

TÜRKİYE İŞ BANKASI A.Ş.

**INTERIM REPORT FOR
THE PERIOD BETWEEN
JANUARY 1st - MARCH 31st, 2008**

GENERAL INFORMATION

Brief Information on the Establishment of the Bank and Its Business Lines

In line with the relevant legislation and the principles stated in the Articles of Incorporation of the Bank, the business lines of the Bank, which was established on August 26th, 1924, include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, capital market operations, international banking services and other banking operations, as well as initiating and participating in all kinds of financial and industrial sector corporations as may be required.

Capital and Shareholding Structure

As of March 31st, 2008, the Bank's paid in capital within the TRY 7 billion registered capital ceiling is TRY 2,756,585 thousand and 41.54% of the Bank's shares are owned by T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (Isbank Members' Supplementary Pension Fund), 28.09 % are owned by the Republican People's Party (Atatürk's shares) and 30.37% are on free float.

There has not been any change in the capital structure and no capital increase has been made during the period.

Board of Directors

Name	Position
Caner Çimenbiçer	Chairman of the Board of Directors and the Audit Committee
H. Fevzi Onat	Deputy Chairman
H. Ersin Özince	Chief Executive Officer and Director
Salih Kurtuluş	Director
Prof. Dr. Savaş Taşkent	Member of the Board and the Audit Committee
İsmet Atalay	Director
Tülin Aykın	Director
Tuncay Ercenk	Director
Adnan Keskin	Director
Ali Sözen	Director
Fusun Tümsavaş	Director
Prof. Dr. Turkay Berksoy	Auditor
H.Ahmet Ergenekon	Auditor

At the Annual General Meeting for the year 2007, which was held on March 28th, 2008, the above mentioned Directors have been elected, replacing the former Board Members (Prof. Dr. Ahmet Kırman, Prof. Dr. M. Baran Tuncer, M. Nail Yağcı, Dr. A. Yavuz Ege, Atty. Nail Gürman, Ali Ekber Güvenç, Köksal Burkan, Caner Çimenbiçer, Salih Kurtuluş ve Prof. Dr. Savaş Taşkent), whose terms of office ended.

Audit Committee

<u>Name</u>	<u>Position</u>
Caner Çimenbiçer	Chairman
Prof.Dr. Savaş Taşkent	Member

After the resignation of Prof. Dr. Ahmet Kırman on March 26th, 2008, Mr. Caner Çimenbiçer, who was a member of the Audit Committee until that day on, was elected the Chairman of the Audit Committee and Prof. Dr. Savaş Taşkent was elected as member of the Audit Committee.

Chief Executive Officer and Deputy Chief Executives:

<u>Name</u>	<u>Administrative Position</u>
H. Ersin Özince	Chief Executive Officer
A. Aykut Demiray	Foreign Affairs, Treasury, Economic Research, Foreign Branches, Foreign Representative Offices, Coordinating and Monitoring Free Zone Branches
M. Sırrı Erkan	Budgeting and Planning, Central Operations, Organization, Board of Change Management , Branch Operations, Nonbranch Banking, Staff Training and Human Resources Departments, Coordination of Tasks and Projects Related to Strategic Targets
Kadir Akgöz	Electronic Data Processing and Software Development
Özcan Türkakın	Public Relations, Equity Participations, Capital Markets, Private Banking Customer and Sales Departments
F. Kayhan Söyler	Commercial Banking Sales, Marketing and Product Departments
Zafer Memişoğlu	Support Services and Purchasing, Premises and Real Estate Departments
Hülya Altay	Retail Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Departments
Mahmut Magemizoğlu	Taxation Counselor, Financial Operations and Accounting Departments
Hakan Barut	Legal Counselor , Legal Affairs, Credit Information and Financial Analysis, and Problem Loans Departments
Adnan Bali	Corporate Banking Marketing, Sales and Product Departments
Suat İnce	Corporate and Commercial Loans, SME Loans

At the Annual General Meeting for the year 2007, which was held on March 28th, 2008, Deputy Chief Executives H. Fevzi Onat and Tülin Aykın were elected to the Board.

Suat İnce was appointed Deputy Chief Executive on 02.04.2008.

GENERAL SURVEY ON TURKISH ECONOMY AND BANKING SECTOR

As per the new series based on 1998, in the first quarter of the year 2008 the growth in Gross Domestic Product (GDP) was 6.6%. As for the rest of the year 2008, even there is not any cut down expected in government expenditures due to the local elections, there is still a possibility that the economy might be negatively affected by the developments in the international markets and by the tendency of increase in interest rates. Within this framework, it is presumed that the growth will hardly reach the target of 4.5% in the year 2008, in an environment where there is intense ambiguity in domestic and foreign markets. As a matter of fact, IMF announced its growth forecast for Turkey as 4% for the year 2008.

The tendency of the expansion in current account deficit continued in the first quarter of the year 2008. In the first quarter of 2008, current account deficit increased 30% on an annual base and reached USD12 billion. As per the 12-months cumulative figures, current account deficit as at the end of March, is over USD 40 billion. The expansion in the foreign trade deficit was the major cause of the increase in current account deficit. On the funding side, the share of “debt creating” capital grows, whereas it strikes attention that in recent years there is loss of acceleration in direct investments, which significantly supports funding of the current account deficit. Despite the loss in the value of TRY, considering the high oil and commodity prices, it is expected that the pressure on the current account deficit will continue.

While risk perception increases in global markets, it is of great importance that fiscal discipline is maintained in Turkey. In the first quarter of the year, budget deficit was TRY 4.4 billion. Primary balance, which gave surplus in the first two months of the year 2008 has shown deficit in March. Despite the decrease in interest expenditures in the first quarter of 2008, the limited increase in income has caused the budget to underperform compared to the same period of the previous year.

In March, CPI and PPI increased 0.96% and 3.17%, respectively, compared to the previous month. Thereby, annual increase in CPI and PPI were 9.15% and 10.50%, respectively. The course of CPI in the first quarter of the year indicates that inflation target of 4% will not be achieved in the year 2008, either. It is observed that the reflection of problems in the international credit markets slows down domestic demand. Within this framework, although it is presumed that the terms of total demand contribute to the process of decrease in inflation, recently increasing food and energy prices and the ambiguity in global economy increase the uptrend risks in inflation, in the short run.

As of March 28th, 2008, the credit volume of the banking sector reached TRY 302.4 billion with 11.2% expansion compared to the year end. By the impact of fluctuation in the international finance markets, the increase in credit volume has a moderate course. On the other hand, considering the increase in the same period of the previous year was 4.9% compared to the year end, it is observed that in the first quarter of the year 2008, increase in the credit volume of the banking sector is higher than the increase of the same period of the previous year. As of March 28th, 2008, volume of deposits, which is the basic funding source of banks, has expanded by 7.8% compared to the year end. Other than the stable increase in TRY deposits, increase in exchange rates had a positive impact on the aforementioned expansion.

It is considered that possible difficulties in foreign borrowings may cause competition and increase in interest rates in deposits, which are the basic funding source, and on the other hand, parallel to the increase in funding costs, that it may also cause increase in credit interest rates.

FINANCIAL HIGHLIGHTS AND KEY RATIOS RELATED TO THE PERIOD

ASSETS (TRY Thousand) (1)	2007/12	2008/3
Cash and Equivalents	502,828	427,012
Banks and Money Market Placements(2)	13,542,273	11,934,275
Securities (Net)	24,326,340	25,739,488
Loans (3)	33,979,841	38,885,070
Other	7,829,635	6,974,220
Total Assets	80,180,917	83,960,065
LIABILITIES (TRY Thousand) (1)	2007/12	2008/3
Deposits	48,533,145	51,242,806
Money Market Funds and Other Funds Borrowed	15,765,440	16,496,441
Shareholders' Equity	10,603,862	9,213,756
Other	5,278,470	7,007,062
Total Liabilities	80,180,917	83,960,065
INCOME STATEMENT (TRY Thousand)(4)	2007/3	2008/3
Interest Income	2,274,085	2,436,744
Interest Expense	1,572,847	1,513,346
Net Interest Income	701,238	923,398
Trading Income/Loss	80,752	94,736
Net Fees and Commissions Income	244,278	286,102
Other Operating Income	149,582	333,930
Total Operating Income	1,175,850	1,638,166
Operating Expenses	481,952	590,234
NET OPERATING PROFIT/LOSS	693,898	1,047,932
Provision Charges	249,264	348,025
PROFIT/LOSS BEFORE TAXES and MONETARY POSITION	444,634	699,907
Provision for Taxes	77,252	144,856
NET PERIOD PROFIT/LOSS	367,382	555,051
GROSS INCOME (5)	2,772,756	3,178,141
GROSS PROFIT (6)	693,898	1,047,932
KEY RATIOS	2007/12	2008/3
Interest Earning Assets / Total Assets	89.6%	91.2%
Loans / Total Assets	42.4%	46.3%
Retail Loans / Total Loans	34.7%	32.0%
NPL Ratio	4.2%	3.8%
Demand Deposits / Total Deposits	16.5%	15.7%
Capital Adequacy Standard Ratio	20.5%	17.2%
Return on Average Assets (7)	2.2%	2.7%
Return on Average Equity (7)	17.0%	22.4%
	2007/3	2008/3
Cost / Income (8)	41.0%	36.0%

(1) Interest accruals are included in all interest related items.

(2) Includes balances with the Central Bank of Turkey and Reserve Deposits.

(3) Excludes Non-Performing Loans.

(4) Fees and Commissions Received from Cash Loans are reclassified under interest Income; Fees and Commissions Paid to Cash Loans are reclassified under Interest Expense.

(5) Gross Income=Interest Income +Foreign Exchange Gains/ Losses +Trading Gains/Losses on Securities +Gross Fees and Commissions Income +Dividend Income +Other Operating Income

(6) Gross Profit=Net Period Profit/Loss +Provision for Taxes +Provision for Impairment Losses

(7) Averages are calculated over year-end balances.

(8) Operating Expenses are adjusted for the Gains/Losses due to FX indexed items.

EVALUATIONS ON THE RELATED PERIOD

In a period where the concept of risk aversion is dominant in the international capital markets, the Bank increased its loan portfolio by 14% in the first quarter of the year and preserved its status of being Turkey's biggest private bank with a total asset size of TRY 84 billion. The Bank maintained its endeavors of creating selective and profitable assets and providing low cost funds in the first quarter of the year 2008 and increased its net interest income 32%, net fees and commission income 17%, and net profit 51%, compared to the same period of the previous year. The Bank's operating profit increased during the period where the increase in operating expenses was less than the increase in operating income, and the Bank's Return on Equity and Return on Assets ratios in the first quarter were 22.4% and 2.7%, respectively.

The Bank completed the first quarter of the year with a healthy growth performance without giving up profitability and asset quality. The Bank maintained its profitability thanks to the liquidity of its balance sheet and the strength of its equity, and with its ongoing structural transformation program it aims to keep and intensify its operational profitability in an environment of increasing competition.

INFORMATION ON DIVIDEND DISTRIBUTION

Isbank's Annual General Meeting was held on March 28th, 2008. In the Annual General Meeting, it is decided to use the net TRY 1,701,807,318 profit gained from the operations during the year 2007 as follows;

- In accordance with the related legislation, it is to transfer TRY 37,020,793 profit which was not subject to dividend distribution and which was gained on the sale of associates, subsidiaries and real estates to "Capital Reserves".

As per Article 58 of the Bank's Articles of Incorporation; of the distributable profit amount of TRY 1,664,786,525 it is decided to

- distribute TRY 588,986,912 to Group A, Group B and Group C shares and founder shares,
- distribute TRY 140,145,124 to Members of the Board, Chief Executive Officer and staff as cash dividend,
- allocate TRY 935,654,489 as legal and extraordinary reserves

On 31.03.2008, TRY 935,654,489 was transferred to reserves account and beginning from the date 01.04.2008 cash dividend distribution was initiated.

CHANGES IN THE PARTICIPATIONS PORTFOLIO

The transfer of %97.53 of Isbank's shares in Asmaş Ağır Sanayi Makinaları A.Ş., a subsidiary of Isbank, with a nominal value of TRY 6,437 thousand was finalized for an amount of USD 9,753 thousand which was collected on 31.03.2008 from the below mentioned companies.

The details of the aforementioned transfers are as follows:

- 15% of shares with a nominal value of TRY 990 thousand were transferred to Türkiye Şişe ve Cam Fabrikaları A.Ş.,
- 82.53% of shares with a nominal value of TRY 5,447 thousand were transferred to Soda Sanayi A.Ş.