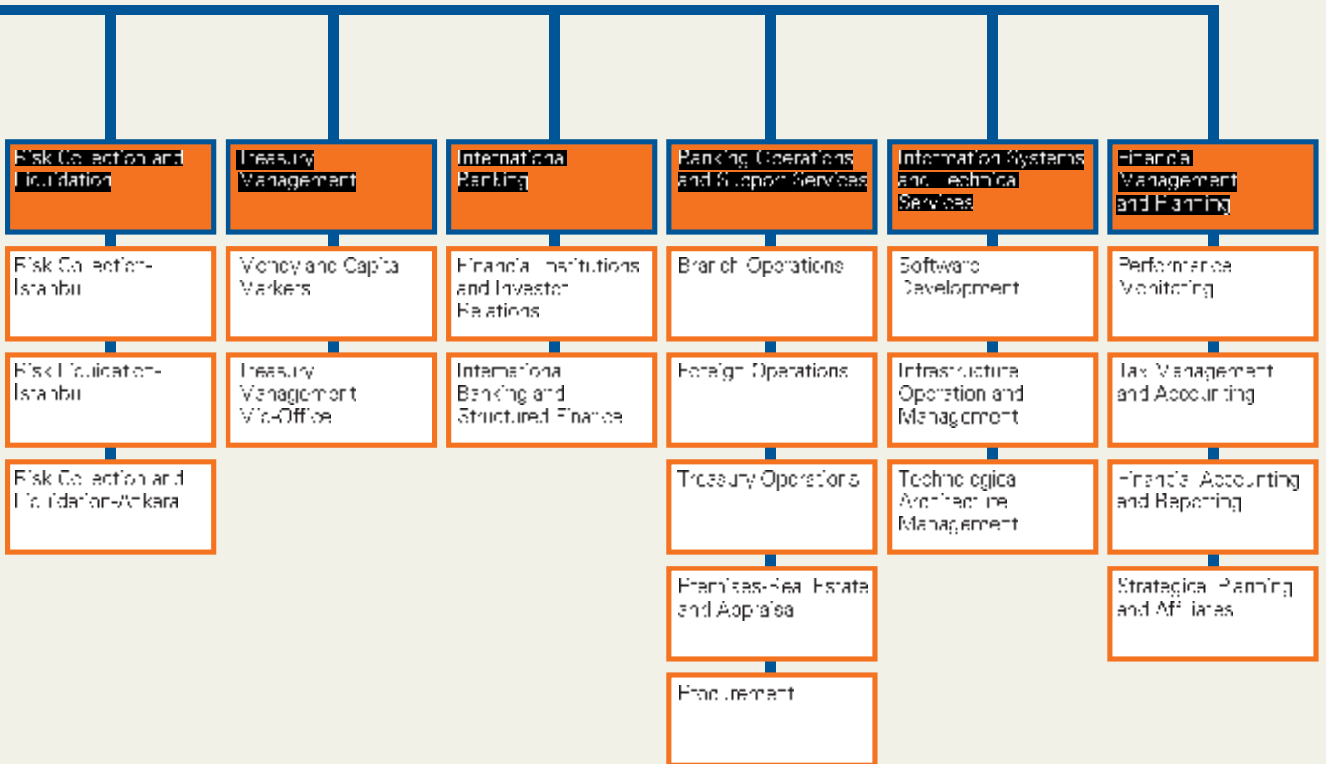
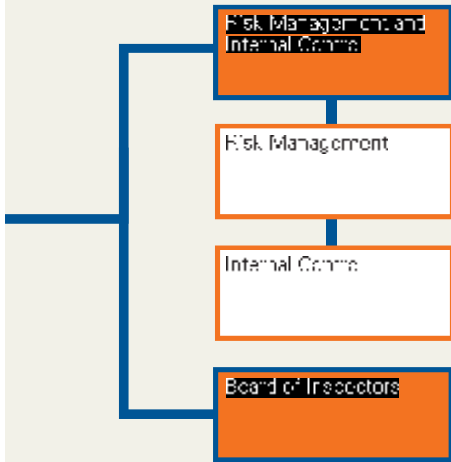
Ali İpek is a graduate of Gazi University (Faculty of Economic and Administrative Sciences, Department of Public Administration). He joined Halkbank in 1989 where he held the positions of service clerk, Assistant Inspector, Inspector, Branch Manager, division Manager, and Department Head. He was a Department Head at the Banking Regulation and Supervision Agency in 2004. He has been serving as the Head of Halkbank's Board of Inspectors since 2005.

(15) Murat Çetinkaya
Deputy General Manager
International Banking

Murat Çetinkaya is a graduate of Boğaziçi University, where he double majored in sociology (Faculty of Arts and Sciences) and political science and international relations (Faculty of Economics and Administrative Sciences). He received his master's degree from the Institute for Graduate Studies in Social Sciences at the same university. Pursuing doctorate studies at Boğaziçi University, Mr. Çetinkaya worked for a private bank from 1998 to 2003. From 2003, he functioned as a Division Manager and then as a Department Head at Halkbank, where he was appointed as Deputy General Manager in 2007. He resigned from his position effective 31 December 2007. (Not present in the photograph.)

Organization Chart





AUDIT COMMITTEE

The Audit Committee was set up on 31 October 2006 pursuant to Board of Directors resolution 34-01. The members of the Audit Committee are responsible for the effective conduct of functions related to the Bank's internal audit, risk management, and internal control activities. The Audit Committee's duties consist of assessing the effectiveness of the internal control system through internal control and internal audit units; overseeing whether or not Bank's internal policies, practices, and procedures approved by the Board of Directors are being complied with and making recommendations to the Board of Directors on measures that need to be taken; monitoring and assessing the Bank's internal audit system; overseeing whether or not the internal audit unit is fulfilling the obligations specified in regulations and internal policies; examining internal regulations concerning designated strategies, policies, and programs related to internal audit and concerning the structure of the internal audit unit and submitting those that it deems suitable to the Board of Directors for its approval; and assessing whether or not there exist essential methods, practices, and procedures to identify and control the risks to which the Bank is exposed. In addition, the Audit Committee reviews independent auditors' assessments concerning the compliance of the Bank's accounting practices with laws, regulations, and administrative provisions; reviews the results of independent audits together with senior management and independent auditors and resolves any issues concerning which doubts may be expressed by independent auditors or in their reports; assesses the adequacy and reliability of independent auditors, rating agencies, assessor companies, and support service providers which the Bank may sign contracts with and submit a report of their findings to the Board of Directors; and determine whether or not the information contained in the Bank's financial reports is true and complete and whether or not financial reports accurately reflect the Bank's financial standing, the results of transactions that have been performed, and the Bank's cash flows.

Audit Committee

Hasan CEBECİ - Chairman - Chairman of the Board of Directors
Hasan SEZER - Member – Vice Chairman of the Board of Directors

OPERATIONAL RISKS WORKING COMMITTEE

The Operational Risks Working Committee is responsible for identifying transactions that give rise to operational losses and heading off such losses. The committee meets regularly and at least once a month. The committee's duties consist of identifying procedures so that the formulation of a data base needed for the quantification of the Bank's operational risks is carried out in coordination with the units involved; coordinating units' activities so that the errors and irregularities identified by the Board of Inspectors and other control units are recorded using a standardized coding system; conducting technical and administrative activities for the formulation of a data base concerning operational losses sustained in the past; assessing operational risks related to functional activities in the risk assessment matrix and formulating views as to their relative weightings; carrying out the activities for tracking, monitoring and preventing all operational risks occurring at the Bank; fulfilling other duties incumbent upon it as a result of changes in banking legislation, and recording the decisions taken by the committee in written format and delivering the same to the relevant Assistant General Managers for necessary action.

Operational Risks Working Committee

Ali Ulvi SARGON - Chairman - Head of Risk Management Department
Alaattin SARITAÇ - Member – Head of Disciplinary Board
Kadir YAYLAK - Member - Assistant Head of the Board of Inspectors
Olçay DOĞAN - Member - Head of Internal Control Department
Ergin KAYA - Member - Head of Branch Operations Department
Suat KEPENEK - Member - Head of Foreign Operations Department
Ayşe SÖNMEZLER - Member - Head of Performance and Profitability Monitoring Department
Ali ALEV - Member - Head of Treasury Operations Department
Kemal EFE - Member - Head of Tax Management and Accounting Department
Ayşegül ASLAN - Member - Head of IT Architecture Management Department

CREDIT COMMITTEE

The Credit Committee performs credit-related duties with which it is charged by the Board of Directors. This committee consists of the general manager and of at least two board members who satisfy all the qualifications required of a general manager save for term of office. When a Credit Committee member is unable to attend a meeting, he or she will be replaced by an alternate member who will be selected from amongst the board members who satisfy all the qualifications required of a

general manager save for term of office. The general manager is the head of the Credit Committee. In the general manager's absence, one of the other associate committee members serves as the chairman. The chairman of the Credit Committee is responsible for the effective and sound coordination of the committee's activities. The Credit Committee must convene at least once a week in a meeting attended by all of its members. The Credit Committee's duties consist of implementing lending policies approved by the Board of Directors concerning the dimensions of the Bank's total placements portfolio and its distribution by sector, geographical region, and credit type; making recommendations to the Board of Directors for the determination of principles and procedures relevant to the Bank's credit policies and to its lending on a portfolio and private individual/corporate entity basis; and ensuring that the credit portfolio is managed within the framework of generally accepted risk management principles. The Credit Committee may delegate some of its duties and authorities, provided that the scope and limits of these powers are explicitly defined; but it may not delegate any authorities concerning any type of unsecured credit other than retail loans and it is responsible for monitoring and checking the activities of the body to which it has delegated such authorities.

Credit Committee

Hüseyin AYDIN - Chairman - Board Member and General Manager
Burhaneddin TANYERİ - Member - Board Member
Nurzahit KESKİN - Member - Board Member
Emin Süha ÇAYKÖYLÜ - Alternate Member - Board Member

ASSETS AND LIABILITIES COMMITTEE

The Assets and Liabilities Committee is responsible for determining policies related to the management of the Bank's assets and liabilities and to the deployment of resources for that purpose and for making decisions that will be carried out by the units that are involved in the management of the Bank's balance sheet. The committee's duties consist of discussing and assessing developments in the Bank's financial structure, portfolio, budget, loan and deposit interest rates; developments in money and capital markets; and developments in the Bank itself as well as in other banks. The committee regularly meets once a week but it must meet at least once a month. Meeting places and times are announced by the chairman. Other assistant general managers and bank officers may be invited by the committee to take part in its meetings to obtain information from them or to hear their views. The head of Strategic Planning Department is responsible for organizing the committee's meetings and recording the decisions taken at them.

Assets and Liabilities Committee

Hüseyin AYDIN - Chairman - Board Member and General Manager
Erdal ERSOY - Member - Deputy General Manager for Financial Management and Planning
Ömer BAKTİR - Member - Deputy General Manager for Corporate and SME Marketing
Şahap KAVCIOĞLU - Member - Deputy General Manager for Tradesmen and SME Banking
Yunus ESMER - Member - Deputy General Manager for Loan Allocations
Süleyman ASLAN - Member - Deputy General Manager for Treasury Management

CORPORATE GOVERNANCE COMMITTEE

The committee is responsible for monitoring compliance with the Bank's corporate governance principles. The chairman of the committee is a non-executive board member to be designated by the Board of Directors. In the absence of the chairman, the other board member serves as the chairman of the Corporate Governance Committee. The Corporate Governance Committee convenes on dates, at times, and in places determined by the committee's chairman. Other bank officers may be invited by the committee chairman to take part in meetings to obtain information from them or to hear their views. The duties of the Corporate Governance Committee consist of monitoring the Bank's compliance with corporate governance principles in accord with the provisions of the "Regulation on the Bank's Corporate Governance Principles" published by the Banking Regulation and Supervision Agency, and the "Corporate Governance Principles" published by the Capital Markets Board of Turkey; undertaking improvement efforts and making recommendations to the Board of Directors in this matter. The head of the Organization Department is responsible for organizing the committee's meetings and recording the decisions taken at them.

Corporate Governance Committee

Hasan CEBECİ - Chairman - Chairman of the Board of Directors

Emin Süha ÇAYKÖYLÜ – Member – Board Member

Osman ARSLAN – Member – Deputy General Manager for Corporate Communication-Structuring

Erdal ERSOY - Member - Deputy General Manager for Financial Management and Planning

Murat ÇETİNKAYA - Member – Deputy General Manager for International Banking

Yakup DEMIRCI – Member – Head of Human Resources Department

THE BOARD OF DIRECTORS

The Halkbank Board of Directors consists of at least seven (7) and at most nine (9) members who possess the qualifications required of them by the Banking Law. Members of the board are chosen by the shareholders at a General Assembly. At their first meeting after being sworn in, board members elect from among themselves a chairman, a deputy chairman, a general manager, and at least two members who do not have executive duties, to make up the Audit Committee. The fundamental duty of the board is to administer and represent the Bank. The board is presided by the chairman of the board of directors, and in his or her absence, by the deputy chairman.

The Board of Directors may be convened at the request of the chairman, the deputy chairman, or any of its members. The board must convene at least once a month. Unless it is decided to do otherwise, the board regularly convenes on the third Wednesday of the month. (If a regularly scheduled meeting date coincides with a legal holiday, then it may be postponed to another date upon the chairman's written proposal.) If the first day of a month falls on a Wednesday, then the meeting is held on the fourth Wednesday of the same month.

As a rule, board meetings are held in the city where the Bank's headquarters are located; however with the consent of a simple majority of the board's membership, a meeting may be held somewhere else. In keeping with the principle of transparency in auditing functions, the members of the Audit Board may also attend board meetings. The board may also require assistant general managers and/or other members of the Bank's management to be present at its meetings.

A board meeting's agenda is prepared by the chairman or the deputy chairman convening the meeting and is delivered to the other members by the Board of Directors Reporter along with the invitation letter. Agendas are determined and sent out to the members along with its attachments at least 3 days before a meeting is scheduled to take place. In cases compelling urgent convention of the Board of Directors, the agenda is determined and sent out to the members at least 24 hours before the meeting. The chairman may have additional items placed on the agenda if warranted by issues or circumstances. Any board member may propose that an item be placed on the agenda for the board to vote on. In order for the board to convene and discuss the agenda, at least a simple majority of its membership must be present. Decisions are passed by a simple majority of the board's membership. So long as no member wishes to debate an issue, board decisions may also be passed with the written approval of a written proposal that is made by one board member on a particular issue and is circulated among the others. In such cases however, the unanimous consent of the entire board's membership is required.

Türkiye Halk Bankası A.Ş.
The Heads of Internal Control System Units

Head of the Board of Inspectors: Ali IPEK

Tenure in Office	Professional Experience	Educational Background
32 months	18 years - Banking Regulation and Supervision Agency: Head of the Human Resources and Training Directorate Halkbank: Head of Corporate and Commercial Loans Department Commercial Marketing Department Manager Board of Inspectors: Head Inspector Branch Manager	BA

Head of Internal Control Department: Olcay DOĞAN

Tenure in Office	Professional Experience	Educational Background
27 months	13 years - Halkbank Board of Inspectors: Inspector	BA

Head of Risk Management Department: Ali Ulvi SARGON

Tenure in Office	Professional Experience	Educational Background
36 months	18 years - Savings Deposit Insurance Fund: Head of Asset Management Department Garantibank Branch Manager İşbank Board of Inspectors: Inspector	BA

Türkiye Halk Bankası A.Ş. Board of Directors Report

In 2007, Halkbank conducted its activities via its extensive service network consisting of a total of 559 branches 3 of which are outside Turkey, 14 regional coordinator's offices, 18 special transactions center, 13 bureaus, 2 exchange offices, 3 financial services branches and 1 international representative office, and its 11.484 expert employees, making use of all the instruments required by modern banking.

Scene to arrangements effected in the financial and administrative structures that were introduced upon restructuring and the privatization process, 2007, for our Bank, was another year of concrete results derived on successful efforts that have always been pursued determinedly. Preserving its strong position in the industry by enhancing its product and service quality in line with its profitability and productivity objectives and by adopting a marketing and customer-focused approach, Halkbank was able to fulfill the financial needs of all of its customers employing an efficient pricing system.

The work for the privatization of our Bank commenced as of 05 February 2007 following the transfer of the shares held by the Turkish Treasury in our Bank to the Privatization Administration and the Privatization High Council resolution that set forth privatization of up to 24,98% of the said shares. The public offering that took place in 10 May 2007 went down in history as the largest floatation on the ISE, and subscriptions were up to TRY 17,3 billion for the floated shares worth USD 1,8 billion, representing an oversubscription that is 8 times of the issue. Today Halkbank proudly stands among Turkey's leading publicly-floated companies.

Extending high amounts of loans both from its internal resources as well as from the fundings obtained from international institutions to tradesmen, artisans and SMEs since its inception, Halkbank sustained its financial support in 2007 via lending facilities and various types of loans designed for these establishments.

The Bank pursued policies that encouraged broad-based lending; the result was an NPL ratio well below than that of the sector, while the lending volume grew. Effective product management was implemented in Retail Banking as well as in Corporate and Commercial Banking, and the expectations of our customers were aptly fulfilled by a variety of new products and services.

Also in 2007, Halkbank adopted a strategy geared towards enhancing its asset quality. Achieving a 16,9% growth year-on, the Bank increased its assets to TRY 40,2 billion from TRY 34,4 billion. While the share of held-to-maturity securities in the balance sheet fell, that of the loans went up.

As of year-end 2007, the share of loans in the balance sheet rose from 33,8% to 45% and the Bank's lending volume went up to TRY 18,1 billion from TRY 11,6 billion, corresponding to a 55,6% growth.

The share of securities portfolio within the assets was lowered to 39,6% in 2007 from 52,7% in 2006. Down by TRY 4,2 billion, held-to-maturity securities portfolio materialized as TRY 7 billion.

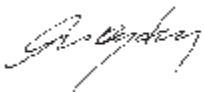
The Bank's total deposits volume rose to TRY 30,8 billion from TRY 27,1 billion, up 13,4%. Importance was given to improving the broad-based deposits structure for achieving increased deposits volume.

Halkbank attained its targeted profit figure as of year-end 2007, and posting TRY 1.131 million in profit at year-end, up 31% compared with the previous year.

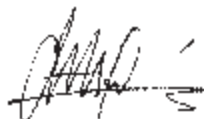
In 2007 the Bank's return on assets (ROA) stood at 3%, return on equity (ROE) at 27,7% and capital adequacy ratio at 20,03%.

In conclusion, our Bank that has undersigned a successful IPO in 2007 completed a profitable and productive operation period and maintained its strong growth, owing to the strategies it employed.

We thank all our employees for enabling Halkbank to achieve these results. We hereby submit the 2007 Board of Directors' and statutory auditors' reports and the balance sheet and profit/loss statements for the consideration of our esteemed shareholders and their representatives.



Hüseyin AYDIN
Board Member and General Manager



Hasan CEBECI
Chairman of the Board of Directors

Recruitment and hiring

Taking into consideration information concerning staffing numbers, duties, positions, and workplaces identified by the Organization Department and determined in line with Board of Directors' approval, the Human Resources Department determines the human resources the Bank will need in the coming year and also the recruitment and hiring prerequisites within the framework of a plan concerning how this manpower is to be obtained from within or outside the Bank or from whatever other sources. The general qualifications shown below are required of all candidates; however other qualifications may be required of candidates depending on the nature of the job position being recruited for.

- Be a citizen of the Republic of Turkey or possess a work permit obtained from Turkish authorities and allowing him to work in Turkey pursuant to Statute 4817.
- Not have been deprived of his civil rights.
- Be at least nineteen years of age at the time he sits for the entrance examination.
- Never have been convicted of any of the offenses specified in the Bank's Human Resources Regulations.
- Not to be prohibited from working in a bank under the Banking Law.
- Have no compulsory military service obligations or else be entitled to a deferment of them at the time he sits for the entrance examination.
- With the exception of those who are hired to bring the Bank into compliance with the provisions of the Labor Law concerning the employment of handicapped persons, be healthy enough to perform the job and be able to prove by means of an official health agency report that he suffers from no physical or mental illness and from no physical impairment that would prevent him from being able to work on a continued basis anywhere in the country.

Job applications

Position vacancies at the Bank are announced in newspapers and magazines and via internet human resources websites and the Halkbank website. These announcements contain specific information about the examinations that will be held for the positions. Those who pass such examinations may also be interviewed when necessary to determine whether or not they possess the knowledge and experience required by the job position.

Promotion

The position titles based on levels of authority in descending order at Halkbank are: Managing Director, Director, Manager, Authorized Person, Assistant and Support. Each title in principle is subordinate to a single authorization group and it is a basic requirement that a person be employed in the authorization group of the title he holds. In order for an employee to be promoted from his current position to another in a higher authorization group or to a higher position in his current authorization group:

- There must be a vacancy to be filled in normal staffing.
- He must satisfy at least the minimum length of service requirement for the job/position he currently holds.
- He must have received at least a "good" performance evaluation during the minimum length of service requirement for the job/position he currently holds.
- He must have successfully passed the progression examination.
- He must possess the competencies for the job to which he is to be assigned.
- He must have successfully completed the training (courses and/or seminars) that he takes part in for the job to which he is to be assigned.

Türkiye Halk Bankası A.Ş. Companies from which Support Services are Procured

The "Regulation concerning the Outsourcing of Support Services by Banks and the Authorization of Organizations Providing Such Services" issued by the Banking Regulation and Supervision Agency (BRSA) went into force on 01 November 2006. Under Provisional Article 1 of the Regulation, the adjustment period was set forth as 1 year and the Bank filed an application with the BRSA in relation to Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. and EST Elektronik Sanal Ticaret Bilişim Hizmetleri A.Ş. from which Halkbank obtained support services during 2007 operating period.

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. (Bileşim Alternative Delivery Channels and Payment Systems Inc): The Bank procures operational services in relation to card-based payment systems and alternative delivery channels from this company.

EST Elektronik Sanal Ticaret Bilişim Hizmetleri A.Ş. (EST Electronic Virtual Commerce IT Services Inc.): The Bank procures the Virtual POS system necessary for carrying out online sales from member merchants from this company.

The statutory auditors took part in Board of Directors meetings between 1 January 2007 and 31 December 2007; examined the Bank's activities, Board of Directors resolutions, and the documents on which those resolutions were based within the framework of relevant laws, regulations, and administrative provisions, and they ascertained the matters set forth below.

OVERVIEW

The Bank's most crucial activities during 2007 were the public floatation of the Bank's shares, and the partnership established with HSBC in relation to credit cards.

Under Privatization High Council resolution 2007/8 dated 05 February 2007, the state-owned shares in the Bank were transferred to the Privatization Administration and it was decided that 24,98% of the shares held by the Administration was to be privatized by means of a public offering. Pursuant to this resolution, preparations were initiated on 14 February 2007 for this public offering. At the initial phase, the Bank's articles of association were brought into compliance with the Capital Markets Board legislation, and the Bank's shares were converted into the new Turkish lira under Article 27 of the Law no. 5615 dated 28 March 2007. Upon completion of the work related to the public offering, the sales of shares were carried out between 02-04 May 2007, and shares sold with a worth of TRY 312.250.256 started to be traded on the ISE on 10 May 2007. An intensive amount of subscriptions for the Bank's shares were received both from national and international investors during the floatation, and the record-breaking oversubscription worth TRY 17,3 billion was 8 times of the issue.

The Bank commenced work towards increasing its competitive strength also in retail banking services and enhancing the quality of service offered to customers, and upon necessary reviews, decided to enter into "Advantage" co-branding and a program partnership with HSBC. Upon finalization of infrastructural work, co-branding and program partnership was put into life from December 2007. As a result of the successful implementation, Halkbank cards will not need to be replaced with new ones.

FINANCIAL STANDING

On the basis of our examination of the Bank's financial statements for 2006 and 2007, we have ascertained the following:

- a) At year-end 2006 the Bank's total assets were worth TRY 34.424.690.- thousand. In the twelve months to end-2007 they increased 16,9% and reached TRY 40.234.454.- thousand in value.
- b) Total credit placements (including rediscounting income), which stood at TRY 11.630.459,- thousand at end-2006, increased a rather substantial 55,7% and reached TRY 18.107.189,- thousand as of end-2007, rediscounting income included. During the same interval, the ratio of total credit placements to total assets, which is an indicator of asset quality, increased 11,2 points to 45%. The Bank has a big appetite for lending.
- c) Total non-performing loans, which amounted to TRY 1.084.962,- thousand at end-2006, were down to 1.032.742,- thousand as of end-2007. In addition to this, the slight reduction in exposure to principal risk continued. The low reduction in the principal risk balance resulted from the fact that the collections made from NPL customers were placed firstly towards follow-up costs and interest debts, and therefore, significant collections of interest were also made.

Along with the significant expansion in the volume of lending last year, the ratio of non-performing loans to total loans, which was 8,5% in 2006, contracted to 5,4% in 2007. While the ratio of newly-extended loans transferred to the NPL account to the total loans was 0,14% in 2006, in 2007 this ratio was 0,28%. As such, this figure represents a level that is well below than that of the industry.

The key contributors to this low NPL ratio of the Bank are the broad-based lending implemented by the Bank, and effective scoring techniques and systems employed, which focus on objective rather than subjective criteria in the selection of customers and determination of their creditworthiness.

d) The stock of special-issue government bonds (bonds which must be held to maturity) in the Bank's investment securities portfolio (including rediscounting income) was worth a total of TRY 11.274.722,- thousand as of end-2006. This declined 37,6% to TRY 7.037.420,- thousand (including rediscounting income) in 2007, indicating to its lessening weight in assets. The reduction stemmed from the Treasury's regular debt service (principal and interest) during the year. Particular attention was given to channeling the income received from this source into loans and also to buy investment securities for trading purposes and to relinquish the Bank's high-cost deposits.

e) As of year-end 2007, Turkey's total exports were worth nearly USD 113.155 million, whereas imports were worth about USD 160.653 million. The Bank's import and export financing amounted to USD 2.740 million and USD 3.652 million respectively. The year-on rise in the Bank's foreign trade finance in 2007 was therefore 82% in exports and 62% in imports. Despite the low share taken in the overall sector, the Bank achieved significant increases in its foreign trade volume compared with the previous year.

f) At end-2006, total deposits (including rediscounting costs) amounted to TRY 27.187.964,- thousand. They increased 13,4% in 2007 and reached TRY 30.840.911,- thousand as of year-end, rediscounting costs included. The share of demand deposits in total deposits rose 1.86% last year. Despite the slight increase achieved compared with the previous year, this is still below the sector average. Banks give special importance to demand deposits because their interest cost is virtually nil, which has the effect of reducing overall costs. For this reason, we are of the opinion that the share of such deposits in the Bank's total should be increased.

g) The Bank makes use of its offshore branch to reduce the liability-side "Cost of funding" item and to obtain the long-term resources that it needs. It does this by entering into money and interest rates swap contracts. However, the Bank's non-deposit funds have an 12,5% share in total liabilities, whereas this ratio is 16,7% in the industry. We are of the opinion that in addition to this, greater weight should be given to procuring resources through syndications and in similar ways for the sake of more sustainable and competitive pricing.

h) The Bank's adjusted current net profit in 2007 was TRY 1.131.039,- thousand, 31% higher than the previous year's TRY 863.498,- thousand. An increase in high-yield retail loans and tight cost controls were influential in this rise. The Bank's shareholders' equity reached TRY 4.383.074,- thousand in 2007. This translates into a return on equity ratio of 27,7%.

i) The Bank's capital adequacy ratio went from 31,95% in 2006 to 20,03% in 2007. This decline in the capital adequacy ratio was largely the result of the 187,0% year-on expansion in the Bank's lending activities compared with 2005 and high amount of cash dividend payout.

Although capital adequacy ratios arrived at the sectoral averages, we are of the opinion that it is important for the Bank to review its cash dividend payout policy in parallel with the growth policies in the future, or make use of alternative developments that will strengthen its shareholders' equity.

j) The ratio of non-interest income to non-interest expenses maintained its level of the previous year at 69,2% in 2007, which was 71,2% in 2006.

k) The Bank's total liquidity adequacy ratio, which is supposed to be at least 100% as of 31 December 2007 and second maturity tranche pursuant to the "Regulation Concerning the Measurement and Assessment of Banks' Liquidity Adequacy" that the Banking Regulation and Supervision Agency put into effect on 1 November 2006, was 179,90% while its FC liquidity adequacy ratio, which is similarly supposed to be at least 80%, was 207,51%. The Bank has no liquidity problems.

l) The Bank maintains no open FX positions at all as a general principle. Therefore the FC net general position to shareholders' equity ratio is consistently well below the legal requirement and the Bank carries no currency (exchange rate) risk.

Türkiye Halk Bankası A.Ş.
Statutory Auditors' Report

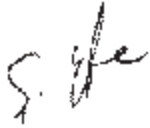
m) At end-2006 the Bank had 881.700 credit card customers and its credit card risk exposure amounted to TRY 214 million. At end-2007, the number of customers stood at 959.520 while its risk exposure had risen to TRY 274 million. We are of the opinion that the Bank's efforts to become a key player in the sector should be persevered by undertaking significant activities and campaigns to increase both the number of its active credit card customers and its overall credit card risk exposure within the scope of Advantage co-branding with HSBC.

n) It was determined that products aligned with customer requirements need to be developed and retail loan scoring system need to be established in retail banking, which is given special importance by national and international banks in Turkey and which is known to be scene to higher penetration compared with developed countries.

In conclusion, within the framework of this statutory auditors' report, which we have prepared pursuant to article 354 of the Turkish Commercial Code, we recommend that the Bank's balance sheet, profit/loss statement, and dividend payment schedule for fiscal year 2007 be approved and that the Board of Directors be acquitted of its fiduciary duties with respect to the Bank's activities in 2007.

Ankara, 18 March 2008

Yours sincerely,



Şeref EFE
Statutory Auditor



Yusuf DAĞCAN
Statutory Auditor

Türkiye Halk Bankası A.Ş.

Corporate Governance Principles Compliance Report

1. Statement of compliance with corporate governance principles

Our Bank has been abiding by the principles set forth in the "Corporate Governance Principles" published by the Capital Markets Board (CMB) since the Bank's public offering that was undertaken in May 2007.

After that public offering, the Bank's "Corporate Governance Principles Committee Regulations" that had previously been prepared pursuant to the "Regulations concerning Banks' Corporate Governance Principles" published by the Banking Regulation and Supervision Agency were brought into compliance with CMB provisions and they went into effect after having been approved by the Bank's Board of Directors (resolution 49-07 dated 12 December 2007). In keeping with this, revisions were made in the rules governing members of the Corporate Governance Committee and in their duties.

During the reporting period, importance was given to efforts to ensure that shareholders were kept informed and the content of the website was detailed so as to enable shareholders to obtain complete information.

PART I: SHAREHOLDERS

2. Shareholder Relations Unit

As of 10 May 2007, 24.98% of our Bank's shares began trading on the Istanbul Stock Exchange. Since that date, our Bank has been conducting its activities in compliance with the principles set forth in the "Corporate Governance Principles" published by the CMB. Under this heading, our Bank's Shareholder Relations Unit is under the direction of two separate offices that report to the general manager. After the Bank's public offering, it was decided to set up a new structure for the purpose of establishing corporate-based long-term relationships with domestic and international investors who invest in the Bank's shares and so an "Office of Financial Institutions and Investor Relations" was formed. The other unit that conducts relations with shareholders is the "Shares and Shareholders Unit", which is responsible to the Financial Accounting and Reporting Office. Neither of these offices is directly subject to the Corporate Governance Committee chairman however both of them keep that committee fully informed about all their activities. Shareholder relations at our Bank are managed within the framework of an extremely effective structure.

Financial Accounting and Reporting Office: Shares and Shareholders Unit

Name	Position	E-mail address	Telephone
Yusuf Duran Ocak	Head of Department	yduan.ocak@halkbank.com.tr	(312) 289 30 01
Züleyha Yurttaş	Authorized Officer	zuleyha.yurttas@halkbank.com.tr	(312) 289 30 33
Zafer Erdem	Assistant Specialist	zafer.erdem@halkbank.com.tr	(312) 289 30 21

This unit's principal duties are the following:

- Engage in activities to enable shareholders to exercise their rights and conduct relations between the Board of Directors and shareholders.
- Maintain records concerning shareholders and keep them up to date.
- Respond to written requests received from shareholders.
- Carry out the Bank's share capital increase procedures.
- Fulfill the requirements of laws and regulations pertaining to bank general meetings.

Office of Financial Institutions and Investor Relations

Name	Position	E-mail address	Telephone
Mehmet Hakan Atilla	Head of Department	hakan.atilla@halkbank.com.tr	(212) 370 82 51
Lena Çiteli	Assistant Manager	lena.citeli@halkbank.com.tr	(212) 370 82 61
Sıla Şentürk	Senior Specialist	sila.senturk@halkbank.com.tr	(212) 370 82 62
Hale Altunbilek	Assistant Specialist	hale.altunbilek@halkbank.com.tr	(212) 370 82 65
Ayşegül Kocaman	Assistant Specialist	aysegul.kocaman@halkbank.com.tr	(212) 370 82 66
Can Ülkü	Assistant Specialist	can.ulku@halkbank.com.tr	(212) 370 82 67
Şenay Açar	Officer	senay.acar@halkbank.com.tr	(212) 370 82 64

This office's principal duties are the following:

- Keep the information in the Turkish and English sections of the Investor Relations section of the Bank's website up to date as required in consultation with the units concerned; publish announcements concerning bank-related developments.
- Provide investors and analysts with information about the Bank's financial structure; prepare presentations and documentation about the Bank's financial structure and have it published on the Bank's website.
- Keep abreast of and inform senior management about developments in the banking industry and about competitor banks' performance.
- Maintain a close watch on and keep senior management informed about the performance of the Bank's shares.
- Keep abreast of news about the banking industry, global markets, economic developments, competitor banks, and our own bank that appears in the media on a day-to-day basis.
- Respond to questions received from investors and analysts and maintain files of all correspondence with them.
- Organize teleconferences and one-on-one meetings with investors and analysts.
- Take part in domestic and international roadshows concerning the Bank.

3. Shareholders' exercise of their right to obtain information

To ensure that shareholders are able to effectively exercise their right to be kept informed, any changes that might have an impact on the Bank's financial and administrative structures are publicly announced on the Bank's website and through the Istanbul Stock Exchange (ISE). Every investor may have access to such information in the "Companies" section of the ISE website. In addition, requests for information that our units receive via telephone, in writing, or by e-mail are responded to as quickly as possible.

During 2007, the Shares and Shareholders Unit received more than 400 written requests for information and these were responded to by e-mail through the Bank's "Halkdialog" service.

During the public offering and the seven months following it, the Shareholder Relations Unit carried out 4 international roadshows, 2 domestic one-on-one meetings in which there was international participation, 4 wide-area teleconferences, and 75 one-on-one meetings. Contacts were made with a total of 390 investors and analysts, 235 of them during international roadshows, 40 during one-on-one meetings, 75 at the Bank's headquarters, and 40 by means of teleconferences, during all of which more than 9,000 questions were responded to. The questions that were asked were concerned mainly with the Bank's financial structure, its profitability/productivity standing, its position in the sector, public offerings, privatization phases, growth strategies, administrative structure, expectations concerning the future, and the country's economic structure.

A request to have a special auditor appointed is not an individual right provided for under the company's articles of incorporation. No request for the appointment of a special auditor has ever been received.

4. Information about general meetings

One ordinary general meeting and one extraordinary general meeting were held during the reporting period. The ordinary general meeting took place on 19 April 2007 with shares representing 99.99% of the company's capital in attendance. Announcements concerning the meeting were published in Turkish Trade Registry Gazette, in two national newspapers, and on the Bank's website. The extraordinary general meeting took place on 16 July 2007 with shares representing 99.99% of the company's capital in attendance. Announcements concerning the meeting were published in Turkish Trade Registry Gazette, in two national newspapers, at the Istanbul Stock Exchange and the Central Registry Agency, and on the Bank's website. Meeting-related announcements were made in accordance with provisions stipulated by law and in the Bank's articles of incorporation.

The Bank's annual report is made available for the information and perusal of the Bank shareholders prior to general meetings. At both general meetings, shareholders exercised their right to ask questions and these questions were answered by bank officers. The Bank's articles of incorporation contain no provisions requiring that decisions concerning such matters as acquiring, selling, or leasing assets be taken at a general meeting. Under article 5/2 of the articles of incorporation, this authority is vested in the Board of Directors.

Article 15/2 of the articles of incorporation allows votes at general meetings to be cast through a proxy. Capital Markets Board regulations concerning this matter are complied with.

The minutes of general meetings are published on the Bank's website and are also made available for the information of shareholders by the Shares and Shareholders Unit. The minutes of the extraordinary general meeting that was held on 16 July 2007 and at which the Bank became a publicly traded company are also published on the ISE's website as well as on the Bank's own.

5. Voting rights and minority rights

None of Halkbank's shares incorporate special voting rights. There are no companies in which there are reciprocal shareholding interests that have the right to cast votes at general meetings. Minority shareholding interests are not represented in the Bank's management. The company's articles of incorporation contain no provisions governing the cumulative voting method.

6. Dividend payment policy and timing

The form and timing of the payment of dividends are specified in article 27 of the articles of incorporation. Dividends in previous years were paid to shareholders entirely as cash. Bank dividend payment policies are determined by the Board of Directors after which they are submitted to the general meeting for its approval. Dividends are paid within the legally prescribed periods of time. All profits during the current reporting period will be paid to shareholders as dividends just as in the past. Dividend payment policies in future will be determined in view of the economic situation and the Bank's capital structure.

7. Transferring shares

The company's articles of incorporation contain no provisions restricting the transfer of shareholding interests.

PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company disclosure policy

The Bank's public disclosure policy has been formulated within the framework of corporate governance principles. It was approved by Board of Directors resolution 49-06 on 12 December 2007 and is published on the Bank's website.

Public disclosures made by the Bank are of the utmost importance insofar as they may affect investors' decision making processes and for that reason it is an essential Halkbank rule that all information that is conveyed must be current, transparent, impartial, and correct. In keeping with this policy, quarterly financial statements that have been checked by independent auditors are publicly announced at press conferences and are published in the "Investor Relations" section of the Bank's website.

9. Special circumstance announcements

The Bank's shares began trading on ISE as of 10 May 2007. Since that date, the Bank has notified ISE immediately of any and all developments that might affect investors' decisions by means of special circumstance announcements. Since the date of its public offering, the Bank has made 33 special circumstance announcements. Neither CMB nor ISE has requested any additional explanations concerning these announcements. The Bank's shares are not traded on stock exchanges outside Turkey.

10. The internet site and its content

The Bank's internet address is www.halkbank.com.tr. Contained on this website is all of the information stipulated in article 1.11.5 of section II of CMB's Corporate Governance Principles such as commercial registration information, articles of incorporation, special circumstance announcements, annual reports, periodic financial statements and reports, general meeting agendas, general meeting attendance rosters, general meeting minutes, and proxy voter forms.

11. Disclosure of ultimate non-corporate controlling shareholders

There are no ultimate non-corporate shareholders in our Bank. Our Bank's shareholder structure is published in the annual report issued at the end of each business year and it also appears on the corporate website.

12. Public disclosure of those who may have access to insider information

Halkbank's activities are conducted within the framework of a comprehensive organizational structure. In the fulfillment of their duties and responsibilities, the Bank's employees comply with the provisions of articles 73 and 159 of the Banking Law no. 5411 concerning confidential customer information and trade secrets.

PART III: STAKEHOLDERS

13. Keeping stakeholders informed

All information that might have any impact on the Bank's financial and administrative structures is published at the Istanbul Stock Exchange (ISE) and on the Bank's corporate website. Individual requests for information about the Bank are also responded to by means of one-on-one discussions, roadshows, teleconferences, and e-mail. All stakeholders have access to such information from the relevant sections of the ISE and Halkbank websites and by other means.

14. Stakeholder participation in management

The Bank has taken no action whatsoever on the matter of stakeholder participation in management.

15. Human resources policy

The identification and implementation of Halkbank human resources policy are based on the fundamental principles set forth below.

- Carry out activities to achieve the Bank's objectives with an optimum number of employees.
- Select and assign personnel whose competencies are appropriate to the nature of the task.
- Give importance to and respect employees' individuality and be mindful of safeguarding their material and moral rights.
- Provide a working environment that is safe and appropriate to the nature of the work being done.
- Provide a working environment and opportunities to establish social relationships that will increase employees' eagerness and ability to work.
- Provide personnel with fair and equal opportunities to work, progress, and develop in line with their individual abilities.
- Establish and maintain a salary and compensation system which makes it possible to employ a workforce whose qualifications and numbers satisfy the demand of service and which will encourage personnel to work without any impairment in their interest or productivity.
- Provide opportunities for employees to increase their knowledge and experience and reward successful employees to the degree that means allow.
- Keep employees informed about matters of concern to them in a timely manner. Maintain open channels of communication so as to make it easy for employees to express their views and opinions to management.
- Ensure that employees perform their jobs with an awareness of costs and in keeping with the principles of productivity and profitability.
- Encourage employees to think creatively and to come up with new ideas to improve the work they do.
- For the purpose of preserving the Bank's corporate culture and identity, adhere to the principle of making appointments from within the Bank insofar as is possible, giving priority to filling vacancies from among existing personnel, and promoting employees on the basis of their skills, success, educational background, and length of service.
- Evaluate employees on the basis of criteria that are objective and equitable.

16. Relations with customers and suppliers

Our basic strategy is to deliver customer-focused, high-quality service. Our goal is to ensure customer satisfaction by achieving the sector's highest level of service quality and speed in all business processes. In the new performance process that has been created at our Bank, we have begun responding to all existing customers' requests on location. Within the framework of this approach, customers' needs are identified, different products are developed for different sectors, and customers' credit requests are addressed systematically. Bank personnel are being given marketing, sales, and technical training in order to increase the quality of our customer service.

Halkbank customers can obtain information about all banking products and services and perform their banking transactions 24 hours a day/seven days a week and also forward any views and complaints via the Bank's customer hotline as well as by means of all other channels.

Customers may forward views and complaints to a customer representative via our 444 0 400 Diyalog line, from our internet website at www.halkbank.com.tr, by fax on 212-340-0999, and by mail at PK 344 388 Mecidiyeköy, Istanbul. All online notifications are responded to within 24 hours.

17. Social responsibility

Halkbank supports many social responsibility projects in order to contribute towards the well-being of society as well as to the development of the national economy.

The esteemed collection of paintings that Halkbank has put together in order to contribute towards the development of art and culture in our country is open to public view on special days.

The Halkbank Sports Club, whose objective is to support sports in our country, had another successful year in 2007.

PART IV: THE BOARD OF DIRECTORS

18. Structure and formation of the Board of Directors; non-executive directors

Name	Position	Began	Ended	Committee assignment
Hasan Cebeci	Chairman	13 Apr 2005	Present	Audit Committee, Corporate Governance Committee
Hasan Sezer	Vice Chairman	13 Apr 2005	Present	Audit Committee
Hüseyin Aydın	Board Member and General Manager	31 May 2005	Present	Credit Committee, Assets and Liabilities Committee
Erol Berktaş	Board Member	13 Apr 2005	4 Nov 2007	
Emin Süha Çayköylü	Board Member	27 Mar 2003	Present	Corporate Governance Committee, Credit Committee (alternative member)
Nurzahit Keskin	Board Member	13 Apr 2005	Present	Credit Committee
Burhaneddin Tanyeri	Board Member	13 Apr 2005	Present	Credit Committee
Yusuf Dağcan	Member of the Audit Board	28 March 2003	Present	
Şeref Efe	Member of the Audit Board	28 March 2003	Present	

All of the existing members of the Bank's Board of Directors were elected to their seats at general meetings held at a time when nearly all (99.99%) of the Bank's capital belonged to the national treasury. There is no member of the board who has made a statement of independence and for this reason there are no independent members on the board. Our Bank has neither an executive committee nor a managing director.

The current members of the board were elected to three-year terms of office that are still continuing. Members of the board have all the authorities invested in them by the provisions of the relevant articles of the Turkish Commercial Code.

19. Qualifications of Board of Directors

All of the members of the Bank's Board of Directors satisfy at least the minimum qualifications required for election to a seat on the board as specified in the CMB's corporate governance principles.

20. Mission, vision, and strategic goals of the company

Our Bank's mission and vision as well as its primary goals and primary strategies were adopted by the Board of Directors in resolution 41-04 dated 27 December 2006 and have been publicly disclosed with their publication on the Bank's corporate website.

21. Risk management and internal control mechanisms

Under article 29 of the Banks Act (Statute 5411), banks are required to set up and operate an adequate and effective internal control, risk management, and internal audit system which will ensure that all the risks to which they are exposed are monitored and controlled, which is compatible with the scope and structure of their activities and is adaptable to changing conditions, and which encompasses all of their branches and their consolidated subsidiaries.

Türkiye Halk Bankası A.Ş. Corporate Governance Principles Compliance Report

A risk management and control mechanism has been set up at the Bank in accordance with this requirement and with the "Regulations concerning the Internal Audit of Banks and their Risk Management Systems" published in issue 26333 of Official Gazette dated 1 November 2006 by the Banking Regulation and Supervision Agency.

Internal control and risk management activities at the Bank are carried out by appropriate units that report to the Audit Committee. The internal audit system is run by the Board of Inspectors, which carries out its activities subject to the Audit Committee.

Internal Systems units carry out their activities subject to the Audit Committee, which consists of non-executive directors. These units engage in activities to quantify potential risks and take measures against them.

The Board of Inspectors examines and oversees the operation, adequacy, and effectiveness of the Bank's internal control and risk management systems and it reports its findings to senior management through the Audit Committee.

22. Authorities and responsibilities of Board of Directors and executives

The duties and responsibilities of the members of the Bank's Board of Directors as a board are spelled out first of all in the Bank's articles of incorporation and secondarily in the "Management Organs Regulations" adopted by the Board of Directors under resolution 17-32 dated 9 June 2005. These regulations govern in detail the duties and authorities of the Bank's Board of Directors, Credit Committee, and general manager as well as their working principles. Although these regulations also contain provisions concerning the Audit Committee, that committee's activities are spelled out in detail in the "Regulations concerning the Working Principals and Procedures and the Duties and Authorities of the Audit Committee" adopted by the Board of Directors under resolution 34-01 dated 31 October 2006.

The duties and responsibilities of bank managers are spelled out in specific regulations as are, particularly in the case of money-related issues, any authorities that may be delegated by the Board of Directors to the general manager and such of those authorities that the general manager may in turn delegate to lower echelons.

23. Operating principles of the Board of Directors

The Board of Directors convenes upon a summons by the chairman, deputy chairman, or any member but it must meet at least once a month. The meeting agenda is prepared by the person summoning the meeting and it is sent out to the other members through the board's secretariat together with the meeting notification.

Quorums for meeting and decision-making required for the board to convene, discuss the agenda and make a decision are presented below with respect to total number of board members.

Total Member of Board Members	Quorum for Meeting	Quorum for Decision-making
7	5	5
8	5	5
9	6	6

Board decisions are officially recorded by the board's secretariat. All discussions, deliberations, presentations, etc taking place at board meetings are recorded and retained by the same secretariat.

Neither the Bank's articles of incorporation nor the Management Organs Regulations grant any member of the Board of Directors special voting rights or any form of veto.

24. Prohibition on doing business or competing with the company

The Bank's articles of incorporation contain no provisions concerning this matter.

25. Rules of ethics

The Bank's rules of ethics govern the principles and procedures with which all Halkbank employees must abide in the conduct of their work and the fulfillment of their duties. The purpose of these rules is to prevent any and all disputes and conflicts of interest that may arise between and among employees, customers, and the Bank. Attitudes and actions in violation of these rules are dealt with in light of the Bank's discipline regulations. Employees are expected to act in accordance with the rules of common sense and good intentions when dealing with any situation or circumstance not covered by the Bank's rules of ethics.

In keeping with the principles of business ethics, bank employees should:

- Act respectably, honorably, and honestly in all their business relations;
- In the fulfillment of their responsibilities, avoid any and all attitudes and actions that might impair the reputation of Halkbank;
- Have detailed knowledge about the requirements of laws, by-laws, regulations, and administrative provisions applicable to their duties and be bound by them;
- Refrain from divulging any information that is not publicly disclosed to anyone other than those who are supposed to have knowledge of it;
- On a day-to-day basis, keep abreast of and examine orders, regulations, procedures, and instructions pertaining to the governance of working conditions and the maintenance of discipline and act in accordance with the same;
- Before taking any individual action concerning a known or suspected violation of any rule, notify their immediate superior or the Human Resources Department about the matter;
- Never express any political, social, or religious views in the workplace;
- Be unaffected and appropriate in their personal appearance as befits a business environment and absolutely refrain from wearing any garments which are so informal or modish as to be incompatible with the Bank's institutional gravity or which impart any religious meaning or social view;
- While at the Bank, refrain from any behavior that is contrary to the equality of the sexes, is disrespectful, or violates general morals and elsewhere refrain from any behavior that is not in keeping with generally accepted morals.

A set of "Ethical Principles" has been appended to the Bank's Human Resources Regulations. These principles are the fundamental guides dealing with conflicts of interest, the rules governing the flow of information, relations with customers, and human resources issues. Detailed explanations concerning these matters are provided under each of these main headings.

Ethical Principles have been posted and publicly disclosed on the Bank's website.

26. Number, structure, and independence of committees established by the Board of Directors

A Credit Committee, Audit Committee, and Corporate Governance Committee consisting of members of the Board of Directors have been set up at the Bank. In addition to these committees, there are also a number of boards, committees, and commissions whose members are not directors and which generally have executive and/or guidance functions.

All of the existing members of the Bank's Board of Directors were elected to their seats at general meetings held at a time when nearly all (99.99%) of the Bank's capital belonged to the national treasury. There is no member of the board who has made a statement of independence and for this reason there are no independent members on the board.

As required by the Banking Regulation and Supervision Agency's "Regulations concerning Banks' Credit Transactions", our Bank's Credit Committee consists of two directors and the general manager. The Credit Committee's chairman is the general manager as required by the provision of those regulations which stipulates "The committee's agenda shall be determined by the general manager or, in his absence, by his deputy, and announced to the other members."

The Bank's Audit Committee consists of two members of the Board of Directors and the board's chairman. The Audit Committee is presided over by the chairman of the board. Neither of the committee's director members has executive duties.

The Bank's Corporate Governance Committee consists of two members of the Board of Directors, the assistant general manager responsible for corporate communication and structure, the assistant general manager responsible for financial management and planning, the assistant general manager responsible for international banking, and the head of the Human Resources Office. The chairman of the Board of Directors is the head of the Corporate Governance Committee. Neither of the committee's director members has executive duties.

The chairman of the Bank's Board of Directors serves simultaneously on both committees albeit without any executive duties.

27. Financial benefits provided to the Board of Directors

A monthly salary and meeting attendance fee are paid to members of the Board of Directors pursuant to article 21 of the Bank's articles of incorporation. The monthly salary is determined by the general assembly of shareholders.

Financial Information and Assessment on Risk Management

INTERNAL CONTROL

The Internal Control Unit is responsible for overseeing the protection of the Bank's assets, on the effective and productive conduct of its business, and on the compliance of all bank activities with the requirements of laws, regulations, and administrative provisions, with the Bank's internal rules and practices, as well as with customary banking practices; and for undertaking concurrent, impartial and objective reporting to the monitoring, assessment and management levels via financial, operational and other control functions to achieve security, integrity and timely procurement of data in the accounting and financial reporting system within the frame of professional standards and work ethic rules and based on a proactive and preventive approach. This unit reports to the Audit Committee and its activities are governed by the Banks Law and the "Regulation concerning Banks' Internal Systems" published by the Banking Regulation and Supervision Agency (BRSA).

An effective internal audit infrastructure was created by backing the risk-focused controls performed on headquarters units, branches and bank subsidiaries with reports produced by the central system's data base and cross-checks. Operational risks identified during such controls and the results of their risk measurement are quantified to determine the risk levels of individual branches. In addition, business processes are analyzed and opinions and suggestions to increase operational productivity and effectiveness are communicated to the units concerned. Internal control activities are carried out within the framework of defined programs at headquarters units, branches, and the Bank's subsidiaries. The results of internal control activities are examined, and branch and subject-based risk measurements and assessments are performed periodically.

Pursuant to the stipulations contained in the "Regulation concerning Banks' Internal Systems", "Compliance Checks" are added to the scope of Internal Control Activities. Work has been commenced to control the compliance of all the activities carried out and planned by the Bank, as well as of its new transactions and products, with the Law and other applicable legislation, the Bank's internal policies and rules and customary banking practices. Under this heading, national legislation is being reviewed referring to the relevant resources; related laws, decrees, regulations, communiqués and other arrangements are followed up; business processes are reviewed and it is controlled whether the Bank's practices are in compliance with the said. Related units are informed on the modifications or revisions that occur in legislation and practices, and warned about irregularities identified.

For quantification of operational risks, Risk Warning reports are transferred to the data base by using a numeric code depending on the type of error or irregularity. Also a risk rating is assigned depending on the severity of error. These quantitative data are evaluated periodically and branch and subject-based risk measurements and assessments are performed.

Centralized auditing is ongoing directed towards reducing the duration of onsite controls and increasing the effectiveness of controls carried out during this process, as well as towards the controlling of operational risks centrally. Data obtained from the centralized data base system is analyzed and transactions that might engender risks according to specified criteria are reported. The results of these reports can be analyzed centrally or on location as need be. Work is continuing under the Bank's "Anadolu Project" to generate such reports directly from the data warehouse.

Preliminary examinations are carried out in response to requests made by the Bank's senior management, members of the Board of Directors, the Board of Inspectors, headquarters units, and regional coordinators on various matters as well as on issues identified as needing special attention by Internal Control personnel in the course of their activities and the findings are reported. Information and documents pertaining to the issues being examined are evaluated in detail and matters requiring a formal inspection are referred to the Board of Inspectors while those that can be resolved by means of administrative action are referred to the appropriate headquarters unit.

In addition, headquarters and branch transactions that Internal Control personnel identify as being so flawed as to give rise to culpability are referred to the Board of Inspectors to determine what administrative, financial, and/or punitive action is required. The Board of Inspectors also audits the effectiveness of Internal Control activities.

Halkbank engages in an ongoing, proactive effort to methodically and correctly identify the risks to which its banking activities expose it and to come up with appropriate solutions. The Bank's activity and control processes are regularly monitored and the results are evaluated.

BOARD OF INSPECTORS

Consisting of a total of 165 inspectors and assistant inspectors, the Halkbank Board of Inspectors performs its inspection functions so as to encompass all of the Bank's activities. The Board of Inspectors reports directly to the Board of Directors.

In line with the introduction of a risk-focused approach to inspection in 2005, centralized inspections and information technology inspections were also added to the board's responsibilities. In this way the board's functions are categorized as either "onsite" or "remote". 74% of the board's inspectors engage in onsite inspections while 26% of them perform centralized inspections and other duties.

In line with the BRSA regulations, action has been taken to change over to a risk-focused approach to inspection and away from a more classical approach. Shortcomings that are determined in the course of inspections are grouped and transaction code lists have been formulated to determine risk weightings and branch inspection frequencies. During 2007 the efforts of the centralized inspection team began to produce results and it is planned to continue these activities in the period ahead on an ever-increasing basis in order to further raise the standards achieved. In this way, it will be possible to centrally determine in advance a number of risk points that are now being examined and evaluated on an individual basis during branch inspections, which will shorten inspection durations while enhancing inspection quality. As a result of the activities of the centralized inspection and information technology inspection team, work is ongoing to draw up a risk map of the Bank and determine the risk groupings of branches, units, basic banking functions, and transactions.

Pursuant to Article 27 of the BRSA's Regulation concerning Banks' Internal Systems that went into effect on 01 November 2006, Internal Audit Plans are approved and enforced by the Board of Directors. In this frame, the Bank's Internal Audit Plans are produced in 6-month periods and on an annual basis consisting of Summer and Winter Inspection programs.

Within the scope of activities aimed at establishing the risk-focused approach to inspection, centralized inspections and information technology (IT) inspections are also conducted in addition to onsite inspections. All of the Bank's units are inspected each year by way of centralized and onsite inspection activities performed at the branches, regional coordinator's offices, subsidiaries, affiliates and departments in line with the risk-focused approach to inspection as defined in Article 26 of the Regulation concerning Banks' Internal Systems.

RISK MANAGEMENT

The Office of Risk Management is responsible for effective measurement and control of the risks that the Bank is exposed to. This office bases its activities geared towards the establishment of methodologies for the quantification of credit, market, and operational risks and management of those risks on "international best practices".

2007 activities were erected on the primary axis of the "Roadmap for Transition to Basel II". In this frame, the target is to bring the Bank into compliance with the said process in terms of its technological infrastructure, human resources and financial strength.

Stress tests and scenario analyses are employed to monitor the resilience of the Bank and its capitalization against risks and financial shocks, and expected and unexpected losses are computed in relation to banking risks.

The Bank's credit portfolio is monitored on the basis of maturity, currency, sector, region, collateralization structure and the rating groups in which it is included and the developments on past due loan repayments are followed-up closely.

Periodic activities are undertaken to validate the rating scores used in the lending process.

Expected and unexpected losses were computed for calculating economic capital need, and Value at Risk (VaR) calculations were performed using the standard method and the internal model to calculate the market risk.

Risk factor projections were made by the application of econometric models; liquidity risk was monitored by performing Liquidity Analyses and the Bank's liquidity was preserved with the limits set.

Türkiye Halk Bankası A.Ş.

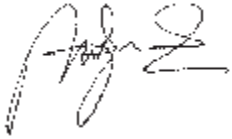
The Audit Committee's Assessment of the Functioning of the Internal Control, Internal Audit, and Risk Management Systems and the Committee's Activities in 2007

Structural Interest Rate Risk analyses were conducted to measure the interest rate risk and the effect that would be created by possible interest rate changes on the Bank's economic value. Also analyses for determination of core deposits were guaranteed to be taken into consideration in the determination of liquidity status.

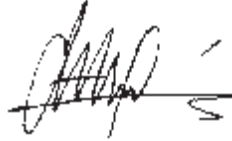
The amount forming the basis of operational risk was calculated taking into account the year-end gross earning figures for 2004-2005 and 2006 in accord with the Foundation Methodology mentioned in the "Regulation on the Measurement and Assessment of Banks' Capital Adequacy" published by the BRSA. Based on the data entered into the "Operational Risk Loss Data Base", breakdown of operational losses by amounts and percentages based on fields of activity and types of events, breakdown by amounts of collections made according to fields of activity and types of events, and distribution according to years of gross losses were monitored on the basis of branches and employees causing such loss, and were reported monthly.

Results of monthly operational risk reports were used in the meetings of Operational Risk Working Committee and also in decision-making processes. The Bank's tolerance scope was set for the probable losses that might arise in the face of operational risks that occur during the course of one year, and it was monitored whether any operational losses arose beyond the said scope.

Believing that the existence of an effective risk management system will further increase Halkbank's reliability and value, these activities are being continued intensively.



Hasan SEZER
Audit Committee Member



Hasan CEBECI
Audit Committee Chairman

ASSETS STRUCTURE

As a result of its activities in 2007, the Bank's total assets increased 16,9% and reached TRY 40.234 million.

The Bank's principal placements consist of loans amounting TRY 18.121 million with 45% share, investment securities portfolio amounting TRY 15.945 million with 39,6% share, liquid assets amounting TRY 4.683 million with 11,6% share and other placements with 3,8% share.

The most important year-to-year net increases as of end-2007 took place in loans (up TRY 6.475 million) and available-for-sale financial assets (up TRY 2.316 million). The most important decline among asset items was in the held-to-maturity category of investments (down TRY 4.237 million).

In terms of their year-to-year comparisons, the share of loans in the Bank's balance sheet rose from 33,8% in 2006 to 45% in 2007 and financial assets held for trading and available-for-sale financial assets went from 19,9% to 22,1%, while investments to be held to maturity contracted from 32,8% to 17,5%. In line with these changes, there was marked improvement in the Bank's asset quality resulting from greater liquidity and a larger volume of lending.

LIABILITIES STRUCTURE

A substantial 76,7% of the Bank's resources in the amount of TRY 30.841 million consist of deposit accounts, which is followed in turn by shareholders' equity (TRY 4.383 million, 10,9%), miscellaneous (9,8%), and reserves (TRY 1.042 million, 2,6%).

The most important year-to-year net increases as of end-2007 took place in deposits (up TRY 3.653 million) money markets loans (up TRY 1.031 million), shareholders' equity (up TRY 603 million), and borrowings (up TRY 64 million).

A breakdown of total deposits, the most important of the Bank's resources, by type shows that savings deposits, up TRY 1.547 million, took 43,5% share in total deposits, governmental institutions' deposits had 4,2% share with an increase of TRY 568 million, and commercial concerns' deposits had 11,9%, with an increase of TRY 385 million, while other organizations' deposits had a share of 8,3%, down TRY 307 million.

The great majority (72,1%) of the Bank's deposits consists of Turkish lira accounts and only 27,9% consist of foreign currency accounts. At end-2007, demand deposits made up only 10,8% of the total.

PROFITABILITY STRUCTURE

The Bank booked a net profit of TRY 1.131 million in 2007 operating period, TRY 268 million more than the previous year's figure of TRY 863 million. The most important items contributing to the Bank's profits last year are indicated below.

The most important source of the Bank's income was the interest it received on its asset placements. Interest income in 2007 amounted to TRY 5.708 million, TRY 1.116 million more than in 2006, which corresponds to a year-on rise of 24,3%.

The biggest (49,3%) share of the Bank's interest income was earned on investment securities and amounted to TRY 2.812 million. This was followed in turn by interest on loan accounts (TRY 2.650 million, 46,4%), and the interest on the Bank's CBT reserve requirements (TRY 12 million, 0,2%).

The interest earned on the Bank's investment security portfolio decreased TRY 37 million year-on while the increase in interest income on loans amounted to TRY 1.109 million.

An examination of the Bank's interest outlays shows that the biggest (93,4%) share, amounting to TRY 3.696 million, consisted of interest paid on deposits. The interest paid on the deposits that contribute 76,7% of the Bank's resources was also the Bank's biggest expenditure item in 2007. Other interest outlays combined amounted to TRY 259 million, bringing the total to TRY 3.956 million.

Türkiye Halk Bankası A.Ş. Financial Standing, Profitability, And Solvency

The Bank's net interest income in 2007 amounted to TRY 1.752 million at year-end.

Net commission income increased 45,4% in the year to end-2007 and reached TRY 296 million.

The Bank set aside provisions totaling TRY 223 million against its loans and other receivables related to its activities in 2007.

Having a significant share in the operating expenses of TRY 848 million, personnel outlays amounted to TRY 449 million, up 12% year-on.

As a result of its activities in 2007, the Bank booked a pretax profit of TRY 1.407 million and a net profit of TRY 1.131 million after setting aside a tax provision in the amount of TRY 276 million. Despite shrinking interest margins and increasingly more competitive market conditions, the Bank nevertheless grew its profit 31% year-to-year in 2007.

SOLVENCY

Deposits, the Bank's most important resource, are also an effective instrument with which the Bank can service its short-term debt due to the breadth of the depositor base and to its robust structure. The element in which the Bank has the greatest confidence is its customer base. The Bank's core deposits make up 57% of the total, which contributes tremendously to the Bank's liquidity.

The Bank's 20,03% capital adequacy ratio is above the sectoral average. This robust capital structure gives the Bank an advantage when procuring resources and it also nourishes the growth in the Bank's funding and lending capabilities.

A market maker in Turkish government debt instruments, Halkbank's strong capitalization and financial structure give it a unique position in the sector in terms of its ability to tap credit markets and obtain funding.

In the course of nearly seven decades, Halkbank has gained a respected position not just in Turkey but in international markets as well. More than a thousand correspondent banks, international representatives, and a branch network with a truly national reach provide the Bank with the organizational strength it needs to secure the resources it requires.

In addition to the diversity of its existing and alternative sources of funding, Halkbank continued its efforts to increase the quality of its assets in 2007. In line with this, it increased the volume of its liquid assets by expanding the size of its available-for-sale securities portfolio.

As of year-end 2007, the Bank had no need of short-term borrowing except for repo and other deals that created advantageous interest spreads in line with its customers' requirements.

Because of its strong debt service ability, the Bank pays out all of the profits that remain after it has set aside the reserves that are required of it by law as cash dividends to its shareholders.

Türkiye Halk Bankası A.Ş. Risk Management Policies Adhered to According to Types of Risk

The Bank's risk policies and implementation guidelines are formulated in accord with the provisions of Article 36 of the "Regulation concerning Banks' Internal Systems" published in the Official Gazette issue 26333, dated 01 November 2006.

The objective of risk policies is to make sure that Halkbank conducts its activities in the frame of the procedures and principles as set forth in the Banking Law and in line with its mission, goals, profitability and productivity principles, and to ensure utmost observation of the interests of depositors and the Bank's shareholders.

By risk policies, it is targeted to inform the Bank's employees on risk policies and related implementation procedures, thus creating the internal risk culture and ensuring contribution of the entire personnel to risk management practices.

Risk management policies and implementation procedures are reviewed regularly by the Board of Directors in view of the changing conditions as well, and are revised as necessary.

Under the "Risk Management Policies and Implementation Procedures", the Board of Directors has determined the Bank's risk appetite to determine the maximum amount of risk that the Bank may take.

Risk management policies adhered to at Halkbank are presented below on the basis of credit, market and operational risk components.

Credit Risk Policies

- In the frame of lending policies, limits are created in relation to lending, concentration and sectors for loans to be extended under the authority of the headquarters, regions and branches; the said limits are reviewed periodically.
- Risks that will arise from new products and services to be introduced are analyzed employing scenario analyses and stress tests.
- Collateralization procedures are devised according to rating groups for Entrepreneur Loans.
- Rating processes are subjected to validation at certain intervals.
- The adequacy of the Bank's capital to cover potential risks is monitored and expected/unexpected losses are calculated for banking risks.
- Repayment performances and creditworthiness of the companies in the lending portfolio are closely monitored making use of early warning signals.
- Periodic scenario analyses and stress tests are prepared and their results are reported so as to evaluate the impact of unexpected market conditions on core business lines with a view to measuring the possible effects of the Basel II/CRD process.

Market Risk Policies

- Limits are applied for transactions that may be carried out in capital markets and foreign currency markets, including the stop-loss limits for capital markets position losses and for FX position losses.
- Limits were developed for the Bank's open position. In addition, limits are applied to restrict the counterparty risk in transactions to be performed with correspondent banks.
- Limits are created on the Bank's liquidity and structural interest rate risk, which are constantly controlled.
- Loss that might result from the portfolio held-for-trading and FX position is measured employing the internal models and standard method for market risk. For VaR projections based on internal model, historical simulations are performed, thus also testing the success of the model.
- The impact that interest rate shocks have on the Bank's economic value and profitability is also analyzed and kept under control with the limits defined.
- Stress tests and scenario analyses are employed to measure the Bank's resilience against negative market conditions.
- The ratio of core deposits is established by determining the withdrawal ratios of time deposits opened with the Bank.

Operational Risk Policies

- Under operational risk management, Operational Risk Loss Data Base has been created to allocate capital on the basis of fields of activity; to identify business processes and activities posing a risk; and to determine the collections made in relation to transactions giving rise to operational loss, and the sources of such collections. The Bank records and monitors operational losses on the data base in the framework of standards set forth in Basel II.
- Transactions giving rise to operational losses are classified taking into consideration the frequencies of events giving rise to operational losses and the loss sustained by the Bank as a result of such events. In the frame of this classification, operational losses sustained are addressed by different committees formed at the Bank.

Türkiye Halk Bankası A.Ş. Credit Ratings and Notes

Fitch Ratings

Foreign Currency

Long Term	BB-
Short Term	B

Local Currency

Long Term	BB (raised from BB- to BB on 14 December 2007.)
Short Term	B

National

Long Term	AA+(tur) (raised from AA to AA+ on 14 December 2007.)
Individual	C/D
Support	3
Support Rating Base	BB-

Türkiye Halk Bankası A.Ş.
5-Year Summarized Financial Highlights

ASSETS (TRY Million)	2003	2004	2005*	2006*	2007*
Liquid Assets	3.020	2.020	2.038	3.630	4.683
Securities Portfolio	14.435	17.205	17.573	18.139	15.945
Loans	2.868	4.340	6.330	11.646	18.121
Subsidiaries and Affiliates	90	100	87	135	347
Fixed Assets	528	705	713	729	749
Others	1.100	1.340	112	146	390
TOTAL ASSETS	22.041	25.711	26.854	34.425	40.234
LIABILITIES (TRY Million)					
Deposits	15.734	19.453	21.113	27.188	30.841
Money Markets	1.191	870	40	672	1.703
Borrowings	280	256	468	873	937
Securities Issued	0	0	0	0	0
Funds	776	873	1.024	1.003	1.042
Others	1.136	1.156	909	910	1.328
Shareholders' Equity	2.923	3.103	3.299	3.780	4.383
Net Period Profit/Loss	553	611	554	863	1.131
TOTAL LIABILITIES	22.041	25.711	26.854	34.425	40.234

(*) Due to changes in the accounting system, rediscounts are not included.

Türkiye Halk Bankası A.Ş.
Independent Auditors' Report
for the Period January 1 – December 31, 2007

To the Board of Directors of
Türkiye Halk Bankası A.Ş.
Ankara

1. We have audited the accompanying balance sheet of Türkiye Halk Bankası A.Ş. as at December 31, 2007, and the related unconsolidated 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.

2. Management's Responsibility for the Financial Statements:

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the 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 the 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 the 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.

3. Auditor's 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 in Banking" 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 judgement, 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.

4. Independent Auditors' Opinion:

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. as at 31 December 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 Article 37 of the Banking Act No: 5411.

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

Istanbul, March 7, 2008



Sibel Türker
Partner

Additional paragraph for the English translation:

The accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices accepted in countries and jurisdictions other than those in Turkey. The standard procedures and practices to audit the accompanying unconsolidated financial statements are those accepted and approved in Turkey.

Türkiye Halk Bankası A.Ş.
The Unconsolidated Financial Report
for the Year Ended December 31, 2007

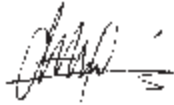
- I. The Bank's Headquarter Address:
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The unconsolidated financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

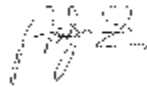
- Section One : GENERAL INFORMATION ABOUT THE BANK
- Section Two : UNCONSOLIDATED FINANCIAL STATEMENTS
- Section Three : EXPLANATIONS ON ACCOUNTING POLICIES
- Section Four : NOTES TO THE FINANCIAL STRUCTURE OF THE BANK
- Section Five : EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- Section Six : OTHER EXPLANATIONS AND DISCLOSURES
- Section Seven : EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures are prepared in Thousand of the New Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on "Banks' Accounting Practice and Maintaining Documents", Banking Regulation and Supervision Agency (BRSA) regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

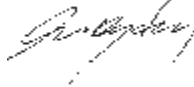
Ankara, March 7, 2008



Hasan Cebeci
Chairman of the
Board of Directors,
Member of the
Audit Committee



Hasan Sezer
Vice Chairman,
Member of the
Board of Directors
responsible from
Risk Management
and Control,
Member of the
Audit Committee



Hüseyin Aydın
Member of the
Board of Directors,
Chief Executive
Officer



Erdal Ersoy
Vice Chief
Executive Officer



Yusuf Duran Ocak
Balance Sheet
Consolidation and
External Reporting
Department Head

for any questions regarding this financial report, contact details of the personnel in charge is given below:

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Tel No : (+90 312) 289 30 15
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SECTION ONE

General Information about the Bank

I.	Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including the Changes of These Articles	74
II.	Capital Structure of the Bank, Shareholders That Retain Direct or Indirect Control and Management of the Bank, Solely or Together, Changes About These Issues During the Year and Disclosures About the Group	74
III.	Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents and Their Shares Attributable to the Bank, if any	75
IV.	Information about the persons and institutions that have qualified shares attributable to the Bank	76
V.	Summary on the Bank's Functions and Lines of Activity	76

SECTION TWO

Unconsolidated Financial Statements

I.	Balance Sheet	78
II.	Statement of Off-Balance Sheet Contingencies and Commitments	80
III.	Statement of Income	82
IV.	Profit and Loss Accounted for Under Equity	83
V.	Statement of Changes in Shareholders' Equity	84
VI.	Statement of Cash Flow	86
VII.	Profit Distribution Table	87

SECTION THREE

Explanations on Accounting Policies

I.	Basis of Presentation	88
II.	Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	88
III.	Explanations on Forward and Option Contracts and Derivative Instruments	88
IV.	Interest Income and Expenses	89
V.	Fees and Commission Income and Expenses	89
VI.	Explanations and Disclosures on Financial Assets	89
VII.	Explanations on Impairment of Financial Assets	91
VIII.	Offsetting Financial Assets and Liabilities	91
IX.	Explanations on Sales and Repurchase Agreements and Securities Loaned	91
X.	Explanations on Tangible Fixed Assets Held for Sale and Discontinued Operations	92
XI.	Explanations on Goodwill and Other Intangible Assets	92
XII.	Explanations on Property, Plant and Equipment	92
XIII.	Explanations on Leasing Transactions	93
XIV.	Explanations on Provisions and Contingent Liabilities	93
XV.	Explanations Regarding Employee Benefit Liabilities	93
XVI.	Explanations on Taxation	94
XVII.	Additional Explanations on Borrowings	94
XVIII.	Explanations on Shares and Share Issue	94
XIX.	Explanations on Bill Guarantees and Acceptances	95
XX.	Explanations on Government Incentives	95
XXI.	Explanations on Segment Reporting	95
XXII.	Explanations on Other Matters	95

SECTION FOUR

Information on Financial Structure

I.	Explanations Related to the Capital Adequacy Ratio	95
II.	Explanations Related to the Credit Risk	98
III.	Explanations Related to the Market Risk	104
IV.	Explanations Related to the Operational Risk	105
V.	Explanations Related to the Currency Risk	105
VI.	Explanations Related to the Interest Rate Risk	108
VII.	Explanations Related to the Liquidity Risk	112
VIII.	Explanations Related to Business Segmentation	114
IX.	Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value	117
X.	Explanations Related to Transactions Made on Behalf of Others and Fiduciary Transactions	118

SECTION FIVE

Explanations and Notes to the Unconsolidated Financial Statements

I.	Explanations and Notes Related to the Assets	118
II.	Explanations and Notes Related to the Liabilities	134
III.	Explanations and Notes Related to the Off-Balance Sheet Contingencies and Commitments	141
IV.	Explanations and Notes Related to the Income Statement	144
V.	Explanations and Notes Related to the Statement of Changes in Shareholders' Equity	148
VI.	Explanations and Notes Related to the Cash Flow Statement	148
VII.	Explanation Related to the Risk Group of the Bank	149
VIII.	Explanations on the Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches	150
IX.	Explanations Related to the Subsequent Events	151

SECTION SIX

Independent Auditors' Report

I.	Explanations on the Independent Auditors' Report	151
II.	Explanations and Notes Prepared by the Independent Auditors	151

SECTION I: GENERAL INFORMATION ABOUT THE BANK

I. ESTABLISHMENT DATE OF THE BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE BANK INCLUDING THE CHANGES OF THESE ARTICLES:

Türkiye Halk Bankası Anonim Şirketi (the "Bank") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration.

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

Shareholders	31.12.2007		31.12.2006	
	TRY Thousand	%	TRY Thousand	%
Prime Ministry				
Privatization Administration (**)	937.276	74,98	1.250.000	99,99
Public Shares	312.250	24,98	-	-
Other Shareholders (*)	474	00,04	-	0,01
	1.250.000	100,00	1.250.000	100,00

(*) Other shareholders have portion less than 1,000 TRY

(**) As per the decree of the Higher Council of Privatization numbered 2007/8 and dated February 5, 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Bank's shares are registered to Capital Market Board records by decision number 23/471 dated April 27, 2007. The shares are traded on the Istanbul Stock Exchange as of May 10, 2007.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

III. EXPLANATIONS REGARDING THE BANK'S CHAIRMAN AND MEMBERS OF BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE BANK, IF ANY

Name	Title	Starting Date	Educational Background	Experience in Banking and Business Administration (Years)
Hasan CEBECİ	Chairman, Member of the Audit Committee	13.04.2005	Ankara Eco. and Com. Science (ECS) Academy – Economy-& Finance	28
Hasan SEZER	Vice Chairman, Member of the Audit Committee	13.04.2005	Ankara ECSA – Banking, Foreign Trade and Exchange	24
Hüseyin AYDIN	Member of the Board of Directors, CEO	01.06.2005	Ankara ECS Academy – Economy&Finance	24
Emin Suha ÇAYKÖYLÜ	Member of the Board of Directors	13.04.2005	Bachelor Degree; METU - Mechanical Engineering Masters Degree; Syracuse University Business School NY-USA, PhD; Washington International University- Doctor of philosophy in Business Administration	24
Nurzahit KESKİN	Member of the Board of Directors	13.04.2005	Bachelor Degree; Anadolu Uni. Afyon İİBF, Masters Degree in Finance; Marmara Uni. Banking and Insurance Ins. PhD; Sakarya Uni. Management and Organization(continuing)	17
Burhaneddin TANYERİ	Member of the Board of Directors	15.09.2005	Atatürk University- Business Administration	25
Şeref EFE	Member of the Audit Committee	28.03.2003	Bachelor Degree; Ankara University Social Science Faculty - Public Administration Department Master; Harvard University JFK School of Government	4
Yusuf DAĞCAN	Member of the Audit Committee	28.03.2003	Eskişehir Economics and Trade Academy	28
Halil ÇELİK	Executive Vice President	28.07.2003	Eskişehir Economics and Trade Academy – Economics	25
Erdal ERSOY	Executive Vice President	05.07.2002	Anadolu University – Economics	30
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara University -Social Science Faculty, Labor Economics and Industry Relations	16
Ömer BAKTIR	Executive Vice President	09.12.2004 - 31/03 Acting 14.06.2005	Istanbul Technical University – Mining Engineering	17
M. Cengiz GÖĞEBAKAN	Executive Vice President	09.12.2004 - 31/03 Acting 20.06.2005	Ankara University – Economics	20
Erol GÖNCÜ	Executive Vice President	09.03.2005 - 04/02 Acting 14.06.2005	METU Faculty of Arts and Sciences, Mathematics Dept.	19
Yunus ESMER	Executive Vice President	17.06.2005	Ankara ECS Academy Business Administration-Accounting Department	28
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.06.2005	Bachelor Degree; Dokuz Eylül Uni. EASF Business Administration Dept. Masters Degree; Marmara Uni. Banking and Insurance Ins. Banking Dept. PhD; Marmara Uni. Banking and Insurance Ins. Banking Dept.	16
Süleyman ASLAN	Executive Vice President	17.06.2005	METU EASF International Relations Dept.	15
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	Gazi University, Social Sciences Faculty, Business Administration	17
Osman ARSLAN	Executive Vice President	01.07.2007	Master's Degree: METU Business Administration for Executives (continuing) Bachelor's Degree: METU Science and Literature Faculty, Department of Statistics	12
Bilgehan KURU	Executive Vice President	01.07.2007	Master's Degree: METU Science and Literature Faculty Bachelor's Degree: METU Faculty of Engineering, Mining Engineering	21

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Persons mentioned above do not own any shares in the Bank capital.

Details of the former key management personnel who has resigned in 2007:

Name	Title	Resignation Date
Erol BERKTAŞ	Member of the Board of Directors	November 4, 2007
Murat ÇETİNKAYA	Executive Vice President	December 31, 2007

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

Except for the Prime Ministry Privatization Administration, no person or institute has any qualified shares attributable to the Bank.

V. SUMMARY ON THE BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General Information about the Bank:

Türkiye Halk Bankası Anonim Şirketi (the "Bank") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can be both reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 Thousand to TRY 1.250.000 Thousand in the extraordinary general assembly held on April 14, 2001 within the scope of the restructuring process, the Bank received government bonds in settlement of the accumulated specific duty losses and the Bank's whole specific duty loss receivable was thus eliminated as at April 30, 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were to be completed within three years (until November 25, 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term " 3 years" in Article 2.2. of Law numbered 4603 had been previously amended to "5 years" and by Law No: 5572 dated January 10, 2007 the related term was extended to "10 years". As a result of this amendment, the privatization period of the Bank has been prolonged. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended this five year period by the half of that period with the Decree numbered 2005/9841 and dated 27 December 2005. When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Bank shares are decided to be sold before May 25, 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated August 11, 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 has been executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated February 5, 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on August 11, 2006, are decided to be privatized by a public offering and it is decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24.98% is completed in the first week of May 2007 and Halkbank shares have been traded on Istanbul Stock Exchange (ISE) as of May 10, 2007 with the base price of TRY 8,00.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası A.Ş. and amendments to other acts" which came into force as of July 31, 2004 with the publication of the Official Gazette, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund (SDIF)) was transferred to the Bank. Insolvent Pamukbank T.A.Ş. was a private sector deposit bank established by Çukurova İthalat ve İhracat T.A.O., Karamehmetler Scrip Company and more than 500 shareholders. The bank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency (BRSA) numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of the Bank have been transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

e) The Bank's service activities and operating areas: The Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

f) As of December 31, 2007, the Bank operates with a total of 559 branches consisting 556 domestic branches, together with 3 foreign branches; 2 in Cyprus and 1 in Bahrain. It also has 3 financial service branches in Germany and 1 representative office in Iran.

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (App: 1-A)
- II. Off-Balance Sheet Contingencies and Commitments (App: 1-B)
- III. Statement of Income (App: 1-C)
- IV. Profit and Loss Account for Under Equity (App: 1-D)
- V. Statement of Changes in Shareholders' Equity (App: 1-E)
- VI. Statement of Cash Flow (App: 1-F)
- VII. Profit Distribution Table (App: 1-G)

Türkiye Halk Bankası A.Ş.
Unconsolidated Balance Sheet

THOUSANDS OF TRY

ASSETS	Disc.	Audited CURRENT PERIOD (31/12/2007)			Audited PRIOR PERIOD (31/12/2006)		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	2,545,734	925,444	3,471,178	1,696,787	853,752	2,550,539
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	335,397	144,775	480,172	527,328	226,273	753,601
2.1.Trading Financial Assets		335,397	137,998	473,395	527,328	225,064	752,392
2.1.1.Public Sector Debt Securities		334,322	137,915	472,237	527,079	224,515	751,594
2.1.2.Share Certificates		-	-	-	-	-	-
2.1.3.Other Marketable Securities		1,075	83	1,158	249	549	798
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		-	-	-	-	-	-
2.3Derivative Financial Assets Held for Trading		-	6,777	6,777	-	1,209	1,209
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	32,068	1,129,517	1,161,585	219,502	859,672	1,079,174
IV. MONEY MARKET PLACEMENTS		50,025	-	50,025	-	-	-
4.1.Interbank Money Market Placements		-	-	-	-	-	-
4.2.Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3.Receivables from Reverse Repurchase Agreements		50,025	-	50,025	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	6,675,654	1,751,354	8,427,008	5,020,657	1,090,199	6,110,856
5.1.Share Certificates		4,206	5,769	9,975	4,173	5,488	9,661
5.2.Public Sector Debt Securities		6,671,448	1,745,585	8,417,033	5,016,484	1,084,711	6,101,195
5.3.Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	(5)	15,137,058	2,984,020	18,121,078	9,844,697	1,800,941	11,645,638
6.1.Loans		15,123,169	2,984,020	18,107,189	9,829,518	1,800,941	11,630,459
6.1.1.Loans Extended To Risk Group of The Bank		-	43,902	43,902	-	31,805	31,805
6.1.2.Other		15,123,169	2,940,118	18,063,287	9,829,518	1,769,136	11,598,654
6.2.Loans under follow-up		1,032,742	-	1,032,742	1,084,962	-	1,084,962
6.3.Specific provisions (-)		1,018,853	-	1,018,853	1,069,783	-	1,069,783
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	7,037,420	-	7,037,420	10,989,351	285,371	11,274,722
8.1.Public Sector Debt Securities		7,037,420	-	7,037,420	10,989,351	285,371	11,274,722
8.2.Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	39,322	249,724	289,046	25,434	63,241	88,675
9.1.Accounted with Equity Method		-	249,724	249,724	-	63,241	63,241
9.2.Unconsolidated Associates		39,322	-	39,322	25,434	-	25,434
9.2.1.Financial Investments		38,269	-	38,269	24,455	-	24,455
9.2.2.Non-financial Investments		1,053	-	1,053	979	-	979
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	57,801	-	57,801	45,977	-	45,977
10.1.Unconsolidated Financial Subsidiaries		57,801	-	57,801	45,977	-	45,977
10.2.Unconsolidated Non-financial Subsidiaries		-	-	-	-	-	-
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1.Accounted with Equity Method		-	-	-	-	-	-
11.2.Unconsolidated Joint Ventures		-	-	-	-	-	-
11.2.1.Financial Joint Ventures		-	-	-	-	-	-
11.2.2.Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1.Finance Lease Receivables		-	-	-	-	-	-
12.2.Operating Lease Receivables		-	-	-	-	-	-
12.3.Other		-	-	-	-	-	-
12.4.Unearned Income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1.Fair Value Risk Hedging		-	-	-	-	-	-
13.2.Cash Flow Risk Hedging		-	-	-	-	-	-
13.3.Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	641,499	43	641,542	660,767	67	660,834
XV. INTANGIBLE ASSETS (Net)	(13)	16,785	-	16,785	14,135	-	14,135
15.1.Goodwill		-	-	-	-	-	-
15.2.Other		16,785	-	16,785	14,135	-	14,135
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(14)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	63,924	-	63,924	54,854	-	54,854
17.1.Current assets for tax		-	-	-	-	-	-
17.2.Deferred assets for tax		63,924	-	63,924	54,854	-	54,854
XVIII. ASSETS HELD FOR SALE AND HELD FROM TERMINATED OPERATIONS (Net)	(16)	90,371	-	90,371	54,196	-	54,196
18.1.Held for sale purpose		90,371	-	90,371	54,196	-	54,196
18.2.Held from terminated operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	265,867	60,652	326,519	83,478	8,011	91,489
TOTAL ASSETS		32,988,925	7,245,529	40,234,454	29,237,163	5,187,527	34,424,690

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

Türkiye Halk Bankası A.Ş.
Unconsolidated Balance Sheet

THOUSANDS OF TRY							
LIABILITIES AND EQUITY	Disc.	Audited CURRENT PERIOD (31/12/2007)			Audited PRIOR PERIOD (31/12/2006)		
		TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	(1)	22,250,594	8,590,317	30,840,911	19,852,440	7,335,524	27,187,964
1.1. Deposits Held By the Risk Group of the Bank		79,943	3,425	83,368	62,111	902	63,013
1.2. Other		22,170,651	8,586,892	30,757,543	19,790,329	7,334,622	27,124,951
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	32,799	64,289	97,088	9,400	28,874	38,274
III. BORROWING FUNDING LOANS	(3)	386,853	550,175	937,028	384,854	488,273	873,127
IV. MONEY MARKET BALANCES		1,288,287	416,538	1,702,825	671,525	-	671,525
4.1. Interbank Money Market Takings		-	-	-	-	-	-
4.2. Istanbul Stock Exchange Takasbank Takings		-	-	-	-	-	-
4.3. Funds From Repurchase Agreements		1,288,287	416,538	1,702,825	671,525	-	671,525
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1. Bills		-	-	-	-	-	-
5.2. Asset-backed Securities		-	-	-	-	-	-
5.3. Bonds		-	-	-	-	-	-
VI. FUNDS	(4)	1,041,107	1,229	1,042,336	996,737	5,946	1,002,683
6.1. Borrower funds		153,656	-	153,656	196,513	-	196,513
6.2. Other		887,451	1,229	888,680	800,224	5,946	806,170
VII. SUNDRY CREDITORS		347,020	5,307	352,327	265,432	5,938	271,370
VIII. OTHER LIABILITIES	(5)	263,130	11,570	274,700	30,986	20,559	51,545
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES (Net)	(6)	-	5,557	5,557	-	4,152	4,152
10.1. Finance Lease Payables		-	5,557	5,557	-	4,152	4,152
10.2. Operating Lease Payables		-	-	-	-	-	-
10.3. Other		-	-	-	-	-	-
10.4. Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(7)	-	-	-	-	-	-
11.1. Fair Value Risk Hedging		-	-	-	-	-	-
11.2. Cash Flow Risk Hedging		-	-	-	-	-	-
11.3. Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XII. PROVISIONS	(8)	420,069	18,936	439,005	356,748	20,992	377,740
12.1. General Loan Provisions		138,506	-	138,506	72,189	-	72,189
12.2. Restructuring Provisions		-	-	-	-	-	-
12.3. Employee Benefits Provisions		208,401	-	208,401	188,345	-	188,345
12.4. Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5. Other Provisions		73,162	18,936	92,098	96,214	20,992	117,206
XIII. TAX LIABILITY	(9)	159,602	1	159,603	166,465	-	166,465
13.1. Current Tax Liability		159,602	1	159,603	166,465	-	166,465
13.2. Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS	(10)	-	-	-	-	-	-
14.1. Held for sale purpose		-	-	-	-	-	-
14.2. Held from terminated operations		-	-	-	-	-	-
XV. TIER -II CAPITAL	(11)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(12)	4,200,673	182,401	4,383,074	3,772,870	6,975	3,779,845
16.1. Paid-in capital		1,250,000	-	1,250,000	1,250,000	-	1,250,000
16.2. Capital Reserves		1,258,292	182,401	1,440,693	1,220,973	6,975	1,227,948
16.2.1. Share Premium		-	-	-	-	-	-
16.2.2. Share Cancellation Profits		-	-	-	-	-	-
16.2.3. Marketable Securities Revaluation Fund		37,841	182,401	220,242	522	6,975	7,497
16.2.4. Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5. Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6. Revaluation reserves of real estates for investment purpose		-	-	-	-	-	-
16.2.7. Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures		-	-	-	-	-	-
16.2.8. Hedging Funds (Effective portion)		-	-	-	-	-	-
16.2.9. Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10. Other Capital Reserves		1,220,451	-	1,220,451	1,220,451	-	1,220,451
16.3. Profit Reserves		489,420	-	489,420	206,619	-	206,619
16.3.1. Legal Reserves		297,633	-	297,633	185,564	-	185,564
16.3.2. Statutory Reserves		-	-	-	-	-	-
16.3.3. Extraordinary Reserves		159,859	-	159,859	-	-	-
16.3.4. Other Profit Reserves		31,928	-	31,928	21,055	-	21,055
16.4. Profit/Loss		1,202,961	-	1,202,961	1,095,278	-	1,095,278
16.4.1. Prior Years Income/Loss		-	-	-	231,780	-	231,780
16.4.2. Period Profit/Loss		1,131,039	-	1,131,039	863,498	-	863,498
16.5. Minority Shares	(13)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		30,388,134	9,846,320	40,234,454	26,507,457	7,917,233	34,424,690

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

Türkiye Halk Bankası A.Ş.
Unconsolidated Off Balance Sheet Accounts

THOUSANDS OF TRY

	Disc.	Audited					
		CURRENT PERIOD			PRIOR PERIOD		
		TRY	FC	Total	TRY	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		5,783,986	3,572,527	9,356,513	4,152,993	2,934,368	7,087,361
I. GUARANTEES AND SURETYSHIPS	(1)	1,706,961	2,058,118	3,765,079	1,114,486	1,978,366	3,092,852
1.1.Letters of Guarantee		1,693,993	1,348,655	3,042,648	1,111,572	1,598,349	2,709,921
1.1.1.Guarantees Subject to Public Procurement Law		193,497	1,057,715	1,251,212	174,917	1,247,056	1,421,973
1.1.2.Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3.Other Letters of Guarantee		1,500,496	290,940	1,791,436	936,655	351,293	1,287,948
1.2.Bank Loans		-	31,969	31,969	-	30,868	30,868
1.2.1.Import Acceptances		-	31,736	31,736	-	30,744	30,744
1.2.2.Other Bank Acceptances		-	233	233	-	124	124
1.3.Letters of Credit		-	677,116	677,116	19	348,691	348,710
1.3.1.Documentary Letters of Credit		-	677,116	677,116	19	348,691	348,710
1.3.2.Other Letters of Credit		-	-	-	-	-	-
1.4.Guaranteed Prefinancings		-	-	-	-	-	-
1.5.Endorsements		-	-	-	-	-	-
1.5.1.Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
1.5.2.Other Endorsements		-	-	-	-	-	-
1.6.Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7.Factoring Guarantees		-	-	-	-	-	-
1.8.Other Guarantees		12,738	378	13,116	2,665	458	3,123
1.9.Other Suretyships		230	-	230	230	0	230
II. COMMITMENTS	(1)	2,798,584	312,504	3,111,088	2,103,479	58,072	2,161,551
2.1.Irrevocable commitments		2,795,365	312,504	3,107,869	2,100,260	58,072	2,158,332
2.1.1.Forward Asset Purchase Commitments		52,551	312,504	365,055	22,644	58,072	80,716
2.1.2.Forward Deposit Purchase and Sale Commitments		-	-	-	-	-	-
2.1.3.Capital Commitments to Subsidiaries and Associates		250	-	250	4,699	-	4,699
2.1.4.Loan Granting Commitments		172,223	-	172,223	-	-	-
2.1.5.Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6. Payment Commitments for Reserve Deposits		-	-	-	-	-	-
2.1.7.Payment Commitments for Cheques		1,275,142	-	1,275,142	1,198,207	-	1,198,207
2.1.8.Tax and fund liabilities from export commitments		6,664	-	6,664	6,776	-	6,776
2.1.9.Commitments for credit card expenditure limits		1,250,168	-	1,250,168	851,509	-	851,509
2.1.10.Commitments for credit cards and banking services promotions		20,449	-	20,449	9,034	-	9,034
2.1.11.Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.Payables for short sale commitments		-	-	-	-	-	-
2.1.13.Other irrevocable commitments		17,918	-	17,918	7,391	-	7,391
2.2.Revocable commitments		3,219	-	3,219	3,219	-	3,219
2.2.1.Revocable loan granting commitments		-	-	-	-	-	-
2.2.2.Other revocable commitments		3,219	-	3,219	3,219	-	3,219
III. DERIVATIVE FINANCIAL INSTRUMENTS	(1)	1,278,441	1,201,905	2,480,346	935,028	897,930	1,832,958
3.1.Derivative Financial Instruments for Hedging		-	-	-	-	-	-
3.1.1.Fair Value Risk Hedging Transactions		-	-	-	-	-	-
3.1.2.Cash flow Risk Hedging Transactions		-	-	-	-	-	-
3.1.3.Net Abroad Investment Risk Hedging Transactions		-	-	-	-	-	-
3.2.Transactions for Trading		1,278,441	1,201,905	2,480,346	935,028	897,930	1,832,958
3.2.1.Forward Foreign Currency Buy/Sell Transactions		902	3,143	4,045	5,283	5,076	10,359
3.2.1.1.Forward Foreign Currency Transactions-Buy		452	1,577	2,029	2,643	2,538	5,181
3.2.1.2.Forward Foreign Currency Transactions-Sell		450	1,566	2,016	2,640	2,538	5,178
3.2.2.Currency and Interest Rate Swaps		1,277,539	1,198,762	2,476,301	929,745	892,854	1,822,599
3.2.2.1.Currency Swap-Buy		-	719,422	719,422	-	765,954	765,954
3.2.2.2.Currency Swap-Sell		735,354	-	735,354	795,105	-	795,105
3.2.2.3.Interest Rate Swap-Buy		0	479,340	479,340	-	126,900	126,900
3.2.2.4.Interest Rate Swap-Sell		542,185	-	542,185	134,640	-	134,640
3.2.3.Currency, Interest Rate and Marketable Securities Options		-	-	-	-	-	-
3.2.3.1.Currency Call Options		-	-	-	-	-	-
3.2.3.2.Currency Put Options		-	-	-	-	-	-
3.2.3.3.Interest Rate Call Options		-	-	-	-	-	-
3.2.3.4.Interest Rate Put Options		-	-	-	-	-	-
3.2.3.5.Marketable Securities Call Options		-	-	-	-	-	-
3.2.3.6.Marketable Securities Put Options		-	-	-	-	-	-
3.2.4.Currency Futures		-	-	-	-	-	-
3.2.4.1.Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2.Currency Futures-Sell		-	-	-	-	-	-
3.2.5.Interest Rate Buy/Sell Futures		-	-	-	-	-	-
3.2.5.1.Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2.Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6.Other		-	-	-	-	-	-

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

Türkiye Halk Bankası A.Ş.
Unconsolidated Off Balance Sheet Accounts

	THOUSANDS OF TRY						
	Disc.	Audited CURRENT PERIOD (31/12/2007)			Audited PRIOR PERIOD (31/12/2006)		
		TRY	FC	Total	TRY	FC	Total
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)	100,357,369	29,384,778	129,742,147	89,721,094	24,249,372	113,970,466	
IV. CUSTODIES	34,355,171	2,102,741	36,457,912	42,793,907	1,819,733	44,613,640	
4.1.Assets Under Management	-	-	-	-	-	-	
4.2.Custody Marketable Securities	20,799,946	160,705	20,960,651	18,226,178	187,985	18,414,163	
4.3.Cheques in Collection Process	2,205,787	67,039	2,272,826	1,682,914	20,737	1,703,651	
4.4.Commercial Notes in Collection Process	366,389	116,761	483,150	258,384	106,054	364,438	
4.5.Other Assets in Collection Process	3,163	-	3,163	2,318	-	2,318	
4.6.Underwritten Securities	133	-	133	313	-	313	
4.7.Other Custodies	9,052	6,564	15,616	26,493	36,346	62,839	
4.8.Custodians	10,970,701	1,751,672	12,722,373	22,597,307	1,468,611	24,065,918	
V. PLEDGED ASSETS	66,002,198	27,282,037	93,284,235	46,927,187	22,429,639	69,356,826	
5.1.Marketable Securities	61,698	80,538	142,236	49,955	97,684	147,639	
5.2.Collateral Notes	2,734,009	178,788	2,912,797	2,025,577	146,330	2,171,907	
5.3.Commodity	42,381	-	42,381	38,060	-	38,060	
5.4.Warranty	-	-	-	-	-	-	
5.5.Land and Buildings	19,879,476	2,962,748	22,842,224	11,651,822	2,752,704	14,404,526	
5.6.Other Pledged Assets	41,632,060	23,372,911	65,004,971	31,582,859	18,695,526	50,278,385	
5.7.Pledgees	1,652,574	687,052	2,339,626	1,578,914	737,395	2,316,309	
VI. ACCEPTED BILL GUARANTEES AND SURETIES	-	-	-	-	-	-	
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)	106,141,355	32,957,305	139,098,660	93,874,087	27,183,740	121,057,827	

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

Türkiye Halk Bankası A.Ş.
Unconsolidated Statement of Income

THOUSANDS OF TRY

		Audited CURRENT PERIOD (01/01/2007-31/12/2007)	Audited PRIOR PERIOD (01/01/2006-31/12/2006)
INCOME AND EXPENSES			
I. INTEREST INCOME	(1)	5,708,181	4,592,263
1.1. Interest on loans	(1a)	2,650,197	1,540,830
1.2. Interest received from reserve deposits		11,838	7,607
1.3. Interest received from banks	(1b)	216,205	186,103
1.4. Interest received from money market placements		11,374	4,237
1.5. Interest income on marketable securities	(1c)	2,811,955	2,848,754
1.5.1. Financial assets held for trading		79,911	141,115
1.5.2. Financial assets at fair value through profit and loss		-	-
1.5.3. Financial assets available-for-sale		1,140,185	606,014
1.5.4. Investments held-to-maturity		1,591,859	2,101,625
1.6. Finance lease income		-	-
1.7. Other interest income		6,612	4,732
II. INTEREST EXPENSE	(2)	3,955,928	3,194,746
2.1. Interest on deposits	(2d)	3,696,455	3,064,520
2.2. Interest on borrowings	(2a)	72,898	53,910
2.3. Interest on money market borrowings		160,478	51,639
2.4. Interest on marketable securities issued		-	-
2.5. Other interest expense		26,097	24,677
III. NET INTEREST INCOME (I - II)		1,752,253	1,397,517
IV. NET FEES AND COMMISSIONS INCOME		296,216	203,695
4.1. Fees and commissions income		347,252	252,176
4.1.1. Cash loans		34,288	30,016
4.1.2. Non-cash loans		312,964	222,160
4.2. Fees and commissions expenses		51,036	48,481
4.2.1. Non-Cash Loans		1	1
4.2.2. Other		51,035	48,480
V. DIVIDEND INCOME	(3)	19,064	14,102
VI. NET TRADING PROFIT	(4)	(41,937)	(21,330)
6.1. Profit/Loss from Capital Market operations(Net)		(258,352)	(34,173)
6.2. Foreign exchange gains/losses (net)		216,415	12,843
VII. OTHER OPERATING INCOME	(5)	451,576	448,247
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		2,477,172	2,042,231
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	222,895	201,790
X. OTHER OPERATING EXPENSES(-)	(7)	847,693	723,158
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		1,406,584	1,117,283
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	1,406,584	1,117,283
XVI. TAX INCOME PROVISION (±)	(9)	(275,545)	(253,785)
16.1. Current tax provision		(292,366)	(238,540)
16.2. Deferred tax provision		16,821	(15,245)
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	1,131,039	863,498
XVIII. INCOME FROM TERMINATED OPERATIONS		-	-
18.1. Property and equipment income held for sale		-	-
18.2. Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3. Other income from terminated operations		-	-
XIX. EXPENSES FROM TERMINATED OPERATIONS (-)		-	-
19.1. Property and equipment expense held for sale		-	-
19.2. Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3. Other expenses from terminated operations		-	-
XX. INCOME/EXPENSE BEFORE TAXES FROM TERMINATED OPERATIONS (XVIII-XIX)	-	-	-
XXI. PROVISION FOR TAXES ON INCOME FROM TERMINATED OPERATIONS (±)	-	-	-
21.1. Current tax provision		-	-
21.2. Deferred tax provision		-	-
XXII. NET PROFIT/LOSSES FROM TERMINATED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(11)	1,131,039	863,498
Earnings/Losses per share		0.90483	0.69080

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

Türkiye Halk Bankası A.Ş.
Statement of Profit and Loss Accounted for Under Equity

	THOUSANDS OF TRY	
	Audited CURRENT PERIOD (01/01/2007-31/12/2007)	Audited PRIOR PERIOD (01/01/2006-31/12/2006)
STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY		
I. Additions to marketable securities revaluation differences for available for sale financial assets	71,807	(34,481)
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign exchange 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 under equity due to TAS	175,008	-
IX. Deferred tax of valuation differences	(7,656)	(1,874)
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	239,159	(36,355)
XI. Profit/Loss	(26,414)	(15,492)
11.1. Change in fair value of marketable securities (Transfer to Profit/Loss)	(26,414)	(15,492)
11.2. Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3. Transfer of hedge of net investments in foreign operations to Income Statement	-	-
11.4. Other	-	-
XII. Total Profit/Loss accounted for the period (X±XI)	212,745	(51,847)

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

Türkiye Halk Bankası A.Ş.
Unconsolidated Statement of Changes in Shareholders' Equity

CHANGES IN SHARE HOLDERS' EQUITY	AUDITED					
	Disc.	Paid-in Capital	Effect of Inflation Adjustments on Paid in Capital	Share Premium	Share Certificate Cancellation Profit	Legal Reserves
PRIOR PERIOD						
(31/12/2006)						
I. Beginning Balance		1,150,000	1,220,451	-	-	121,915
II. Corrections according to TAS 8		-	-	-	-	-
2.1. The effect of corrections of errors		-	-	-	-	-
2.2. The effects of changes in accounting policy.		-	-	-	-	-
III. New Balance (I + II)		1,150,000	1,220,451	-	-	121,915
Changes in period		-	-	-	-	-
IV. Increase/Decrease related to merger		-	-	-	-	-
V. Marketable securities available for sale		-	-	-	-	-
VI. Hedging Transactions		-	-	-	-	-
6.1. Cash-flow risk hedging		-	-	-	-	-
6.2. Net Abroad Investment Risk Hedging		-	-	-	-	-
VII. Revaluation differences of tangible assets		-	-	-	-	-
VIII. Revaluation differences of intangible assets		-	-	-	-	-
IX. Free shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-
XI. Changes after disposal of securities		-	-	-	-	-
XII. Changes after reclassification of securities		-	-	-	-	-
XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity		-	-	-	-	-
XIV. Increase in capital		100,000	-	-	-	-
14.1. Cash		100,000	-	-	-	-
14.2. From internal resources		-	-	-	-	-
XV. Issuance of share certificates at end of period		-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-
XVII. Adjustment to paid-in capital		-	-	-	-	-
XVIII. Other		-	-	-	-	-
XIX. Net profit or losses		-	-	-	-	-
XX. Profit distribution		-	-	-	-	63,649
20.1. Dividends distributed		-	-	-	-	-
20.2. Transfers to legal reserves		-	-	-	-	63,649
20.3. Other		-	-	-	-	-
Closing Balance (III+IV+V +...+XVIII+XIX+XX)		1,250,000	1,220,451	-	-	185,564
CURRENT PERIOD						
(31/12/2007)						
I. Balance at end of prior period		1,250,000	1,220,451	-	-	185,564
Changes within the period		-	-	-	-	-
II. Increase or decrease generated by merger		-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-
IV. Hedging Funds		-	-	-	-	-
4.1. Cash flow hedge		-	-	-	-	-
4.2. Hedges for investments made in foreign countries		-	-	-	-	-
V. Revaluation changes of property and equipment		-	-	-	-	-
VI. Revaluation changes of intangible assets		-	-	-	-	-
VII. Free shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-
IX. Changes after disposal of securities		-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity		-	-	-	-	-
XII. Increase in capital		-	-	-	-	-
12.1. Cash		-	-	-	-	-
12.2. From internal resources		-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-
XVI. Other		-	-	-	-	-
XVII. Net profit or losses		-	-	-	-	-
XVIII. Profit distribution		-	-	-	-	112,069
18.1. Dividends distributed		-	-	-	-	-
18.2. Transfers to legal reserves		-	-	-	-	112,069
18.3. Other		-	-	-	-	-
Closing balances (I+II+III+...+XVI+XVII+XVIII)		1,250,000	1,220,451	-	-	297,633

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

Türkiye Halk Bankası A.Ş.
Unconsolidated Statement of Changes in Shareholders' Equity

THOUSANDS OF TRY										
Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Valuation changes in marketable sec.	Revaluation changes in property and equip. and intangible assets	Free shares from shareholders	Hedging funds	Valuation change in property and equip. sale purposes/ terminated operat.	Total Equity
-	-	10,626	553,824	183,049	59,344	-	-	-	-	3,299,209
-	-	-	-	-	-	-	-	-	-	-
-	-	10,626	553,824	183,049	59,344	-	-	-	-	3,299,209
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	(51,847)	-	-	-	-	(51,847)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	10,429	-	-	-	-	-	-	-	10,429
-	-	-	-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	863,498	-	-	-	-	-	-	863,498
-	-	-	(553,824)	48,731	-	-	-	-	-	(441,444)
-	-	-	-	(441,444)	-	-	-	-	-	(441,444)
-	-	-	-	-63,649	-	-	-	-	-	-
-	-	-	(553,824)	553,824	-	-	-	-	-	-
-	-	21,055	863,498	231,780	7,497	-	-	-	-	3,779,845
-	-	21,055	863,498	231,780	7,497	-	-	-	-	3,779,845
-	-	-	-	-	-	-	-	-	-	-
-	-	11,474	-	-	212,745	-	-	-	-	224,219
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(601)	-	-	-	-	-	-	-	(601)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	1,131,039	-	-	-	-	-	-	1,131,039
-	159,859	-	(863,498)	(159,858)	-	-	-	-	-	(751,428)
-	-	-	-	(751,428)	-	-	-	-	-	(751,428)
-	159,859	-	-	(271,928)	-	-	-	-	-	-
-	-	-	(863,498)	863,498	-	-	-	-	-	-
-	159,859	31,928	1,131,039	71,922	220,242	-	-	-	-	4,383,074

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

Türkiye Halk Bankası A.Ş.
Unconsolidated Statement of Cash Flows

THOUSANDS OF TRY			
UNCONSOLIDATED STATEMENT OF CASH FLOWS	Disc.	Audited CURRENT PERIOD (01/01/2007-31/12/2007)	Audited PRIOR PERIOD (01/01/2006-31/12/2006)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1. Operating profit before changes in operating assets and liabilities (+)		1,739,423	519,315
1.1.1. Interest received (+)		5,986,089	3,990,488
1.1.2. Interest paid (-)		3,938,309	3,124,450
1.1.3. Dividend received(+)		19,064	14,102
1.1.4. Fees and commissions received (+)		347,252	280,227
1.1.5. Other income (+)		314,267	517,307
1.1.6. Collections from previously written off loans (+)		195,692	160,969
1.1.7. Cash payments to personnel and service suppliers (-)		462,760	399,631
1.1.8. Taxes paid (-)		299,979	249,099
1.1.9. Other (+/-)		(421,893)	(670,598)
1.2. Assets and Liabilities Subject to Banking Operations		(1,506,707)	2,700,733
1.2.1. Net (Increase) decrease in financial assets held for sale (+/-)		260,587	1,029,252
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 (+/-)		(50,000)	175,674
1.2.4. Net (increase) decrease in loans (+/-)		(6,507,589)	(5,338,154)
1.2.5. Net (increase) decrease in other assets (+/-)		(235,225)	(51,151)
1.2.6. Net increase (decrease) in bank deposits (+/-)		1,198,755	1,428,598
1.2.7. Net increase (decrease) in other deposits (+/-)		3,471,116	5,220,936
1.2.8. Net increase (decrease) in loans borrowed (+/-)		60,658	391,285
1.2.9. Net increase (decrease) in matured payables (+/-)		-	-
1.2.10. Net increase (decrease) in other liabilities (+/-)		294,991	(155,707)
I. Net cash provided from banking operations (+/-)		232,716	3,220,048
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from investing activities (+/-)		1,532,290	(1,136,803)
2.1. Cash paid for purchase of joint ventures, associates and subsidiaries(-)		25,713	41,798
2.2. Cash obtained from sale of entities joint ventures, associates and subsidiaries (+)		-	-
2.3. Fixed assets purchases (-)		50,739	139,106
2.4. Fixed assets sales(+)		(60,791)	113,381
2.5. Cash paid for purchase of financial assets available for sale (-)		2,160,937	3,992,158
2.6. Cash obtained from sale of financial assets available for sale (+)		-	-
2.7. Cash paid for purchase of investment securities (-)		200,000	298,343
2.8. Cash obtained from sale of investment securities (+)		4,030,470	3,221,221
2.9. Other (+/-)		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities (+/-)		(750,023)	(338,788)
3.1. Cash obtained from loans borrowed and securities issued (+)		-	-
3.2. Cash used for repayment of loans borrowed and securities issued (-)		-	-
3.3. Marketable securities issued (+)		-	100,000
3.4. Dividends paid (-)		751,428	441,444
3.5. Payments for finance leases (-)		(1,405)	(2,656)
3.6. Other (+/-)		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents(+/-)		(14,093)	2,960
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		1,000,890	1,747,417
VI. Cash and cash equivalents at beginning of the period (+)	(2)	3,585,694	1,838,277
VII. Cash and cash equivalents at end of the period (V+VI)	(2)	4,586,584	3,585,694

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

Türkiye Halk Bankası A.Ş.

Profit Distribution

	THOUSANDS OF TRY	
	Audited CURRENT PERIOD (01/01/2007-31/12/2007)	Audited PRIOR PERIOD (01/01/2006-31/12/2006)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1.CURRENT YEAR INCOME	1,406,584	1,117,283
1.2.TAXES AND DUTIES PAYABLE	292,366	253,785
1.2.1.Corporate tax (Income tax)	292,366	238,540
1.2.2.Income withholding tax	-	-
1.2.3.Other taxes and duties (*)	-	15,245
A. NET INCOME FOR THE YEAR (1.1-1.2)	1,114,218	863,498
1.3.PRIOR YEARS LOSSES (-)	-	-
1.4.FIRST LEGAL RESERVES (-)	-	43,175
1.5.OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	1,114,218	820,323
1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)	-	62,500
1.6.1.To owners of ordinary shares	-	62,500
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 (-)	-	688,930
1.9.1.To owners of ordinary shares	-	688,930
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 (-)	-	68,893
1.11.STATUTORY RESERVES (-)	-	-
1.12.GENERAL RESERVES	-	-
1.13.OTHER RESERVES	-	-
1.14.SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1.APPROPRIATED RESERVES	-	-
2.2.SECOND LEGAL RESERVES (-)	-	-
2.3.DIVIDENDS TO SHAREHOLDERS (-)	-	751,428
2.3.1.To owners of ordinary shares	-	751,428
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 (-)	-	-
III. EARNINGS PER SHARE		
3.1.TO OWNERS OF ORDINARY SHARES	-	-
3.2.TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3.TO OWNERS OF PRIVILEGED SHARES	-	-
3.4.TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1.TO OWNERS OF ORDINARY SHARES	-	-
4.2.TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3.TO OWNERS OF PRIVILEGED SHARES	-	-
4.4.TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Contains deferred tax expense.

(**) Profit distribution is decided by the General Assembly of the Bank. As of the financial statements has been prepared, the General Assembly meeting has not been held yet.

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The unconsolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards and Communiqué on "Banks' Accounting Practice and Maintaining Documents".

Accounting policies applied and valuation methods used in the preparation of the financial statements are expressed in detail below.

Certain classifications have been made to the prior year financial statements to comply with the current year presentation. Unless otherwise indicated, the term "Prior Period" used in the explanations and notes related to the Balance Sheet, Off-Balance Sheet Commitments, Statement of Income, Statement of Cash Flow and Statement of Changes in Shareholders' Equity are referred to December 31, 2006 period.

II. EXPLANATIONS ON STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

1. The Bank's Strategy on Financial Instruments:

Due to its historical mission, the Bank focuses on granting loans to SMEs and craftsmen. Funds, generated from the redemption and coupon interest payments of the special arrangement government securities in assets in decreasing funding costs, are directed to marketable securities obtained from the market conditions as a result of duty losses. In addition to the main fund source deposits, the Bank can raise funds from foreign borrowing.

The Bank follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Bank are evaluated in the weekly Assets and Liabilities Committee meetings.

2. The Bank's Explanations on Foreign Currency Transactions:

In the statutory records of the Bank, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Balance sheet foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement. Exchange differences from the conversion of net investments in foreign associates are recognized in the other profit reserves account under the equity.

The financial statements of the foreign branches of the Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by using the average exchange rates, unless a significant foreign currency movement occurs. Foreign currency gains and losses are recognized in the other profit reserves under the equity. These exchange differences are recognized as profit or loss when the foreign operation is disposed of. Goodwill and fair value adjustments arising from the purchase of foreign operations are treated as assets and liabilities of foreign operations and converted by using the closing exchange rates.

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Bank are foreign currency swaps, forward foreign currency and interest transactions. The Bank has no derivative instruments decomposed from the main contract.

Derivative financial instruments are recorded with their fair values at the contract date and re-accounted with their fair values in the following reporting periods. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39), these derivative instruments are recognized as held for trading and gains and losses of these instruments are associated with the profit/loss statement.

IV. INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cashflows of a financial asset or liability to its present net book value) in conformity with TAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

V. FEES AND COMMISSION INCOME AND EXPENSES

Fees and commission income/expenses are recognized on an accrual or cash basis depending on the nature of the transaction.

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Bank, if the Bank is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Bank. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

The estimated fair values of financial assets have been determined by the Bank using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

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

1. Cash and Bank:

Cash and bank balances in foreign currencies are valued by using the Bank's current period end exchange rates. Cash balances in TRY, foreign currency balances and bank balances on the balance sheet are the estimated fair values of these assets.

2. Marketable Securities:

a. Financial Assets at Fair Value through Profit and Loss

a.1. Financial Assets Held for Trading:

Financial assets held for trading 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.

Financial Assets Held for Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. If a price does not occur in an active market, fair value cannot be reliably determined and

“Amortized Value” is determined as the fair value using the internal rate of return. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of Held for Trading Financial Assets are recognized under the interest income and dividends gained are recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using Interest Income/Expense accounts and Profit/Loss from the Capital Market Operations under the scope of Uniform Chart of Accounts.

a.2. Financial Assets at Fair Value through Profit and Loss:

Financial Assets At Fair Value Through Profit and Loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial assets held for trading.

b. Investments Held to Maturity, Financial Assets Available for Sale:

b.1. Investments Held to Maturity include securities with fixed or determinable payments and fixed maturity carried at fair value through profit and loss at the initial recognition where there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and available for sale non-derivative assets except for bank loans and receivables. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Bank as investments held to maturity, however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

b.2. Financial assets available for sale represent non-derivative financial assets except for bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through profit and loss by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and “Amortized Value” is determined as the fair value using the internal rate of return. Unrealized gains and losses arising from the fluctuations in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the “Marketable Securities Revaluation Fund” until the disposal, sale, redemption or incurring loss of those assets. Fair value differences accumulated in equity accounts arising from the application of fair value in the case of the collection from the redemption or sale of the related assets are reflected to the income statement.

3. Loans and Receivables:

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Personal and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed personal and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified 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 and specific provisions are allocated for those loans. Specific provisions are reflected to “820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit movement under the “Provision Expenses”, released portion of the previous period provisions are recognized under the “Other Operating Income” account.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

A financial asset or a group of financial asset is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present value of estimated future cashflows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair value of the financial assets at fair value through profit and loss or available for sale of which value decreases and increases are recognized in equity, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

for loans and receivables; the Bank’s management performs consistent loan portfolio reviews and if any doubts on the collectibility of the loans arise, the related loans are classified in accordance with legislation on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” published in the Official Gazette numbered 26333 and dated November 1, 2006. The Bank does not limit the provision amount with the minimum rates defined in the related regulation and allocates specific provision for this kind of loan amounts in full and they are recognized in the statement of profit/loss. Collections made related to those loans are offset against the capital and interest collections are recognized under the “Interest Received from Non-performing Loans” item of the income statement.

In accordance with the provisions of the related legislation, general loan provisions are provided by the Bank in addition to specific provisions.

VIII. OFFSETTING THE FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

IX. SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under “Securities at fair value through profit or loss” or “Securities available for sale” in the Bank’s portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under the “Funds from Repurchase Transactions” account in liabilities. for the portion of the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the "Receivables from Reverse Repo Transactions" account. for the portion of the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method. As of December 31, 2007, bank has TRY 50.025 Thousand reverse repo transaction.

X. EXPLANATIONS ON TANGIBLE FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. for a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible assets that are purchased prior to January 1, 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of establishment/formation expenses, software expenses and they are amortized by using the straight line method over 5 years. Leasehold improvements are depreciated over the lease period by straight line method. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that are purchased prior to January 1, 2005 are carried at their December 31, 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses.

Property, plant and equipment are amortized by using the straight line method during their useful lives.

Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

Ordinary maintenance and repair expenses of property, plant and equipment items are recognized as expenses.

There are no mortgages, pledges or similar incumbrances designated for the property, plant and equipment.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Estimated useful lives of property, plant and equipment are as follows:

	Estimated Useful Lives (Year)	Depreciation Rate
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	2-25	4%-50%
Assets held under financial leases	4-5	20%-25%

There is no change expected in the current period or to be expected in the subsequent periods to have a significant effect on the accounting estimates.

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portion of the payables is recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a lessor.

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

A provision should be recognized in the financial statements when there is a present obligation as a result of 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. The amount recognized as a provision is the best estimate of the Bank's management for expenditure required to settle the present obligation at the balance sheet date and amortized to its present value if the amount is material.

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 "Employee Benefits". According to related legislation and union contracts, the Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees; who resigns subsequent to her marriage within one year. The Bank provides provision by estimating the present value of the future retirement pay liability. The retirement pay provision of the Bank has been determined by the actuarial report of an independent valuation company.

Pamukbank Employee Pension Fund, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members include employees of the Bank as well. Provisional article 23 of the Banking Act No: 5411 requires the Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated November 30, 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated March 31, 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

In accordance with the principles set out by the Council of Ministers' decision, numbered 2006/11345 published in the Official Gazette numbered 26377 and dated December 15, 2006 regarding the determination of procedures and principles for the application of transfer requirements and based on the technical balance sheet report prepared using a 10.24% of technical interest rate, for Pamukbank Employee Pension Fund TRY 9.251 Thousand of technical provision has been allocated as of December 31,2006 and kept in financial statements as of December 31, 2007. No technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported. It is declared that, despite BRSA's cancellation of the temporary

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Article 23 of the Banking Law, the maintenance of the provision amount that was previously calculated as of 2006 year end in accordance with the Council of Ministers' related decree would be appropriate.

In accordance with Article 58 and temporary Article 7 of the Banking Law, beginning from January 1, 2008, it is stated that no additional funds will be allocated for the compensation of such deficits.

XVI. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. 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 corporate tax liability for the year. The 4th quarter advance tax for the 2007 year end has been paid in February 2008, to be offset against the final corporate tax liability for the current year.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded.

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 the initial recognition of other assets and liabilities other than goodwill or business combination in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank borrows funds from domestic and foreign institutions when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are prevented by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

There are no convertible bonds or debt instruments issued.

XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuance related to costs is recognized as expenses. Dividend income related with the equity shares are determined by the General Assembly of the Bank.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

The Bank has not issued any shares during 2007. In accordance with the decree of the Privatization High Council dated February 5, 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration is completed and the Bank shares are registered to the Board with the decree of the Capital Markets Board dated April 27, 2007 and numbered 23/271, and the shares are traded on the Istanbul Stock Exchange as of May 10, 2007.

XIX. BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Bank. The Bank operates on mainly corporate banking, retail/personal banking and investment banking. The report concerning parts of Bank's business segmentation and related information is explained in section four, disclosure numbered VIII .

XXII. OTHER MATTERS

Associates and Subsidiaries:

for TRY associates and subsidiaries, initially, the additions of funds (such as revaluation fund increase) are deducted from the cost of the associate and subsidiary (the additions of these funds to the capital are permitted for these companies) and later, these costs are indexed based on the capital increase collection dates until December 31, 2004. As of December 31, 2007, a valuation study has been performed by an independent company for certain associates and subsidiaries; Kobi A.Ş., Halk Leasing, Birlik Sigorta, Birlik Hayat Sigorta and Halk Yatırım. for those entities that have value increase, the provision set for impairment in the prior periods was cancelled. In accordance with the Turkish Accounting Standards, as of 2007 year end, a valuation study has also been performed for the Bank's foreign currency associate Demirhalkbank N.V., operating in Netherlands, and the calculated value increase as a result of valuation study has been recorded under shareholders' equity.

SECTION IV: INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE UNCONSOLIDATED CAPITAL

ADEQUACY RATIO

Risk measurement methods used in the determination of unconsolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks", which was published in the Official Gazette numbered 26333 on November 1, 2006. As of December 31, 2007, the Bank's unconsolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 20,03%. (December 31, 2006: 31,95%)

In calculating the amounts subject to credit risk, the Bank generally evaluates its loans according to their collateral classes based on the relevant risk weights. However, risk rate for fund loans for which the Bank recognizes is 0% and credit cards and cooperative loans is 100% due to having "suretyship" collateral type.

In the calculation of capital adequacy standard ratio, information prepared in accordance with the legislation on recording and accounting system is used. Additionally, market risk amount is calculated in accordance with the communiqué on the "Internal Control and Risk Management Systems of the Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

Amounts deducted from the capital in the calculation of shareholders' equity are not considered in the calculation of risk-weighted assets, non-cash loans and contingent liabilities. In the calculation of risk weighted assets, assets subject to depreciation and impairment are carried at their carrying values less accumulated depreciation and impairment losses.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Beginning from December 31, 2004, for the calculation of the amount subject to credit risk regarding the transactions on the non-cash loans, the receivable amount from counter parties is calculated by using the conversion rates presented in Clause 1 in Article 5 of the Communiqué on "Measurement and Assessment of Banks' Capital Adequacy Ratios", less the specific provision amount set in accordance with the Communiqué on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", if any.

In calculation of the amount subject to credit risks, receivables from counter parties arising from foreign currency and interest rate transactions are recognized using the conversion rates presented in the related communiqué Clause 2 in Article 5.

1. Information on the unconsolidated capital adequacy ratio:

	Risk Weights			
	0%	20%	50%	100%
Credit Risk Base Amount				
Balance Sheet Items (Net)	20.516.571	1.221.512	5.866.747	12.018.927
Cash and Cash Equivalents	229.485	24	-	-
Matured Marketable Securities	-	-	-	-
Turkish Republic Central Bank Balances	2.574.885	-	-	-
Domestic, Foreign Banks, Head Office and Branches Abroad Balances	-	1.161.073	-	-
Interbank Money Market Placements	-	-	-	-
Receivables from Reverse Repos Transactions	-	50.000	-	-
Reserve Deposits	621.119	-	-	-
Loans	1.517.239	8.820	5.664.933	10.598.827
Non-performing Loans (Net)	-	-	-	13.889
Finance Lease Receivables	-	-	-	-
Financial Assets Available-for-Sale	7.910.282	-	-	9.975
Investments Held to Maturity	6.779.989	-	-	-
Receivables from the Asset Sale on Credit Terms	-	-	-	48.614
Sundry Debtors	2.365	-	-	75.942
Interest and Income Accruals	814.364	1.595	201.814	109.981
Subsidiaries, Associates and Joint Ventures (Net)	-	-	-	250.777
Property, Plant and Equipment	-	-	-	717.868
Other Assets	66.843	-	-	193.054
Off-Balance Sheet Items	76.564	999.641	665.105	1.931.954
Non-cash Loans and Commitments	76.564	966.986	665.105	1.931.954
Derivative Instruments	-	32.655	-	-
Non-risk Weighted Accounts	-	-	-	-
Total Risk-Weighted Assets	20.593.135	2.221.153	6.531.852	13.950.881

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

2. Capital Adequacy Ratio Summary:

	Current Period	Prior Period
Credit Risk Base Amount (CRBA)	17.661.038	11.597.445
Market Risk Base Amount (MRBA)	368.450	128.988
Operational Risk Base Amount (ORBA)	3.330.937	-
Equity	4.279.268	3.746.954
Equity/(CRBA+MRBA+ORBA)*100	20,03	31,95
CRBA: Credit Risk Base Amount		
MRBA: Market Risk Base Amount		
ORBA: Operational Risk Base Amount		

Risk measurement methods used in the determination of the unconsolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published in the Official Gazette numbered 26333 on November 1, 2006.

3. Information on equity items

	Current Period	Prior Period
CORE CAPITAL		
Paid-in Capital	1.250.000	1.250.000
Nominal capital	1.250.000	1.250.000
Capital commitments (-)	-	-
Inflation Adjustment for Paid-in Capital	1.220.451	1.220.451
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	297.633	185.564
I. Degree Legal Reserve (Turkish Commercial Code 466/1)	117.045	73.870
II. Degree Legal Reserve (Turkish Commercial Code 466/2)	179.908	111.030
Reserves per Specific Acts	680	664
Statutory Reserves	-	-
Extraordinary Reserves	191.787	21.055
Reserves allocated per General Assembly Minute	159.859	-
Retained Earnings (*)	47.181	47.181
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	(15.253)	(26.126)
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-
Profit	1.202.961	1.095.278
Net period profit	1.131.039	863.498
Retained Earnings	71.922	231.780
Portion of Free Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	9.346	-
Subsidiary and Associate Shares and Gains on Sale of Properties to Be Added to Capital	-	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-	-
Losses that cannot be covered by reserves (-)	-	-
Net period loss	-	-
Accumulated Loss	-	-
Leasehold Improvements (-) (**)	(14.326)	(12.150)
Prepaid Expenses (-) (**)	(3.625)	(3.177)
Intangible Assets (-) (**)	(2.459)	(1.985)
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-
Excess Amount defined in,3rd Clause, 56th Article of the Banking Act (-)	-	-
Total Core Capital	4.151.768	3.755.036

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

	Current Period	Prior Period
SUPPLEMENTARY CAPITAL		
General Loan Provisions	138.506	72.189
45% of Movable Assets Revaluation Fund	-	-
45% of Properties Revaluation Fund	-	-
Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures	-	-
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-
Secondary Tier -II Capital	-	-
45% of Marketable Securities Revaluation Fund	99.109	3.374
From Subsidiaries and Associates	78.754	-
From Financial Assets Available for Sale	20.355	3.374
Inflation adjustments for capital reserves, profit reserves and retained earnings/ accumulated losses (Except inflation adjustments for legal reserves, statutory re serves and extraordinary reserves)	-	-
Total Supplementary Capital	237.615	75.563
TIER-III CAPITAL		
CAPITAL	4.389.383	3.830.599
DEDUCTIONS FROM CAPITAL	110.115	83.645
Equity Shares in Banks and Financial Institutions Which Are Excluded from the Consolidation	96.070	71.411
Borrowing Instruments and Loans qualified as Tier-II Capital from and to banks, financial institutions (domestic and foreign), preferred stockholders	-	-
Equity Shares in Banks and Financial Institutions for which equity method was applied, but their assets and liabilities were not consolidated	-	-
Loans granted not in compliance with the provisions stated in articles 50 and 51 of the Act.	-	-
Total net book value of the Bank's properties in excess of 50% of the equity and in accordance with Article 57 of the Act, net book value of properties and commodities acquired in exchange of loans and receivables that should be disposed of however; have not been disposed of although it has been 5 years since the beginning of the acquisition date.	14.045	12.234
Other	-	-
TOTAL EQUITY	4.279.268	3.746.954

(*) TRY 47.181 Thousand of balance is the monetary gain/loss from restatement of the 2003 period profit until April 2004 (dividend distribution date).

(**) Leaseholds improvements, prepaid expenses, intangible assets and deferred tax asset exceeding 10% of the core capital items under the core capital are not included in the core capital, instead, they are included in the deductions from capital in accordance with the related communiqué.

II. EXPLANATIONS RELATED TO THE CREDIT RISK

The Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank grades all of its credits that are granted to real persons or entities and requires additional collaterals from its customers having high credit risks. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk concentration in Turkey is high, since it operates mainly in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically. for geographical regions and sectors, limit determination process is carried by the related loan departments.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are assorted in accordance with the Bank's risk management system.

As prescribed in the Communiqué on "Determining the Nature of Loan and Other Receivable Provisions Allocated by the Banks and Procedures and Principles of Allocating Provisions", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are suretyships, immovable mortgages, cash blockages and customer or real person cheques.

When the Bank is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total.

Indemnified non-cash loans are subject to the same risk weight as the outstanding loans due at maturity and they are classified according to their guarantees and recognized in the non-performing loans account.

The Bank is not an active participant of the international banking sector.

As of December 31, 2007, the receivables of the Group from its top 100 cash loan customers is 15,84% of its total cash loans.

As of December 31, 2007, receivables of the Bank from its top 100 non-cash loan is 53,77% of its total non-cash loans.

As of December 31, 2007, share of cash and non-cash receivables of the Bank from its top 100 customers is 9,64% of its total balance sheet and off- balance sheet assets.

As of December 31, 2007, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 138.506 Thousand.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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
Loans according to borrowers:								
Private Sector	13.403.094	9.250.102	244.117	-	9.975	9.661	148.138	127.850
Public Sector	7.358	-	-	-	15.934.625	18.129.518	176.945	34.271
Banks	-	-	17.400	20.300	-	-	1.161.073	1.078.543
Retail	4.117.850	2.141.195	-	-	-	-	-	-
Share Certificates	-	-	-	-	-	-	-	-
Total	17.528.302	11.391.297	261.517	20.300	15.944.600	18.139.179	1.486.156	1.240.664
Information according to geographical concentration:								
Domestic	16.398.989	11.140.917	244.117	-	15.937.674	18.132.288	382.484	274.932
EU Countries	-	-	17.400	20.300	5.594	6.119	875.376	868.776
OECD Countries ***	-	-	-	-	-	-	97.498	29.783
Offshore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	111.125	1.643
Other Countries	1.129.313	250.380	-	-	1.332	772	19.673	65.531
Total	17.528.302	11.391.297	261.517	20.300	15.944.600	18.139.179	1.486.156	1.240.665

(*) 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 EU countries, USA and Canada.

(****) Interest and income accruals for the loans are not included in table above.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Information according to geographical concentration:

	Assets	Liabilities	Non-Cash Loans	Equity Investments	Net Profit/Loss
Current Period					
Domestic	37.461.587	33.341.634	3.621.425	101.329	1.131.039
EU Countries	1.124.988	534.854	114.992	255.318	-
OECD Countries (*)	112.246	-	1.496	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	42.685	84.728	1.166	-	-
Other Countries	1.136.126	1.890.164	26.000	175	-
Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	39.877.632	35.851.380	3.765.079	356.822	1.131.039
Prior Period					
Domestic	33.127.157	29.260.424	2.904.291	75.584	863.498
EU Countries	805.535	519.425	180.752	68.304	-
OECD Countries (*)	29.783	-	5.267	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	1.643	-	1.487	-	-
Other Countries	316.259	864.996	1.055	425	-
Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	34.280.377	30.644.845	3.092.852	144.313	863.498

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

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

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Sector concentrations for cash loans:

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	746.237	4,93	14.858	0,50	486.749	4,95	6.749	0,37
Farming and Raising Livestock	722.871	4,78	9.990	0,33	467.613	4,76	2.638	0,15
Forestry, Wood and Paper	8.921	0,06	58	0,00	7.836	0,08	23	0,00
Fishery	14.445	0,10	4.810	0,16	11.300	0,11	4.088	0,23
Manufacturing	3.194.180	21,12	1.495.933	50,13	2.044.403	20,80	904.780	50,24
Mining and Quarry	68.396	0,45	31.602	1,06	52.047	0,53	22.890	1,27
Production	3.112.470	20,58	1.412.470	47,33	1.986.950	20,21	866.848	48,13
Electricity, Gas and Water	13.314	0,09	51.861	1,74	5.406	0,05	15.042	0,84
Construction	570.285	3,77	55.197	1,85	454.742	4,63	36.115	2,01
Services	5.830.660	38,55	1.390.376	46,59	4.078.980	41,49	815.645	45,29
Wholesale and Retail Trade	3.473.837	22,97	204.306	6,85	2.401.330	24,43	79.607	4,42
Hotel, Tourism, Food and Beverage Services	793.720	5,25	210.691	7,06	140.222	1,43	72.321	4,02
Transportation and Communication	164.427	1,09	85.190	2,85	686.910	6,99	9.465	0,53
Financial Institutions	720.270	4,76	361.304	12,11	76.160	0,77	70.676	3,92
Real Estate and Renting Services	280.834	1,86	392.097	13,14	544.642	5,54	345.531	19,19
Self-Employment Services	36.110	0,24	14.907	0,50	107.919	1,10	139	0,01
Education Services	240.967	1,59	121.881	4,08	29.978	0,30	13.611	0,76
Health and Social Services	120.495	0,80	-	0,00	91.819	0,93	224.295	12,45
Other	4.781.807	31,62	27.656	0,93	2.764.644	28,13	37.652	2,09
Total	15.123.169	100,00	2.984.020	100,00	9.829.518	100,00	1.800.941	100,00

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

Gross Maximum Exposure	Current Period	Prior Period
Cash, Cash Equivalents, and CB of Turkey	3.471.178	2.550.539
Due from Banks	1.161.585	1.079.174
Money Market Receivables	50.025	-
Financial Assets at Fair Value Through Profit and Loss	480.172	753.601
Financial Assets Available-for-Sale	8.427.008	6.110.856
Held-to-Maturity Investments	7.037.420	11.274.722
Loans	18.121.078	11.645.638
Total	38.748.466	33.414.530
Contingent liabilities	3.765.079	3.092.852
Commitments	3.111.088	2.161.551
Total	6.876.167	5.254.403
Total credit risk exposure	45.624.633	38.668.933

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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
Receivables from Banks	1.161.585	-	1.161.585
Financial Assets at Fair Value Through Profit and Loss	480.172	-	480.172
Loans	16.805.533	176.364	16.981.897
Corporate lending	2.954.197	61.899	3.016.096
SME lending	9.877.008	47.229	9.924.237
Consumer lending	3.870.480	67.236	3.937.716
Other	103.848	-	103.848
Financial Assets Available for Sale	8.427.008	-	8.427.008
Investments held to maturity	7.037.420	-	7.037.420

(* Credit cards (TRY 274.350 Thousand) and loans for which the risk does not belong to the Bank (TRY 864.831 Thousand) are not included in table above.

(**) Loan portfolio classification is made in accordance with Basel II criterias.

(***) Financial assets that are overdue or impaired are presented in net values. Specific loan provision of TRY 1.018.853 Thousand as of 31.12.2007 is netted of from SME lending.

Corporate and Commercial Firms	Internal/ External Valuation Grade	Total
Risk Rating Group 1	AAA	1.886
Risk Rating Group 2	AA	470.837
Risk Rating Group 3	A	1.661.781
Risk Rating Group 4	BBB	1.200.185
Risk Rating Group 5	BB	1.085.635
Risk Rating Group 6	B	842.359
Risk Rating Group 7	CCC	329.971
Risk Rating Group 8	CC	50.598
Risk Rating Group 9	C	5.732
TOTAL		5.648.984

Entrepreneurial Firms	Internal/ External Valuation Grade	Total
High		
Risk Rating Group 1	1	927.651
Risk Rating Group 2	2	871.784
Standard		
Risk Rating Group 3	3	812.940
Below the Standard		
Risk Rating Group 4	4	843.747
Loss in value		
Risk Rating Group 5	5	538.302
TOTAL		3.994.424

1) Loans for which the risk does not belong to the Bank are not included. (TRY 864.831 Thousand)

2) Loan amount before the conversion is considered

3) Prepared in accordance with the internal grading results of the Bank

4) Only graded firms are included.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Risk Grade (1-4)	Risk Group	Definition of Risk Group	Risk Grade (%)
1,00 - 1,40	AAA	The firm is an extremely positive firm with its financial and non-financial criterias and it can pursue its high credibility in the long run.	100 -86
1,41 - 1,80	AA	The firm is a positive firm with its financial and non-financial criterias and it can pursue its high credibility in the long run.	85 -73
1,81 - 2,00	A	The firm that has performed its optimization and has a high credibility in the short run and is a credible firm in the medium run.	72 – 67
2,01 - 2,20	BBB	The firm is a credible firm despite the fact that it can not perform the optimization of certain aspects of its financial and non-financial criterias.	66 – 60
2,20 - 2,40	BB	The firm can not retain optimization in the major parts of its financial and non-financial criterias. It has speculative attributes but it is a credible firm in the short run.	59 – 53
2,41 - 2,60	B	Some of the financial and non-financial criterias are negative. It carries highly speculative attributes. In the short run it is a credible firm dependent on the positive conjuncture.	52 – 47
2,61 - 2,80	CCC	The major part of its financial and non-financial criterias is negative and the firm is having difficulties in meeting its commitments. But it has a guaranteed short run credibility dependent on the positive conjuncture.	46 – 40
2,81 - 3,20	CC	The firm force the acceptable risk limits when its financial and non-financial criterias are considered together, and has poor credibility.	39 – 27
3,21 - 3,60	C	The firm has no credibility when its financial and non-financial criterias are considered together.	26 – 13
3,61 - 4,00	D	The firm has no credibility under any condition.	12 – 0

Carrying amount per class of financial assets whose terms have been renegotiated:

	31 December 2007	31 December 2006
Loans	-	-
Corporate Loans	46.788	17.996
SME Loans	72.405	106.198
Consumer Loans	8	-
Other	245	1.032
Total	119.446	125.226

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, of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured, and in the computation of capital adequacy, the amount subject to VAR calculated by using the standard method (summarized below) is taken into consideration. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by three different methods which are historic simulation, Monte Carlo simulation and parametric method, and these results are also reported daily to the management.

In addition to the standard method, market risk is also calculated by internal model method (Value subject to risk), and the results are supported by scenario analysis and stress tests.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

a) Information Related to Market Risk:

	Amount
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	15.442
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	14.034
(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)	29.476
(IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)	368.450

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	13.170	16.691	8.695	36.085	66.643	8.662
Common Stock Risk	-	-	-	868	1.756	-
Currency Risk	4.793	14.034	811	2.689	12.152	271
Commodity Risk	67	87	-	7	81	-
Clearance Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Total Value Subject to Risk	18.030	30.812	9.506	39.649	80.632	8.933

Other Price Risks

The Bank does not invest in share certificates, hence it is not subject to share price risk.

IV. EXPLANATIONS RELATED TO OPERATIONAL RISK

In the calculation of the Bank's operational risk, "Basic Indicator Method" is used. The amount subject to operational risk is calculated in accordance with Section 4 of the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 26333 on November 1, 2006 and this section is named as "Calculation of Operational Risk Base Amount" which came into effect as of June 1, 2007. The calculation is performed parallel to the practice within the country, by multiplying 15% of the Bank's last three years' average gross revenue with 12,5. Amount subject to operational risk is TRY 3.330.937 Thousand for the current period.

V. EXPLANATIONS RELATED TO THE 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. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

The Bank is not exposed to currency risks. However, potential currency risks are figured at weekly and monthly periods through the standard method. Thereby, currency risk can be closely followed. The Bank rarely enters into swap contracts against the currency risk, in case of need.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Announced current foreign exchange buying rates of the Bank as at December 31, 2007 and the previous five working days in full TRY are as follows:

	24.12.2007	25.12.2007	26.12.2007	27.12.2007	28.12.2007	31.12.2007
USD	1,1700000	1,1700000	1,1650000	1,1650000	1,1600000	1,1600000
CHF	1,0091000	1,0096000	1,0117000	1,0179000	1,0273000	1,0239000
GBP	2,3097000	2,3106000	2,3064000	2,3140000	2,3100000	2,3146000
JPY	0,0102142	0,0102316	0,0102008	0,0101915	0,0102487	0,0103620
EURO	1,6851000	1,6838000	1,6891000	1,6971000	1,7069000	1,6988000

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
USD	1,1659211
CHF	1,0219421
GBP	2,3507632
JPY	0,0103586
EURO	1,6991579

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Information related to unconsolidated currency risk:

Current Period	EURO	USD	YEN	OTHER	Total
Assets					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	867.474	53.675	35	4.260	925.444
Banks and Financial Institutions	136.551	937.328	292	55.346	1.129.517
Financial Assets at Fair Value Through Profit and Loss	92.552	52.178	-	45	144.775
Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale	803.270	948.084	-	-	1.751.354
Loans (**)	1.123.349	1.928.137	649	1.640	3.053.775
Subsidiaries, Associates and Entities Under Common Control	249.724	-	-	-	249.724
Held-to-Maturity Investments (***)	942.812	268.563	-	-	1.211.375
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	33	-	-	10	43
Intangible Assets	-	-	-	-	-
Other Assets	1.218	59.392	-	42	60.652
Total Assets	4.216.983	4.247.357	976	61.343	8.526.659
Liabilities					
Bank Deposits	4.547	22.210	-	236	26.993
Foreign Currency Deposits	3.612.943	4.892.966	374	57.041	8.563.324
Money Market Balances	170.202	246.336	-	-	416.538
Funds Provided from Other Financial Institutions	498.905	50.265	648	357	550.175
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	1.767	3.227	274	39	5.307
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities	2.176	106.324	398	76	108.974
Total Liabilities (****)	4.290.540	5.321.328	1.694	57.749	9.671.311
Net Balance Sheet Position	(73.557)	(1.073.971)	(718)	3.594	(1.144.652)
Net Off-Balance Sheet Position					
Financial Derivative Assets	195.362	1.002.240	1.171	-	1.198.773
Financial Derivative Liabilities	-	1.566	-	-	1.566
Non-Cash Loans (*)	512.097	1.501.492	7.770	36.759	2.058.118
Prior Period					
Total Assets	4.086.935	2.835.200	(122)	71.821	6.993.834
Total Liabilities	4.095.823	3.757.378	478	63.554	7.917.233
Net Balance Sheet Position	(8.888)	(922.178)	(600)	8.267	(923.399)
Net Off-Balance Sheet Position					
Financial Derivative Assets	-	892.854	-	-	892.854
Financial Derivative Liabilities	-	2.538	-	-	2.538
Non-Cash Loans	484.991	1.438.998	8.982	45.395	1.978.366

(*) Non-cash loans are not included in the off-balance sheet items

(**) Contains TRY 69.755 Thousand of foreign currency indexed loans and their accruals.

(***) Contains TRY 1.211.375 Thousand of foreign currency indexed held to maturity marketable securities and their accruals.

(****) Contains TRY 175.009 Thousand which is the difference between the cost and the valuation of Demirhalkbank N.V. which has been recorded to the foreign currency marketable securities revaluation fund under shareholders' equity.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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 and 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.

December 31, 2007	Change in currency rate in %	Effect on profit/loss
USD	10	(6.402)
EURO	10	(2.072)
Other	10	405

The Bank's sensitivity to foreign currency rates has not changed much during the current period. The positions taken in line with market expectations can increase the foreign currency sensitivity from period to period.

VI. EXPLANATIONS RELATED TO THE INTEREST RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by the Bank and the Bank's interest rate risk is calculated by using the general and specific interest rate risk statement in the standard method including the assets and liabilities and the capital adequacy standard ratio is taken into consideration as a part of the general market risk.

The priority of the Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context, are calculated by the risk management department 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 budget targets. The Bank's financial resource costs, such as TRY bank deposit, foreign exchange accounts, repurchase agreements are determined by the Treasury Vice Presidency.

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

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	3.012.267	-	-	-	-	458.911	3.471.178
Banks and Financial Institutions Financial Assets at Fair Value	1.151.378	-	-	-	-	10.207	1.161.585
Through Profit and Loss	1.906	242.907	15.179	124.702	87.543	7.935	480.172
Money Market Placements	50.025	-	-	-	-	-	50.025
Financial Assets Available-for-Sale	1.440.363	3.729.176	723.109	1.836.014	688.372	9.974	8.427.008
Loans	8.211.953	1.310.129	3.464.007	3.766.631	652.473	701.996	18.107.189
Held-to-Maturity Investments	5.619.007	512.446	905.967	-	-	-	7.037.420
Other Assets (1) (2)	117.152	3.767	-	-	-	1.378.958	1.499.877
Total Assets	19.604.051	5.798.425	5.108.262	5.727.347	1.428.388	2.567.981	40.234.454
Liabilities							
Bank Deposits	974.981	60.427	-	-	-	13.641	1.049.049
Other Deposits	16.962.177	7.331.654	2.199.706	2.259	-	3.296.066	29.791.862
Money Market Balances	1.366.544	89.945	246.336	-	-	-	1.702.825
Sundry Creditors	6.905	-	-	-	-	345.422	352.327
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	818.668	252.154	200.476	384.907	108.079	215.080	1.979.364
Other Liabilities (3)	58.309	9.727	22.959	-	-	5.268.032	5.359.027
Total Liabilities	20.187.584	7.743.907	2.669.477	387.166	108.079	9.138.241	40.234.454
Balance Sheet Long Position	-	-	2.438.785	5.340.181	1.320.309	-	9.099.275
Balance Sheet Short Position	(583.533)	(1.945.482)	-	-	-	(6.570.260)	(9.099.275)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(583.533)	(1.945.482)	2.438.785	5.340.181	1.320.309	(6.570.260)	-

(1) TRY 63.924 Thousand of deferred tax asset is disclosed under the non-interest bearing column in other assets.

(2) TRY 13.889 Thousand of non-performing loans with no specific reserve are disclosed under the non-interest bearing column in other assets.

(3) Shareholders' equity balance is disclosed under the non-interest bearing column.

(4) Funds provided from other financial institutions include borrowings.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	2.136.056	-	-	-	-	414.483	2.550.539
Banks and Financial Institutions	1.053.525	-	-	-	-	25.649	1.079.174
Financial Assets at Fair Value Through Profit and Loss	2.664	253.996	70.289	214.028	212.173	451	753.601
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	1.475.819	2.281.531	228.132	398.373	1.717.341	9.660	6.110.856
Loans	5.453.655	1.688.017	1.396.965	815.234	2.275.606	982	11.630.459
Held-to-Maturity Investments	5.705.368	3.270.269	2.299.085	-	-	-	11.274.722
Other Assets (1) (2)	-	-	-	-	-	1.025.339	1.025.339
Total Assets	15.827.087	7.493.813	3.994.471	1.427.635	4.205.120	1.476.564	34.424.690
Liabilities							
Bank Deposits	861.914	-	-	-	-	7.303	869.217
Other Deposits	15.086.650	7.262.053	635.156	926.039	1.193	2.407.656	26.318.747
Money Market Balances	508.239	163.286	-	-	-	-	671.525
Sundry Creditors	4.039	-	-	-	-	267.331	271.370
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	691.489	19.655	22.189	28.122	241.228	-	1.002.683
Other Liabilities (3)	171.812	144.040	127.102	12.458	416.933	4.418.803	5.291.148
Total Liabilities	17.324.143	7.589.034	784.447	966.619	659.354	7.101.093	34.424.690
Balance Sheet Long Position	-	-	3.210.024	461.016	3.545.766	-	7.216.806
Balance Sheet Short Position	(1.497.056)	(95.221)	-	-	-	(5.624.529)	(7.216.806)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(1.497.056)	(95.221)	3.210.024	461.016	3.545.766	(5.624.529)	-

(1) TRY 54.854 Thousand of deferred tax asset is disclosed under the non-interest bearing column in other assets.

(2) TRY 15.179 Thousand of non-performing loans with no specific reserve are disclosed under the non-interest bearing column in other assets.

(3) Shareholders' equity balance is disclosed under the non-interest bearing column.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

2. Average interest rates applied to monetary financial instruments:

Current Period	EURO	USD	YEN	TRY
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,80	1,95	-	12,14
Due from Other Banks and Financial Institutions	3,51	4,69	-	16,61
Financial Assets at Fair Value Through Profit and Loss	5,98	5,55	-	18,02
Money Market Placements	-	-	-	15,75
Available-for-Sale Financial Assets	5,40	6,37	-	18,38
Loans (*)	6,74	6,80	2,10	21,10
Held-to-Maturity Investments	5,73	6,14	-	17,45
Liabilities				
Bank Deposits	-	5,15	-	16,38
Other Deposits	2,12	3,90	-	15,63
Money Market Borrowings	-	-	-	16,32
Sundry Creditors	-	-	-	11,38
Marketable Securities Issued	-	-	-	-
Funds Provided from Other Financial Institutions	-	-	-	-
Prior Period (*)				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,73	2,52	-	11,56
Due from Other Banks and Financial Institutions	3,61	5,26	-	18,54
Financial Assets at Fair Value Through Profit and Loss	5,55	6,06	-	19,93
Money Market Placements	-	-	-	17,50
Available-for-Sale Financial Assets	5,18	6,94	-	20,85
Loans (*)	7,50	9,00	-	25,27
Held-to-Maturity Investments	4,57	7,41	-	21,14
Liabilities				
Bank Deposits	-	5,00	-	18,49
Other Deposits	2,09	2,19	-	14,73
Money Market Borrowings	-	-	-	17,93
Sundry Creditors	-	-	-	12,00
Marketable Securities Issued	-	-	-	-
Funds Provided from Other Financial Institutions	-	-	-	-

(*) These interest rates are the yearly average of the bank's announced interest rates of EUR and USD loans extended and may differ from the actual realizations.

Interest rate sensitivity:

If interest rates had been increased by 600 base points in TRY and 200 base points for FC and all other variables were held constant, the Bank's:

- Profit for the year would increase by TRY 9.860 Thousand. The major factor in this change is due to the assets of the Bank with variable interest rates.
- The Shareholders' equity would decrease by TRY 545.675 Thousand. The major factor in this change is due to the value of the commercial and customer loans with fixed interest rates.
- Through these calculations, the value loss related to held for sale investments are presented in shareholder's equity instead of profit and loss.

VII. EXPLANATIONS RELATED TO THE LIQUIDITY RISK

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

Domestic and foreign markets are used to meet liquidity need. Low levels of liquidity needs provides an easy access for borrowing from the Turkish Republic Central Bank, İstanbul Stock Exchange, Interbank Money Market, Clearing Bank and other markets. The Bank's low ratios of bank deposits and foreign currency deposits compared to other commercial banks, with the similar balance sheet total, is an indication of having a bigger share from the market when needed. Available money market debts from the foreign market, Eurobonds held in portfolio are important potential resources of the Bank.

When funding and liquidity sources are considered, the Bank covers majority of its liquidity need through deposits. In addition, securities portfolio is mainly composed of held to maturity securities.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Presentation of assets and liabilities according to their remaining maturities:

The Bank follows up and measures the consistency of payments by comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed (*)	Total
Assets								
Cash (Cash in TRY, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	458.431	1.181.600	1.396.975	425.147	8.569	-	456	3.471.178
Banks and Financial Institutions	-	1.161.585	-	-	-	-	-	1.161.585
Financial Assets at Fair Value Through Profit and Loss	-	1.906	41.075	15.105	333.385	87.543	1.158	480.172
Money Market Placements	-	50.025	-	-	-	-	-	50.025
Financial Assets Available-for-Sale	-	112.180	293.658	1.172.224	4.967.244	1.871.728	9.974	8.427.008
Loans	657.121	2.661.127	1.762.436	6.469.143	5.390.487	1.166.875	-	18.107.189
Held-to-Maturity Investments	-	190.082	20.761	1.258.301	3.768.276	1.800.000	-	7.037.420
Other Assets (2)	264.574	3.020	3.767	-	-	-	1.228.516	1.499.877
Total Assets	1.380.126	5.361.525	3.518.672	9.339.920	14.467.961	4.926.146	1.240.104	40.234.454
Liabilities								
Bank Deposits	13.641	974.981	60.427	-	-	-	-	1.049.049
Other Deposits	3.296.067	16.962.176	7.331.654	2.199.706	2.259	-	-	29.791.862
Funds Provided from Other Financial Institutions	327.809	67.726	102.719	243.366	801.394	436.350	-	1.979.364
Money Market Balances	-	1.196.664	89.945	416.216	-	-	-	1.702.825
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	345.422	6.905	-	-	-	-	-	352.327
Other Liabilities (1)	799.194	143.960	9.840	22.959	-	-	4.383.074	5.359.027
Total Liabilities	4.782.133	19.352.412	7.594.585	2.882.247	803.653	436.350	4.383.074	40.234.454
Liquidity Gap	(3.402.007)	(13.990.887)	(4.075.913)	6.457.673	13.664.308	4.489.796	(3.142.970)	-
Prior Period								
Total Assets	203.828	4.987.116	1.701.087	2.396.762	5.839.261	18.261.186	1.035.450	34.424.690
Total Liabilities	7.083.823	16.662.098	7.507.187	728.414	1.113.722	1.329.446	-	34.424.690
Liquidity Gap	(6.879.995)	(11.674.982)	(5.806.100)	1.668.348	4.725.539	16.931.740	1.035.450	-

(1) Shareholders' equity is disclosed under the undistributed column.

(2) TRY 13.889 Thousand of non-performing fund based loans with no specific provision, is disclosed in other assets.

(3) Some balances, which are necessary and cannot be converted into cash in the near future for the Bank's ongoing activities, such as; tangible and intangible assets, subsidiaries, office supplies, prepaid expenses, deferred tax assets and doubtful receivables and other long term assets are disclosed under the undistributed column.

(4) Funds provided from other financial institutions include borrowings.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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
Liabilities							
Deposits	11.022.180	3.178.595	945.874	971	-	15.693.291	30.840.911
Funds Provided from Other Financial Institutions	395.535	102.719	243.366	801.394	436.350	-	1.979.364
Money Market Borrowings	1.196.664	89.945	416.216	-	-	-	1.702.825
Securities Issued	-	-	-	-	-	-	-
Sundry creditors	352.327	-	-	-	-	-	352.327
Total	12.966.706	3.371.259	1.605.456	802.365	436.350	15.693.291	34.875.427

Analysis of commitments and contingencies according to their remaining maturities:

As of December 31, 2007	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Contingent Liabilities	1.412.561	336.844	393.362	841.487	696.139	84.686	3.765.079
Commitments	1.292.865	1.807.988	525	9.706	4	-	3.111.088
Total	2.705.426	2.144.832	393.887	851.193	696.143	84.686	6.876.167

Analysis of Bank's derivative financial instruments according to their remaining maturities:

As of December 31, 2007	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forward foreign currency transactions-buy	1.521	-	508	-	-	2.029
Forward foreign currency transactions-sell	1.547	-	469	-	-	2.016
Foreign currency swap transactions-buy	719.422	-	-	-	-	719.422
Foreign currency swap transactions-sell	735.354	-	-	-	-	735.354
Interest rate swap transactions-buy	-	-	84.940	394.400	-	479.340
Interest rate swap transactions-sell	-	-	86.875	455.310	-	542.185
Total	1.457.844	-	172.792	849.710	-	2.480.346

VIII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

The Bank's operations are grouped under the corporate, commercial, consumer and entrepreneur and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according the classification shown in the table below, with the classification reflected to the head office and branches.

The Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium size Enterprises (SME) as well as individuals having consumer status. In this context, the Bank has no restrictions on the area in which it operates.

The Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real entities without having any commercial or professional purposes other than their individual demands in the Bank's application.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

The following are the services provided the Bank to all of its customers:

- Accepting deposits,
- Issuing of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money transfer, Insurance agency services,
- Rendering insurance agency transactions,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement composed by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering ,
- Trading the capital market instruments issued for the purpose of performing intermediary services.

Under the Treasury transactions, medium and long-term fund provision is performed by means of securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and the Related Presentations and Notes" as of December 31, 2007 are presented in the table below:

	Corporate	Commercial	Personal	Retailer/ Entrepreneur	Treasury/ Investment	Other	Total
OPERATING INCOME/EXPENSES							
Interest Income	163.649	157.342	5.534	2.330.500	3.028.160	22.996	5.708.181
Interest on loans	163.584	157.136	5.511	2.323.966	-	-	2.650.197
Interest income on marketable securities	-	-	-	-	2.811.955	-	2.811.955
Interest received from banks	-	-	-	-	216.205	-	216.205
Other interest income	65	206	23	6.534	-	22.996	29.824
Interest Expense	374.952	114.838	81.163	3.172.874	212.101	-	3.955.928
Interest on deposits	371.479	102.778	81.163	3.141.035	-	-	3.696.455
Interest on borrowings	3.372	11.818	-	6.085	51.623	-	72.898
Interest on money market borrowings	-	-	-	-	160.478	-	160.478
Other interest expense	101	242	-	25.754	-	-	26.097
Net Interest Income	(211.303)	42.504	(75.629)	(842.374)	2.816.059	22.996	1.752.253
Net Fees and Commissions Income	10.164	14.082	1.489	270.481	-	-	296.216
Fees and Commissions Income	10.195	14.182	1.502	321.373	-	-	347.252
Fees and Commissions Expenses	31	100	13	50.892	-	-	51.036
Net Trading Profit/(Loss)	1.860	42.672	68	-	-	(86.537)	(41.937)
Dividend Income	-	-	-	-	19.064	-	19.064
Other Income	2.923	17.127	213	431.313	-	-	451.576
Loans and Other Receivables							
Impairment Loss Provisions	1.426	12.214	153	208.517	585	-	222.895
Other Expenses	10.471	26.503	3.844	752.876	-	53.999	847.693
Income Before Taxes	(208.253)	77.668	(77.856)	(1.101.973)	2.834.538	(117.540)	1.406.584
Tax Income Provision	-	-	-	-	-	(275.545)	(275.545)
Net Profit for the Period	(208.253)	77.668	(77.856)	(1.101.973)	2.834.538	(393.085)	1.131.039
SEGMENT ASSETS							
Financial Assets at Fair Value							
Through Profit and Loss (net)	-	-	-	-	480.172	-	480.172
Banks and Other Financial Institutions	-	-	-	-	1.161.585	-	1.161.585
Financial Assets Available for Sale (net)	-	-	-	-	8.427.008	-	8.427.008
Associates and Subsidiaries (net)	-	-	-	-	346.847	-	346.847
Held to Maturity Marketable Securities (net)	-	-	-	-	7.037.420	-	7.037.420
Loans	1.569.240	1.512.074	38.690	15.001.074	-	-	18.121.078
Other Assets	360	5.699	947	1.227.808	2.628.250	797.280	4.660.344
Agency Services	-	4	3	102	-	-	109
Retail Intermediation	-	-	-	-	-	-	-
Other	360	5.695	944	1.227.706	2.628.250	797.280	4.660.235
TOTAL ASSETS	1.569.600	1.517.773	39.637	16.228.882	20.081.282	797.280	40.234.454
SEGMENT LIABILITIES							
Deposits	2.307.852	967.772	715.608	26.849.679	-	-	30.840.911
Derivative Financial Liabilities							
Held for Trading	-	-	-	-	97.088	-	97.088
Money Market Balances	-	-	-	-	1.702.825	-	1.702.825
Borrowing Funding Loans	28.248	94.943	-	52.903	760.934	-	937.028
Other Liabilities	2.902	10.974	407	1.655.080	-	165.160	1.834.523
Provisions	8.188	6.929	1.335	56.306	-	366.247	439.005
Shareholders' Equity	-	-	-	-	-	4.383.074	4.383.074
TOTAL LIABILITIES	2.347.190	1.080.618	717.350	28.613.968	2.560.847	4.914.481	40.234.454
OFF BALANCE SHEET							
CONTINGENCIES AND COMMITMENTS							
Guaranties and Suretyships	944.608	527.010	1.708	1.614.637	-	-	3.087.963
Letters of Credit	473.656	187.642	-	15.818	-	-	677.116
Commitments	8.970	37.089	4.735	3.060.294	-	-	3.111.088
Derivative Financial Instruments	-	-	-	-	2.480.346	-	2.480.346

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

IX. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	35.277.288	30.863.991	35.107.235	30.863.991
Money Market Placements	50.025	-	50.005	-
Banks	1.161.585	1.079.174	1.161.394	1.079.174
Financial Assets Held for Trading	480.172	753.601	480.172	753.601
Available for Sale Financial Assets	8.427.008	6.110.856	8.427.008	6.110.856
Held-to Maturity Investments	7.037.420	11.274.722	6.990.516	11.274.722
Loans	18.121.078	11.645.638	17.998.140	11.645.638
Financial Liabilities	33.172.602	28.332.461	33.203.701	28.332.461
Deposits	30.840.911	27.187.964	30.871.392	27.187.964
Funds Provided from Other Financial Institutions	1.979.364	873.127	1.980.004	873.127
Securities Issued	-	-	-	-
Sundry Creditors	352.327	271.370	352.305	271.370

Since the system for the calculation of the fair value of financial assets and liabilities has been completed for the year 2007, no calculation could be performed for the prior period.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined by market prices, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with same terms of interest, maturity and other similar conditions have been used.
- ii- While calculating the fair value of the available for sale assets, the market prices are considered. In case of the price being not determined in active market conditions, the discounted amount based on IRR methodology is used as fair value.
- iii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial institutions and sundry creditors.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

The following table presents an analysis of financial instruments recorded at fair value, with 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:

	Quoted	Valuation techniques- market observable	Valuation techniques- non market observable	Fair value not available
Financial Assets				
Money Market Placements	-	50.005	-	-
Banks	-	1.161.394	-	-
Securities	8.889.270	7.008.426	-	-
Loans	-	17.998.140	-	-
Financial Liabilities				
Deposits	-	30.871.392	-	-
Funds Provided from Other Financial Institutions	-	1.980.004	-	-
Securities Issued	-	-	-	-
Sundry Creditors	-	352.305	-	-

X. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND FIDUCIARY TRANSACTIONS

The Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services.

The Bank does not deal with fiduciary transactions.

SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES TO THE ASSETS

(1) a) Cash and balances with the Central Bank:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	156.137	73.348	127.963	69.777
Balances with the Central Bank of Turkey	2.389.597	852.072	1.568.824	783.952
Other	-	24	-	23
Total	2.545.734	925.444	1.696.787	853.752

b) Information on the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Unrestricted Demand Deposit (*)	2.389.597	852.072	1.568.824	783.952
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Total	2.389.597	852.072	1.568.824	783.952

(*) Unrestricted Demand Deposit is composed of required reserves. The interest rate range applied by Central Bank of Turkey to required reserves for TRY is 13,12% - 11,81%, for EUR it is 1,73% - 1,80%, and for USD it is 2,51% - 1,95%. (10,25% - 13,2% (TRY), 1,14% - 1,73% (EUR); 2,03% - 2,52% (USD))

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(2) Financial assets at fair value through profit and loss:

a) Financial assets at fair value through profit and loss blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Participation Shares	-	-	-	-
Treasury Bills, Government Bonds and Similar Securities	-	86.053	-	98.916
Other	-	-	-	-
Total	-	86.053	-	98.916

b) Financial assets at fair value through profit and loss subject to repurchase agreements:
None.

c) Positive differences related to the derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	-	51	-	45
Swap Transactions	-	6.726	-	1.164
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	6.777	-	1.209

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic	21.848	93.509	169.267	7.055
Foreign	10.220	1.036.008	50.235	852.617
Branches and Head Office Abroad	-	-	-	-
Total	32.068	1.129.517	219.502	859.672

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	817.560	805.535	-	-
USD and Canada	111.125	1.643	-	-
OECD Countries (*)	97.498	29.783	-	-
Offshore Banking Regions	-	-	-	-
Other	20.045	65.891	-	-
Total	1.046.228	902.852	-	-

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

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(4) Information on financial assets available-for-sale:

a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

a.1. Information on financial assets available-for-sale blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Participation Shares	-	-	-	-
Treasury Bills, Government Bonds and Similar Securities	286.931	-	282.966	-
Other	-	-	-	-
Total	286.931	-	282.966	-

(*) As of 31 December 2007, with TRY 265.050 Thousand cost and TRY 257.955 Thousand nominal value of government bond, which is recorded under available for sale portfolio, having a maturity date of August 18, 2010 is given as a guarantee against TRY 200.000 Thousand of borrowing by the Bank.

a.2. Information on financial assets available-for-sale subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government Bonds	187.061	-	-	-
Treasury Bills	-	-	-	-
Other public sector debt securities (*)	-	500.376	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	187.061	500.376	-	-

(*) As of 31 December 2007 the Bank has Eurobonds having maturity dates of July 6, 2012, February 16, 2017, January 15, 2030, June 5, 2020, February 5, 2025 and September 26, 2016 and classified as available for sale investments subject to repurchase agreements with TRY 90.908 Thousand, TRY 89.710 Thousand, TRY 35.643 Thousand, TRY 24.411 Thousand, TRY 47.913 Thousand and TRY 192.157 Thousand cost, and TRY 91.735 Thousand, TRY 92.330 Thousand, TRY 23,200 Thousand, TRY 24,158 Thousand, TRY 46,400 Thousand and TRY 188,790 Thousand nominal values respectively.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	8.417.278	6.105.162
Quoted on a stock exchange	8.417.278	6.105.162
Not quoted	-	-
Share certificates	10.203	10.772
Quoted on a stock exchange	-	-
Not quoted	10.203	10.772
Impairment provision (-)	(473)	(5.078)
Total	8.427.008	6.110.856

(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	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	45.840	-	39.040	-
Total	45.840	-	39.040	-

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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

Cash 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
Non-specialized loans	11.298.202	39.616	509.992	79.234
Discount notes	542	-	-	-
Export loans	1.365.246	5.978	8.277	-
Import loans	-	-	-	-
Loans given to financial sector	244.117	-	-	-
International loans	1.146.713	-	-	-
Consumer loans (*)	3.682.438	-	161.053	6
Credit cards (**)	238.242	1	36.109	1
Precious metals loans	-	-	-	-
Other	4.620.904	33.637	304.553	79.227
Specialized loans	5.527.102	382	335.077	214
Other receivables	-	-	-	-
Accruals	300.163	714	15.076	1.417
Total	17.125.467	40.712	860.145	80.865

(*) Includes TRY 42.178 Thousand of personnel loans.

(**) Includes TRY 3.662 Thousand of personnel credit cards.

c) Loans according to the maturity structure:

Cash 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
Short-term Loans	8.086.938	7.462	364.049	14.444
Non-specialized loans	6.556.186	7.057	326.171	14.164
Specialized loans	1.389.010	274	31.497	27
Other Receivables	-	-	-	-
Accruals	141.742	131	6.381	253
Medium and Long-term loans	9.038.529	33.250	496.096	66.421
Non-specialized loans	4.742.016	32.559	183.821	65.070
Specialized loans	4.138.092	108	303.580	187
Other receivables	-	-	-	-
Accruals	158.421	583	8.695	1.164
Total	17.125.467	40.712	860.145	80.865

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	354.785	3.411.918	3.766.703
Housing Loans	3.456	1.675.306	1.678.762
Car Loans	1.875	57.616	59.491
General Purpose Loans	349.454	1.678.996	2.028.450
Other	-	-	-
Consumer Loans –Indexed to FC	-	1.722	1.722
Housing Loans	-	736	736
Car Loans	-	19	19
General Purpose Loans	-	967	967
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	264.306	-	264.306
With Installments	9.171	-	9.171
Without Installments	255.135	-	255.135
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TRY	2.965	39.213	42.178
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	2.965	39.213	42.178
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	3.662	-	3.662
With Installments	538	-	538
Without Installments	3.124	-	3.124
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Account-TRY (Real Person) (*)	32.894	-	32.894
Overdraft Account-FC (Real Person)	-	-	-
Total	658.612	3.452.853	4.111.465

(*) Interest and income accruals are not included in table above

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TRY	133.996	285.794	419.790
Business Loans	5.017	79.343	84.360
Car Loans	30.741	161.936	192.677
General Purpose Loans	-	-	-
Other	98.238	44.515	142.753
Commercial loans with installment facility – Indexed to FC	-	-	-
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Commercial loans with installment facility –FC	-	-	-
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TRY	6.385	-	6.385
With Installments	237	-	237
Without Installments	6.148	-	6.148
Corporate Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Account-TRY (Legal Entity)	79.481	-	79.481
Overdraft Account-FC (Legal Entity)	-	-	-
Total	219.862	285.794	505.656

(*) Interest and income accruals are not included in table above

f) Loan distribution according to borrowers:

	Current Period	Prior Period
Public	7.358	-
Private	18.099.831	11.630.459
Total	18.107.189	11.630.459

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	16.947.566	11.354.589
Foreign loans	1.159.623	275.870
Total	18.107.189	11.630.459

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	43.902	31.805
Indirect loans granted to subsidiaries and associates	-	-
Total	43.902	31.805

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

i) Specific provisions provided against loans:

	Current Period	Prior Period
Specific Provisions		
Loans and receivables with limited collectibility	35.708	61.975
Loans and receivables with doubtful collectibility	21.018	9.018
Uncollectible loans and receivables	962.127	998.790
Total	1.018.853	1.069.783

Information on non-performing loans (Net):

j.1. Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period	417	32	124.242
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	417	32	124.242
Prior period	7.171	19	150.500
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	7.171	19	150.500

j.2. Information on 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	63.905	9.035	1.012.022
Additions (+)	64.162	2.226	77.084
Transfers from other categories of loans under follow-up (+)	-	48.119	34.697
Transfers to other categories of loans under follow-up (-)	48.119	34.697	-
Collections (-)	42.211	3.580	149.901
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	37.737	21.103	973.902
Specific provision (-)	35.708	21.018	962.127
Net Balance on Balance Sheet	2.029	85	11.775

j.3. Information on foreign currency non-performing loans and other receivables:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

j.4. Gross and net amounts of non-performing loans according to user groups:

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	37.615	21.102	949.759
Specific Provisions (-)	35.586	21.017	937.984
Loans to Real Persons and Legal Entities (Net)	2.029	85	11.775
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	122	1	24.143
Specific Provisions (-)	122	1	24.143
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	63.697	9.035	993.214
Specific Provisions (-)	61.767	9.018	979.982
Loans to Real Persons and Legal Entities (Net)	1.930	17	13.232
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	208	-	18.808
Specific Provisions (-)	208	-	18.808
Other Loans and Receivables (Net)	-	-	-

k) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables should be disclosed:

The Bank liquidates its uncollectible receivables in 3 ways, by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the low balance receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and capital receivables from loans.

The Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted. The Bank is also planning to collect its receivables in accordance with the requirements of Law No: 5569 dated on December 27, 2006 through Anadolu Yaklaşımı (protocols for non-performing loans).

Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Delayed Receivables" unrecoverable non performing loans can be written off to prevent additional legal expenses.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Aging analysis of past due but not impaired financial assets per classes of financial instruments:

	Less than 30 Days	Between 31 and 60 Days	Between 61 and 90 Days	More than 91 Days	Total
Loans and Receivables					
Corporate Loans	2.054	-	-	1.419	3.473
SME Loans	63.121	23.456	15.956	54.016	156.549
Consumer Loans	1.346	227	169	39	1.781
Other	-	-	-	-	-
Total	66.521	23.683	16.125	55.474	161.803

(*) Loans for which risk does not belong to the Bank are not included.

As at December 31, 2007, the fair value of collaterals held against the past due but not yet impaired loans amounts to TRY 44.979 Thousand.

Loans and advances amounting to TRY 9.019.925 Thousand have floating interest rates and TRY 9.101.153 Thousand have fixed interest rates.

(6) Information on held-to-maturity investments:

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value.

a.1. Held-to-maturity investments blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury Bills	-	-	-	-
Government Bonds and Similar Securities	1.733.057	-	1.812.668	-
Other	-	-	-	-
Total	1.733.057	-	1.812.668	-

a.2. Held-to-maturity investments subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Participation Shares	-	-	-	-
Treasury Bills, Government Bonds and Similar Securities	1.424.253	-	761.917	-
Other	-	-	-	-
Total	1.424.253	-	761.917	-

b) Information on public sector debt investments held-to-maturity:

	Current Period	Prior Period
Government Bonds	7.037.420	11.274.722
Treasury Bills	-	-
Other public sector debt securities	-	-
Total	7.037.420	11.274.722

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	7.147.211	11.332.777
Quoted on a stock exchange	-	-
Not quoted on a stock exchange	7.147.211	11.332.777
Provision for impairment (-)	109.791	58.055
Total	7.037.420	11.274.722

d) Movement of held-to-maturity investments within the year:

	Current Period	Prior Period
Beginning balance	11.274.722	13.848.583
Foreign currency differences on monetary assets	(15.600)	100.713
Purchases during the year	457.431	895.270
Disposals through sales and redemptions	(4.627.397)	(3.606.194)
Impairment provision (-)	(51.736)	(36.350)
Closing Balance	7.037.420	11.274.722

d.1. Information on accounts in which held-to-maturity securities are recorded:

The breakdown of the held to maturity securities of the Bank is as follows:

	Current Period				Prior Period			
	Historical Cost		Amortized		Historical Cost		Amortized	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Undersecretariat of Treasury of Republic of Turkey	3.087.989	-	3.197.719	-	5.187.989	282.000	5.366.650	285.371
Obtained from Chairmanship of Privatization Administration	-	-	-	-	900.000	-	999.718	-
Obtained with the Transfer	3.691.999	-	3.839.701	-	4.307.807	-	4.622.983	-
Other	-	-	-	-	-	-	-	-
Total	6.779.988	-	7.037.420	-	10.395.796	282.000	10.989.351	285.371

(7) Information on associates (Net):

a) Information on associates:

	Description	Address(City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1	DEMİRHALKBANK N.V.	NETHERLANDS	30,00	30,00
2	HALK FINANSAL KİRALAMA A.Ş.	İSTANBUL	47,75	47,75
3	KOBİ YATIRIM A.Ş.	ANKARA	31,47	32,26
4	FİNTEK A.Ş.	ANKARA	24,00	29,76
5	ZİRAAT HALK ALTERNATİF DAĞ. KAN. A.Ş.	İSTANBUL	24,00	24,00
6	KKB KREDİ KAYIT BÜROSU A.Ş.	İSTANBUL	18,18	18,18
7	BANKALARARASI KART MERKEZİ A.Ş.	İSTANBUL	18,95	18,95

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

b) Information related to the associates as sorted in a) (*) ():**

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
3.281.604	344.924	19.322	55.053	2.161	19.322	25.589	832.412
338.018	60.441	33.212	-	-	2.715	10.062	58.000
31.301	31.188	72	-	-	3.007	3.064	33.292
8.310	3.192	86	290	107	331	338	-
11.681	6.879	1.070	298	62	4.130	2.005	-
19.433	15.163	1.920	1.882	-	2.894	3.673	-
14.210	12.685	3.761	825	-	2.193	2.193	-

(*) No investment is listed on the stock exchange.

(**) The information above (b) is presented on the basis of the financial data obtained from the September 30, 2007 unaudited financial statements as the financial statements as at December 31, 2007 could not be obtained.

c) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	88.675	24.172
Movements during the period	200.371	64.503
Additions	1.647	55.405
Bonus shares obtained	-	-
Share in current year income	-	-
Disposals	-	6.497
FX Gain (*)	-	9.488
Revaluation increase	186.483	-
Provision for impairment (-)	(12.241)	(6.107)
Balance at the end of the period	289.046	88.675
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(*) The increase is due to the revaluation of foreign currency associates.

d) Sectoral information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	249.724	63.241
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	27.695	14.278
Finance Companies	-	-
Other Financial Investments	10.574	10.177

e) Investments and associates which are quoted to a stock exchange:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

Description	Address(City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
HALK YATIRIM MENKUL DEĞERLER A.Ş.	İSTANBUL	99,93	99,96
BİRLİK SİGORTA A.Ş.	İSTANBUL	82,26	82,26
BİRLİK HAYAT SİGORTA A.Ş.	İSTANBUL	94,40	98,51

b) Information related to the subsidiaries as sorted in a) (*) ():**

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
30.176	26.160	431	2.263	6.621	3.253	2.537	34.416
97.422	26.958	1.271	35	4.821	805	2.362	70.760
59.865	33.161	366	6.817	-	10.743	10.915	87.464

(*) None of the subsidiaries are listed on the stock exchange.

(**) The information is presented by referring to the audited financial statements as of September 30, 2007; as the financial statements as at December 31, 2007 could not be obtained.

c) Table of movement of the subsidiaries (*) ():**

	Current Period	Prior Period
Balance at the beginning of the period	45.977	9.117
Movements during the period	11.824	36.860
Additions	7.380	42.171
Bonus shares obtained	-	-
Share in current year income	-	-
Disposals	-	(2.013)
Revaluation increase	-	-
Provision for impairment	4.444	(3.298)
Balance at the end of the period	57.801	45.977
Capital commitments	-	4.699
Share percentage at the end of the period (%)	-	-

(*) The amount of capital commitment for Birlik Sigorta A.Ş amounting to TRY 4.699 Thousand is paid in April 2007.

(**) Based on the valuation study of Bank's subsidiaries as of December 31, 2007, TRY 4.444 Thousand of impairment loss, which was present as of December 31, 2006, has been cancelled.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

d) Sectoral information on subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	31.270	23.333
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	26.531	22.644
Other Financial Subsidiaries	-	-
Total	57.801	45.977

e) Subsidiaries quoted in the stock exchange:

None.

(9) Information on joint ventures:

None.

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

None.

(11) Information on derivative financial assets for hedging purposes:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(12) Information on tangible assets:

	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovables	648.407	37.091	(5.404)	(22.564)	657.530
Tangible Assets gained by Financial Lease	106.770	13.780	(320)	-	120.230
Office Machines	162.637	3.085	(14.929)	-	150.793
Fixed Assets Obtained for Non-Performing Loans	101.049	63.655	(21.895)	(57.263)	85.546
Other	228.848	12.955	(18.243)	-	223.560
Total Cost	1.247.711	130.566	(60.791)	(79.827)	1.237.659
Accumulated Depreciation:					
Immovables	178.134	12.444	(8.046)	-	182.532
Tangible Assets gained by Financial Lease	80.467	15.470	(211)	-	95.726
Office Machines	123.643	13.480	(12.731)	-	124.392
Fixed Assets Obtained for Non-Performing Loans	2.257	1.015	(1.334)	-	1.938
Other	195.187	7.143	(14.026)	-	188.304
Total Accumulated Depreciation	579.688	49.552	(36.348)	-	592.892
Provision for Impairment (-)	-	-	-	-	-
Immovables	7.189	-	(4.435)	-	2.754
Tangible Assets gained by Financial Lease	-	-	-	-	-
Office Machines	-	-	-	-	-
Fixed Assets Obtained for Non-Performing Loans	-	471	-	-	471
Other	-	-	-	-	-
Total Provision for Impairment (-)	7.189	471	(4.435)	-	3.225
Net Book Value	660.834	80.543	(20.008)	(79.827)	641.542

(13) Information on intangible assets:

	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Leasehold Improvements	34.821	8.325	(7.651)	-	35.495
Other Intangible Assets	2.580	988	(309)	-	3.259
Total Cost	37.401	9.313	(7.960)	-	38.754
Accumulated Depreciation:					
Leasehold Improvements	22.671	4.082	(5.585)	-	21.168
Other Intangible Assets	595	473	(267)	-	801
Total Accumulated Depreciation	23.266	4.555	(5.852)	-	21.969
Provision for Impairment (-)	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Other Intangible Assets	-	-	-	-	-
Total Provision for Impairment (-)	-	-	-	-	-
Net Book Value	14.135	4.758	(2.108)	-	16.785

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(14) Information on immovables held for investment purposes:

None.

(15) Informations on deferred tax assets:

	Current Period Deferred Tax	Prior Period Deferred Tax
Retirement Pay Provision and Unused Vacation Provision	41.680	37.669
Difference of IRR and Market Value of Available for Sale Investments		
Credit Card Bonus Provision	1.100	4.214
Net Accrual Expense for Derivative Instruments	18.062	7.413
Possible Actuarial Shortage of Pamukbank Fund	-	2.452
Other	3.777	4.461
Total Deferred Tax Assets	64.619	56.209
Amortization Difference Between the Tax Procedure Law and Communiqué on Accounting Policies	(695)	(1.355)
Deferred Tax Liabilities	(695)	(1.355)
Deferred Tax Assets, Net	63.924	54.854
Deferred tax accounted for in Shareholders' Equity	(9.530)	(1.874)

(16) Informations on non-current assets held for sale:

Table of Movement of Assets Held for Sale	Current Period
Cost	103.066
Accumulated Depreciation (-)	12.695
Net Book Value	90.371
Opening Balance	54.196
Acquisitions (Transfers)	76.386
Disposals (-), net	44.103
Impairment Charge (-)	3.892
Depreciation Charge (-)	-
Closing net book value	90.371

(17) Information on other assets:

a) Distribution of other assets:

	Current Period	Prior Period
From Credit Card Payments	10.790	14.606
Prepaid Expenses	3.625	3.178
Receivables from Banking Services	3.269	2.833
Clearing Account	176.769	14.378
Cash Guarantees Given	3.020	265
Advances Given	95	331
Receivables Pending for Board of Discipline Decision	2.822	4.394
Margin Call Payments	53.256	-
Receivables From Asset Sale on Credit Terms	48.615	26.157
Other	24.258	25.347
Total	326.519	91.489

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

II. EXPLANATIONS AND NOTES TO THE LIABILITIES

(1) Information on maturity structure of deposits/funds collected:

1.a.) for deposit banks:

a.1. Current Period:

	Demand	7 day call accounts	Up to 1 month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and over	Accumulated Deposits	Total
Saving deposits	597.244	-	2.743.218	8.921.839	937.003	197.119	32.092	-	13.428.515
Foreign currency deposits	1.208.215	-	1.897.264	3.378.297	831.830	937.606	276.239	-	8.529.451
Residents in Turkey	1.189.410	-	1.469.951	2.463.590	433.932	694.316	258.753	-	6.509.952
Residents abroad	18.805	-	427.313	914.707	397.898	243.290	17.486	-	2.019.499
Public Sector Deposits	394.029	-	415.355	468.943	5.935	2.426	20.067	-	1.306.755
Commercial Inst. Deposits	869.519	-	633.475	1.886.582	286.367	5.214	1.177	-	3.682.334
Other Inst. Deposits	227.059	-	192.992	1.455.720	600.607	89.563	8.230	-	2.574.171
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank Deposits	13.641	-	974.908	60.000	-	-	-	-	1.048.549
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2.293	-	974.863	60.000	-	-	-	-	1.037.156
Foreign Banks	11.340	-	-	-	-	-	-	-	11.340
Participation Banks	8	-	45	-	-	-	-	-	53
Other	-	-	-	-	-	-	-	-	-
Accruals	29.355	-	61.352	142.899	23.608	10.926	2.996	-	271.136
Total	3.339.062	-	6.918.564	16.314.280	2.685.350	1.242.854	340.801	-	30.840.911

a.2. Prior Period:

	Demand	7 day call accounts	Up to 1 month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and over	Accumulated Deposits	Total
Saving deposits	483.553	-	5.296.433	5.360.348	576.747	153.137	11.514	-	11.881.732
Foreign currency deposits	882.841	-	2.670.343	2.016.780	568.921	870.941	240.472	-	7.250.298
Residents in Turkey	863.721	-	2.387.545	1.645.032	507.922	578.092	237.644	-	6.219.956
Residents abroad	19.120	-	282.798	371.748	60.999	292.849	2.828	-	1.030.342
Public Sector Deposits	149.567	-	420.262	160.372	8.736	182	17	-	739.136
Commercial Inst. Deposits	631.003	-	1.297.426	1.254.005	99.334	15.345	203	-	3.297.316
Other Inst. Deposits	260.692	-	784.740	1.529.432	220.246	86.080	438	-	2.881.628
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank deposits	31.403	-	974.991	102.996	14.709	11.234	2.521	-	1.137.854
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2.167	-	861.850	-	-	-	-	-	864.017
Foreign Banks	5.005	-	-	-	-	-	-	-	5.005
Participation Banks	131	-	64	-	-	-	-	-	195
Other	24.100	-	113.077	102.996	14.709	11.234	2.521	-	268.637
Total	2.439.059	-	11.444.195	10.423.933	1.488.693	1.136.919	255.165	-	27.187.964

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

b) Information on Saving Deposits/Special Current and Participation Accounts in the scope of Saving Deposits Insurance Fund:

b.1) Amounts exceeding insurance limit:

b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Insurance Limit	
	Current Period (*)	Prior Period	Current Period (*)	Prior Period
Saving Deposits	7.277.639	6.384.003	6.126.849	5.480.451
Foreign Currency Saving Deposits	2.065.651	2.087.339	2.546.270	2.117.654
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at foreign branches and under the guarantee of foreign authorities' insurance	29.752	22.955	-	-
Deposits at off-shore banking regions' and under foreign authorities' insurance	-	-	-	-
Total	9.373.042	8.494.297	8.673.119	7.598.105

The Bank made Saving Deposits Insurance Funds premium payments as half of the 0.15% of the calculated liability in accordance with the amended article published in the Official Gazette dated October 5, 2002 and numbered 24897 of the communiqué on the "Mergers and Takeovers Attributable to Banks", which was published in the Official Gazette numbered 24445 on July 27, 2001. This amended article denotes that "Conditional to all merged or taken over banks' authority to accept deposits, based on the authorization given in Clause 6 in Article 15 of the Banking Act No: 4389, insurance premium liability of the taken-over bank or newly established bank merged by the combination of more than one bank is paid for two years starting from the Council's degree of the publication date in the Official Gazette, which grants the authorization to companies merge or takeover as per the paragraph in the additional decree No: 2000/862 issued on June 1, 2000 stating that "Half of the rates defined in Article 4 of the Decree on Saving Deposits Under Insurance Guarantee and Premiums to Be Collected by the Saving Deposits Insurance Fund are applied". Based on this expression, the payment was realized on half of fifteen per ten thousand of the calculated liability amount in 2005 and as at September 30, 2006. This exception was ended as of November 2006 and the Bank has started to pay Saving Deposits Insurance Fund Premiums by using 0.15% rate without incurring any additional penalty rates starting from 2006 year-end.

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Deposits and accounts in branches abroad	158.648	189.277
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman and members of the Board of Directors and their close families	403	-
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	-	-

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(2) Information on Derivative Financial Liabilities Held for Trading:

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

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	-	37	-	26
Swap Transactions	32.799	64.252	9.400	28.848
Future Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	32.799	64.289	9.400	28.874

(3) a) Banks and Other Financial Institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Borrowings from Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	99.546	53.907	97.837	76.748
Foreign Banks, Institutions and Funds	287.307	496.268	287.017	411.525
Total	386.853	550.175	384.854	488.273

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term	99.546	53.907	97.837	93.008
Medium and Long-Term	287.307	496.268	287.017	395.265
Total	386.853	550.175	384.854	488.273

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

Concentrations, fund providing customers, sector groups and other criterias where risk concentration is observed:
Main liability of the Bank is deposit, which is composed of 44% of saving deposits and 28% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from foreign institutions especially used in the financing of personal loans at assets. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

Bank's 1,66% of banks deposits and 28.89% of other deposits consist of foreign currency deposits.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Information on funds provided from repurchase agreement transactions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From domestic transactions	1.275.311	-	666.583	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	1.159.713	-	623.243	-
Real persons	115.598	-	43.340	-
From foreign transactions	427	411.740	1.472	-
Financial institutions and organizations	-	411.740	-	-
Other institutions and organizations	-	-	29	-
Real persons	427	-	1.443	-
Accruals	10.549	4.798	3.470	-
Total	1.286.287	416.538	671.525	-

(4) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Bank and ministry or institution funds owner. There are funds containing funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Undersecretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity Structure of Funds:

	Current Period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	4.888	1.037.448	1.989	1.000.694

(5) Information on Other Liabilities:

Other liabilities balance in the balance sheet amounts to TRY 274.700 Thousand and does not exceed 10% of the balance sheet total. (December 31, 2006: TRY 51.545 Thousand)

(6) Information on Finance Lease Payables (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) Explanation on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less Than 1 Year	5.557	-	4.152	-
Between 1-4 Years	-	-	-	-
More Than 4 Years	-	-	-	-
Total	5.557	-	4.152	-

c) Explanations regarding operational leases:

None.

(7) Information on derivative financial liabilities for hedging purposes:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(8) Explanations on Provisions:

a) Information on General Provisions:

	Current Period	Prior Period
General Provisions	138.506	72.189
Allocated for Group- I loans and receivables	118.578	61.313
Allocated for Group- II loans and receivables	10.439	3.493
Allocated for non-cash loans	9.485	7.378
Other	4	5

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

None.

c) Specific provisions provided for unindemnified non-cash loans:

The Bank's specific provisions for unindemnified non-cash loans balance is TRY 51.999 Thousand as of December 31, 2007 and 100% of provision has been allocated for non cash loans. TRY 19.926 Thousand of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Provision balance for possible risks:

Provision of TRY 9.346 Thousand has been set for prudence in consideration with any changes that may arise in the economy and the market.

Total other provision balance amounting to TRY 92.098 Thousand consists of TRY 51.999 Thousand of specific provisions for unindemnified non cash loans and TRY 40.099 Thousand of provision for legal cases against the Bank, SDIF premium, performing cash loans of risky companies taken over from Pamukbank, expenditure bonuses accumulated on credit cards provided by the Bank, social aid pension fund provision and provision for possible risks allocated for this fund as a reserve.

d.1. Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	145.095	133.736
Arising during the year	20.003	17.026
Interest cost	8.285	7.636
Benefits paid	(14.069)	(13.303)
Total	159.314	145.095

e) Liabilities on pension rights:

e.1. Liabilities for pension funds established in accordance with "Social Security Institution":

None.

e.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

As of December 31, 2007, the Bank's corporate tax provision is TRY 292.366 Thousand which is offset against TRY 212.408 of temporary tax paid within the current period. Therefore, the remaining corporate tax payable is TRY 79.958 Thousand.

a.1. Information on tax provision:

As of December 31, 2007, the Bank's corporate tax provision is TRY 292.366 Thousand. For the fourth temporary taxation period, corporate tax payable is TRY 79.958 Thousand.

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	79.958	87.678
Income on Securities Tax	55.070	58.067
Property Income Tax	155	165
Banking and Insurance Transactions Tax (BITT)	12.345	9.889
Foreign Exchange Transactions Tax	631	441
Value Added Tax Payable	45	45
Other	7.996	7.483
Total	156.200	163.768

a.3. Information on premiums:

	Current Period	Prior Period
Social Insurance Premiums-Employee	6	5
Social Insurance Premiums-Employer	9	7
Bank Social Aid Pension Fund Premium-Employee	1.296	1.029
Bank Social Aid Pension Fund Premium-Employer	1.806	1.433
Pension Fund Membership Fees-Employee and Provisions-Employee	-	-
Pension Fund Membership Fees-Employer and Provisions-Employer	-	-
Unemployment insurance-Employee	-	-
Unemployment insurance-Employer	-	-
Other	286	223
Total	3.403	2.697

b) Explanations regarding deferred tax liability:

None.

(10) Information on liabilities regarding assets held for sale and discontinued operations:

None.

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

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(12) Information on Shareholders' Equity:

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

Capital System	Paid-in capital	Ceiling
Registered Capital System	-	-

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

None.

d) Information on additions from capital reserves to capital 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:

The Bank has sustainable profitability structure, equity structure related to the profitability is improving and there are no uncertainties considered that would effect this situation.

g) Information on preferred shares: None.

h) Information on Marketable Securities Revaluation Fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Subsidiaries, Associates and Joint Ventures	-	175.009	-	-
Revaluation difference	37.841	7.392	522	6.975
Foreign exchange rate difference	-	-	-	-
Total	37.841	182.401	522	6.975

i) Information on legal reserves:

	Current Period	Prior Period
First legal reserves	117.045	73.870
Second legal reserves	179.908	111.030
Other legal reserves appropriated in accordance with special legislation	680	664
Total	297.633	185.564

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

j) Information on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	159.859	-
Retained earnings	47.181	47.181
Accumulated losses	-	-
Foreign currency share capital exchange difference	(15.253)	(26.126)
Total	191.787	21.055

(13) Information on minority shares:

None.

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

(1) Information on Off-Balance Sheet Liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of Irrevocable Commitments	Current Period 31 December 2007	Prior Period 31 December 2006
Credit card expenditure limit commitments	1.270.617	860.543
Two days forward foreign exchange buy/sell transactions	365.055	80.716
Other irrevocable commitments	17.918	7.391
Capital commitments to subsidiaries and associates (*)	250	4.699
Allocation commitments of used non-cash loans	172.223	-
Tax and fund dues from export commitments	6.664	6.776
Payment commitments for cheques	1.275.142	1.198.207
Total	3.107.869	2.158.332

(*) In the current period, the Bank has TRY 250 Thousand of capital commitment for its subsidiary, Gelişim İşletmeleri Piyasaları A.Ş.

b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned:

b.1. Non - cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current Period 31 December 2007	Prior Period 31 December 2006
Bank acceptance loans	31.969	30.868
Letters of credit	677.116	348.710
Other guarantees	13.346	3.353
Total	722.431	382.931

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

b.2. Certain guarantees, tentative guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Bid bonds	145.513	94.624
Performance bonds	1.552.988	1.351.445
Letters of advance guarantees	271.033	313.078
Letters of guarantee given to customs offices	63.075	37.634
Other letters of guarantee	1.010.039	913.140
Total	3.042.648	2.709.921

b.3. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	115.578	72.214
Within one year or less original maturity	-	-
Within more than one year maturity	115.578	72.214
Other non-cash loans	3.649.501	3.020.638
Total	3.765.079	3.092.852

b.4. Non cash loans sectoral risk concentrations:

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	9.865	0,58	1.228	0,06	8.768	0,79	1.050	0,05
Farming and Raising Livestock	7.444	0,44	1.074	0,05	6.825	0,61	885	0,04
Forestry	1.357	0,08	18	0,00	1.496	0,13	-	0,00
Fishery	1.064	0,06	136	0,01	447	0,04	165	0,01
Industry	579.882	33,97	859.423	41,76	416.006	37,33	599.665	30,31
Mining and Quarry	21.069	1,23	3.104	0,15	30.093	2,70	790	0,04
Manufacturing	486.939	28,53	811.677	39,44	377.705	33,89	547.878	27,69
Electricity, Gas and Water	71.874	4,21	44.642	2,17	8.208	0,74	50.997	2,58
Construction	375.462	22,00	248.538	12,08	301.825	27,08	319.196	16,13
Service	702.715	41,17	702.225	34,12	364.648	32,72	825.002	41,70
Wholesale and Retail Trade	424.906	24,89	165.523	8,04	255.362	22,91	121.924	6,16
Hotel and Food Services	22.373	1,31	56.347	2,74	5.570	0,50	2.408	0,12
Transportation and Communication	7.747	0,45	2.570	0,12	31.955	2,87	106.254	5,37
Financial Institutions	45.298	2,65	28.334	1,38	25.501	2,29	56.234	2,84
Real Estate and Leasing Services	191.570	11,22	96.840	4,71	33.751	3,03	109.921	5,56
Self-employment	2.148	0,13	3.482	0,17	2.237	0,20	261	0,01
Educational Services	6.284	0,37	348.914	16,95	4.710	0,42	3.223	0,16
Health and Social Services	2.389	0,14	215	0,01	5.562	0,50	424.777	21,47
Other	39.037	2,29	246.704	11,99	23.239	2,09	233.453	11,80
Total	1.706.961	100,00	2.058.118	100,00	1.114.486	100,00	1.978.366	100,00

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

b.5. Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	1.604.222	1.991.822	102.739	66.296
Letters of Guarantee	1.591.290	1.283.370	102.703	65.285
Bill Guarantees and Acceptances	-	31.527	-	442
Letters of Credit	-	676.547	-	569
Endorsements	-	-	-	-
Purchase Guarantees on Marketable Security Underwritings	-	-	-	-
Other Guarantees and Suretyships	12.932	378	36	-

c) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign currency related derivative transactions (I)	1.458.821	1.571.418	-	-
Forward Foreign Currency Buy/Sell Transactions	4.045	10.359	-	-
Currency Buy/Sell Swap	1.454.776	1.561.059	-	-
Currency Futures	-	-	-	-
Currency Put/Call Options	-	-	-	-
Interest related derivative transactions (II)	766.555	261.540	-	-
Interest Rate Contracts	-	-	-	-
Interest Rate Buy/Sell Swap	766.555	261.540	-	-
Interest Rate Put/Call Options	-	-	-	-
Interest Rate Buy/Sell Futures	-	-	-	-
Other trading derivative transactions (III)	254.970	-	-	-
A. Total trading derivative transactions (I+II+III)	2.480.346	1.832.958	-	-
Types of derivative transactions for hedging				
Fair Value Fluctuations Hedging	-	-	-	-
Cash flow Risk Hedging	-	-	-	-
FC Investment in Associates Risk Hedging	-	-	-	-
B. Total Derivative Transactions for Hedging	-	-	-	-
Total Derivative Transactions (A+B)	2.480.346	1.832.958	-	-

d) Information on contingent liabilities and assets:

The Bank has provided reserve for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

IV. EXPLANATIONS RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on Loans				
Short Term Loans	1.160.502	64.141	479.741	34.743
Medium and Long Term Loans	1.260.118	90.034	865.931	58.417
Interest on Non-Performing Loans	74.804	598	101.996	2
Premiums from Resource Utilization Support Fund	-	-	-	-
Total	2.495.424	154.773	1.447.668	93.162

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

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Central Bank of Turkey	164.547	4.341	132.737	3.274
Domestic Banks	8.287	293	9.004	3.797
Foreign Banks	8.985	29.752	5.055	32.236
Head Office and Branches	-	-	-	-
Total	181.819	34.386	146.796	39.307

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets held for trading	70.247	9.664	126.300	14.815
Financial assets at fair value through profit and loss	-	-	-	-
Financial assets available-for-sale	1.044.965	95.220	574.521	31.493
Investments held-to-maturity	1.583.587	8.272	2.059.848	41.777
Total	2.698.799	113.156	2.760.669	88.085

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	672	431

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(2) Information on interest expenses:

a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	42.269	26.228	33.274	16.262
Central Bank of Turkey	-	-	-	-
Domestic Banks	15.639	3.461	8.904	2.834
Foreign Banks	26.630	22.767	24.370	13.428
Head Office and Branches	-	-	-	-
Other Institutions	4.401	-	4.374	-
Total	46.670	26.228	37.648	16.262

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest Expenses to Subsidiaries and Associates	6.327	779

c) Information on interest expenses to marketable securities issued:

None.

d) Maturity structure of interest expenses on deposits:

Account Name	Demand Deposits						Cumulative Deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TRY								
Bank Deposits	89	15.695	-	-	-	-	-	15.784
Saving Deposits	3.502	699.994	1.268.514	136.012	26.870	2.943	-	2.137.835
Public Deposits	665	52.640	57.357	1.280	1.614	1.696	-	115.252
Commercial Deposits	1.581	198.260	247.938	56.466	2.010	94	-	506.349
Other Deposits	988	128.594	398.729	109.284	6.865	84	-	644.544
7 days Call Accounts	-	-	-	-	-	-	-	-
Total	6.825	1.095.183	1.972.538	303.042	37.359	4.817	-	3.419.764
FC								
Foreign Currency Deposits	5.465	127.024	81.804	23.803	30.624	7.784	-	276.504
Bank Deposits	-	187	-	-	-	-	-	187
7 days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	5.465	127.211	81.804	23.803	30.624	7.784	-	276.691
Grand Total	12.290	1.222.394	2.054.342	326.845	67.983	12.601	-	3.696.455

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(3) Information on dividend income:

	Current Period	Prior Period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	979	1.010
Other	18.085	13.092
Total	19.064	14.102

(4) Information on trading profit/loss (Net):

	Current Period	Prior Period
Profit	2.381.409	1.985.149
Profit from the Capital Market Operations	137.104	137.142
Profit on derivative financial instruments	89.459	80.987
Other	47.645	56.155
Foreign Exchange Gains	2.244.305	1.848.007
Loss (-)	2.423.346	2.006.479
Loss from the Capital Market Operations	395.456	171.315
Loss on derivative financial instruments	377.651	155.429
Other	17.805	15.886
Foreign Exchange Losses	2.027.890	1.835.164

(5) Information on other operating income:

The Bank's other operating expenses mainly consist of gains from sale of property and income on cancellation of specific provisions for the collection of non-performing capital loans.

(6) Loans and other receivables impairment losses:

	Current Period	Prior Period
Specific Loans and Receivables Provisions	130.659	129.990
Group- III Loans and Receivables	38.552	43.990
Group- IV Loans and Receivables	11.079	2.014
Group-V Loans and Receivables	81.028	83.986
General Loan Provision	66.317	38.997
Provision Expenses for Possible Losses	9.346	-
Marketable Securities Impairment Losses	797	8.557
Financial assets at fair value through profit and loss	585	7.445
Financial assets available for sale	212	1.112
Impairment Losses from Associates, Subsidiaries, Joint Ventures and		
Marketable Securities Held-to-Maturity	-	3.677
Investment and Associates	-	379
Subsidiaries	-	3.298
Joint Ventures	-	-
Investments and Securities Held-to-Maturity	-	-
Other	15.776	20.569
Total	222.895	201.790

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(7) Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	448.692	399.631
Reserve for employee termination benefits	28.288	22.008
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	4.537
Depreciation expenses of fixed assets	48.537	47.506
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	4.555	3.858
Shares (capital method applied) impairment expense	-	-
Impairment expense for investment securities that will be disposed of	-	-
Amortization expenses of investment securities that will be disposed of	1.015	860
Impairment expense for property and equipment held for sale purposes	-	-
Other operating expenses	166.590	146.271
Operational leasing expenses	2.757	4.191
Maintenance expenses	9.679	5.900
Advertisement expenses	14.546	10.362
Other expenses	139.608	125.818
Loss on sales of assets	11.232	9.674
Other	138.784	88.813
Total	847.693	723.158

(8) Information on profit/loss from continuing and discontinued operations before taxes:

Bank's income before tax is due from the continuing activities. TRY 1.752.253 Thousand of the income before tax is composed of net interest income, TRY 296.216 Thousand of the income before tax is composed of net fees and commissions. The net operating profit of the Bank is TRY 1.406.584 Thousand.

(9) Information on tax provisions from continuing and discontinued operations:

As of December 31, 2007, the Bank's income tax provision amounting to TRY 275.545 Thousand consists of TRY 292.366 Thousand of current tax charge and TRY 16.821 Thousand of deferred tax income.

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

As of December 31, 2007, net operating income after tax amounts to TRY 1.131.039 Thousand.

(11) Information on net profit/loss from continuing and discontinued operations:

c.1. Income and expenses from ordinary banking operations: There is no need for any specific disclosures in order to understand the Bank's performance for the January 1, 2007 - December 31, 2007 period.

c.2. Effects of changes in accounting estimates on the current and future periods' profit/loss: There are no issues required to be disclosed.

c.3. Other items do not exceed 10% of the income statement.

V. EXPLANATIONS RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(1) Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on April 28, 2005, inflation accounting applied in the banking system has been ceased as of January 1, 2005 in accordance with the BRSA decree numbered 1623 and dated April 21, 2005.

According to this circular, TRY 1.220.451 Thousand of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which had been recognized in "Paid-in Capital Inflation Adjustment" account before December 31, 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

(2) Explanations on exchange differences:

Foreign currency associates recognized in accordance with the acquisition cost basis are presented in the balance sheet with their foreign currency acquisition cost multiplied by the exchange rates as of the balance sheet date. Exchange differences related to these foreign currency associates are recognized in the "Capital reserves" account under equity.

VI. EXPLANATIONS RELATED TO THE CASH FLOW STATEMENT

Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement:

(1) **Items of cash and cash equivalents, accounting policies used in the determination of those items:** Cash in TRY and cash in foreign currency, CB and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(2) The effect of any change in accounting policies:

"Cash and cash equivalents" term has been redefined, with the definition mentioned above.

Period beginning cash and cash equivalents balance:

	Current Period	Prior Period
Cash	2.507.151	1.262.861
Cash in TRY and Foreign Currency	197.740	134.234
Central Bank and Others	2.309.411	1.128.627
Cash Equivalents	1.078.543	575.416
Banks- maturity less than 3 months	1.078.543	575.416
Total Cash and Cash Equivalents	3.585.694	1.838.277

Period closing cash and cash equivalents balance:

	Current Period	Prior Period
Cash	3.425.513	2.507.151
Cash in TRY and Foreign Currency	229.485	197.740
Central Bank and Others	3.196.028	2.309.411
Cash Equivalents	1.161.071	1.078.543
Banks- maturity less than 3 months	1.161.071	1.078.543
Total Cash and Cash Equivalents	4.586.584	3.585.694

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

(1) Volume of the Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Current Period:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Beginning Balance	31.805	24.023	-	-	-	-
Closing Balance	43.902	6.746	-	-	-	-
Interest and Commissions Income	573	99	-	-	-	-

b) Prior Period:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Beginning Balance	10.043	27.261	-	-	-	-
Closing Balance	31.805	24.023	-	-	-	-
Interest and Commissions Income	154	277	-	-	-	-

c.1. Deposits held by the Bank's risk group:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Beginning Balance	63.013	11.691	-	-	-	-
Closing Balance	83.368	63.013	-	-	-	-
Interest expense on deposits	6.327	779	-	-	-	-

c.2. Forward and Option Contracts and similar transactions with the Bank's risk group:

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.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Financial Statements
for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the 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	43.902	0,24%
Non-cash loans	6.746	0,18%
Deposits	83.368	0,27%
Forward and Option Contracts	-	-
Banks and Financial Institutions	-	-

Pricing of these transactions are 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.

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

(1) Explanations on the bank's domestic branches, agencies/branches abroad and off-shore branches:

	Quantity	Number of Employees	Country	Total Assets	Legal Capital
Domestic Branches	556	11.448			
Agencies Abroad	4	8	Cologne/GERMANY		
		5	Mannheim/GERMANY		
		4	Dortmund/GERMANY		
		1	Tehran/GERMANY		
Foreign Branches	2	9	Nicosia/TRNC	31.601	2.742
		6	Famagusta/TRNC	12.491	-
Off-Shore Branches	1	3	Manama/BAHRAIN	2.398.195	-

(2) Explanations on Branch and Agency Openings or Closings of the Bank:

The Bank has opened 2 branches during the year 2007. The agency in Vienna/Austria was closed during the year 2007.

IX. SUBSEQUENT EVENTS:

None.

SECTION VI: EXPLANATIONS TO INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS TO INDEPENDENT AUDITORS' REPORT:

The unconsolidated financial statements as of December 31, 2007 and for the year then ended were audited independently by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu) and Independent Auditors' Report dated March 7, 2008 is presented before the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS PREPARED BY INDEPENDENT AUDITORS:

None.

Consolidated Independent Auditors' Report

Türkiye Halk Bankası A.Ş.
Independent Auditors' Report for the Period
January 1 – December 31, 2007

To the Board of Directors of
Türkiye Halk Bankası A.Ş.
Ankara

1. We have audited the accompanying consolidated balance sheet of Türkiye Halk Bankası A.Ş. (the Parent Bank) as at December 31, 2007, and the related consolidated 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:

2. The Board of Directors of the Bank is responsible for the preparation and fair presentation of the 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 the 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 the 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.

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 the regulation on "Licensing and Operations of Audit Firms in Banking" 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 judgement, 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:

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Halk Bankası A.Ş. as at 31 December 2007 and the consolidated 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 Articles 37 and 38 of the Banking Act No: 5411.

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

Istanbul, April 10, 2008



Sibel Türker
Partner

Additional paragraph for the English translation:

The accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices accepted in countries and jurisdictions other than those in Turkey. The standard procedures and practices to audit the accompanying consolidated financial statements are those accepted and approved in Turkey.

Türkiye Halk Bankası A.Ş.
The Consolidated Financial Report for the Year
Ended December 31, 2007

1. The Parent Bank's Headquarter Address:
Söğütözü Mah. 2. Cad. No: 63 Ankara/TURKEY
2. The Parent Bank's Contact Phone and Facsimile:
Phone : 0312 289 20 00
Facsimile : 0312 289 30 48
3. The Parent Bank's Website and E-mail Address:
Website: www.halkbank.com.tr

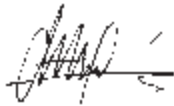
The consolidated financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- Section One : GENERAL INFORMATION ABOUT THE PARENT BANK
- Section Two : CONSOLIDATED FINANCIAL STATEMENTS
- Section Three : EXPLANATIONS ON ACCOUNTING POLICIES
- Section Four : NOTES TO THE FINANCIAL STRUCTURE OF THE GROUP
- Section Five : EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- Section Six : OTHER EXPLANATIONS AND DISCLOSURES
- Section Seven : EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

Subsidiaries, associates, and joint ventures that are consolidated within this annual financial report are as below:
Associate: Demir-Halkbank N.V.

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures are prepared in Thousand of the New Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on "Banks' Accounting Practice and Maintaining Documents", Banking Regulation and Supervision Agency (BRSA) regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

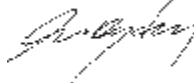
Ankara, April 10, 2008



Hasan Cebeci
Chairman of the
Board of Directors,
Member of the
Audit Committee



Hasan Sezer
Vice Chairman,
Member of the
Board of Directors
responsible from
Risk Management
and Control, Member
of the Audit Committee



Hüseyin Aydın
Member of the
Board of Directors,
Chief Executive Officer



Erdal Ersoy
Vice Chief
Executive Officer



Yusuf Duran Ocak
Balance Sheet
Consolidation and
External
Reporting
Department Head

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Nevin Dindar/Assistant Manager
Tel No : +903122893015
Fax No : +903122893050

	Page No
SECTION ONE	
General Information about the Parent Bank	
I. Establishment Date of the Parent Bank, Initial Articles of Association, History of the Parent Bank Including The Changes of These Articles	156
II. Capital Structure of the Parent Bank, Shareholders That Retain Direct or Indirect Control and Management of the Parent Bank, Solely or Together, Changes About These Issues During the Year and Disclosures About The Group	156
III. Explanations Regarding the Parent Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents and Their Shares Attributable to the Parent Bank, if any	157
IV. Information about the persons and institutions that have qualified shares attributable to the Parent Bank	158
V. Summary on the Parent Bank's Functions and Lines of Activity	158
VI. Explanations About Companies Within the Scope of Consolidation	159
SECTION TWO	
Consolidated Financial Statements	
I. Consolidated Balance Sheet	160
II. Consolidated Statement of Off-Balance Sheet Commitments	162
III. Consolidated Income Statement	164
IV. Consolidated Profit and Loss Accounted for Under Equity	165
V. Consolidated Statement of Changes in Shareholders' Equity	166
VI. Consolidated Statement of Cash Flow	168
VII. Consolidated Profit Distribution Table	169
SECTION THREE	
Explanations on Accounting Policies	
I. Basis of Presentation	170
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	170
III. Information about the Parent Bank and its Associate Subject to Consolidation	170
IV. Explanations on Forward and Option Contracts and Derivative Instruments	171
V. Interest Income and Expenses	171
VI. Fees and Commission Income and Expenses	171
VII. Explanations and Disclosures on Financial Assets	171
VIII. Explanations on Impairment of Financial Assets	172
IX. Offsetting Financial Assets and Liabilities	174
X. Explanations on Sales and Repurchase Agreements and Securities Loaned	174
XI. Explanations on Tangible Fixed Assets Held For Sale and Discontinued Operations	174
XII. Explanations on Goodwill and Other Intangible Assets	174
XIII. Explanations on Property, Plant and Equipment	174
XIV. Explanations on Leasing Transactions	175
XV. Explanations on Provisions and Contingent Liabilities	175
XVI. Explanations on Employee Benefit Liabilities	175
XVII. Explanations on Taxation	176
XVIII. Additional Explanations on Borrowings	176
XIX. Explanations on Shares and Share Issue	177
XX. Explanations on Bill Guarantees and Acceptances	177
XXI. Explanations on Government Incentives	177
XXII. Explanations on Segment Reporting	177
XXIII. Explanations on Other Matters	177

	Page No
SECTION FOUR	
Information on Consolidated Financial Structure	
I. Explanations Related to the Consolidated Capital Adequacy Ratio	177
II. Explanations Related to the Consolidated Credit Risk	182
III. Explanations Related to the Consolidated Market Risk	186
IV. Explanations Related to the Consolidated Operational Risk	187
V. Explanations Related to the Consolidated Currency Risk	187
VI. Explanations Related to the Consolidated Interest Rate Risk	190
VII. Explanations Related to the Consolidated Liquidity Risk	194
VIII. Explanations Related to the Consolidated Business Segmentation	196
IX. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value	199
X. Explanations Related to Transactions Made on Behalf of Others and Fiduciary Transactions	200
SECTION FIVE	
Explanations and Notes to the Consolidated Financial Statements	
I. Explanations and Notes Related to the Consolidated Assets	200
II. Explanations and Notes Related to the Consolidated Liabilities	215
III. Explanations and Notes Related to the Off-Balance Sheet Consolidated Commitments and Contingencies	222
IV. Explanations Related to the Consolidated Income Statement	225
V. Explanations Related to the Consolidated Statement of Changes in Shareholders' Equity	228
VI. Explanations Related to the Consolidated Cash Flow Statement	229
VII. Explanation Related to the Risk Group of the Parent Bank	230
VIII. Explanations on the Parent Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches	231
IX. Explanations Related to the Subsequent Events	231
SECTION SIX	
Independent Auditors' Report	
I. Explanations on the Independent Auditors' Report	231
II. Explanations and Notes Prepared by the Independent Auditor	231

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

I. ESTABLISHMENT DATE OF THE PARENT BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE PARENT BANK INCLUDING THE CHANGES OF THESE ARTICLES:

Türkiye Halk Bankası Anonim Şirketi (the "Parent Bank") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE PARENT BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE PARENT BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Parent Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration.

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

Shareholders	31.12.2007		31.12.2006	
	TRY Thousand	%	TRY Thousand	%
Prime Ministry				
Privatization Administration (**)	937.276	74,98	1.250.000	99,99
Public Shares	312.250	24,98	-	-
Other Shareholders (*)	474	00,04	-	0,01
	1.250.000	100,00	1.250.000	100,00

(*) Other shareholders have portion less than TRY 1.000.

(**) As per the decree of the Higher Council of Privatization numbered 2007/8 and dated February 5, 2007; 25% of the public shares that were previously held by the Privatization Administration were privatized by a public offering and the Parent Bank's shares are registered to Capital Market Board records by decision number 23/471 dated April 27, 2007. The shares are traded on the Istanbul Stock Exchange as of May 10, 2007.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

III. EXPLANATIONS REGARDING THE PARENT BANK'S CHAIRMAN AND MEMBERS OF BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE PARENT BANK, IF ANY

Name	Title	Starting Date	Educational Background	Experience in Banking and Business Administration (Years)
Hasan CEBECİ	Chairman, Member of the Audit Committee	13.04.2005	Ankara Eco. And Com. Science (ECS) Academy – Economy-& Finance	28
Hasan SEZER	Vice Chairman, Member of the Audit Committee	13.04.2005	Ankara ECSA – Banking, Foreign Trade and Exchange	24
Hüseyin AYDIN	Member of the Board of Directors, CEO	01.06.2005	Ankara ECS Academy – Economy&Finance	24
Emin Suha ÇAYKÖYLÜ	Member of the Board of Directors	13.04.2005	Bachelor Degree; METU - Mechanical Engineering Masters Degree; Syracuse University Business School NY-USA , PhD; Washington International University-Doctor of philosophy in Business Administration	24
Nurzahit KESKİN	Member of the Board of Directors	13.04.2005	Bachelor Degree Anadolu Uni. Afyon İİBF, Masters Degree in Finance; Marmara Uni. Banking and Insurance Ins. PhD; Sakarya Uni. Management and Organization (continuing)	17
Burhaneddin TANYERİ	Member of the Board of Directors	15.09.2005	Atatürk University- Business Administration	25
Şeref EFE	Member of the Audit Committee	28.03.2003	Bachelor Degree; Ankara University Social Science Faculty - Public Administration Department Master; Harvard University JFK School of Government	4
Yusuf DAĞCAN	Member of the Audit Committee	28.03.2003	Eskişehir Economics and Trade Academy	28
Halil ÇELİK	Executive Vice President	28.07.2003	Eskişehir Economics and Trade Academy – Economics	25
Erdal ERSOY	Executive Vice President	05.07.2002	Anadolu University – Economics	30
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara University -Social Science Faculty, Labour Economics and Industry Relations	16
Ömer BAKTIR	Executive Vice President	09.12.2004 - 31/03 Acting 14.06.2005	Istanbul Technical University – Mining Engineering	17
M.Cengiz GÖĞEBAKAN	Executive Vice President	09.12.2004 - 31/03 Acting 20.06.2005	Ankara University – Economics	20
Erol GÖNCÜ	Executive Vice President	09.03.2005 - 04/02 Acting 14.06.2005	METU Faculty of Arts and Sciences, Mathematics Dept.	19
Yunus ESMER	Executive Vice President	17.06.2005	Ankara ECS Academy Business Administration- Accounting Department	28
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.06.2005	Bachelor Degree; Dokuz Eylül Uni.EASF Business Administration Dept. EASF Business Administration Dept. Masters Degree; Marmara Uni. Banking and Insurance Ins. Banking Dept. PhD; Marmara Uni. Banking and Insurance Ins. Banking Dept.	16
Süleyman ASLAN	Executive Vice President	17.06.2005	METU EASF International Relations Dept.	15
Selahattin SÜLEYMANOĞLU	Executive Vice President	01.07.2007	Gazi University, Social Sciences Faculty, Business Administration	17
Osman ARSLAN	Executive Vice President	01.07.2007	Master's Degree: METU Business Administration for Executives (continuing) Bachelor's Degree: METU Science and Literature Faculty, Department of Statistics	12
Bilgehan KURU	Executive Vice President	01.07.2007	Master's Degree: METU Science and Literature Faculty Bachelor's Degree: METU Faculty of Engineering, Mining Engineering	21

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Persons mentioned above do not own any shares in the Parent Bank capital.

Details of the former key management personnel who has resigned in 2007:

Name	Title	Resignation Date
Erol BERKTAŞ	Member of the Board of Directors	November 4, 2007
Murat ÇETİNKAYA	Executive Vice President	December 31, 2007

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK

Except for the Prime Ministry Privatization Administration, no person or institute has any qualified shares attributable to the Parent Bank.

V. SUMMARY ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General Information about the Parent Bank:

Türkiye Halk Bankası Anonim Şirketi (the "Parent Bank") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic programme for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can be both reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Parent Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 Thousand to TRY 1.250.000 Thousand in the extraordinary general assembly held on April 14, 2001 within the scope of the restructuring process, the Parent Bank received government bonds in settlement of the accumulated specific duty losses and the Parent Bank's whole specific duty loss receivable was thus eliminated as at April 30, 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Parent Bank were to be concluded under the provisions of Law No:4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were to be completed within three years (until November 25, 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term " 3 years" in Article 2.2. of Law numbered 4603 had been previously amended to "5 years" and by Law No: 5572 dated January 10, 2007 the related term was extended to "10 years". As a result of this amendment, the privatization period of the Parent Bank has been prolonged. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended this five year period by the half of that period with the Decree numbered 2005/9841 and dated 27 December 2005. When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99,9% of the Parent Bank shares are decided to be sold before May 25, 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated August 11, 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 has been executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated February 5, 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on August 11, 2006, are decided to be privatized by a public offering and it is decided to be concluded by the end of 2007. The first phase of the privatization process of the Parent Bank corresponding to 24,98% is completed in the first week of May 2007 and Halkbank shares have been traded on Istanbul Stock Exchange (ISE) as of May 10, 2007 with the base price of TRY 8,00.

d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası A.Ş. and amendments to other acts" which came into force as of July 31, 2004 with the publication of the Official Gazette, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund (SDIF)) was transferred to the Parent Bank. Insolvent Pamukbank T.A.Ş. was a private sector deposit bank established by Çukurova İthalat ve İhracat T.A.O., Karamehmetler Scrip Company and more than 500 shareholders. The Bank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency (BRSA) numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of the Bank have been transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

e) The Parent Bank's service activities and operating areas: The Parent Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

f) As of December 31, 2007, the Parent Bank operates with a total of 559 branches consisting 556 domestic branches, together with 3 foreign branches; 2 in Cyprus and 1 in Bahrain. It also has 3 financial service branches in Germany and 1 representative office in Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION:

Demir-Halkbank N.V., which is qualified as investments in associates, is recognized in the accompanying financial statements using the equity method of accounting.

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (App:1-A)
- II. Consolidated Off-Balance Sheet Commitments (App:1-B)
- III. Consolidated Income Statement (App:1-C)
- IV. Consolidated Profit and Loss Accounted for Under Equity (App:1-D)
- V. Consolidated Statement of Changes in Shareholders' Equity (App:1-E)
- VI. Consolidated Statement of Cash Flow (App:1-F)
- VII. Consolidated Profit Distribution Table (App:1-G)

Türkiye Halk Bankası A.Ş.
Consolidated Balance Sheet

THOUSANDS OF TRY

ASSETS	Disc.	THOUSANDS OF TRY					
		Audited CURRENT PERIOD (31/12/2007)			Audited PRIOR PERIOD (31/12/2006)		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK							
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	2,545,734	925,444	3,471,178	1,696,787	853,752	2,550,539
2.1. Trading Financial Assets		335,397	144,775	480,172	527,328	226,273	753,601
2.1.1. Public Sector Debt Securities		334,322	137,915	472,237	527,079	224,515	751,594
2.1.2. Share Certificates		-	-	-	-	-	-
2.1.3. Other Marketable Securities		1,075	83	1,158	249	549	798
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		-	6,777	6,777	-	1,209	1,209
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	32,068	1,129,517	1,161,585	219,502	859,672	1,079,174
IV. MONEY MARKET PLACEMENTS		50,025	-	50,025	-	-	-
4.1. Interbank Money Market Placements		-	-	-	-	-	-
4.2. Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3. Receivables from Reverse Repurchase Agreements		50,025	-	50,025	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	6,675,654	1,751,354	8,427,008	5,020,657	1,090,199	6,110,856
5.1. Share Certificates		4,206	5,769	9,975	4,173	5,488	9,661
5.2. Public Sector Debt Securities		6,671,448	1,745,585	8,417,033	5,016,484	1,084,711	6,101,195
5.3. Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	(5)	15,137,058	2,984,020	18,121,078	9,844,697	1,800,941	11,645,638
6.1. Loans		15,123,169	2,984,020	18,107,189	9,829,518	1,800,941	11,630,459
6.1.1. Loans Extended To Risk Group of The Bank		-	43,902	43,902	-	31,805	31,805
6.1.2. Other		15,123,169	2,940,118	18,063,287	9,829,518	1,769,136	11,598,654
6.2. Loans under follow-up		1,032,742	-	1,032,742	1,084,962	-	1,084,962
6.3. Specific provisions (-)		1,018,853	-	1,018,853	1,069,783	-	1,069,783
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	7,037,420	-	7,037,420	10,989,351	285,371	11,274,722
8.1. Public Sector Debt Securities		7,037,420	-	7,037,420	10,989,351	285,371	11,274,722
8.2. Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	39,322	106,168	145,490	25,434	114,105	139,539
9.1. Accounted with Equity Method		-	106,168	106,168	-	114,105	114,105
9.2. Unconsolidated Associates		39,322	-	39,322	25,434	-	25,434
9.2.1. Financial Investments		38,269	-	38,269	24,455	-	24,455
9.2.2. Non-financial Investments		1,053	-	1,053	979	-	979
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	57,801	-	57,801	45,977	-	45,977
10.1. Unconsolidated Financial Subsidiaries		57,801	-	57,801	45,977	-	45,977
10.2. Unconsolidated Non-financial Subsidiaries		-	-	-	-	-	-
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1. Accounted with Equity Method		-	-	-	-	-	-
11.2. Unconsolidated Joint Ventures		-	-	-	-	-	-
11.2.1. Financial Joint Ventures		-	-	-	-	-	-
11.2.2. Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1. Finance Lease Receivables		-	-	-	-	-	-
12.2. Operating Lease Receivables		-	-	-	-	-	-
12.3. Other		-	-	-	-	-	-
12.4. Unearned Income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1. Fair Value Risk Hedging		-	-	-	-	-	-
13.2. Cash Flow Risk Hedging		-	-	-	-	-	-
13.3. Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	641,499	43	641,542	660,767	67	660,834
XV. INTANGIBLE ASSETS (Net)	(13)	16,785	-	16,785	14,135	-	14,135
15.1. Goodwill		-	-	-	-	-	-
15.2. Other		16,785	-	16,785	14,135	-	14,135
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(14)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	63,924	-	63,924	54,854	-	54,854
17.1. Current assets for tax		-	-	-	-	-	-
17.2. Deferred assets for tax		63,924	-	63,924	54,854	-	54,854
XVIII. ASSETS HELD FOR SALE AND HELD FROM TERMINATED OPERATIONS (Net)	(16)	90,371	-	90,371	54,196	-	54,196
18.1. Held for sale purpose		90,371	-	90,371	54,196	-	54,196
18.2. Held from terminated operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	265,867	60,652	326,519	83,478	8,011	91,489
TOTAL ASSETS		32,988,925	7,101,973	40,090,898	29,237,163	5,238,391	34,475,554

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

Türkiye Halk Bankası A.Ş.
Consolidated Balance Sheet

THOUSANDS OF TRY							
LIABILITIES AND EQUITY	Disc.	Audited CURRENT PERIOD (31/12/2007)			Audited PRIOR PERIOD (31/12/2006)		
		TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	(1)	22,250,594	8,590,317	30,840,911	19,852,440	7,335,524	27,187,964
1.1. Deposits Held By the Risk Group of the Bank		79,943	3,425	83,368	62,111	902	63,013
1.2. Other		22,170,651	8,586,892	30,757,543	19,790,329	7,334,622	27,124,951
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	32,799	64,289	97,088	9,400	28,874	38,274
III. BORROWING FUNDING LOANS	(3)	386,853	550,175	937,028	384,854	488,273	873,127
IV. MONEY MARKET BALANCES		1,288,287	416,538	1,702,825	671,525	-	671,525
4.1. Interbank Money Market Takings		-	-	-	-	-	-
4.2. Istanbul Stock Exchange Takasbank Takings		-	-	-	-	-	-
4.3. Funds From Repurchase Agreements		1,288,287	416,538	1,702,825	671,525	-	671,525
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1. Bills		-	-	-	-	-	-
5.2. Asset-backed Securities		-	-	-	-	-	-
5.3. Bonds		-	-	-	-	-	-
VI. FUNDS	(4)	1,041,107	1,229	1,042,336	996,737	5,946	1,002,683
6.1. Borrower funds		153,656	-	153,656	196,513	-	196,513
6.2. Other		887,451	1,229	888,680	800,224	5,946	806,170
VII. SUNDRY CREDITORS		347,020	5,307	352,327	265,432	5,938	271,370
VIII. OTHER LIABILITIES	(5)	263,130	11,570	274,700	30,986	20,559	51,545
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES (Net)	(6)	-	5,557	5,557	-	4,152	4,152
10.1. Finance Lease Payables		-	5,557	5,557	-	4,152	4,152
10.2. Operating Lease Payables		-	-	-	-	-	-
10.3. Other		-	-	-	-	-	-
10.4. Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(7)	-	-	-	-	-	-
11.1. Fair Value Risk Hedging		-	-	-	-	-	-
11.2. Cash Flow Risk Hedging		-	-	-	-	-	-
11.3. Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XII. PROVISIONS	(8)	420,069	18,936	439,005	356,748	20,992	377,740
12.1. General Loan Provisions		138,506	-	138,506	72,189	-	72,189
12.2. Restructuring Provisions		-	-	-	-	-	-
12.3. Employee Benefits Provisions		208,401	-	208,401	188,345	-	188,345
12.4. Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5. Other Provisions		73,162	18,936	92,098	96,214	20,992	117,206
XIII. TAX LIABILITY	(9)	159,602	1	159,603	166,465	-	166,465
13.1. Current Tax Liability		159,602	1	159,603	166,465	-	166,465
13.2. Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS	(10)	-	-	-	-	-	-
14.1. Held for sale purpose		-	-	-	-	-	-
14.2. Held from terminated operations		-	-	-	-	-	-
XV. TIER -II CAPITAL	(11)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(12)	4,232,126	7,392	4,239,518	3,823,734	6,975	3,830,709
16.1. Paid-in capital		1,250,000	-	1,250,000	1,250,000	-	1,250,000
16.2. Capital Reserves		1,258,292	7,392	1,265,684	1,220,973	6,975	1,227,948
16.2.1. Share Premium		-	-	-	-	-	-
16.2.2. Share Cancellation Profits		-	-	-	-	-	-
16.2.3. Marketable Securities Revaluation Fund		37,841	7,392	45,233	522	6,975	7,497
16.2.4. Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5. Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6. Revaluation reserves of real estates for investment purpose		-	-	-	-	-	-
16.2.7. Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures		-	-	-	-	-	-
16.2.8. Hedging Funds (Effective portion)		-	-	-	-	-	-
16.2.9. Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10. Other Capital Reserves		1,220,451	-	1,220,451	1,220,451	-	1,220,451
16.3. Profit Reserves		467,499	-	467,499	205,690	-	205,690
16.3.1. Legal Reserves		297,633	-	297,633	185,564	-	185,564
16.3.2. Statutory Reserves		-	-	-	-	-	-
16.3.3. Extraordinary Reserves		159,859	-	159,859	-	-	-
16.3.4. Other Profit Reserves		10,007	-	10,007	20,126	-	20,126
16.4. Profit/Loss		1,256,335	-	1,256,335	1,147,071	-	1,147,071
16.4.1. Prior Years Income/Loss		-	-	-	-	-	-
16.4.2. Period Profit/Loss		1,132,620	-	1,132,620	864,259	-	864,259
16.5. Minority Shares	(13)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		30,419,587	9,671,311	40,090,898	26,558,321	7,917,233	34,475,554

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

Türkiye Halk Bankası A.Ş.
Consolidated Off Balance Sheet Accounts

THOUSANDS OF TRY

	Disc.	Audited CURRENT PERIOD (31/12/2007)			Audited PRIOR PERIOD (31/12/2006)		
		TRY	FC	Total	TRY	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		5,783,986	3,572,527	9,356,513	4,152,993	2,934,368	7,087,361
I. GUARANTEES AND SURETYSHIPS	(1)	1,706,961	2,058,118	3,765,079	1,114,486	1,978,366	3,092,852
1.1.Letters of Guarantee		1,693,993	1,348,655	3,042,648	1,111,572	1,598,349	2,709,921
1.1.1.Guarantees Subject to Public Procurement Law		193,497	1,057,715	1,251,212	174,917	1,247,056	1,421,973
1.1.2.Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3.Other Letters of Guarantee		1,500,496	290,940	1,791,436	936,655	351,293	1,287,948
1.2.Bank Loans		-	31,969	31,969	-	30,868	30,868
1.2.1.Import Acceptances		-	31,736	31,736	-	30,744	30,744
1.2.2.Other Bank Acceptances		-	233	233	-	124	124
1.3.Letters of Credit		-	677,116	677,116	19	348,691	348,710
1.3.1.Documentary Letters of Credit		-	677,116	677,116	19	348,691	348,710
1.3.2.Other Letters of Credit		-	-	-	-	-	-
1.4.Guaranteed Prefinancings		-	-	-	-	-	-
1.5.Endorsements		-	-	-	-	-	-
1.5.1.Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
1.5.2.Other Endorsements		-	-	-	-	-	-
1.6.Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7.Factoring Guarantees		-	-	-	-	-	-
1.8.Other Guarantees		12,738	378	13,116	2,665	458	3,123
1.9.Other Suretyships		230	-	230	230	-	230
II. COMMITMENTS	(1)	2,798,584	312,504	3,111,088	2,103,479	58,072	2,161,551
2.1.Irrevocable commitments		2,795,365	312,504	3,107,869	2,100,260	58,072	2,158,332
2.1.1.Forward Asset Purchase Commitments		52,551	312,504	365,055	22,644	58,072	80,716
2.1.2.Forward Deposit Purchase and Sale Commitments		-	-	-	-	-	-
2.1.3.Capital Commitments to Subsidiaries and Associates		250	-	250	4,699	-	4,699
2.1.4.Loan Granting Commitments		172,223	-	172,223	-	-	-
2.1.5.Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6. Payment Commitments for Reserve Deposits		-	-	-	-	-	-
2.1.7.Payment Commitments for Cheques		1,275,142	-	1,275,142	1,198,207	-	1,198,207
2.1.8.Tax and fund liabilities from export commitments		6,664	-	6,664	6,776	-	6,776
2.1.9.Commitments for credit card expenditure limits		1,250,168	-	1,250,168	851,509	-	851,509
2.1.10.Commitments for credit cards and banking services promotions		20,449	-	20,449	9,034	-	9,034
2.1.11.Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.Payables for short sale commitments		-	-	-	-	-	-
2.1.13.Other irrevocable commitments		17,918	-	17,918	7,391	-	7,391
2.2.Revocable commitments		3,219	-	3,219	3,219	-	3,219
2.2.1.Revocable loan granting commitments		-	-	-	-	-	-
2.2.2.Other revocable commitments		3,219	-	3,219	3,219	-	3,219
III. DERIVATIVE FINANCIAL INSTRUMENTS	(1)	1,278,441	1,201,905	2,480,346	935,028	897,930	1,832,958
3.1.Derivative Financial Instruments for Hedging		-	-	-	-	-	-
3.1.1.Fair Value Risk Hedging Transactions		-	-	-	-	-	-
3.1.2.Cash flow Risk Hedging Transactions		-	-	-	-	-	-
3.1.3.Net Abroad Investment Risk Hedging Transactions		-	-	-	-	-	-
3.2.Transactions for Trading		1,278,441	1,201,905	2,480,346	935,028	897,930	1,832,958
3.2.1.Forward Foreign Currency Buy/Sell Transactions		902	3,143	4,045	5,283	5,076	10,359
3.2.1.1.Forward Foreign Currency Transactions-Buy		452	1,577	2,029	2,643	2,538	5,181
3.2.1.2.Forward Foreign Currency Transactions-Sell		450	1,566	2,016	2,640	2,538	5,178
3.2.2.Currency and Interest Rate Swaps		1,277,539	1,198,762	2,476,301	929,745	892,854	1,822,599
3.2.2.1.Currency Swap-Buy		-	719,422	719,422	-	765,954	765,954
3.2.2.2.Currency Swap-Sell		735,354	-	735,354	795,105	-	795,105
3.2.2.3.Interest Rate Swap-Buy		-	479,340	479,340	-	126,900	126,900
3.2.2.4.Interest Rate Swap-Sell		542,185	-	542,185	134,640	-	134,640
3.2.3.Currency, Interest Rate and Marketable Securities Options		-	-	-	-	-	-
3.2.3.1.Currency Call Options		-	-	-	-	-	-
3.2.3.2.Currency Put Options		-	-	-	-	-	-
3.2.3.3.Interest Rate Call Options		-	-	-	-	-	-
3.2.3.4.Interest Rate Put Options		-	-	-	-	-	-
3.2.3.5.Marketable Securities Call Options		-	-	-	-	-	-
3.2.3.6.Marketable Securities Put Options		-	-	-	-	-	-
3.2.4.Currency Futures		-	-	-	-	-	-
3.2.4.1.Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2.Currency Futures-Sell		-	-	-	-	-	-
3.2.5.Interest Rate Buy/Sell Futures		-	-	-	-	-	-
3.2.5.1.Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2.Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6.Other		-	-	-	-	-	-

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

Türkiye Halk Bankası A.Ş.
Consolidated Off Balance Sheet Accounts

	THOUSANDS OF TRY						
	Disc.	Audited CURRENT PERIOD (31/12/2007)			Audited PRIOR PERIOD (31/12/2006)		
		TRY	FC	Total	TRY	FC	Total
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)	100,357,369	29,384,778	129,742,147	89,721,094	24,249,372	113,970,466	
IV. CUSTODIES	34,355,171	2,102,741	36,457,912	42,793,907	1,819,733	44,613,640	
4.1.Assets Under Management	-	-	-	-	-	-	
4.2.Custody Marketable Securities	20,799,946	160,705	20,960,651	18,226,178	187,985	18,414,163	
4.3.Cheques in Collection Process	2,205,787	67,039	2,272,826	1,682,914	20,737	1,703,651	
4.4.Commercial Notes in Collection Process	366,389	116,761	483,150	258,384	106,054	364,438	
4.5.Other Assets in Collection Process	3,163	-	3,163	2,318	-	2,318	
4.6.Underwritten Securities	133	-	133	313	-	313	
4.7.Other Custodies	9,052	6,564	15,616	26,493	36,346	62,839	
4.8.Custodians	10,970,701	1,751,672	12,722,373	22,597,307	1,468,611	24,065,918	
V. PLEDGED ASSETS	66,002,198	27,282,037	93,284,235	46,927,187	22,429,639	69,356,826	
5.1.Marketable Securities	61,698	80,538	142,236	49,955	97,684	147,639	
5.2.Collateral Notes	2,734,009	178,788	2,912,797	2,025,577	146,330	2,171,907	
5.3.Commodity	42,381	-	42,381	38,060	-	38,060	
5.4.Warranty	-	-	-	-	-	-	
5.5.Land and Buildings	19,879,476	2,962,748	22,842,224	11,651,822	2,752,704	14,404,526	
5.6.Other Pledged Assets	41,632,060	23,372,911	65,004,971	31,582,859	18,695,526	50,278,385	
5.7.Pledgees	1,652,574	687,052	2,339,626	1,578,914	737,395	2,316,309	
VI. ACCEPTED BILL GUARANTEES AND SURETIES	-	-	-	-	-	-	
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)	106,141,355	32,957,305	139,098,660	93,874,087	27,183,740	121,057,827	

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

Türkiye Halk Bankası A.Ş.
Consolidated Statement Of Income

THOUSANDS OF TRY			
INCOME AND EXPENSES	Disc.	Audited CURRENT PERIOD (01/01/2007-31/12/2007)	Audited PRIOR PERIOD (01/01/2006-31/12/2006)
I. INTEREST INCOME	(1)	5,708,181	4,592,263
1.1. Interest on loans	(1a)	2,650,197	1,540,830
1.2. Interest received from reserve deposits		11,838	7,607
1.3. Interest received from banks	(1b)	216,205	186,103
1.4. Interest received from money market placements		11,374	4,237
1.5. Interest income on marketable securities	(1c)	2,811,955	2,848,754
1.5.1. Financial assets held for trading		79,911	141,115
1.5.2. Financial assets at fair value through profit and loss		-	-
1.5.3. Financial assets available-for-sale		1,140,185	606,014
1.5.4. Investments held-to-maturity		1,591,859	2,101,625
1.6. Finance lease income		-	-
1.7. Other interest income		6,612	4,732
II. INTEREST EXPENSE	(2)	3,955,928	3,194,746
2.1. Interest on deposits	(2ç)	3,696,455	3,064,520
2.2. Interest on borrowings	(2a)	72,898	53,910
2.3. Interest on money market borrowings		160,478	51,639
2.4. Interest on marketable securities issued		-	-
2.5. Other interest expense		26,097	24,677
III. NET INTEREST INCOME (I - II)		1,752,253	1,397,517
IV. NET FEES AND COMMISSIONS INCOME		296,216	203,695
4.1. Fees and commissions income		347,252	252,176
4.1.1. Cash loans		34,288	30,016
4.1.2. Non-cash loans		312,964	222,160
4.2. Fees and commissions expenses		51,036	48,481
4.2.1. Non-Cash Loans		1	1
4.2.2. Other		51,035	48,480
V. DIVIDEND INCOME	(3)	11,226	6,858
VI. NET TRADING PROFIT	(4)	(41,937)	(21,330)
6.1. Profit/Loss from Capital Market operations(Net)		(258,352)	(34,173)
6.2. Foreign exchange gains/losses (net)		216,415	12,843
VII. OTHER OPERATING INCOME	(5)	451,576	448,247
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		2,469,334	2,034,987
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	222,895	201,790
X. OTHER OPERATING EXPENSES(-)	(7)	847,693	723,158
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		1,398,746	1,110,039
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		9,419	8,005
XIV. GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	1,408,165	1,118,044
XVI. TAX INCOME PROVISION (±)	(9)	(275,545)	(253,785)
16.1. Current tax provision		(292,366)	(238,540)
16.2. Deferred tax provision		16,821	(15,245)
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	1,132,620	864,259
XVIII. INCOME FROM TERMINATED OPERATIONS		-	-
18.1. Property and equipment income held for sale		-	-
18.2. Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3. Other income from terminated operations		-	-
XIX. EXPENSES FROM TERMINATED OPERATIONS (-)		-	-
19.1. Property and equipment expense held for sale		-	-
19.2. Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3. Other expenses from terminated operations		-	-
XX. INCOME/EXPENSE BEFORE TAXES FROM TERMINATED OPERATIONS (XVIII-XIX)		-	-
XXI. PROVISION FOR TAXES ON INCOME FROM TERMINATED OPERATIONS (±)		-	-
21.1. Current tax provision		-	-
21.2. Deferred tax provision		-	-
XXII. NET PROFIT/LOSSES FROM TERMINATED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(11)	1,132,620	864,259
Earnings/Losses per share		1	1

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

Türkiye Halk Bankası A.Ş.
Consolidated Statement of Profit and Loss Accounted for Under Equity

STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY	THOUSANDS OF TRY	
	Audited CURRENT PERIOD (01/01/2007-31/12/2007)	Audited PRIOR PERIOD (01/01/2006-31/12/2006)
I. Additions to marketable securities revaluation differences for available for sale financial assets	71,807	(34,481)
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign exchange 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 under equity due to TAS	-	-
IX. Deferred tax of valuation differences	(7,656)	(1,874)
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	64,151	(36,355)
XI. Profit/Loss	(26,414)	(15,492)
11.1. Change in fair value of marketable securities (Transfer to Profit/Loss)	(26,414)	(15,492)
11.2. Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3. Transfer of hedge of net investments in foreign operations to Income Statement	-	-
11.4. Other	-	-
XII. Total Profit/Loss accounted for the period (X±XI)	37,737	(51,847)

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

Türkiye Halk Bankası A.Ş.
Consolidated Statement of Changes in Shareholders' Equity

AUDITED

	Disc.	Paid-in Capital	Effect of Inflation Adjustments on Paid in Capital	Share Premium	Share Certificate Cancellation Profit	Legal Reserves	Statutory Reserves
CHANGES IN SHARE HOLDERS' EQUITY							
PRIOR PERIOD							
(31/12/2006)							
I. Beginning Balance		1,150,000	1,220,451	-	-	121,915	-
II. Corrections according to TAS 8		-	-	-	-	-	-
2.1. The effect of corrections of errors		-	-	-	-	-	-
2.2. The effects of changes in accounting policy.		-	-	-	-	-	-
III. New Balance (I + II)		1,150,000	1,220,451	-	-	121,915	-
Changes in period							
IV. Increase/Decrease related to merger		-	-	-	-	-	-
V. Marketable securities available for sale		-	-	-	-	-	-
VI. Hedging Transactions		-	-	-	-	-	-
6.1. Cash-flow risk hedging		-	-	-	-	-	-
6.2. Net Abroad Investment Risk Hedging		-	-	-	-	-	-
VII. Revaluation differences of tangible assets		-	-	-	-	-	-
VIII. Revaluation differences of intangible assets		-	-	-	-	-	-
IX. Free shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-
XI. Changes after disposal of securities		-	-	-	-	-	-
XII. Changes after reclassification of securities		-	-	-	-	-	-
XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity		-	-	-	-	-	-
XIV. Increase in capital		100,000	-	-	-	-	-
14.1. Cash		100,000	-	-	-	-	-
14.2. From internal resources		-	-	-	-	-	-
XV. Issuance of share certificates at end of period		-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-
XVII. Adjustment to paid-in capital		-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-
XIX. Net profit or losses		-	-	-	-	-	-
XX. Profit distribution		-	-	-	-	63,649	-
20.1. Dividends distributed		-	-	-	-	-	-
20.2. Transfers to legal reserves		-	-	-	-	63,649	-
20.3. Other		-	-	-	-	-	-
Closing Balance (III+IV+V +...+XVIII+XIX+XX)		1,250,000	1,220,451	-	-	185,564	-
CURRENT PERIOD							
(31/12/2007)							
I. Balance at end of prior period		1,250,000	1,220,451	-	-	185,564	-
Changes within the period							
II. Increase or decrease generated by merger		-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-
IV. Hedging Funds		-	-	-	-	-	-
4.1. Cash flow hedge		-	-	-	-	-	-
4.2. Hedges for investments made in foreign countries		-	-	-	-	-	-
V. Revaluation changes of property and equipment		-	-	-	-	-	-
VI. Revaluation changes of intangible assets		-	-	-	-	-	-
VII. Free shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-
IX. Changes after disposal of securities		-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity		-	-	-	-	-	-
XII. Increase in capital		-	-	-	-	-	-
12.1. Cash		-	-	-	-	-	-
12.2. From internal resources		-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-
XVII. Net profit or losses		-	-	-	-	-	-
XVIII. Profit distribution		-	-	-	-	112,069	-
18.1. Dividends distributed		-	-	-	-	-	-
18.2. Transfers to legal reserves		-	-	-	-	112,069	-
18.3. Other		-	-	-	-	-	-
Closing balances (I+II+III+...+XVI+XVII+XVIII)		1,250,000	1,220,451	-	-	297,633	-

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

Türkiye Halk Bankası A.Ş.
Consolidated Statement of Changes in Shareholders' Equity

THOUSANDS OF TRY

Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Valuation changes in marketable sec.	Revaluation changes in property and equip. and intangible assets	Free shares from shareholders	Hedging funds	Valuation change in property and equip. held for sale purposes/ terminated operat.	Total equity excluding minority shares	Minority shares	Total Equity
-	3,201	556,766	231,139	59,344	-	-	-	-	3,342,816	-	3,342,816
-	-	-	-	-	-	-	-	-	-	-	-
-	3,201	556,766	231,139	59,344	-	-	-	-	3,342,816	-	3,342,816
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	(51,847)	-	-	-	-	(51,847)	-	(51,847)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	16,925	-	-	-	-	-	-	-	16,925	-	16,925
-	-	-	-	-	-	-	-	-	100,000	-	100,000
-	-	-	-	-	-	-	-	-	100,000	-	100,000
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	864,259	-	-	-	-	-	-	864,259	-	864,259
-	-	(556,766)	51,673	-	-	-	-	-	(441,444)	-	(441,444)
-	-	-	(441,444)	-	-	-	-	-	(441,444)	-	(441,444)
-	-	-	(63,649)	-	-	-	-	-	-	-	-
-	-	(556,766)	556,766	-	-	-	-	-	-	-	-
-	20,126	864,259	282,812	7,497	-	-	-	-	3,830,709	-	3,830,709
-	20,126	864,259	282,812	7,497	-	-	-	-	3,830,709	-	3,830,709
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	37,736	-	-	-	-	37,736	-	37,736
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	(10,119)	-	-	-	-	-	-	-	(10,119)	-	(10,119)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	1,132,620	-	-	-	-	-	-	1,132,620	-	1,132,620
159,859	-	(864,259)	(159,097)	-	-	-	-	-	(751,428)	-	(751,428)
159,859	-	-	(751,428)	-	-	-	-	-	(751,428)	-	(751,428)
-	-	-	(271,928)	-	-	-	-	-	-	-	-
-	-	(864,259)	864,259	-	-	-	-	-	-	-	-
159,859	10,007	1,132,620	123,715	45,233	-	-	-	-	4,239,518	-	4,239,518

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

Türkiye Halk Bankası A.Ş.
Consolidated Statement of Cash Flows

THOUSANDS OF TRY

CONSOLIDATED STATEMENT OF CASH FLOWS

	Disc.	AUDITED CURRENT PERIOD (01/01/2007-31/12/2007)	AUDITED PRIOR PERIOD (01/01/2006-31/12/2006)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1. Operating profit before changes in operating assets and liabilities (+)		1,739,423	519,315
1.1.1. Interest received (+)		5,986,089	3,990,488
1.1.2. Interest paid (-)		3,938,309	3,124,450
1.1.3. Dividend received(+)		19,064	14,102
1.1.4. Fees and commissions received (+)		347,252	280,227
1.1.5. Other income (+)		314,267	517,307
1.1.6. Collections from previously written off loans (+)		195,692	160,969
1.1.7. Cash payments to personnel and service suppliers (-)		462,760	399,631
1.1.8. Taxes paid (-)		299,979	249,099
1.1.9. Other (+/-)		(421,893)	(670,598)
1.2. Assets and Liabilities Subject to Banking Operations		(1,506,707)	2,700,733
1.2.1. Net (Increase) decrease in financial assets held for sale (+/-)		260,587	1,029,252
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 (+/-)		(50,000)	175,674
1.2.4. Net (increase) decrease in loans (+/-)		(6,507,589)	(5,338,154)
1.2.5. Net (increase) decrease in other assets (+/-)		(235,225)	(51,151)
1.2.6. Net increase (decrease) in bank deposits (+/-)		1,198,755	1,428,598
1.2.7. Net increase (decrease) in other deposits (+/-)		3,471,116	5,220,936
1.2.8. Net increase (decrease) in loans borrowed (+/-)		60,658	391,285
1.2.9. Net increase (decrease) in matured payables (+/-)		-	-
1.2.10. Net increase (decrease) in other liabilities (+/-)		294,991	(155,707)
I. Net cash provided from banking operations (+/-)		232,716	3,220,048
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from investing activities (+/-)		1,532,290	(1,136,803)
2.1. Cash paid for purchase of joint ventures, associates and subsidiaries(-)		25,713	41,798
2.2. Cash obtained from sale of entities joint ventures, associates and subsidiaries (+)		-	-
2.3. Fixed assets purchases (-)		50,739	139,106
2.4. Fixed assets sales(+)		(60,791)	113,381
2.5. Cash paid for purchase of financial assets available for sale (-)		2,160,937	3,992,158
2.6. Cash obtained from sale of financial assets available for sale (+)		-	-
2.7. Cash paid for purchase of investment securities (-)		200,000	298,343
2.8. Cash obtained from sale of investment securities (+)		4,030,470	3,221,221
2.9. Other (+/-)		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities (+/-)		(750,023)	(338,788)
3.1. Cash obtained from loans borrowed and securities issued (+)		-	-
3.2. Cash used for repayment of loans borrowed and securities issued (-)		-	-
3.3. Marketable securities issued (+)		-	100,000
3.4. Dividends paid (-)		751,428	441,444
3.5. Payments for finance leases (-)		(1,405)	(2,656)
3.6. Other (+/-)		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents(+/-)		(14,093)	2,960
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		1,000,890	1,747,417
VI. Cash and cash equivalents at beginning of the period (+)	(2)	3,585,694	1,838,277
VII. Cash and cash equivalents at end of the period (V+VI)	(2)	4,586,584	3,585,694

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

Türkiye Halk Bankası A.Ş.

Consolidated Profit Distribution Table

	THOUSANDS OF TRY	
	Audited CURRENT PERIOD (31/12/2007)	Audited PRIOR PERIOD (31/12/2006)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1.CURRENT YEAR INCOME	1,406,584	1,117,283
1.2.TAXES AND DUTIES PAYABLE	292,366	253,785
1.2.1.Corporate tax (Income tax)	292,366	238,540
1.2.2.Income withholding tax	-	-
1.2.3.Other taxes and duties (*)	-	15,245
A. NET INCOME FOR THE YEAR (1.1-1.2)	1,114,218	863,498
1.3.PRIOR YEARS LOSSES (-)	-	-
1.4.FIRST LEGAL RESERVES (-)	55,711	43,175
1.5.OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	1,058,507	820,323
1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)	62,500	62,500
1.6.1.To owners of ordinary shares	62,500	62,500
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 (-)	27,500	-
1.8.DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9.SECOND DIVIDEND TO SHAREHOLDERS (-)	785,780	688,930
1.9.1.To owners of ordinary shares	785,780	688,930
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 (-)	81,328	68,893
1.11.STATUTORY RESERVES (-)	-	-
1.12.GENERAL RESERVES	101,399	-
1.13.OTHER RESERVES	-	-
1.14.SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1.APPROPRIATED RESERVES	-	-
2.2.SECOND LEGAL RESERVES (-)	-	-
2.3.DIVIDENDS TO SHAREHOLDERS (-)	848,280	751,428
2.3.1.To owners of ordinary shares	848,280	751,428
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 (-)	-	-
III. EARNINGS PER SHARE		
3.1.TO OWNERS OF ORDINARY SHARES	0.90	0.60
3.2.TO OWNERS OF ORDINARY SHARES (%)	90%	60%
3.3.TO OWNERS OF PRIVILEGED SHARES	-	-
3.4.TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1.TO OWNERS OF ORDINARY SHARES	0.68	0.53
4.2.TO OWNERS OF ORDINARY SHARES (%)	68%	53%
4.3.TO OWNERS OF PRIVILEGED SHARES	-	-
4.4.TO OWNERS OF PRIVILEGED SHARES (%)	-	-

Deferred tax income of TRY 16,822 Thousand has been deducted from unconsolidated current year income of TRY 1.131.039 Thousand in accordance with BRSA Communique numbered 2004/3 and profit distribution has been made from remaining income of TRY 1.114.218 Thousand.

(*) Includes deferred tax expense.

(**) Profit distribution has been decided on April 8, 2008 by the General Assembly of the Parent Bank.

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The consolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards and Communiqué on "Banks' Accounting Practice and Maintaining Documents".

Accounting policies applied and valuation methods used in the preparation of the financial statements are expressed in detail below.

Certain classifications have been made to the prior year financial statements to comply with the current year presentation. Unless otherwise indicated, the term "Prior Period" used in the explanations and notes related to the Balance Sheet, Off-Balance Sheet Commitments, Statement of Income, Statement of Cash Flow and Statement of Changes in Shareholders' Equity are referred to December 31, 2006 period.

II. EXPLANATIONS ON STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

1. The Parent Bank's Strategy On Financial Instruments:

Due to its historical mission, the Parent Bank focuses on granting loans to SMEs and craftsmen. Funds, generated from the redemption and coupon interest payments of the special arrangement government securities in assets in decreasing funding costs, are directed to marketable securities obtained from the market conditions as a result of duty losses. In addition to the main fund source deposits, the Parent Bank can raise funds from foreign borrowing.

The Parent Bank follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Parent Bank are evaluated in the weekly Assets and Liabilities Committee meetings.

2. The Parent Bank's Explanations on Foreign Currency Transactions:

In the statutory records of the Parent Bank, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Balance sheet foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement. Exchange differences from the conversion of net investments in foreign associates are recognised in the other profit reserves account under the equity.

The financial statements of the foreign branches of the Parent Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Parent Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Parent Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by using the average exchange rates, unless a significant foreign currency movement occurs. Foreign currency gains and losses are recognized in the other profit reserves under the equity. These exchange differences are recognized as profit or loss when the foreign operation is disposed of. Goodwill and fair value adjustments which are arising from the purchase of foreign operations are treated as assets and liabilities of foreign operations and converted by using the closing exchange rates.

III. INFORMATION ABOUT THE PARENT BANK AND ITS ASSOCIATES SUBJECT TO CONSOLIDATION

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated November 8, 2006 and numbered 26340 and the Turkish Accounting Standards are applied in the consolidation. Based on the communiqué, if the associate's assets are less than 1% of the Parent Bank's total assets or if the total shares of the associates under this limit do not exceed 5% of the Parent Bank's total assets, these type of associates are excluded from the consolidation. Accordingly, Halk Finansal Kiralama A.Ş., Halk Yatırım A.Ş., Birlik Sigorta A.Ş. and Birlik Hayat Sigorta A.Ş. are not included in the accompanying

consolidated financial statements since their assets are less than 1% of the Parent Bank's assets and their total shares are less than 5% of the Parent Bank's total assets as of December 31, 2007.

Demir-Halkbank N.V., which is qualified as investments in associates, is presented in the accompanying financial statements based on the equity method of accounting.

Accounting principles used by Demir-Halk Bank N.V., which is a consolidated associate by the equity method, has the same accounting principles of Parent Bank. The revaluation fund which is recorded to the equity of stand-alone financial statements of Demir-Halk Bank N.V., calculated from tangible asset valuation study, is reversed during applying equity method of accounting in the consolidated financial statements.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Parent Bank are foreign currency swaps, forward foreign currency and interest transactions. The Parent Bank has no derivative instruments decomposed from the main contract.

Derivative financial instruments are recorded with their fair values at the contract date and re-accounted with their fair values in the following reporting periods. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39), these derivative instruments are recognized as held for trading and gains and losses of these instruments are associated with the profit/loss statement.

V. INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cashflows of a financial asset or liability to its present net book value) in conformity with TAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

VI. FEES AND COMMISSION INCOME AND EXPENSES

Fees and commission income/expenses are recognized on an accrual or cash basis depending on the nature of the transaction.

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Parent Bank, if the Parent Bank is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Parent Bank. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

The estimated fair values of financial assets have been determined by the Parent Bank using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

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

1. Cash and Bank:

Cash and bank balances in foreign currencies are valued by using the Parent Bank's current period end exchange rates. Cash balances in TRY, foreign currency balances and bank balances on the balance sheet are the estimated fair values of these assets.

2. Marketable Securities:

a. Financial Assets at Fair Value Through Profit and Loss

a.1. Financial Assets Held For Trading:

Financial assets held for trading 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.

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. If a price does not occur in an active market, fair value cannot be reliably determined and "Amortized Value" is determined as the fair value using the internal rate of return. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of Held For Trading Financial Assets are recognized under the interest income and dividends gained is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using Interest Income/Expense accounts and Profit/Loss from the Capital Market Operations under the scope of Uniform Chart of Accounts.

a.2. Financial Assets At Fair Value Through Profit and Loss:

Financial Assets At Fair Value Through Profit and Loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial assets held for trading.

b. Investments Held to Maturity, Financial Assets Available for Sale

b.1. Investments Held to Maturity include securities with fixed or determinable payments and fixed maturity carried at fair value through profit and loss at the initial recognition where there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and available for sale non-derivative assets except for bank loans and receivables. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity are recognized in the income statement as an interest income. There are no financial assets that are classified by the Parent Bank as investments held to maturity, however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

b.2. Financial assets available for sale represent non-derivative financial assets except for bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through profit and loss by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and "Amortized Value" is determined as the fair value using the internal rate of return. Unrealized gains and losses arising from the fluctuations in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or incurring loss of those assets. Fair value differences accumulated in equity accounts arising from the application of fair value in the case of the collection from the redemption or sale of the related assets are reflected to the income statement.

3. Loans and Receivables:

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Personal and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed personal and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

Non-performing loans are classified 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 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

A financial asset or a group of financial asset is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrance, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present value of estimated future cashflows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair value of the financial assets at fair value through profit and loss or available for sale of which value decreases and increases are recognized in equity, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

For loans and receivables; the Parent Bank's management performs consistent loan portfolio reviews and if any doubts on the collectibility of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published in the Official Gazette numbered 26333 and dated November 1, 2006. The Parent Bank does not limit the provision amount with the minimum rates defined in the related regulation and allocates specific provision for this kind of loan amounts in full and they are recognized in the statement of profit/loss. Collections made related to those loans are offset against the capital and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

In accordance with the provisions of the related legislation, general loan provisions are provided by the Parent Bank in addition to specific provisions.

IX. OFFSETTING THE FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

X. SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under "Securities at fair value through profit or loss" or "Securities available for sale" in the Parent Bank's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under the "Funds From Repurchase Transactions" account in liabilities. For the portion of the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the "Receivables From Reverse Repo Transactions" account. For the portion of the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method. As of December 31, 2007, the Parent Bank has TRY 50.025 Thousand reverse repo transaction.

XI. EXPLANATIONS ON TANGIBLE FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Parent Bank.

Intangible assets that are purchased prior to January 1, 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical, less any accumulated amortisation and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of establishment/formation expenses, software expenses and they are amortized by using the straight line method over 5 years. Leasehold improvements are depreciated over the lease period by straight line method. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortisation method, amortization period or residual value.

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that are purchased prior to January 1, 2005 are carried at their December 31, 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses.

Property, plant and equipment are amortized by using the straight line method during their useful lives.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

Ordinary maintenance and repair expenses of property, plant and equipment items are recognized as expenses.

There are no mortgages, pledges or similar incumbrances designated for the property, plant and equipment.

Estimated useful lives of property, plant and equipment are as follows:

	Estimated Useful Lives (Year)	Depreciation Rate
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	2-25	4%-50%
Assets held under financial leases	4-5	20%-25%

There is no change expected in the current period or to be expected in the subsequent periods to have a significant effect on the accounting estimates.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portion of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Parent Bank does not participate in the financial leasing transactions as a lessor.

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

A provision should be recognized in the financial statements when there is a present obligation as a result of 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. The amount recognized as a provision is the best estimate of the Parent Bank's management for expenditure required to settle the present obligation at the balance sheet date and amortized to its present value if the amount is material.

XVI. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognised in accordance with the Turkish Accounting Standard No:19 "Employee Benefits". According to related legislation and union contracts, the Parent Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees; who resigns subsequent to her marriage within one year. The Parent Bank provides provision by estimating the present value of the future retirement pay liability. The retirement pay provision of the Parent Bank has been determined by the actuarial report of an independent valuation company.

Pamukbank Employee Pension Fund, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members include employees of the Parent Bank as well. Provisional article 23 of the Banking Act No: 5411 requires the Parent Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated November 30, 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated March 31, 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

In accordance with the principles set out by the Council of Ministers' decision, numbered 2006/11345 published in the Official Gazette numbered 26377 and dated December 15, 2006 regarding the determination of procedures and principles for the application of transfer requirements and based on the technical balance sheet report prepared using a 10,24% of technical interest rate, for Pamukbank Employee Pension Fund TRY 9.251 Thousand of technical provision has been allocated as of December 31, 2006 and kept in financial statements as of December 31, 2007. No technical deficit for T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund has been reported. It is declared that, despite BRSA's cancellation of the temporary Article 23 of the Banking Law, the maintenance of the provision amount that was previously calculated as of 2006 year end in accordance with the Council of Ministers' related decree would be appropriate.

In accordance with Article 58 and temporary Article 7 of the Banking Law, beginning from January 1, 2008, it is stated that no additional funds will be allocated for the compensation of such deficits.

XVII. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. 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 corporate tax liability for the year. The 4th quarter advance tax for the 2007 year end has been paid in February 2008, to be offset against the final corporate tax liability for the current year.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded.

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 the initial recognition of other assets and liabilities other than goodwill or business combination in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

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.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

XVIII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Parent Bank borrows funds from domestic and foreign institutions when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are prevented by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitisation and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

There are no convertible bonds or debt instruments issued.

XIX. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuance related to costs are recognized as expenses. Dividend income related with the equity shares are determined by the General Assembly of the Parent Bank.

The Parent Bank has not issued any shares during 2007. In accordance with the decree of the Privatization High Council dated February 5, 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration is completed and the Parent Bank shares are registered to the Board with the decree of the Capital Markets Board dated April 27, 2007 and numbered 23/271, and the shares are traded on the Istanbul Stock Exchange as of May 10, 2007.

XX. BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Parent Bank.

XXII. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Parent Bank. The Parent Bank operates on mainly corporate banking, individual banking and investment banking.

The report concerning parts of the Parent Bank's business segmentation and related information is explained in section four, disclosure numbered VIII.

XXIII. OTHER MATTERS

Associates and Subsidiaries:

For TRY associates and subsidiaries, initially, the additions of funds (such as revaluation fund increase) are deducted from the cost of the associate and subsidiary (the additions of these funds to the capital is permitted for these companies) and later, these costs are indexed based on the capital increase collection dates until December 31, 2004. As of December 31, 2007, a valuation study has been performed by an independent company for certain associates and subsidiaries; Kobi A.Ş., Halk Leasing, Birlik Sigorta, Birlik Hayat Sigorta and Halk Yatırım. For those entities that have value increase, the provision set for impairment in the prior periods were cancelled.

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

Risk measurement methods used in the determination of consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks", which was published in the Official Gazette numbered 26333 on November 1, 2006. As of December 31, 2007, the Parent Bank's consolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 19,61%. (December 31, 2006: 31,58%)

In calculating the amounts subject to credit risk, the Parent Bank generally evaluates its loans according to their collateral classes based on the relevant risk weights. However, risk rate for fund loans for which the Parent Bank recognises is 0% and credit cards and cooperative loans is 100% due to having "suretyship" collateral type.

In the calculation of capital adequacy standard ratio, information prepared in accordance with the legislation on recording and accounting system is used. Additionally, market risk amount is calculated in accordance with the communiqué on the "Internal Control and Risk Management Systems of the Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Amounts deducted from the capital in the calculation of shareholders' equity are not considered in the calculation of risk-weighted assets, non-cash loans and contingent liabilities. In the calculation of risk weighted assets, assets subject to depreciation and impairment are carried at their carrying values less accumulated depreciation and impairment losses.

Beginning from December 31, 2004, for the calculation of the amount subject to credit risk regarding the transactions on the non-cash loans, the receivable amount from counter parties is calculated by using the conversion rates presented in Clause 1 in Article 5 of the Communiqué on "Measurement and Assessment of Banks' Capital Adequacy Ratios", less the specific provision amount set in accordance with the Communiqué on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", if any.

In calculation of the amount subject to credit risks, receivables from counter parties arising from foreign currency and interest rate transactions are recognized using the conversion rates presented in the related communiqué Clause 2 in Article 5.

1. Information on the consolidated capital adequacy ratio:

	Risk Weights							
	Bank Only				Consolidated			
	0%	20%	50%	100%	0%	20%	50%	100%
Credit Risk Base Amount								
Balance Sheet Items (Net)	20.516.571	1.221.512	5.866.747	12.018.927	20.516.571	1.221.512	5.866.747	11.769.203
Cash and Cash Equivalents	229.485	24	-	-	229.485	24	-	-
Matured Marketable Securities	-	-	-	-	-	-	-	-
Turkish Republic Central								
Bank Balances	2.574.885	-	-	-	2.574.885	-	-	-
Domestic, Foreign Banks, Head								
Office and Branches Abroad Balances	-	1.161.073	-	-	-	1.161.073	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Receivables From Reverse								
Repurchase Agreements	-	50.000	-	-	-	50.000	-	-
Reserve Deposits	621.119	-	-	-	621.119	-	-	-
Loans	1.517.239	8.820	5.664.933	10.598.827	1.517.239	8.820	5.664.933	10.598.827
Non-Performing Loans (Net)	-	-	-	13.889	-	-	-	13.889
Finance Lease Receivables	-	-	-	-	-	-	-	-
Financial Assets Available-For-Sale	7.910.282	-	-	9.975	7.910.282	-	-	9.975
Investments Held to Maturity	6.779.989	-	-	-	6.779.989	-	-	-
Receivables From the Asset								
Sale on Credit Terms	-	-	-	48.614	-	-	-	48.614
Sundry Debtors	2.365	-	-	75.942	2.365	-	-	75.942
Interest and Income Accruals	814.364	1.595	201.814	109.981	814.364	1.595	201.814	109.981
Subsidiaries, Associates and								
Joint Ventures (Net)	-	-	-	250.777	-	-	-	1.053
Property, Plant and Equipment	-	-	-	717.868	-	-	-	717.868
Other Assets	66.843	-	-	193.054	66.843	-	-	193.054
Off-Balance Sheet Items	76.564	999.641	665.105	1.931.954	76.564	999.641	665.105	1.931.954
Non-Cash Loans and Commitments	76.564	966.986	665.105	1.931.954	76.564	966.986	665.105	1.931.954
Derivative Instruments	-	32.655	-	-	-	32.655	-	-
Non-Risk Weighted Accounts	-	-	-	-	-	-	-	-
Total Risk-Weighted Assets	20.593.135	2.221.153	6.531.852	13.950.881	20.593.135	2.221.153	6.531.852	13.701.157

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

2. Capital Adequacy Ratio Summary:

	Bank Only		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Credit Risk Base Amount (CRBA)	17.661.038	11.597.445	17.411.314	11.534.204
Market Risk Base Amount (MRBA)	368.450	128.988	284.313	128.988
Operational Risk Base Amount (ORBA)	3.330.937	-	3.338.929	-
Equity	4.279.268	3.746.954	4.125.799	3.683.713
Equity/(CRBA+MRBA+ORBA)*100	20,03	31,95	19,61	31,58

CRBA: Credit Risk Base Amount
MRBA: Market Risk Base Amount
ORBA: Operational Risk Base Amount

Risk measurement methods used in the determination of the consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published in the Official Gazette numbered 26333 on November 1, 2006.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

3. Information on equity items

	Bank Only		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
CORE CAPITAL				
Paid-in Capital	1.250.000	1.250.000	1.250.000	1.250.000
Nominal capital	1.250.000	1.250.000	1.250.000	1.250.000
Capital commitments (-)	-	-	-	-
Inflation Adjustment for Paid-in Capital	1.220.451	1.220.451	1.220.451	1.220.451
Share Premium	-	-	-	-
Share Cancellation Profits	-	-	-	-
Legal Reserves	297.633	185.564	297.633	185.564
I. Degree Legal Reserve (Turkish Commercial Code 466/1)	117.045	73.870	117.045	73.870
II. Degree Legal Reserve (Turkish Commercial Code 466/2)	179.908	111.030	179.908	111.030
Reserves per Specific Acts	680	664	680	664
Statutory Reserves	-	-	-	-
Extraordinary Reserves	191.787	21.055	169.866	20.126
Reserves allocated per General Assembly Minute	159.859	-	159.859	-
Retained Earnings (*)	47.181	47.181	47.181	47.181
Accumulated Loss	-	-	-	-
Foreign Currency Share Capital Exchange Difference	(15.253)	(26.126)	(37.174)	(27.055)
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-	-	-
Profit	1.202.961	1.095.278	1.256.335	1.147.071
Net period profit	1.131.039	863.498	1.132.620	864.259
Retained Earnings	71.922	231.780	123.715	282.812
Portion of Free Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	9.346	-	9.346	-
Subsidiary and Associate Shares and Gains on Sale of Properties To Be Added To Capital	-	-	-	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-	-	-	-
Losses that cannot be covered by reserves (-)	-	-	-	-
Net period loss	-	-	-	-
Accumulated Loss	-	-	-	-
Leasehold Improvements (-) (**)	14.326	12.150	14.326	12.150
Prepaid Expenses (-) (**)	3.625	3.177	3.625	3.177
Intangible Assets (-) (**)	2.459	1.985	2.459	1.985
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-	-	-
Excess Amount defined in,3rd Clause, 56th Article of the Banking Act (-)	-	-	-	-
Consolidation Goodwill (-)	-	-	-	-
Total Core Capital	4.172.178	3.772.348	4.203.631	3.823.212

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

	Bank Only		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
SUPPLEMENTARY CAPITAL				
General Loan Provisions	138.506	72.189	138.506	72.189
45% of Movable Assets Revaluation Fund	-	-	-	-
45% of Properties Revaluation Fund	-	-	-	-
Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures	-	-	-	-
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-	-	-
Secondary Tier -II Capital	-	-	-	-
45% of Marketable Securities Revaluation Fund	99.109	3.374	20.355	3.374
From Subsidiaries and Associates	78.754	-	-	-
From Financial Assets Available For Sale	20.355	3.374	20.355	3.374
Inflation adjustments for capital reserves, profit reserves and retained earnings/accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-	-	-	-
Minority Interest	-	-	-	-
Total Supplementary Capital	237.615	75.563	158.861	75.563
TIER-III CAPITAL				
CAPITAL	4.409.793	3.847.911	4.362.492	3.898.775
DEDUCTIONS FROM CAPITAL	130.525	100.957	236.693	215.062
Equity Shares in Banks and Financial Institutions Which Are Excluded From the Consolidation	96.070	71.411	96.070	71.411
Borrowing Instruments and Loans qualified as Tier-II Capital from and to banks, financial institutions (domestic and foreign), preferred stockholders	-	-	-	-
Equity Shares in Banks and Financial Institutions for which equity method was applied, but their assets and liabilities were not consolidated	-	-	106.168	114.105
Loans granted not in compliance with the provisions stated in articles 50 and 51 of the Act.	-	-	-	-
Total net book value of the Parent Bank's properties in excess of 50% of the equity and in accordance with Article 57 of the Act, net book value of properties and commodities acquired in exchange of loans and receivables that should be disposed of however; have not been disposed of although it has been 5 years since the beginning of the acquisition date.	14.045	12.234	14.045	12.234
Other	-	-	-	-
TOTAL EQUITY	4.279.268	3.746.954	4.125.799	3.683.713

(*) TRY 47.181 Thousand of balance is the monetary gain/loss from restatement of the 2003 period profit until April 2004 (dividend distribution date).

(**) Leaseholds improvements, prepaid expenses, intangible assets and deferred tax asset exceeding 10% of the core capital items under the core capital are not included in the core capital, instead, they are included in the deductions from capital in accordance with the related communiqué.

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

The Parent Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Parent Bank grades all of its credits that are granted to real persons or entities and requires additional collaterals from its customers having high credit risks. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Parent Bank's risk concentration in Turkey is high, since it operates mainly in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically. For geographical regions and sectors, limit determination process is carried by the related loan departments.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are assorted in accordance with the Parent Bank's risk management system.

As prescribed in the Communiqué on "Determining the Nature of Loan and Other Receivable Provisions Allocated By the Banks and Procedures and Principles of Allocating Provisions", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Parent Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are suretyships, immovable mortgages, cash blockages and customer or real person chouse.

When the Parent Bank is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total.

Indemnified non-cash loans are subject to the same risk weight as the outstanding loans due at maturity and they are classified according to their guarantees and recognized in the non-performing loans account.

The Parent Bank is not an active participant of the international banking sector.

As of December 31, 2007, the receivables of the Group from its top 100 cash loan customers is 15,84% of its total cash loans.

As of December 31, 2007, receivables of the Parent Bank from its top 100 non-cash loan is 53,77% of its total non-cash loans.

As of December 31, 2007, share of cash and non-cash receivables of the Parent Bank from its top 100 customers is 9,64% of its total balance sheet and off- balance sheet assets.

As of December 31, 2007, general loan loss provision related to the credit risk incurred by the Parent Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 138.506 Thousand.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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
Loans according to borrowers:								
Private Sector	13.403.094	9.250.102	244.117	-	9.975	9.661	148.138	127.850
Public Sector	7.358	-	-	-	15.934.625	18.129.518	176.945	34.271
Banks	-	-	17.400	20.300	-	-	1.161.073	1.078.544
Retail	4.117.850	2.141.195	-	-	-	-	-	-
Share Certificates	-	-	-	-	-	-	-	-
Total	17.528.302	11.391.297	261.517	20.300	15.944.600	18.139.179	1.486.156	1.240.665
Information according to geographical concentration:								
Domestic	16.398.989	11.140.917	244.117	-	15.937.674	18.132.288	382.484	274.932
EU Countries	-	-	17.400	20.300	5.594	6.119	875.376	868.776
OECD Countries ***	-	-	-	-	-	-	97.498	29.783
Offshore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	111.125	1.643
Other Countries	1.129.313	250.380	-	-	1.332	772	19.673	65.531
Total	17.528.302	11.391.297	261.517	20.300	15.944.600	18.139.179	1.486.156	1.240.665

(*) 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 EU countries, USA and Canada

(****) Interest and income accruals for the loans are not included in table above.

Information according to geographical concentration:

	Assets	Liabilities	Non-Cash Loans	Equity Investments	Net Profit/Loss
Domestic	37.461.587	33.341.634	3.621.425	101.329	1.132.620
EU Countries	1.124.988	534.854	114.992	111.762	-
OECD Countries (*)	112.246	-	1.496	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	42.685	84.728	1.166	-	-
Other Countries	1.136.126	1.890.164	26.000	175	-
Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	39.877.632	35.851.380	3.765.079	213.266	1.132.620
Prior Period					
Domestic	33.127.157	29.260.424	2.904.291	75.584	864.259
EU Countries	805.535	519.425	180.752	119.168	-
OECD Countries (*)	29.783	-	5.267	-	-
Offshore Banking Regions	-	-	-	-	-
USA, Canada	1.643	-	1.487	-	-
Other Countries	316.259	864.996	1.055	425	-
Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	34.280.377	30.644.845	3.092.852	195.177	864.259

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

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

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Sector concentrations for cash loans:

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	746.237	4,93	14.858	0,50	486.749	4,95	6.749	0,37
Farming and Raising Livestock	722.871	4,78	9.990	0,33	467.613	4,76	2.638	0,15
Forestry, Wood and Paper	8.921	0,06	58	0,00	7.836	0,08	23	0,00
Fishery	14.445	0,10	4.810	0,16	11.300	0,11	4.088	0,23
Manufacturing	3.194.180	21,12	1.495.933	50,13	2.044.403	20,80	904.780	50,24
Mining and Quarry	68.396	0,45	31.602	1,06	52.047	0,53	22.890	1,27
Production	3.112.470	20,58	1.412.470	47,33	1.986.950	20,21	866.848	48,13
Electricity, Gas and Water	13.314	0,09	51.861	1,74	5.406	0,05	15.042	0,84
Construction	570.285	3,77	55.197	1,85	454.742	4,63	36.115	2,01
Services	5.830.660	38,55	1.390.376	46,59	4.078.980	41,50	815.645	45,29
Wholesale and Retail Trade	3.473.837	22,97	204.306	6,85	2.401.330	24,43	79.607	4,42
Hotel, Tourism, Food and Beverage Services	793.720	5,25	210.691	7,06	140.222	1,43	72.321	4,02
Transportation and Communication	164.427	1,09	85.190	2,85	686.910	6,99	9.465	0,53
Financial Institutions	720.270	4,76	361.304	12,11	76.160	0,77	70.676	3,92
Real Estate and Renting Services	280.834	1,86	392.097	13,14	544.642	5,54	345.531	19,19
Self-Employment Services	36.110	0,24	14.907	0,50	107.919	1,10	139	0,01
Education Services	240.967	1,59	121.881	4,08	29.978	0,30	13.611	0,76
Health and Social Services	120.495	0,80	-	0,00	91.819	0,93	224.295	12,45
Other	4.781.807	31,62	27.656	0,93	2.764.644	28,13	37.652	2,09
Total	15.123.169	100,00	2.984.020	100,00	9.829.518	100,00	1.800.941	100,00

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

Gross Maximum Exposure	Current Period	Prior Period
Cash, Cash Equivalents, and CB of Turkey	3.471.178	2.550.539
Due from Banks	1.161.585	1.079.174
Money Market Receivables	50.025	-
Financial Assets at Fair Value Through Profit and Loss	480.172	753.601
Financial Assets Available-for-Sale	8.427.008	6.110.856
Held-to-Maturity Investments	7.037.420	11.274.722
Loans	18.121.078	11.645.638
Total	38.748.466	33.414.530
Contingent liabilities	3.765.079	3.092.852
Commitments	3.111.088	2.161.551
Total	6.876.167	5.254.403
Total credit risk exposure	45.624.633	38.668.933

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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
Receivables from Banks	1.161.585	-	1.161.585
Financial Assets at Fair Value Through Profit and Loss	480.172	-	80.172
Loans	16.805.533	176.364	16.981.897
Corporate lending	2.954.197	61.899	3.016.096
SME lending	9.877.008	47.229	9.924.237
Consumer lending	3.870.480	67.236	3.937.716
Other	103.848	-	103.848
Financial Assets Available for Sale	8.427.008	-	8.427.008
Investments held to maturity	7.037.420	-	7.037.420

(*) Credit cards (TRY 274.350 Thousand) and loans for which the risk does not belong to the Parent Bank (TRY 864.831 Thousand) are not included in table above.

(**) Loan portfolio classification is made in accordance with Basel II criterias.

(***) Financial assets that are overdue or impaired are presented in net values. Specific loan provision of TRY 1.018.853 Thousand as of 31.12.2007 is netted of from SME lending.

Corporate and Commercial Firms	Internal/External Valuation Grade	Total
Risk Rating Group 1	AAA	1.886
Risk Rating Group 2	AA	470.837
Risk Rating Group 3	A	1.661.781
Risk Rating Group 4	BBB	1.200.185
Risk Rating Group 5	BB	1.085.635
Risk Rating Group 6	B	842.359
Risk Rating Group 7	CCC	329.971
Risk Rating Group 8	CC	50.598
Risk Rating Group 9	C	5.732
TOTAL		5.648.984

Entrepreneurial Firms	Internal/External Valuation Grade	Total
High		
Risk Rating Group 1	1	927.651
Risk Rating Group 2	2	871.784
Standard		
Risk Rating Group 3	3	812.940
Below the Standard		
Risk Rating Group 4	4	843.747
Loss in value		
Risk Rating Group 5	5	538.302
TOTAL		3.994.424

1) Loans for which the risk does not belong to the Parent Bank are not included. (TRY 864.831 Thousand)

2) Loan amount before the conversion is considered

3) Prepared in accordance with the internal grading results of the Parent Bank

4) Only graded firms are included.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Risk Grade (1-4)	Risk Group	Definition of Risk Group	Risk Grade (%)
1,00 – 1,40	AAA	The firm is an extremely positive firm with its financial and non-financial criterias and it can pursue its high credibility in the long run.	100 -86
1,41 – 1,80	AA	The firm is a positive firm with its financial and non-financial criterias and it can pursue its high credibility in the long run.	85 -73
1,81 – 2,00	A	The firm that has performed its optimization and has a high credibility in the short run and is a credible firm in the medium run.	72 – 67
2,01 – 2,20	BBB	The firm is a credible firm despite the fact that it can not perform the optimization of certain aspects of its financial and non-financial criterias.	66 – 60
2,20 – 2,40	BB	The firm can not retain optimization in the major parts of its financial and non-financial criterias. It has speculative attributes but it is a credible firm in the short run.	59 – 53
2,41 – 2,60	B	Some of the financial and non-financial criterias are negative. It carries highly speculative attributes. In the short run it is a credible firm dependent on the positive conjuncture.	52 – 47
2,61 – 2,80	CCC	The major part of its financial and non-financial criterias are negative and the firm is having difficulties in meeting its commitments. But it has a guaranteed short run credibility dependent on the positive conjuncture.	46 – 40
2,81 – 3,20	CC	The firm force the acceptable risk limits when its financial and non-financial criterias are considered together, and has poor credibility.	39 – 27
3,21 – 3,60	C	The firm has no credibility when its financial and non-financial criterias are considered together.	26 – 13
3,61 – 4,00	D	The firm has no credibility under any condition.	12 – 0

Carrying amount per class of financial assets whose terms have been renegotiated:

	31 December 2007	31 December 2006
Loans		
Corporate Loans	46.788	17.996
SME Loans	72.405	106.198
Consumer Loans	8	-
Other	245	1.032
Total	119.446	125.226

III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

The Parent 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 Parent Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Parent 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 Parent Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Parent Bank related to balance sheet and off-balance sheet accounts 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 standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by three different methods which are historic simulation, Monte Carlo simulation and parametric method, and these results are also reported daily to the management.

In addition to the standard method, market risk is also calculated by internal model method (Value subject to risk), and the results are supported by scenario analysis and stress tests.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

a) Information Related to Market Risk:

	Amount
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	15.442
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	-
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	7.303
(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)	22.745
(IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)	284.313

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

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	14.430	16.691	12.595	34.439	57.354	8.662
Common Stock Risk	-	-	-	876	1.756	-
Currency Risk	3.821	7.303	811	1.795	3.195	1.006
Commodity Risk	60	83	-	20	81	-
Clearance Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Total Value Subject to Risk	18.311	24.077	13.406	37.130	62.386	9.668

Other Price Risks

The Parent Bank does not invest in share certificates, hence it is not subject to share price risk.

IV. EXPLANATIONS RELATED TO CONSOLIDATED OPERATIONAL RISK

In the calculation of the Parent Bank's operational risk, "Basic Indicator Method" is used. The amount subject to operational risk is calculated in accordance with Section 4 of the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks" published in the Official Gazette numbered 26333 on November 1, 2006 and this section is named as "Calculation of Operational Risk Base Amount" which came into effect as of June 1, 2007. The calculation is performed parallel to the practice within the country, by multiplying 15% of the Parent Bank's last three years' average gross revenue with 12,5. Amount subject to operational risk is TRY 3.338.929 Thousand for the current period.

V. EXPLANATIONS RELATED TO THE CONSOLIDATED 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 Parent Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

The Parent Bank is not exposed to currency risks. However, potential currency risks are figured at weekly and monthly periods through the standard method. Thereby, currency risk can be closely followed. The Parent Bank rarely enters into swap contracts against the currency risk, in case of need.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Announced current foreign exchange buying rates of the Parent Bank as at December 31, 2007 and the previous five working days in full TRY are as follows:

	24.12.2007	25.12.2007	26.12.2007	27.12.2007	28.12.2007	31.12.2007
USD	1,1700000	1,1700000	1,1650000	1,1650000	1,1600000	1,1600000
CHF	1,0091000	1,0096000	1,0117000	1,0179000	1,0273000	1,0239000
GBP	2,3097000	2,3106000	2,3064000	2,3140000	2,3100000	2,3146000
JPY	0,0102142	0,0102316	0,0102008	0,0101915	0,0102487	0,0103620
EURO	1,6851000	1,6838000	1,6891000	1,6971000	1,7069000	1,6988000

Announced current foreign exchange buying rates of the Parent Bank as at December 31, 2007 and the previous five working days in full TRY are as follows:

	Monthly average
USD	1,1659211
CHF	1,0219421
GBP	2,3507632
JPY	0,0103586
EURO	1,6991579

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Information related to consolidated currency risk:

Current Period	EURO	USD	YEN	OTHER	Total
Assets					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	867.474	53.675	35	4.260	925.444
Banks and Financial Institutions	136.551	937.328	292	55.346	1.129.517
Financial Assets at Fair Value Through Profit and Loss	92.552	52.178	-	45	144.775
Money Market Placements	-	-	-	-	-
Financial Assets Available-For-Sale	803.270	948.084	-	-	1.751.354
Loans (**)	1.123.349	1.928.137	649	1.640	3.053.775
Subsidiaries, Associates and Entities Under Common Control	106.168	-	-	-	106.168
Held-To-Maturity Investments (***)	942.812	268.563	-	-	1.211.375
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	33	-	-	10	43
Intangible Assets	-	-	-	-	-
Other Assets	1.218	59.392	-	42	60.652
Total Assets	4.073.427	4.247.357	976	61.343	8.383.103
Liabilities					
Bank Deposits	4.547	22.210	-	236	26.993
Foreign Currency Deposits	3.612.943	4.892.966	374	57.041	8.563.324
Money Market Balances	170.202	246.336	-	-	416.538
Funds Provided From Other Financial Institutions	498.905	50.265	648	357	550.175
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	1.767	3.227	274	39	5.307
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities	2.176	106.324	398	76	108.974
Total Liabilities	4.290.540	5.321.328	1.694	57.749	9.671.311
Net Balance Sheet Position	(217.113)	(1.073.971)	(718)	3.594	(1.288.208)
Net Off-Balance Sheet Position	195.362	1.002.240	1.171	-	1.198.773
Financial Derivative Assets	195.362	1.003.806	1.171	-	1.200.339
Financial Derivative Liabilities	-	1.566	-	-	1.566
Non-Cash Loans (*)	512.097	1.501.492	7.770	36.759	2.058.118
Prior Period					
Total Assets	4.137.799	2.835.200	(122)	71.821	7.044.698
Total Liabilities	4.095.823	3.757.378	478	63.554	7.917.233
Net Balance Sheet Position	41.976	(922.178)	(600)	8.267	(872.535)
Net Off-Balance Sheet Position	-	892.854	-	-	892.854
Financial Derivative Assets	-	895.392	-	-	895.392
Financial Derivative Liabilities	-	2.538	-	-	2.538
Non-Cash Loans	484.991	1.438.998	8.982	45.395	1.978.366

(*) Non-cash loans are not included in the off-balance sheet items

(**) Contains TRY 69.755 Thousand of foreign currency indexed loans and their accruals.

(***) Contains TRY 1.211.375 Thousand of foreign currency indexed held to maturity marketable securities and their accruals.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Foreign currency sensitivity:

The Parent Bank is mainly exposed to EUR and USD currencies.

The following table details the Parent Bank's sensitivity to a 10% increase and 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.

December 31, 2007	Change in currency rate in %	Effect on profit/loss
USD	10	(6.402)
EURO	10	(2.072)
Other	10	405

The Parent Bank's sensitivity to foreign currency rates have not changed much during the current period. The positions taken in line with market expectations can increase the foreign currency sensitivity from period to period.

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by the Parent Bank and the Parent Bank's interest rate risk is calculated by using the general and specific interest rate risk statement in the standard method including the assets and liabilities and the capital adequacy standard ratio is taken into consideration as a part of the general market risk.

The priority of the Parent Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context, are calculated by the risk management department 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 Parent Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budget targets. The Parent Bank's financial resource costs, such as TRY bank deposit, foreign exchange accounts, repurchase agreements are determined by the Treasury Vice Presidency.

Since the Parent Bank does not permit maturity mismatches or imposes limits on the mismatch, significant interest rate risk exposures are not expected.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	3.012.267	-	-	-	-	458.911	3.471.178
Banks and Financial Institutions	1.151.378	-	-	-	-	10.207	1.161.585
Financial Assets at Fair Value Through Profit and Loss	1.906	242.907	15.179	124.702	87.543	7.935	480.172
Money Market Placements	50.025	-	-	-	-	-	50.025
Financial Assets							
Available-For-Sale	1.440.363	3.729.176	723.109	1.836.014	688.372	9.974	8.427.008
Loans	8.211.953	1.310.129	3.464.007	3.766.631	652.473	701.996	18.107.189
Held-To-Maturity Investments	5.619.007	512.446	905.967	-	-	-	7.037.420
Other Assets (1) (2)	117.152	3.767	-	-	-	1.235.402	1.356.321
Total Assets	19.604.051	5.798.425	5.108.262	5.727.347	1.428.388	2.424.425	40.090.898
Liabilities							
Bank Deposits	974.981	60.427	-	-	-	13.641	1.049.049
Other Deposits	16.962.177	7.331.654	2.199.706	2.259	-	3.296.066	29.791.862
Money Market Balances	1.366.544	89.945	246.336	-	-	-	1.702.825
Sundry Creditors	6.905	-	-	-	-	345.422	352.327
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	818.668	252.154	200.476	384.907	108.079	215.080	1.979.364
Other Liabilities (3)	58.309	9.727	22.959	-	-	5.124.476	5.215.471
Total Liabilities	20.187.584	7.743.907	2.669.477	387.166	108.079	8.994.685	40.090.898
Balance Sheet Long Position	-	-	2.438.785	5.340.181	1.320.309	-	9.099.275
Balance Sheet Short Position	(583.533)	(1.945.482)	-	-	-	(6.570.260)	(9.099.275)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(583.533)	(1.945.482)	2.438.785	5.340.181	1.320.309	(6.570.260)	-

(1) TRY 63.924 Thousand of deferred tax asset is disclosed under the non-interest bearing column in other assets.

(2) TRY 13.889 Thousand of non-performing loans with no specific reserve are disclosed under the non-interest bearing column in other assets.

(3) Shareholders' equity balance is disclosed under the non-interest bearing column.

(4) Funds provided from other financial institutions includes borrowings.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-interest bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	2.136.056	-	-	-	-	414.483	2.550.539
Banks and Financial Institutions	1.053.525	-	-	-	-	25.649	1.079.174
Financial Assets at Fair Value Through Profit and Loss	2.664	253.996	70.289	214.028	212.173	451	753.601
Money Market Placements	-	-	-	-	-	-	-
Financial Assets							
Available-For-Sale	1.475.819	2.281.531	228.132	398.373	1.717.341	9.660	6.110.856
Loans	5.453.655	1.688.017	1.396.965	815.234	2.275.606	982	11.630.459
Held-To-Maturity Investments	5.705.368	3.270.269	2.299.085	-	-	-	11.274.722
Other Assets (1) (2)	-	-	-	-	-	1.076.203	1.076.203
Total Assets	15.827.087	7.493.813	3.994.471	1.427.635	4.205.120	1.527.428	34.475.554
Liabilities							
Bank Deposits	861.914	-	-	-	-	7.303	869.217
Other Deposits	15.086.650	7.262.053	635.156	926.039	1.193	2.407.656	26.318.747
Money Market Balances	508.239	163.286	-	-	-	-	671.525
Sundry Creditors	4.039	-	-	-	-	267.331	271.370
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	691.489	19.655	22.189	28.122	241.228	-	1.002.683
Other Liabilities (3)	171.812	144.040	127.102	12.458	416.933	4.469.667	5.342.012
Total Liabilities	17.324.143	7.589.034	784.447	966.619	659.354	7.151.957	34.475.554
Balance Sheet Long Position	-	-	3.210.024	461.016	3.545.766	-	7.216.806
Balance Sheet Short Position	(1.497.056)	(95.221)	-	-	-	(5.624.529)	(7.216.806)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(1.497.056)	(95.221)	3.210.024	461.016	3.545.766	(5.624.529)	-

(1) TRY 54.854 Thousand of deferred tax asset is disclosed under the non-interest bearing column in other assets.

(2) TRY 15.179 Thousand of non-performing loans with no specific reserve are disclosed under the non-interest bearing column in other assets.

(3) Shareholders' equity balance is disclosed under the non-interest bearing column.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

2. Average interest rates applied to monetary financial instruments:

Current Period	EURO	USD	YEN	TRY
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money In Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	1,80	1,95	-	12,14
Due From Other Banks And Financial Institutions	3,51	4,69	-	16,61
Financial Assets At Fair Value Through Profit And Loss	5,98	5,55	-	18,02
Money Market Placements	-	-	-	15,75
Available-For-Sale Financial Assets	5,40	6,37	-	18,38
Loans (*)	6,74	6,80	2,10	21,10
Held-To-Maturity Investments	5,73	6,14	-	17,45
Liabilities				
Bank Deposits	-	5,15	-	16,38
Other Deposits	2,12	3,90	-	15,63
Money Market Borrowings	-	-	-	16,32
Sundry Creditors	-	-	-	11,38
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	-	-	-	-
Prior Period (*)				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money In Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	1,73	2,52	-	11,56
Due From Other Banks And Financial Institutions	3,61	5,26	-	18,54
Financial Assets At Fair Value Through Profit And Loss	5,55	6,06	-	19,93
Money Market Placements	-	-	-	17,50
Available-For-Sale Financial Assets	5,18	6,94	-	20,85
Loans (*)	7,50	9,00	-	25,27
Held-To-Maturity Investments	4,57	7,41	-	21,14
Liabilities				
Bank Deposits	-	5,00	-	18,49
Other Deposits	2,09	2,19	-	14,73
Money Market Borrowings	-	-	-	17,93
Sundry Creditors	-	-	-	12,00
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	-	-	-	-

(*) These interest rates are the yearly average of the Parent Bank's announced interest rates of EUR and USD loans extended and may differ from the actual realizations.

Interest rate sensitivity:

If interest rates had been increased by 600 base points in TRY and 200 base points for FC and all other variables were held constant, the Parent Bank's;

- Profit for the year would increase by TRY 9.860 Thousand. The major factor in this change is due to the assets of the Parent Bank with variable interest rates.
- The Shareholders' equity would decrease by TRY 545.675 Thousand. The major factor in this change is due to the value of the commercial and customer loans with fixed interest rates.
- Through these calculations, the value loss related to held for sale investments are presented in shareholder's equity instead of profit and loss.

VII. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

Domestic and foreign markets are used to meet liquidity need. Low levels of liquidity needs provides an easy access for borrowing from the Turkish Republic Central Bank, Istanbul Stock Exchange, Interbank Money Market, Clearing Bank and other markets. The Parent Bank's low ratios of bank deposits and foreign currency deposits compared to other commercial banks, with the similar balance sheet total, is an indication of having a bigger share from the market when needed. Available money market debts from the foreign market, Eurobonds held in portfolio are important potential resources of the Parent Bank.

When funding and liquidity sources are considered, the Parent Bank covers majority of its liquidity need through deposits. In addition, securities portfolio is mainly composed of held to maturity securities.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Presentation of assets and liabilities according to their remaining maturities:

The Parent Bank follows up and measures the consistency of payments by comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed (3)	Total	
Assets									
Cash (Cash in TRY, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	458.431	1.181.600	1.396.975	425.147	8.569	-	456	3.471.178	
Banks and Financial Institutions	-	1.161.585	-	-	-	-	-	1.161.585	
Financial Assets at Fair Value Through Profit and Loss	-	1.906	41.075	15.105	333.385	87.543	1.158	480.172	
Money Market Placements	-	50.025	-	-	-	-	-	50.025	
Financial Assets Available-For-Sale	-	112.180	293.658	1.172.224	4.967.244	1.871.728	9.974	8.427.008	
Loans	657.121	2.661.127	1.762.436	6.469.143	5.390.487	1.166.875	-	18.107.189	
Held-To-Maturity Investments	-	190.082	20.761	1.258.301	3.768.276	1.800.000	-	7.037.420	
Other Assets (2)	264.574	3.020	3.767	-	-	-	1.084.960	1.356.321	
Total Assets	1.380.126	5.361.525	3.518.672	9.339.920	14.467.961	4.926.146	1.096.548	40.090.898	
Liabilities									
Bank Deposits	13.641	974.981	60.427	-	-	-	-	1.049.049	
Other Deposits	3.296.066	16.962.177	7.331.654	2.199.706	2.259	-	-	29.791.862	
Funds Provided From Other Financial Institutions	327.809	67.726	102.719	243.366	801.394	436.350	-	1.979.364	
Money Market Balances	-	1.196.664	89.945	416.216	-	-	-	1.702.825	
Marketable Securities Issued	-	-	-	-	-	-	-	-	
Sundry Creditors	345.422	6.905	-	-	-	-	-	352.327	
Other Liabilities (1)	799.194	143.960	9.840	22.959	-	-	4.239.518	5.215.471	
Total Liabilities	4.782.132	19.352.413	7.594.585	2.882.247	803.653	436.350	4.239.518	40.090.898	
Liquidity Gap	(3.402.006)	(13.990.888)	(4.075.913)	6.457.673	13.664.308	4.489.796	(3.142.970)	-	
Prior Period									
	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year Years	and over	Undistributed	Total
Total Assets	203.828	4.987.116	1.701.087	2.396.762	5.839.261	18.261.186	1.086.314	34.475.554	
Total Liabilities	7.134.687	16.662.098	7.507.187	728.414	1.113.722	1.329.446	-	34.475.554	
Liquidity Gap	(6.930.859)	(11.674.982)	(5.806.100)	1.668.348	4.725.539	16.931.740	1.086.314	-	

(1) Shareholders' equity is disclosed under the undistributed column.

(2) TRY 13.889 Thousand of non-performing fund based loans with no specific provision, is disclosed in other assets.

(3) Some balances, which are necessary and cannot be converted into cash in the near future for the Parent Bank's ongoing activities, such as; tangible and intangible assets, subsidiaries, office supplies, prepaid expenses, deferred tax assets and doubtful receivables and other long term assets are disclosed under the undistributed column.

(4) Funds provided from other financial institutions includes borrowings.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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
Liabilities							
Deposits	11.022.180	3.178.595	945.874	971	-	15.693.291	30.840.911
Funds Provided From Other							
Financial Institutions	395.535	102.719	243.366	801.394	436.350	-	1.979.364
Money Market Borrowings	1.196.664	89.945	416.216	-	-	-	1.702.825
Securities Issued	-	-	-	-	-	-	-
Sundry creditors	352.327	-	-	-	-	-	352.327
Total	12.966.706	3.371.259	1.605.456	802.365	436.350	15.693.291	34.875.427

Analysis of commitments and contingencies according to their remaining maturities:

As of December 31, 2007	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Contingent Liabilities	1.412.561	336.844	393.362	841.487	696.139	84.686	3.765.079
Commitments	1.292.865	1.807.988	525	9.706	4	-	3.111.088
Total	2.705.426	2.144.832	393.887	851.193	696.143	84.686	6.876.167

Analysis of Parent Bank's derivative financial instruments according to their remaining maturities:

As of December 31, 2007	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forward foreign currency transactions-buy	1.521	-	508	-	-	2.029
Forward foreign currency transactions-sell	1.547	-	469	-	-	2.016
Foreign currency swap transactions-buy	719.422	-	-	-	-	719.422
Foreign currency swap transactions-sell	735.354	-	-	-	-	735.354
Interest rate swap transactions-buy	-	-	84.940	394.400	-	479.340
Interest rate swap transactions-sell	-	-	86.875	455.310	-	542.185
Total	1.457.844	-	172.792	849.710	-	2.480.346

VIII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

The Parent Bank's operations are grouped under the corporate, commercial, consumer and entrepreneur and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Parent Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium size Enterprises (SME) as well as individuals having consumer status. In this context, the Parent Bank has no restrictions on the area in which it operates.

The Parent Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Parent Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real entities without having any commercial or professional purposes other than their individual demands in the Parent Bank's application.

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

The following are the services provided the Parent Bank to all of its customers:

- Accepting deposits,
- Issuing of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money transfer, Insurance agency services,
- Rendering insurance agency transactions,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement composed by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering ,
- Trading the capital market instruments issued for the purpose of performing intermediary services.

Under the Treasury transactions, medium and long-term fund provision is performed by means of securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of December 31, 2007 are presented in the table below:

	Corporate	Commercial	Personal	Retailer/ Entrepreneur	Treasury/ Investment	Other	Total
OPERATING INCOME/EXPENSES							
Interest Income	163.649	157.342	5.534	2.330.500	3.028.160	22.996	5.708.181
Interest on loans	163.584	157.136	5.511	2.323.966	-	-	2.650.197
Interest income on marketable securities	-	-	-	-	2.811.955	-	2.811.955
Interest received from banks	-	-	-	-	216.205	-	216.205
Other interest income	65	206	23	6.534	-	22.996	29.824
Interest Expense	374.952	114.838	81.163	3.172.874	212.101	-	3.955.928
Interest on deposits	371.479	102.778	81.163	3.141.035	-	-	3.696.455
Interest on borrowings	3.372	11.818	-	6.085	51.623	-	72.898
Interest on money market Borrowings	-	-	-	-	160.478	-	160.478
Other interest expense	101	242	-	25.754	-	-	26.097
Net Interest Income	(211.303)	42.504	(75.629)	(842.374)	2.816.059	22.996	1.752.253
Net Fees and Commissions Income	10.164	14.082	1.489	270.481	-	-	296.216
Fees and Commissions Income	10.195	14.182	1.502	321.373	-	-	347.252
Fees and Commissions Expenses	31	100	13	50.892	-	-	51.036
Net Trading Profit/(Loss)	1.860	42.672	68	-	-	(86.537)	(41.937)
Dividend Income	-	-	-	-	11.226	-	11.226
Other Income	2.923	17.127	213	431.313	-	-	451.576
Loans and Other Receivables Impairment Loss Provisions	1.426	12.214	153	208.517	585	-	222.895
Other Expenses	10.471	26.503	3.844	752.876	-	53.999	847.693
Profit/loss from Associates Accounted under Equity Pick-up Method	-	-	-	-	9.419	-	9.419
Income Before Taxes	(208.253)	77.668	(77.856)	(1.101.973)	2.836.119	(117.540)	1.408.165
Tax Income Provision	-	-	-	-	-	(275.545)	(275.545)
Net Profit for the Period	(208.253)	77.668	(77.856)	(1.101.973)	2.836.119	(393.085)	1.132.620
SEGMENT ASSETS							
Financial Assets at Fair Value through Profit and Loss (net)	-	-	-	-	480.172	-	480.172
Banks and Other Financial Institutions	-	-	-	-	1.161.585	-	1.161.585
Financial Assets Available for Sale (net)	-	-	-	-	8.427.008	-	8.427.008
Associates and Subsidiaries (net)	-	-	-	-	203.291	-	203.291
Held to Maturity Marketable Securities (net)	-	-	-	-	7.037.420	-	7.037.420
Loans	1.569.240	1.512.074	38.690	15.001.074	-	-	18.121.078
Other Assets	360	5.699	947	1.227.808	2.628.250	797.280	4.660.344
Agency Services	-	4	3	102	-	-	109
Retail Intermediation	-	-	-	-	-	-	-
Other	360	5.695	944	1.227.706	2.628.250	797.280	4.660.235
TOTAL ASSETS	1.569.600	1.517.773	39.637	16.228.882	19.937.726	797.280	40.090.898
SEGMENT LIABILITIES							
Deposits	2.307.852	967.772	715.608	26.849.679	-	-	30.840.911
Derivative Financial Liabilities Held for Trading	-	-	-	-	97.088	-	97.088
Money Market Balances	-	-	-	-	1.702.825	-	1.702.825
Borrowing Funding Loans	28.248	94.943	-	52.903	760.934	-	937.028
Other Liabilities	2.902	10.974	407	1.655.080	-	165.160	1.834.523
Provisions	8.188	6.929	1.335	56.306	-	366.247	439.005
Shareholders' Equity	-	-	-	-	-	4.239.518	4.239.518
TOTAL LIABILITIES	2.347.190	1.080.618	717.350	28.613.968	2.560.847	4.770.925	40.090.898
OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS							
Guaranties and Suretyships	944.608	527.010	1.708	1.614.637	-	-	3.087.963
Letters of Credit	473.656	187.642	-	15.818	-	-	677.116
Commitments	8.970	37.089	4.735	3.060.294	-	-	3.111.088
Derivative Financial Instruments	-	-	-	-	2.480.346	-	2.480.346

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

IX. EXPLANATIONS RELATED TO PRESENTATION OF CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	35.277.288	30.863.991	35.107.235	30.863.991
Money Market Placements	50.025	-	50.005	-
Banks	1.161.585	1.079.174	1.161.394	1.079.174
Financial Assets Held for Trading	480.172	753.601	480.172	753.601
Available for Sale Financial Assets	8.427.008	6.110.856	8.427.008	6.110.856
Held-to Maturity Investments	7.037.420	11.274.722	6.990.516	11.274.722
Loans	18.121.078	11.645.638	17.998.140	11.645.638
Financial Liabilities	33.172.602	28.332.461	33.203.701	28.332.461
Deposits	30.840.911	27.187.964	30.871.392	27.187.964
Funds Provided From Other Financial Institutions	1.979.364	873.127	1.980.004	873.127
Securities Issued	-	-	-	-
Sundry Creditors	352.327	271.370	352.305	271.370

Since the system for the calculation of the fair value of financial assets and liabilities has been completed for the year 2007, no calculation could be performed for the prior period.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined by market prices, when the market prices are not available, quoted market prices of other marketable securities which are subject to redemption with same terms of interest, maturity and other similar conditions have been used.
- ii- While calculating the fair value of the available for sale assets, the market prices are considered. In case of the price being not determined in active market conditions, the discounted amount based on IRR methodology is used as fair value.
- iii- The applicable interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial institutions and sundry creditors.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

The following table presents an analysis of financial instruments recorded at fair value, with 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:

	Quoted	Valuation techniques- market observable	Valuation techniques- non market observable	Fair value not available
Financial Assets				
Money Market Placements	-	50.005	-	-
Banks	-	1.161.394	-	-
Securities	8.889.270	7.008.426	-	-
Loans	-	17.998.140	-	-
Financial Liabilities				
Deposits	-	30.871.392	-	-
Funds Provided From Other Financial Institutions	-	1.980.004	-	-
Securities Issued	-	-	-	-
Sundry Creditors	-	352.305	-	-

X. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND FIDUCIARY TRANSACTIONS

The Parent Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services.

The Parent Bank does not deal with fiduciary transactions.

SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES TO THE CONSOLIDATED ASSETS

(1) a) Cash and balances with the Central Bank:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	156.137	73.348	127.963	69.777
Balances with the Central Bank of Turkey	2.389.597	852.072	1.568.824	783.952
Other	-	24	-	23
Total	2.545.734	925.444	1.696.787	853.752

b) Information on the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Unrestricted Demand Deposit (*)	2.389.597	852.072	1.568.824	783.952
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Total	2.389.597	852.072	1.568.824	783.952

(*) Unrestricted Demand Deposit is composed of required reserves. The interest rate range applied by Central Bank of Turkey to required reserves for TRY is 13,12% - 11,81%, for EUR it is 1,73% - 1,80%, and for USD it is 2,51% - 1,95%. (10,25% - 13,2% (TRY), 1,14% - 1,73% (EUR); 2,03% - 2,52% (USD))

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(2) Financial assets at fair value through profit and loss:

a) Financial assets at fair value through profit and loss blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Participation Shares	-	-	-	-
Treasury Bills, Government Bonds and Similar Securities	-	86.053	-	98.916
Other	-	-	-	-
Total	-	86.053	-	98.916

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

None.

c) Positive differences related to the derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	-	51	-	45
Swap Transactions	-	6.726	-	1.164
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	6.777	-	1.209

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic	21.848	93.509	169.267	7.055
Foreign	10.220	1.036.008	50.235	852.617
Branches and Head Office				
Abroad	-	-	-	-
Total	32.068	1.129.517	219.502	859.672

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	817.560	805.535	-	-
USD and Canada	111.125	1.643	-	-
OECD Countries (*)	97.498	29.783	-	-
Offshore Banking Regions	-	-	-	-
Other	20.045	65.891	-	-
Total	1.046.228	902.852	-	-

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

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(4) Information on financial assets available-for-sale:

a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

a.1. Information on financial assets available-for-sale blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Participation Shares	-	-	-	-
Treasury Bills, Government Bonds and Similar Securities	286.931	-	282.966	-
Other	-	-	-	-
Total	286.931	-	282.966	-

(*) As of 31 December 2007, with TRY 265.050 Thousand cost and TRY 257.955 Thousand nominal value of government bond, which is recorded under available for sale portfolio, having a maturity date of August 18, 2010 is given as a guarantee against TRY 200.000 Thousand of borrowing by the Parent Bank.

a.2. Information on financial assets available-for-sale subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government Bonds	187.061	-	-	-
Treasury Bills	-	-	-	-
Other public sector debt securities (*)	-	500.376	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	187.061	500.376	-	-

(*) As of 31 December 2007 the Parent Bank has Eurobonds having maturity dates of July 6, 2012, February 16, 2017, January 15, 2030, June 5, 2020, February 5, 2025 and September 26, 2016 and classified as available for sale investments subject to repurchase agreements with TRY 90.908 Thousand, TRY 89.710 Thousand, TRY 35.643 Thousand, TRY 24.411 Thousand, TRY 47.913 Thousand and TRY 192.157 Thousand cost, and TRY 91.735 Thousand, TRY 92.330 Thousand, TRY 23.200 Thousand, TRY 24.158 Thousand, TRY 46.400 Thousand and TRY 188.790 Thousand nominal values respectively.

b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	8.417.278	6.105.162
Quoted on a stock exchange	8.417.278	6.105.162
Not quoted	-	-
Share certificates	10.203	10.772
Quoted on a stock exchange	-	-
Not quoted	10.203	10.772
Impairment provision (-)	(473)	(5.078)
Total	8.427.008	6.110.856

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(5) Information on loans:

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	45.840	-	39.040	-
Total	45.840	-	39.040	-

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

Cash 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
Non-specialized loans	11.298.202	39.616	509.992	79.234
Discount notes	542	-	-	-
Export loans	1.365.246	5.978	8.277	-
Import loans	-	-	-	-
Loans given to financial sector	244.117	-	-	-
International loans	1.146.713	-	-	-
Consumer loans (*)	3.682.438	-	161.053	6
Credit cards (**)	238.242	1	36.109	1
Precious metals loans	-	-	-	-
Other	4.620.904	33.637	304.553	79.227
Specialized loans	5.527.102	382	335.077	214
Other receivables	-	-	-	-
Accruals	300.163	714	15.076	1.417
Total	17.125.467	40.712	860.145	80.865

(*) Includes TRY 42.178 Thousand of personal loans.

(**) Includes TRY 3.662 Thousand of personnel credit cards.

c) Loans according to the maturity structure:

Cash 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
Short-term Loans	8.086.938	7.462	364.049	14.444
Non-specialized loans	6.556.186	7.057	326.171	14.164
Specialized loans	1.389.010	274	31.497	27
Other Receivables	-	-	-	-
Accruals	141.742	131	6.381	253
Medium and Long-term loans	9.038.529	33.250	496.096	66.421
Non-specialized loans	4.742.016	32.559	183.821	65.070
Specialized loans	4.138.092	108	303.580	187
Other receivables	-	-	-	-
Accruals	158.421	583	8.695	1.164
Total	17.125.467	40.712	860.145	80.865

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	354.785	3.411.918	3.766.703
Housing Loans	3.456	1.675.306	1.678.762
Car Loans	1.875	57.616	59.491
General Purpose Loans	349.454	1.678.996	2.028.450
Other	-	-	-
Consumer Loans –Indexed to FC	-	1.722	1.722
Housing Loans	-	736	736
Car Loans	-	19	19
General Purpose Loans	-	967	967
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	264.306	-	264.306
With Installments	9.171	-	9.171
Without Installments	255.135	-	255.135
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TRY	2.965	39.213	42.178
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	2.965	39.213	42.178
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	3.662	-	3.662
With Installments	538	-	538
Without Installments	3.124	-	3.124
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Account-TRY (Real Person) (*)	32.894	-	32.894
Overdraft Account-FC (Real Person)	-	-	-
Total	658.612	3.452.853	4.111.465

(*) Interest rate and income accruals are not included in the table above.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TRY	133.996	285.794	419.790
Business Loans	5.017	79.343	84.360
Car Loans	30.741	161.936	192.677
General Purpose Loans	-	-	-
Other	98.238	44.515	142.753
Commercial loans with installment facility – Indexed to FC	-	-	-
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Commercial loans with installment facility –FC	-	-	-
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TRY	6.385	-	6.385
With Installments	237	-	237
Without Installments	6.148	-	6.148
Corporate Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Account-TRY (Legal Entity)	79.481	-	79.481
Overdraft Account-FC (Legal Entity)	-	-	-
Total	219.862	285.794	505.656

(*) Interest and income accruals are not included in table above.

f) Loan distribution according to borrowers:

	Current Period	Prior Period
Public	7.358	-
Private	18.099.831	11.630.459
Total	18.107.189	11.630.459

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	16.947.566	11.354.589
Foreign loans	1.159.623	275.870
Total	18.107.189	11.630.459

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	43.902	31.805
Indirect loans granted to subsidiaries and associates	-	-
Total	43.902	31.805

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

i) Specific provisions provided against loans:

	Current Period	Prior Period
Specific Provisions		
Loans and receivables with limited collectibility	35.708	61.975
Loans and receivables with doubtful collectibility	21.018	9.018
Uncollectible loans and receivables	962.127	998.790
Total	1.018.853	1.069.783

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:

	III. Group: Loans and receivables with limited collectibility	IV. Group: Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period	417	32	124.242
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	417	32	124.242
Prior period	7.171	19	150.500
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	7.171	19	150.500

j.2. Information on 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	63.905	9.035	1.012.022
Additions (+)	64.162	2.226	77.084
Transfers from other categories of loans under follow-up (+)	-	48.119	34.697
Transfers to other categories of loans under follow-up (-)	48.119	34.697	-
Collections (-)	42.211	3.580	149.901
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	37.737	21.103	973.902
Specific provision (-)	35.708	21.018	962.127
Net Balance on Balance Sheet	2.029	85	11.775

j.3. Information on foreign currency non-performing loans and other receivables:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

j.4. Gross and net amounts of non-performing loans according to user groups:

	III. Group: Loans and receivables with limited collectibility	IV. Group: Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	37.615	21.102	949.759
Specific Provisions (-)	35.586	21.017	937.984
Loans to Real Persons and Legal Entities (Net)	2.029	85	11.775
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	122	1	24.143
Specific Provisions (-)	122	1	24.143
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	63.697	9.035	993.214
Specific Provisions (-)	61.767	9.018	979.982
Loans to Real Persons and Legal Entities (Net)	1.930	17	13.232
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	208	-	18.808
Specific Provisions (-)	208	-	18.808
Other Loans and Receivables (Net)	-	-	-

k) Main guidelines of the liquidation policy of the Parent Bank about the uncollectable loans and receivables should be disclosed:

The Parent Bank liquidates its uncollectable receivables in 3 ways, by signing financial restructuring contract under the Law No:4743, by making payment protocols and by presenting adequate repayment schedules for the low balance receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and capital receivables from loans.

The Parent Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted. The Parent Bank is also planning to collect its receivables in accordance with the requirements of Law No: 5569 dated on December 27, 2006 through Anadolu Yaklaşımı (protocols for non-performing loans).

Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Delayed Receivables" unrecoverable non performing loans can be written off to prevent additional legal expenses.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Aging analysis of past due but not impaired financial assets per classes of financial instruments:

	Less than 30 Days	Between 31 and 60 Days	Between 61 and 90 Days	More than 91 Days	Total
Loans and Receivables					
Corporate Loans	2.054	-	-	1.419	3.473
SME Loans	63.121	23.456	15.956	54.016	156.549
Consumer Loans	1.346	227	169	39	1.781
Other	-	-	-	-	-
Total	66.521	23.683	16.125	55.474	161.803

(*) Loans for which risk does not belong to the Parent Bank are not included.

As at December 31, 2007, the fair value of collaterals held against the past due but not yet impaired loans amounts to TRY 44.979 Thousand.

Loans and advances amounting to TRY 9.019.925 Thousand have floating interest rates and TRY 9.101.153 Thousand have fixed interest rates.

(6) Information on held-to-maturity investments:

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value.

a.1. Held-to-maturity investments blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury Bills	-	-	-	-
Government Bonds and Similar Securities	1.733.057	-	1.812.668	-
Other	-	-	-	-
Total	1.733.057	-	1.812.668	-

a.2. Held-to-maturity investments subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Participation Shares	-	-	-	-
Treasury Bills, Government Bonds and Similar Securities	1.424.253	-	761.917	-
Other	-	-	-	-
Total	1.424.253	-	761.917	-

b) Information on public sector debt investments held-to-maturity:

	Current Period	Prior Period
Government Bonds	7.037.420	11.274.722
Treasury Bills	-	-
Other public sector debt securities	-	-
Total	7.037.420	11.274.722

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	7.147.211	11.332.777
Quoted on a stock exchange	-	-
Not quoted on a stock exchange	7.147.211	11.332.777
Provision for impairment (-)	(109.791)	(58.055)
Total	7.037.420	11.274.722

d) Movement of held-to-maturity investments within the year:

	Current Period	Prior Period
Beginning balance	11.274.722	13.848.583
Foreign currency differences on monetary assets	(15.600)	100.713
Purchases during the year	457.431	895.270
Disposals through sales and redemptions	(4.627.397)	(3.606.194)
Impairment provision (-)	(51.736)	(36.350)
Closing Balance	7.037.420	11.274.722

d.1. Information on accounts in which held-to-maturity securities are recorded:

The breakdown of the held to maturity securities of the Parent Bank is as follows:

	Current Period				Prior Period			
	Historical Cost		Amortized		Historical Cost		Amortized	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Undersecretariat of Treasury of Republic of Turkey	3.087.989	-	3.197.719	-	5.187.989	282.000	5.366.650	285.371
Obtained from Chairmanship of Privatization Administration	-	-	-	-	900.000	-	999.718	-
Obtained with the Transfer	3.691.999	-	3.839.701	-	4.307.807	-	4.622.983	-
Other	-	-	-	-	-	-	-	-
Total	6.779.988	-	7.037.420	-	10.395.796	282.000	10.989.351	285.371

(7) Information on associates (Net):

a) Information on associates:

	Description	Address(City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1	DEMİRHALKBANK N.V.	NETHERLANDS	30,00	30,00
2	HALK FİNANSAL KİRALAMA A.Ş.	İSTANBUL	47,75	47,75
3	KOBİ YATIRIM A.Ş.	ANKARA	31,47	32,26
4	FİNTEK A.Ş.	ANKARA	24,00	29,76
5	ZİRAAT HALK ALTERNATİF DAĞ. KAN. A.Ş.	İSTANBUL	24,00	24,00
6	KKB KREDİ KAYIT BÜROSU A.Ş.	İSTANBUL	18,18	18,18
7	BANKALARARASI KART MERKEZİ A.Ş.	İSTANBUL	18,95	18,95

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

b) Information related to the associates as sorted in a) (*) ():**

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
3.243.030	359.487	26.751	72.918	20.904	31.739	25.501	832.412
338.018	60.441	33.212	-	-	2.715	10.062	58.000
31.494	31.390	69	5.241	-	3.203	3.070	33.292
6.904	3.210	80	385	153	349	338	-
10.839	6.524	977	403	77	4.911	2.005	-
19.694	15.725	1.877	2.897	-	3.457	3.673	-
12.968	10.865	3.752	1.470	-	1.228	2.193	-

(*) No investment is listed on the stock exchange.

(**) The information above (b) is presented on the basis of the financial data obtained from the December 31, 2007 audited financial statements for Demirhalkbank N.V. and KOBİ Yatırım A.Ş.; September 30, 2007 unaudited financial statements for Halk Finansal Kiralama A.Ş. and December 31, 2007 unaudited financial statements for the remaining associates.

c) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	139.539	24.172
Movements during the period	5.951	115.367
Additions	1.647	99.012
Bonus shares obtained	-	-
Share in current year income	1.580	761
Disposals	-	6.497
FX Gain (*)	(9.517)	15.984
Revaluation increase	-	-
Provision for impairment (-)	(12.241)	6.107
Balance at the end of the period	145.490	139.539
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(*) This balance consists of revaluation of foreign currency associates.

d) Sectoral information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	106.168	114.105
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	27.695	14.278
Finance Companies	-	-
Other Financial Investments	10.574	10.177

e) Investments and associates which are quoted to a stock exchange:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(8) Information on subsidiaries (Net):

a) Information on subsidiaries:

Description	Address(City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
HALK YATIRIM MENKUL DEĞERLER A.Ş.	ISTANBUL	99,93	99,96
BİRLİK SİGORTA A.Ş.	ISTANBUL	82,36	82,36
BİRLİK HAYAT SİGORTA A.Ş.	ISTANBUL	94,40	98,51

b) Information related to the subsidiaries as sorted in a) (*) ():**

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
30.369	27.090	490	3.116	8.617	4.184	2.537	34.416
101.182	29.266	1.751	9.247	-	2.958	2.362	70.760
68.181	37.486	310	9.433	-	14.707	10.915	87.464

(*) None of the subsidiaries are listed on the stock exchange.

(**) The information is presented by referring to the audited financial statements as of December 31, 2007.

c) Table of movement of the subsidiaries (*) ():**

	Current Period	Prior Period
Balance at the beginning of the period	45.977	9.117
Movements during the period	11.824	36.860
Additions	7.380	42.171
Bonus shares obtained	-	-
Share in current year income	-	-
Disposals	-	(2.013)
Revaluation increase	-	-
Provision for impairment	4.444	(3.298)
Balance at the end of the period	57.801	45.977
Capital commitments	-	4.699
Share percentage at the end of the period (%)	-	-

(*) The amount of capital commitment for Birlik Sigorta A.Ş amounting to TRY 4.699 Thousand is paid in April 2007.

(**) Based on the valuation study of Parent Bank's subsidiaries as of December 31, 2007, TRY 4.444 Thousand of impairment loss, which was present as of December 31, 2006, has been cancelled.

d) Sectoral information on subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	31.270	23.333
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	26.531	22.644
Other Financial Subsidiaries	-	-
Total	57.801	45.977

e) Subsidiaries quoted in the stock exchange:

None.

(9) Information on joint ventures:

None.

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

None.

(11) Information on derivative financial assets for hedging purposes:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(12) Information on tangible assets:

	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Immovables	648.407	37.091	(5.404)	(22.564)	657.530
Tangible Assets gained by Financial Lease	106.770	13.780	(320)	-	120.230
Office Machines	162.637	3.085	(14.929)	-	150.793
Fixed Assets Obtained for Non-Performing Loans	101.049	63.655	(21.895)	(57.263)	85.546
Other	228.848	12.955	(18.243)	-	223.560
Total Cost	1.247.711	130.566	(60.791)	(79.827)	1.237.659
Accumulated Depreciation:					
Immovables	178.134	12.444	(8.046)	-	182.532
Tangible Assets gained by Financial Lease	80.467	15.470	(211)	-	95.726
Office Machines	123.643	13.480	(12.731)	-	124.392
Fixed Assets Obtained for Non-Performing Loans	2.257	1.015	(1.334)	-	1.938
Other	195.187	7.143	(14.026)	-	188.304
Total Accumulated Depreciation	579.688	49.552	(36.348)	-	592.892
Provision for Impairment (-)					
Immovables	7.189	-	(4.435)	-	2.754
Tangible Assets gained by Financial Lease	-	-	-	-	-
Office Machines	-	-	-	-	-
Fixed Assets Obtained for Non-Performing Loans	-	471	-	-	471
Other	-	-	-	-	-
Total Provision for Impairment (-)	7.189	471	(4.435)	-	3.225
Net Book Value	660.834	80.543	(20.008)	(79.827)	641.542

(13) Information on intangible assets:

	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Leasehold Improvements	34.821	8.325	(7.651)	-	35.495
Other Intangible Assets	2.580	988	(309)	-	3.259
Total Cost	37.401	9.313	(7.960)	-	38.754
Accumulated Depreciation:					
Leasehold Improvements	22.671	4.082	(5.585)	-	21.168
Other Intangible Assets	595	473	(267)	-	801
Total Accumulated Depreciation	23.266	4.555	(5.852)	-	21.969
Provision for Impairment (-)					
Leasehold Improvements	-	-	-	-	-
Other Intangible Assets	-	-	-	-	-
Total Provision for Impairment (-)	-	-	-	-	-
Net Book Value	14.135	4.758	(2.108)	-	16.785

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(14) Information on immovables held for investment purposes:

None.

(15) Informations on deferred tax assets:

	Current Period Deferred Tax	Prior Period Deferred Tax
Retirement Pay Provision and Unused Vacation Provision	41.680	37.669
Difference of IRR and Market Value of Available for Sale Investments	-	-
Credit Card Bonus Provision	1.100	4.214
Net Accrual Expense for Derivative Instruments	18.062	7.413
Possible Actuarial Shortage of Pamukbank Fund	-	2.452
Other	3.777	4.461
Total Deferred Tax Assets	64.619	56.209
Amortization Difference Between the Tax Procedure Law and Communiqué on Accounting Policies	(695)	(1.355)
Deferred Tax Liabilities	(695)	(1.355)
Deferred Tax Assets, Net	63.924	54.854
Deferred tax accounted for in Shareholders' Equity	(9.530)	(1.874)

(16) Informations on non-current assets held for sale:

Table of Movement of Assets Held for Sale	Current Period
Cost	103.066
Accumulated Depreciation (-)	12.695
Net Book Value	90.371
Opening Balance	54.196
Acquisitions (Transfers)	76.386
Disposals (-), net	44.103
Impairment Charge (-)	3.892
Depreciation Charge (-)	-
Closing net book value	90.371

(17) Information on other assets:

a) Distribution of other assets:

	Current Period	Prior Period
From Credit Card Payments	10.790	14.606
Prepaid Expenses	3.625	3.178
Receivables from Banking Services	3.269	2.833
Clearing Account	176.769	14.378
Cash Guarantees Given	3.020	265
Advances Given	95	331
Receivables Pending for Board of Discipline Decision	2.822	4.394
Margin Call Payments	53.256	-
Receivables From Asset Sale on Credit Terms	48.615	26.157
Other	24.258	25.347
Total	326.519	91.489

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

II. EXPLANATIONS AND NOTES TO THE CONSOLIDATED LIABILITIES

(1) Information on maturity structure of deposits/funds collected:

a) For deposit banks:

a.1. Current Period:

	Demand	7 day call accounts	Up to 1 month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and over	Accumulated Deposits	Total
Saving deposits	597.244	-	2.743.218	8.921.839	937.003	197.119	32.092	-	13.428.515
Foreign currency deposits	1.208.215	-	1.897.264	3.378.297	831.830	937.606	276.239	-	8.529.451
Residents in Turkey	1.189.410	-	1.469.951	2.463.590	433.932	694.316	258.753	-	6.509.952
Residents abroad	18.805	-	427.313	914.707	397.898	243.290	17.486	-	2.019.499
Public Sector Deposits	394.029	-	415.355	468.943	5.935	2.426	20.067	-	1.306.755
Commercial Inst. Deposits	869.519	-	633.475	1.886.582	286.367	5.214	1.177	-	3.682.334
Other Inst. Deposits	227.059	-	192.992	1.455.720	600.607	89.563	8.230	-	2.574.171
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank Deposits	13.641	-	974.908	60.000	-	-	-	-	1.048.549
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2.293	-	974.863	60.000	-	-	-	-	1.037.156
Foreign Banks	11.340	-	-	-	-	-	-	-	11.340
Participation Banks	8	-	45	-	-	-	-	-	53
Other	-	-	-	-	-	-	-	-	-
Accruals	29.355	-	61.352	142.899	23.608	10.926	2.996	-	271.136
Total	3.339.062	-	6.918.564	16.314.280	2.685.350	1.242.854	340.801	-	30.840.911

a.2. Prior Period:

	Demand	7 day call accounts	Up to 1 month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and over	Accumulated Deposits	Total
Saving deposits	483.553	-	5.296.433	5.360.348	576.747	153.137	11.514	-	11.881.732
Foreign currency deposits	882.841	-	2.670.343	2.016.780	568.921	870.941	240.472	-	7.250.298
Residents in Turkey	863.721	-	2.387.545	1.645.032	507.922	578.092	237.644	-	6.219.956
Residents abroad	19.120	-	282.798	371.748	60.999	292.849	2.828	-	1.030.342
Public Sector Deposits	149.567	-	420.262	160.372	8.736	182	17	-	739.136
Commercial Inst. Deposits	631.003	-	1.297.426	1.254.005	99.334	15.345	203	-	3.297.316
Other Inst. Deposits	260.692	-	784.740	1.529.432	220.246	86.080	438	-	2.881.628
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank deposits	31.403	-	974.991	102.996	14.709	11.234	2.521	-	1.137.854
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2.167	-	861.850	-	-	-	-	-	864.017
Foreign Banks	5.005	-	-	-	-	-	-	-	5.005
Participation Banks	131	-	64	-	-	-	-	-	195
Other	24.100	-	113.077	102.996	14.709	11.234	2.521	-	268.637
Total	2.439.059	-	11.444.195	10.423.933	1.488.693	1.136.919	255.165	-	27.187.964

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

b) Information on Saving Deposits/Special Current and Participation Accounts in the scope of Saving Deposits Insurance Fund:

b.1. Amounts exceeding insurance limit:

b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Insurance Limit	
	Current Period (*)	Prior Period	Current Period (*)	Prior Period
Saving Deposits	7.277.639	6.384.003	6.126.849	5.480.451
Foreign Currency Saving Deposits	2.065.651	2.087.339	2.546.270	2.117.654
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at foreign branches and under the guarantee of foreign authorities' insurance	29.752	22.955	-	-
Deposits at off-shore banking regions' and under foreign authorities' insurance	-	-	-	-
Total	9.373.042	8.494.297	8.673.119	7.598.105

The Parent Bank made Saving Deposits Insurance Funds premium payments as half of the 0.15% of the calculated liability in accordance with the amended article published in the Official Gazette dated October 5, 2002 and numbered 24897 of the communiqué on the "Mergers and Takeovers Attributable To Banks", which was published in the Official Gazette numbered 24445 on July 27, 2001. This amended article denotes that "Conditional to all merged or taken over banks' authority to accept deposits, based on the authorization given in Clause 6 in Article 15 of the Banking Act No: 4389, insurance premium liability of the taken-over bank or newly established bank merged by the combination of more than one bank is paid for two years starting from the Council's degree of the publication date in the Official Gazette, which grants the authorization to companies merge or takeover as per the paragraph in the additional decree No: 2000/862 issued on June 1, 2000 stating that "Half of the rates defined in Article 4 of the Decree on Saving Deposits Under Insurance Guarantee and Premiums To Be Collected by the Saving Deposits Insurance Fund are applied". Based on this expression, the payment was realized on half of fifteen per ten thousand of the calculated liability amount in 2005 and as at September 30, 2006. This exception was ended as of November 2006 and the Parent Bank has started to pay Saving Deposits Insurance Fund Premiums by using 0,15% rate without incurring any additional penalty rates starting from 2006 year-end.

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Deposits and accounts in branches abroad	158.648	189.277
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman and members of the Board of Directors and their close families	403	-
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	-	-

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(2) Information on Derivative Financial Liabilities Held For Trading:

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

Derivative Financial liabilities Held for Trading	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	-	37	-	26
Swap Transactions	32.799	64.252	9.400	28.848
Future Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	32.799	64.289	9.400	28.874

(3)a) Banks and Other Financial Institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Borrowings from Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	99.546	53.907	97.837	76.748
Foreign Banks, Institutions and Funds	287.307	496.268	287.017	411.525
Total	386.853	550.175	384.854	488.273

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term	99.546	53.907	97.837	93.008
Medium and Long-Term	287.307	496.268	287.017	395.265
Total	386.853	550.175	384.854	488.273

c) Additional disclosures related to the concentrations of the Parent Bank's major liabilities:

Concentrations, fund providing customers, sector groups and other criterias where risk concentration is observed:

Main liability of the Parent Bank is deposit, which is composed of 44% of saving deposits and 28% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from foreign institutions especially used in the financing of personal loans at assets. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Parent Bank's 1,66% of banks deposits and 28,89% of other deposits consist of foreign currency deposits.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Information on funds provided from repurchase agreement transactions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From domestic transactions	1.275.311	-	666.583	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	1.159.713	-	623.243	-
Real persons	115.598	-	43.340	-
From foreign transactions	427	411.740	1.472	-
Financial institutions and organizations	-	411.740	-	-
Other institutions and organizations	-	-	29	-
Real persons	427	-	1.443	-
Accruals	10.549	4.798	3.470	-
Total	1.286.287	416.538	671.525	-

(4) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and ministry or institution funds owner. There are funds containing funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Undersecretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity Structure of Funds:

Current Period		Prior Period	
Short-term	Long-term	Short-term	Long-term
4.888	1.037.448	1.989	1.000.694

(5) Information on Other Liabilities:

Other liabilities balance in the balance sheet amounts to TRY 274.700 Thousand and does not exceed 10% of the balance sheet total. (December 31, 2006: TRY 51.545 Thousand)

(6) Information on Finance Lease Payables (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 Parent Bank:

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

b) Explanation on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less Than 1 Year	5.557	-	4.152	-
Between 1-4 Years	-	-	-	-
More Than 4 Years	-	-	-	-
Total	5.557	-	4.152	-

c) Explanations regarding operational leases:

None.

(7) Information on derivative financial liabilities for hedging purposes:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(8) Explanations on Provisions:

a) Information on General Provisions:

	Current Period	Prior Period
General Provisions	138.506	72.189
Allocated for Group- I loans and receivables	118.578	61.313
Allocated for Group- II loans and receivables	10.439	3.493
Allocated for non-cash loans	9.485	7.378
Other	4	5

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

None.

c) Specific provisions provided for unindemnified non-cash loans:

The Parent Bank's specific provisions for unindemnified non-cash loans balance is TRY 51.999 Thousand as of December 31, 2007 and 100% of provision has been allocated for non cash loans. TRY 19.926 Thousand of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No: 5230 and the related provision is managed by the SDIF.

d) Information on other provisions:

Provision balance for possible risks:

Provision of TRY 9.346 Thousand has been set for prudence in consideration with any changes that may arise in the economy and the market.

Total other provision balance amounting to TRY 92.098 Thousand consists of TRY 51.999 Thousand of specific provisions for unindemnified non cash loans and TRY 40.099 Thousand of provision for legal cases against the Parent Bank, SDIF premium, performing cash loans of risky companies taken over from Pamukbank, expenditure bonuses accumulated on credit cards provided by the Parent Bank, social aid pension fund provision and provision for possible risks allocated for this fund as a reserve.

d.1. Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	145.095	133.736
Arising during the year	20.003	17.026
Interest cost	8.285	7.636
Benefits paid	(14.069)	(13.303)
Total	159.314	145.095

e) Liabilities on pension rights:

e.1. Liabilities for pension funds established in accordance with "Social Security Institution":

None.

e.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

As of December 31, 2007, the Parent Bank's corporate tax provision is TRY 292.366 Thousand which is offset against TRY 212.408 of temporary tax paid within the current period. Therefore, the remaining corporate tax payable is TRY 79.958 Thousand.

a.1. Information on tax provision:

As of December 31, 2007, the Parent Bank's corporate tax provision is TRY 292.366 Thousand. For the fourth temporary taxation period, corporate tax payable is TRY 79.958 Thousand.

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	79.958	87.678
Income on Securities Tax	55.070	58.067
Property Income Tax	155	165
Banking and Insurance Transactions Tax (BITT)	12.345	9.889
Foreign Exchange Transactions Tax	631	441
Value Added Tax Payable	45	45
Other	7.996	7.483
Total	156.200	163.768

a.3. Information on premiums:

	Current Period	Prior Period
Social Insurance Premiums-Employee	6	5
Social Insurance Premiums-Employer	9	7
Bank Social Aid Pension Fund Premium-Employee	1.296	1.029
Bank Social Aid Pension Fund Premium-Employer	1.806	1.433
Pension Fund Membership Fees-Employee and Provisions-Employee	-	-
Pension Fund Membership Fees-Employer and Provisions-Employer	-	-
Unemployment insurance-Employee	-	-
Unemployment insurance-Employer	-	-
Other	286	223
Total	3.403	2.697

b) Explanations regarding deferred tax liability:

None.

(10) Information on liabilities regarding assets held for sale and discontinued operations:

None.

(11) Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(12) Information on Shareholders' Equity:

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

Capital System	Paid-in capital	Ceiling
Registered Capital System	-	-

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

None.

d) Information on additions from capital reserves to capital 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 Parent Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Parent Bank's equity due to the uncertainty of these indicators:

The Parent Bank has sustainable profitability structure, equity structure related to the profitability is improving and there are no uncertainties considered that would effect this situation.

g) Information on preferred shares:

None.

h) Information on Marketable Securities Revaluation Fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Subsidiaries, Associates and Joint Ventures	-	-	-	-
Revaluation difference	37.841	7.392	522	6.975
Foreign exchange rate difference	-	-	-	-
Total	37.841	7.392	522	6.975

i) Information on legal reserves:

	Current Period	Prior Period
First legal reserves	117.045	73.870
Second legal reserves	179.908	111.030
Other legal reserves appropriated in accordance with special legislation	680	664
Total	297.633	185.564

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

j) Information on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	159.859	-
Retained earnings	47.181	47.181
Accumulated losses	-	-
Foreign currency share capital exchange difference	(37.174)	(27.055)
Total	169.866	20.126

(13) Information on minority shares:

None.

III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

(1) Information On Off-Balance Sheet Liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of Irrevocable Commitments	Current Period 31 December 2007	Prior Period 31 December 2006
Credit card expenditure limit commitments	1.270.617	860.543
Two days forward foreign exchange buy/sell transactions	365.055	80.716
Other irrevocable commitments	17.918	7.391
Capital commitments to subsidiaries and associates (*)	250	4.699
Allocation commitments of used non-cash loans	172.223	-
Tax and fund dues from export commitments	6.664	6.776
Payment commitments for cheques	1.275.142	1.198.207
Total	3.107.869	2.158.332

(*) In the current period, the Parent Bank has TRY 250 Thousand of capital commitment for its subsidiary, Gelişim İşletmeleri Piyasaları A.Ş.

b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned:

b.1. Non - cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current Period 31 December 2007	Prior Period 31 December 2006
Bank acceptance loans	31.969	30.868
Letters of credit	677.116	348.710
Other guarantees	13.346	3.353
Total	722.431	382.931

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

b.2. Certain guarantees, tentative guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Bid bonds	145.513	94.624
Performance bonds	1.552.988	1.351.445
Letters of advance guarantees	271.033	313.078
Letters of guarantee given to customs offices	63.075	37.634
Other letters of guarantee	1.010.039	913.140
Total	3.042.648	2.709.921

b.3. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	115.578	72.214
Within one year or less original maturity	-	-
Within more than one year maturity	115.578	72.214
Other non-cash loans	3.649.501	3.020.638
Total	3.765.079	3.092.852

b.4. Non cash loans sectoral risk concentrations:

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	9.865	0,58	1.228	0,06	8.768	0,79	1.050	0,05
Farming and Raising Livestock	7.444	0,44	1.074	0,05	6.825	0,61	885	0,04
Forestry	1.357	0,08	18	0,00	1.496	0,13	-	0,00
Fishery	1.064	0,06	136	0,01	447	0,04	165	0,01
Industry	579.882	33,97	859.423	41,76	416.006	37,33	599.665	30,31
Mining and Quarry	21.069	1,23	3.104	0,15	30.093	2,70	790	0,04
Manufacturing	486.939	28,53	811.677	39,44	377.705	33,89	547.878	27,69
Electricity, Gas and Water	71.874	4,21	44.642	2,17	8.208	0,74	50.997	2,58
Construction	375.462	22,00	248.538	12,08	301.825	27,08	319.196	16,13
Service	702.715	41,17	702.225	34,12	364.648	32,72	825.002	41,70
Wholesale and Retail Trade	424.906	24,89	165.523	8,04	255.362	22,91	121.924	6,16
Hotel and Food Services	22.373	1,31	56.347	2,74	5.570	0,50	2.408	0,12
Transportation and Communication	7.747	0,45	2.570	0,12	31.955	2,87	106.254	5,37
Financial Institutions	45.298	2,65	28.334	1,38	25.501	2,29	56.234	2,84
Real Estate and Leasing Services	191.570	11,22	96.840	4,71	33.751	3,03	109.921	5,56
Self-employment	2.148	0,13	3.482	0,17	2.237	0,20	261	0,01
Educational Services	6.284	0,37	348.914	16,95	4.710	0,42	3.223	0,16
Health and Social Services	2.389	0,14	215	0,01	5.562	0,50	424.777	21,47
Other	39.037	2,29	246.704	11,99	23.239	2,09	233.453	11,80
Total	1.706.961	100,00	2.058.118	100,00	1.114.486	100,00	1.978.366	100,00

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

b.5. Non-cash loans classified in Group I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	1.604.222	1.991.822	102.739	66.296
Letters of Guarantee	1.591.290	1.283.370	102.703	65.285
Bill Guarantees and Acceptances	-	31.527	-	442
Letters of Credit	-	676.547	-	569
Endorsements	-	-	-	-
Purchase Guarantees on Marketable Security Underwritings	-	-	-	-
Other Guarantees and Suretyships	12.932	378	36	-

c) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign currency related derivative transactions (I)	1.458.821	1.571.418	-	-
Forward Foreign Currency Buy/Sell Transactions	4.045	10.359	-	-
Currency Buy/Sell Swap	1.454.776	1.561.059	-	-
Currency Futures	-	-	-	-
Currency Put/Call Options	-	-	-	-
Interest related derivative transactions (II)	766.555	261.540	-	-
Interest Rate Contracts	-	-	-	-
Interest Rate Buy/Sell Swap	766.555	261.540	-	-
Interest Rate Put/Call Options	-	-	-	-
Interest Rate Buy/Sell Futures	-	-	-	-
Other trading derivative transactions (III)	254.970	-	-	-
A. Total trading derivative transactions (I+II+III)	2.480.346	1.832.958	-	-
Types of derivative transactions for hedging				
Fair Value Fluctuations Hedging	-	-	-	-
Cash flow Risk Hedging	-	-	-	-
FC Investment in Associates Risk Hedging	-	-	-	-
B. Total Derivative Transactions for Hedging	-	-	-	-
Total Derivative Transactions (A+B)	2.480.346	1.832.958	-	-

d) Information on contingent liabilities and assets:

The Parent Bank has provided reserve for the disputed legal cases filed by various persons and institutions.

e) Services supplied on behalf of others:

None.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

IV. EXPLANATIONS RELATED TO THE CONSOLIDATED INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on Loans (*)				
Short Term Loans	1.160.502	64.141	479.741	34.743
Medium and Long Term Loans	1.260.118	90.034	865.931	58.417
Interest on Non-Performing Loans	74.804	598	101.996	2
Premiums from Resource Utilization Support Fund	-	-	-	-
Total	2.495.424	154.773	1.447.668	93.162

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

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Central Bank of Turkey	164.547	4.341	132.737	3.274
Domestic Banks	8.287	293	9.004	3.797
Foreign Banks	8.985	29.752	5.055	32.236
Head Office and Branches	-	-	-	-
Total	181.819	34.386	146.796	39.307

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets held for trading	70.247	9.664	126.300	14.815
Financial assets at fair value through profit and loss	-	-	-	-
Financial assets available-for-sale	1.044.965	95.220	574.521	31.493
Investments held-to-maturity	1.583.587	8.272	2.059.848	41.777
Total	2.698.799	113.156	2.760.669	88.085

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	672	431

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(2) Information on interest expenses:

a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	42.269	26.228	33.274	16.262
Central Bank of Turkey	-	-	-	-
Domestic Banks	15.639	3.461	8.904	2.834
Foreign Banks	26.630	22.767	24.370	13.428
Head Office and Branches	-	-	-	-
Other Institutions	4.401	-	4.374	-
Total	46.670	26.228	37.648	16.262

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest Expenses to Subsidiaries and Associates	6.327	779

c) Information on interest expenses to marketable securities issued:

None.

d) Maturity structure of interest expenses on deposits:

Account Name	Demand Deposits						Cumulative Deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TRY								
Bank Deposits	89	15.695	-	-	-	-	-	15.784
Saving Deposits	3.502	699.994	1.268.514	136.012	26.870	2.943	-	2.137.835
Public Deposits	665	52.640	57.357	1.280	1.614	1.696	-	115.252
Commercial Deposits	1.581	198.260	247.938	56.466	2.010	94	-	506.349
Other Deposits	988	128.594	398.729	109.284	6.865	84	-	644.544
7 days Call Accounts	-	-	-	-	-	-	-	-
Total	6.825	1.095.183	1.972.538	303.042	37.359	4.817	-	3.419.764
FC								
Foreign Currency Deposits	5.465	127.024	81.804	23.803	30.624	7.784	-	276.504
Bank Deposits	-	187	-	-	-	-	-	187
7 days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	5.465	127.211	81.804	23.803	30.624	7.784	-	276.691
Grand Total	12.290	1.222.394	2.054.342	326.845	67.983	12.601	-	3.696.455

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(3) Information on dividend income:

	Current Period	Prior Period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	979	1.010
Other	10.247	5.848
Total	11.226	6.858

(4) Information on trading profit/loss (Net):

	Current Period	Prior Period
Profit	2.381.409	1.985.149
Profit from the Capital Market Operations	137.104	137.142
Profit on derivative financial instruments	89.459	80.987
Other	47.645	56.155
Foreign Exchange Gains	2.244.305	1.848.007
Loss (-)	2.423.346	2.006.479
Loss from the Capital Market Operations	395.456	171.315
Loss on derivative financial instruments	377.651	155.429
Other	17.805	15.886
Foreign Exchange Losses	2.027.890	1.835.164

(5) Information on other operating income:

The Parent Bank's other operating expenses mainly consist of gains from sale of property and income on cancellation of specific provisions for the collection of non-performing capital loans.

(6) Loans and other receivables impairment losses:

	Current Period	Prior Period
Specific Loans and Receivables Provisions	130.659	129.990
Group- III Loans and Receivables	38.552	43.990
Group- IV Loans and Receivables	11.079	2.014
Group-V Loans and Receivables	81.028	83.986
General Loan Provision	66.317	38.997
Provision Expenses for Possible Losses	9.346	-
Marketable Securities Impairment Losses	797	8.557
Financial assets at fair value through profit and loss	585	7.445
Financial assets available for sale	212	1.112
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held-to-Maturity	-	3.677
Investment and Associates	-	379
Subsidiaries	-	3.298
Joint Ventures	-	-
Investments and Securities Held-to-Maturity	-	-
Other	15.776	20.569
Total	222.895	201.790

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

(7) Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	448.692	399.631
Reserve for employee termination benefits	28.288	22.008
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	4.537
Depreciation expenses of fixed assets	48.537	47.506
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	4.555	3.858
Shares (capital method applied) impairment expense	-	-
Impairment expense for investment securities that will be disposed of	-	-
Amortization expenses of investment securities that will be disposed of	1.015	860
Impairment expense for property and equipment held for sale purposes	-	-
Other operating expenses	166.590	146.271
Operational leasing expenses	2.757	4.191
Maintenance expenses	9.679	5.900
Advertisement expenses	14.546	10.362
Other expenses	139.608	125.818
Loss on sales of assets	11.232	9.674
Other	138.784	88.813
Total	847.693	723.158

(8) Information on profit/loss from continuing and discontinued operations before taxes:

The Parent Bank's income before tax is due from the continuing activities. TRY 1.752.253 Thousand of the income before tax is composed of net interest income, TRY 296.216 Thousand of the income before tax is composed of net fees and commissions. The net operating profit of the Parent Bank is TRY 1.398.746 Thousand.

(9) Information on tax provisions from continuing and discontinued operations:

As of December 31, 2007, the Parent Bank's income tax provision amounting to TRY 275.545 Thousand consists of TRY 292.366 Thousand of current tax charge and TRY 16.821 Thousand of deferred tax income.

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

As of December 31, 2007, net operating income after tax amounts to TRY 1.132.620 Thousand.

(11) Information on net profit/loss from continuing and discontinued operations:

c.1. Income and expenses from ordinary banking operations: There is no need for any specific disclosures in order to understand the Parent Bank's performance for the January 1, 2007 - December 31, 2007 period.

c.2. Effects of changes in accounting estimates on the current and future periods' profit/loss: There are no issues required to be disclosed.

c.3. Other items do not exceed 10% of the income statement.

V. EXPLANATIONS RELATED TO THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(1) Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on April 28, 2005, inflation accounting applied in the banking system has been ceased as of January 1, 2005 in accordance with the BRSA decree numbered 1623 and dated April 21, 2005.

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

According to this circular, TRY 1.220.451 Thousand of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which had been recognized in "Paid-in Capital Inflation Adjustment" account before December 31, 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

(2) Explanations on exchange differences:

Foreign currency associates recognized in accordance with the acquisition cost basis are presented in the balance sheet with their foreign currency acquisition cost multiplied by the exchange rates as of the balance sheet date. Exchange differences related to these foreign currency associates are recognized in the "Capital reserves" account under equity.

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED CASH FLOW STATEMENT

Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement.

(1) Items of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency, CB and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(2) The effect of any change in accounting policies:

"Cash and cash equivalents" term has been redefined, with the definition mentioned above.

Period beginning cash and cash equivalents balance:

	Current Period	Prior Period
Cash	2.507.151	1.262.861
Cash in TRY and Foreign Currency	197.740	134.234
Central Bank and Others	2.309.411	1.128.627
Cash Equivalents	1.078.543	575.416
Banks- maturity less than 3 months	1.078.543	575.416
Total Cash and Cash Equivalents	3.585.694	1.838.277

Period closing cash and cash equivalents balance:

	Current Period	Prior Period
Cash	3.425.513	2.507.151
Cash in TRY and Foreign Currency	229.485	197.740
Central Bank and Others	3.196.028	2.309.411
Cash Equivalents	1.161.071	1.078.543
Banks- maturity less than 3 months	1.161.071	1.078.543
Total Cash and Cash Equivalents	4.586.584	3.585.694

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE PARENT BANK

(1) Volume of the Parent Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Current Period:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Beginning Balance	31.805	24.023	-	-	-	-
Closing Balance	43.902	6.746	-	-	-	-
Interest and Commissions Income	573	99	-	-	-	-

b) Prior Period:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Beginning Balance	10.043	27.261	-	-	-	-
Closing Balance	31.805	24.023	-	-	-	-
Interest and Commissions Income	154	277	-	-	-	-

c.1. Deposits held by the Parent Bank's risk group:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Beginning Balance	63.013	11.691	-	-	-	-
Closing Balance	83.368	63.013	-	-	-	-
Interest expense on deposits	6.327	779	-	-	-	-

c.2. Forward and Option Contracts and similar transactions with the Parent Bank's risk group:

None.

(2) Disclosures for related parties:

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

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

Türkiye Halk Bankası A.Ş.
Explanations and Notes to Consolidated Financial
Statements for the Period January 1 – December 31, 2007
(Amounts expressed in Thousand of the 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	43.902	0,24%
Non-cash Loans	6.746	0,18%
Deposits	83.368	0,27%
Forward and Option Contracts	-	-
Banks and Financial Institutions	-	-

Pricing of these transactions are in accordance with the general pricing policies of the Parent 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.

VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

(1) Explanations on the Parent Bank's domestic branches, agencies/branches abroad and off-shore branches:

	Quantity	Number of Employees	Country	Total Assets	Legal Capital
Domestic Branches	556	11.448			
Agencies Abroad	4	8	Cologne/GERMANY		
		5	Mannheim/GERMANY		
		4	Dortmund/GERMANY		
		1	Tehran/GERMANY		
Foreign Branches	2	9	Nicosia/TRNC	31.601	2.742
		6	Famagusta/TRNC	12.491	-
Off-Shore Branches	1	3	Manama/BAHRAIN	2.398.195	-

(2) Explanations on Branch and Agency Openings or Closings of the Parent Bank:

The Parent Bank has opened 2 branches during the year 2007. The agency in Vienna/Austria was closed during the year 2007.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

SECTION VI: EXPLANATIONS TO INDEPENDENT AUDITORS' REPORT

I. EXPLANATIONS TO INDEPENDENT AUDITORS' REPORT:

The consolidated financial statements as of December 31, 2007 and for the year then ended were audited independently by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu) and Independent Auditors' Report dated April 10, 2008 is presented before the consolidated financial statements.

II. EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED BY INDEPENDENT AUDITORS:

None.

Türkiye Halk Bankası A.Ş. Information for Shareholders

Investor Relations

Financial statements, independent auditors' reports, annual reports, news and press releases of Halkbank can be obtained from the Bank's web site at www.halkbank.com.tr as well as from the Investor Relations Department of which address is given below:

Halkbank Investors Relations Department

Büyükdere Caddesi No: 82 Kat: 5
Gayrettepe 34387 İstanbul
Tel: (90 212) 370 82 50-51
E-mail: halkbank.IR@halkbank.com.tr

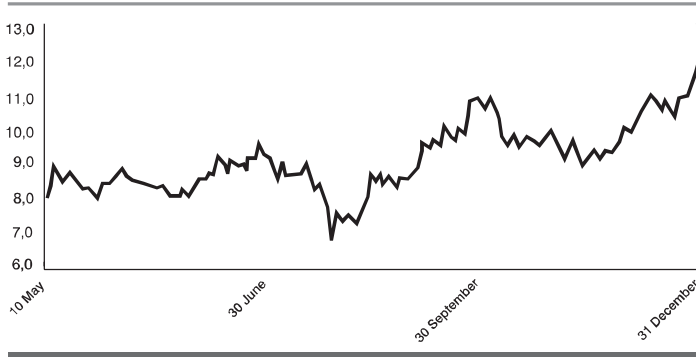
Independent Auditors

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Armada İş Merkezi
A Blok Kat: 7 No: 8
Söğütözü 06510 Ankara

Halkbank Share Performance in 2007

24,98% of Halkbank shares were offered to public on 10 May 2007 and were listed on the İstanbul Stock Exchange with the trading symbol "HALKB". The shares that were offered initially at TRY 8, recorded its peak on 31 December 2007 with TRY 12,20. The increase in the share price from the date of public offering to year-end was 52,5%.

Halkbank Share Price (TRY)



The market capitalization value of TRY 10 billion rose to TRY 15,3 billion at year-end.

Halkbank Share Performance in Comparison with ISE-100 National Market and the Banking Industry indices

	10.05.2007	31.12.2007	Change (%)
ISE-100	45.056	55.538	23,3
Banking Industry	67.139	83.822	24,9
HALKB	8,00	12,20	52,5

Addresses

HEAD OFFICE (MAIN)

2. Cadde No: 63
Söğütözü 06520 Ankara/Turkey
Tel: +90 312 289 2000

Foreign Operations Department
Disciplinary Board
Staff Training Department
Artisans and Small Business Banking Department
Financial Accounting and Reporting Department
General Administrative Services Department
Legal Consultancy
Internal Control Department
Human Resources Department
Premises-Real Estate and Appraisal Department
Loan Policies and Project Evaluation Department
Loans Risk Monitoring Department
Corporate Loans Department
Deposit Management and Planning Department
Cash Management Department
Organization Department
Performance Monitoring Department
Risk Collection and Liquidation Department
Risk Management Department
Procurement Department
Strategical Planning and Affiliates Department
Branch Operations Department
Public Relations Department
Board of Inspectors
Commercial-SME Marketing-1 Department
Commercial-SME Loans-1 Department
Secretariat to the Board of Directors

HEAD OFFICE (SUPPORT UNIT)

Büyükdere Cad. No: 82
Gayrettepe 34387 İstanbul/Turkey
Tel: +90 212 370 7070

Infrastructure Operation and Management Department
Consumer Loans Allocation-Monitoring Department
Retail Products Marketing Department
Financial Institutions and Investor Relations Department
Corporate Marketing Department
Risk Collection Department
Risk Liquidation Department
Agricultural Banking Department
Technological Architecture Management Department
Commercial-SME Marketing-2 Department
Commercial-SME Loans-2 Department
Mass Housing and Business Premises Banking Department
Information Systems and Technical Services Department
Tax Management and Accounting Department
Software Development Department

HEAD OFFICE (SUPPORT UNIT)

Meclisi Mebusan Cad. No: 13
Salıpazarı 34427 İstanbul/Turkey
Tel: +90 212 393 0500

Treasury Operations Department
Treasury Management Mid-Office Department
Money and Capital Markets Department

HEAD OFFICE (SUPPORT UNIT)

Fulya Mah. Ali Samiyen Sok. No: 5 34394
Gayrettepe İstanbul/Turkey

Alternative Distribution Channels Department
Payment Card Systems Department

HALKBANK INTERNATIONAL NETWORK

BAHRAIN OFFSHORE BANKING UNIT

Bahrain Development Bank Building 6th Floor
P.O. Box 11378 Diplomatic Area
Manama Bahrain
Tel: +973 175 37711
Fax: +973 175 35463

DORTMUND FINANCIAL SERVICES BRANCH

Schützen Str. 22
44147 Dortmund/Germany
Tel: +49-231 820 062
Fax: +49-231 820 095

GAZİMAĞUSA (FOREIGN BRANCH)

Lamaka Yolu 15 Ağustos Bulvarı No: 24
Gazımağusa/Turkish Republic of Northern Cyprus
Tel: +90 392 366 9583
Fax: +90 392 366 9589

COLOGNE FINANCIAL SERVICES BRANCH

Bahnhofsvorplatz 1
50667 Cologne/Germany
Tel: +49-221 136 545
Fax: +49-221 125 246

LEFKOŞA (FOREIGN BRANCH)

Köşklü Çiftlik Mah. Osmanpaşa Cad. No: 1
Lefkoşa/Turkish Republic of Northern Cyprus
Tel: +392 228 8045
Fax: +392 228 2900

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68159 Mannheim/Germany
Tel: +49-621 102 625
Fax: +49-621 102 469

TEHRAN REPRESENTATIVE OFFICE

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