

TÜRKİYE İŞ BANKASI A.Ş.

**INTERIM REPORT FOR
THE PERIOD BETWEEN
JANUARY 1st – SEPTEMBER 30th, 2008**

GENERAL INFORMATION

Brief Information on Isbank

Established on August 26th, 1924 by great leader Mustafa Kemal Atatürk, Türkiye İş Bankası A.Ş. has played a key role in the development of Turkey's national economy especially with its contributions to the domestic industry and commerce from its establishment till today for 84 years.

Türkiye İş Bankası A.Ş., Turkey's largest private bank, provides its customers with the opportunity to choose among both the Bank's and its participations' various financial products the ones that perfectly match with their needs as well as the opportunity to reach the banking services in every manner with its 992 domestic and international branches, 3,235 ATMs that make up the largest ATM network in Turkey, internet banking, telephone banking and call center.

Capital and Shareholding Structure

As of September 30th, 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	<i>Chairman of the Board of Directors and the Audit Committee</i>
H. Fevzi Onat	<i>Deputy Chairman</i>
H. Ersin Özince	<i>Chief Executive Officer and Director</i>
Prof. Dr. Savaş Taşkent	<i>Member of the Board and the Audit Committee</i>
İsmet Atalay	<i>Director</i>
Tülin Aykın	<i>Director</i>
Tuncay Ercenk	<i>Director</i>
Adnan Keskin	<i>Director</i>
Ali Sözen	<i>Director</i>
Fusun Tümsavaş	<i>Director</i>
Hasan Koçhan	<i>Director</i>
Prof. Dr. Turkay Berksoy	<i>Auditor</i>
H.Ahmet Ergenekon	<i>Auditor</i>

Hasan Koçhan has been elected to the Board, replacing Mr. Salih Kurtuluş who resigned from his duty on 25.08.2008.

Audit Committee

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

Chief Executive Officer and Deputy Chief Executives

<u>Name</u>	<u>Position</u>
H. Ersin Özince	<i>Chief Executive Officer</i>
A. Aykut Demiray	<i>Foreign Affairs, Treasury, Economic Research, Foreign Branches, and Foreign Representative Offices</i>
M. Sırrı Erkan	<i>Board of Change Management, Human Resources Management, Human Resources Business Partnership, Human Resources Service Center, Non-branch Banking, Talent Management, Coordination of Tasks and Projects Related to Strategic Targets</i>
Kadir Akgöz	<i>IT Project Management , IT Architecture & Security, IT Solution Development, IT Service & Product Delivery, and IT System & Operations</i>
Özcan Türkakın	<i>Public Relations, Equity Participations, Capital Markets, Private Banking Customer and Sales Departments</i>
F. Kayhan Söyler	<i>Commercial Banking Sales, Marketing and Product Departments, Coordinating and Monitoring Free Zone Branches</i>
Zafer Memişoğlu	<i>Support Services and Purchasing, Premises and Real Estate Departments</i>
Hülya Altay	<i>Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Departments</i>
Mahmut Magemizoğlu	<i>Taxation Counselor, Financial Operations and Accounting Departments</i>
Hakan Barut	<i>Legal Counselor , Legal Affairs, Credit Information and Financial Analysis, and Problem Loans Departments</i>
Adnan Bali	<i>Corporate Banking Marketing, Sales and Product Departments</i>
Suat İnce	<i>Corporate and Commercial Loans, SME Loans Departments</i>
Serdar Gençer	<i>Enterprise Architecture, Strategy & Corporate Performance Management</i>
Hakan Aran	<i>Banking Core Operations, Retail Loans and Card Payment Operations, Foreign Trade and Commercial Loans Operations, Internal Operations, Operations Planning, and Branch Operations Departments</i>

GENERAL SURVEY ON TURKISH ECONOMY AND BANKING SECTOR

The evaluations related to economic developments in the first three quarters of the year are summarized below.

In September, industrial production contracted by 5.5% compared to the same month of the previous year. In this period, especially the 6.4% downfall in manufacturing production draws attention. The fall in manufacturing production was due to the sluggish domestic demand as well as the economic slowdown in Turkey's exporting partners, especially in the Euro Area. Thus, the manufacturing production, which increased in the first and second quarters of the year 6.9% and 3% respectively, decreased 2% in the third quarter, compared to the same period of the previous year. This case points out that the Turkish economy which, has been continuously growing since the last 26 quarters, might contract in the third quarter of the year.

The expansion in current account deficit continues. The deficit in the first eight months rose by 46.5% compared to the same month of the previous year and was realized at USD 34.8 billion. As of August, The 12-month cumulative deficit reached USD 48.7 billion. The expansion in the current account deficit was mainly influenced by the widening of the foreign trade deficit. In this period, it is observed that the loans that are raised from abroad by banks and real sector firms played a major role in financing current account deficit. Indeed, in the first eight months, banks raised USD 6.6 billion and real sector borrowed USD 21 billion funds from abroad. On the other hand, there was a slight decrease in real sector borrowing from abroad in the last two months compared to the second quarter of 2008. While the tension in the global financial markets increases, high level of foreign financing need as a result of the widening current account deficit increases the vulnerability of Turkey. On the other hand, downward trend in oil prices as a result of increasing concern on global recession is considered as a factor that may slow down the expansion in current account deficit. The slowdown in domestic growth parallel to the decline in domestic and external demand might also support this development.

In September, the budget gave a deficit of TRY 9.4 billion. As of the first nine months of the year, primary surplus almost reached the year-end target while budget deficit remained quite below the year-end target. Budget realizations of the first nine months of the year indicate that there will not be any serious difficulties to reach year-end targets. Nevertheless, continuation of fiscal discipline is critically important in the coming period because of the volatility in the international financial markets.

In September, CPI increased 0.45% which is below expectations; whereas PPI decreased 0.90% contrary to expectations. Thereby, annual increases in CPI and PPI were 11.13% and 12.49%, respectively. According to the revised forecasts, the Central Bank foresees the inflation to be at 11.1% at the end of 2008. With 70% probability, CBRT estimates that inflation will be between 6.1% and 9.1% (mid-point 7.6%) at the end of 2009 and between 4.3% and 7.9% (mid-point 6.1%) at the end of 2010.

The global credit crisis negatively affects the credit volume of the banking sector as well. In the second half of the year, it is observed that there is a downward trend especially in consumer loans and Installment Commercial Loans in annual increase. As of September 26th, 2008, the deposit volume which is the main funding source of the banks increased 17.8% compared to the year-end of 2007. In this context TRY deposit has been influential together with rise in the foreign currency rates.

In the coming period, it is expected that the reflections of the global credit crisis on emerging markets will be intensified. The slowdown in capital flows to these countries in line with the rise in risk perception affects the structure of the banking sector balance sheet. Rise in credit volume is expected to be lower than previous years due to the deterioration in international borrowing conditions and slowdown in consumption and investment expenditures. The fluctuations in TRY would also affect the composition of deposits.

FINANCIAL HIGHLIGHTS AND KEY RATIOS RELATED TO THE PERIOD

ASSETS (TRY Thousand) (1)	2008/9	2007/12
Cash and Equivalents	776,619	502,828
Banks and Money Market Placements (2)	14,534,958	13,542,273
Securities (Net)	24,233,179	24,326,340
Loans (3)	45,749,358	33,979,841
Other	6,747,847	7,829,635
Total Assets	92,041,961	80,180,917
LIABILITIES (TRY Thousand) (1)	2008/9	2007/12
Deposits	56,067,248	48,533,145
Money Market Funds and Other Funds Borrowed	20,010,615	15,765,440
Shareholders' Equity	9,825,600	10,603,862
Other	6,138,498	5,278,470
Total Liabilities	92,041,961	80,180,917
INCOME STATEMENT (TRY Thousand)(4)	2008/9	2007/9
Interest Income	7,535,111	6,814,711
Interest Expense	4,864,785	4,697,598
Net Interest Income	2,670,326	2,117,113
Trading Income/Loss	274,885	317,883
Net Fees and Commissions Income	894,227	783,952
Other Operating Income	845,435	642,284
Total Operating Income / Expense	4,684,873	3,861,232
Other Operating Expenses	2,133,219	1,535,617
Provision for Loan Losses or Other Receivables	918,734	642,984
PROFIT / LOSS BEFORE TAXES and MONETARY POSITION	1,632,920	1,682,631
Provision for Taxes	323,402	322,787
NET PERIOD PROFIT / LOSS	1,309,518	1,359,844
GROSS INCOME (5)	9,633,195	8,641,486
GROSS PROFIT (6)	2,551,654	2,325,615
KEY RATIOS	2008/9	2007/12
Interest Earning Assets / Total Assets	91.8%	89.6%
Loans / Total Assets	49.7%	42.4%
Retail Loans / Total Loans	32.2%	34.7%
NPL Ratio	3.6%	4.2%
Demand Deposits / Total Deposits	16.6%	16.5%
Capital Adequacy Standard Ratio	16.5%	20.5%
Return on Average Assets (7)	2.0%	2.2%
Return on Average Equity (7)	17.1%	17.0%
	2008/9	2007/9
Cost / Income	45.5%	39.8%

(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

EVALUATIONS ON THE RELATED PERIOD

Isbank increased its total assets 14.8% in the first three quarters of the year. The decrease in the value of Isbank's listed participations during the period due to the difficulties faced in the capital markets, caused 7.3 % decrease in the Bank's shareholders' equity. On the other hand, Isbank continued to be a preferred bank by deposit customers, mainly savings deposit customers and increased its deposit base by 15.5%. The Bank maintained its leading position in total deposits among private banks as of 30 September, 2008.

As is known, taking measures against global credit crisis has been on the agenda in many countries. In this frame, regaining "confidence" in markets has a basic function. This is why the extension of deposit guarantees has been one of the most effective measures in other countries. Despite the crisis going on abroad, the major part of the increase in Isbank's deposit base coming largely from TRY customer savings deposits, which increased 24% in balance, is a positive indicator of both in terms of the attention towards Isbank and Turkish people's trust emphasis on their own currency.

In the first three quarters of the year, the period in which the Bank also benefited efficiently from money market borrowing facilities, mainly from repurchase agreements, Isbank brought most of the funds, which are obtained by the Bank with maximum prudence on acquisition cost, back to the economy and increased its loan portfolio by 34.6%. In the first three quarters of the year, the Bank increased its market share with a significant growth performance in loans which is very high compared to the sector, while increasing the share of loans in total assets to 50%. While increasing its loan portfolio, Isbank did not compromise on its extensive placement policy and on its efforts to keep the concentration in loan portfolio at a minimum level in terms of sector and loan type.

Due to the concerns on liquidity as a result of the difficulties that the banks are facing with in foreign borrowing facilities, an increase in cost of deposits has been observed in the deposit market, which restricted the growth in net interest income in the third quarter of the year. Despite these developments, Isbank, which had quite a strong growth in fundamental banking activities especially in loans in the three quarters of the year, increased its net interest income by 26.1% in the related period, compared to the same period of the previous year. The Increase in net fees and commissions income realized at quite a satisfying level of 14.1%.

On the other hand, as a result of the decrease in the value of the derivative portfolio due to the volatility in markets, the Bank's net trading income, which was TRY 329 million in the first half, deteriorated to TRY 275 million, with a net TRY 54 million decrease. In addition to the problems in trading income, the increase in some of the Bank's operating expenses that are specific to the period in the third quarter and the increase in provision expenses due to the provisions set aside within the legal frame had a negative impact on the profitability of the period.

All these developments partially declined the positive contribution of strong fundamental banking performance on period profit. As a result, Isbank had TRY 2,552 million gross profit in the first three quarters of the year with a 9.7% increase compared to same period of the previous year, but the net profit for the period after the tax and other provision charges realized at TRY 1,310 million, remaining 3.7% below the previous year's level.

CHANGES IN THE PARTICIPATIONS PORTFOLIO

The sale of Isbank's 97.53% shares in Asmaş Ağır Sanayi Makinaları A.Ş., a subsidiary of Isbank, was finalized during the period and furthermore, the transfer of Isbank's 99.96% shares in Anadolu Turizm İnşaat ve Ticaret A.Ş., a subsidiary of Isbank, to Nemrut Liman İşletmeleri A.Ş with a nominal value of TRY 50 thousand was finalized for an amount of TRY 13.1 million in cash.

Isbank's 25.75 % share in Türk Pirelli Lastikleri A.Ş. with a nominal value of TRY 36.1 million for an amount of TRY 46.5 million and Isbank's 48% share in Çelikord A.Ş. with a nominal value of TRY 13.9 million for an amount of TRY 28.5 million were sold to Pirelli Tyre Holland N.V. in cash, and the Bank has no share left in aforementioned companies.