BANK MELLAT INCORPORATED IN TEHRAN – IRAN
ANNUAL REPORT OF ISTANBUL TURKEY MAIN BRANCH
AND ANKARA AND IZMIR BRANCHES

A) GENERAL PRINCIPLES REGARDING ANNUAL REPORT

1- Term Of The Report : 2006
2- Trade Mark of the Branch : Bank Mellat Istanbul Turkey Main Branch Incorporated in Tehran Iran

4- a- Head Quarter's Address of Bank Mellat : Taleghani Avenue No:327 Tehran – Iran
b- Address of Bank Mellat Turkey Main Branch : Büyükdere Cad. No.134
1. Levent Beşiktaş/Istanbul Turkey

4- Phone and Fax Numbers : Phone (0212) 279 80 15
Fax (212) 284 62 14

5- Website Address : www.mellatbank.com
6- E-mail Address : mellat@mellatbank.com

B) CONTEXT OF THE ANNUAL REPORT

2- Presentation Chapter

1.1- Brief Financial Information

1.1.3- Balance Sheet (Thousand YTL)

	2007	2006
Liquid Assets and Banks	82.851	81.907
Loans	105.021	122.619
Securities	19.226	10.387
Miscellaneous Assets	10.758	10.567
Total Assets	217.856	225.480
Deposits	43.288	36.337
Loans received	36.324	67.931
Provisions & Tax	3.737	3.188
Miscellaneous Liabilities	93.438	80.772
Owner's Equity	41.069	37.252
Total Liabilities	217.856	225.480

1.1.4- Income Statement (Thousand YTL)

	2007	2006
Net interest Income	8.059	5.929
Net Commission Revenues	5.570	4.140
Miscellaneous Income (Net)	1.375	1.400
Total Income	15.004	11.469
Other Operation Expenses	(4.533)	(4.971)
Operation Profit	10.471	6.498
Provisions for credits and other receivables	(7)	(392)
Profit Before Tax	10.464	6.106
Tax Provision	(2.020)	(1.531)
Net Profit	8.444	4.575

1.2- Historical Background Of The Branches:

Bank Mellat/Iran is a government owned bank domiciled in Iran after nationalization of 10 private banks in 1980. The total assets of the Bank as of 20.0.2007 amounted to 32.509.309 thousand USD with a shareholders' equity of 1.952.700 thousand USD. The Bank has branch offices in Turkey, Armenia and South Korea and participated banks in England and Germany operating with 1955 branches in Iran. The main purpose of the branches and participated banks abroad is to mediate foreign trade between Iran and the said countries in first and among the other third countries. The Bank has been permitted to operate in the status of foreign bank in Turkey with the resolution of Council of Ministers dated 05.02.1981 under serial no . 82/2406. Bank Mellat who started its activities on 16.04.1982 has 3 branches in Turkey namely main branch in Istanbul, Ankara and Izmir Branches.

1.3- Information on shareholders having control shares:

Name/Trade Mark	Share Amounts	Share Percentages	Paid-Up Shares	Unpaid Shares
Islamic Republic Of Iran	31.211	% 100	31.211	-

1.4 Charges In the Capital And Shareholders Structure Within The Accounting Period:

There has been no change in 2007.

1.5- Information Regarding Titles And Shares Of The Real And Legal Entities Who Have Preferential Shares:

The government of Islamic Republic of Iran is the sole owner of the Branch holding % 100 share of the capital.

1.6- General assessment of The Chairman And General Manager for the period ended and expectations about the future:

In December 2007 Economic Outlook report published by OECD, it is estimated that the member countries as a whole will show 2.3% growth in 2008. OECD is expecting a slowdown in economic growth due to high volatility in financial markets, the cool down in housing sector and high energy and commodity prices.

However, it is forercast that the slowdown in growth will not deteriorate further as a consequence of the support shown to household income by the employment figures, the favourable conditions for new investments encouraged by steep company profits and the continuance of strong growth in the world trade volume led by developing countries.

Consequently, as OECD predicts stable interest rates in USA, Euro zone and Japan during 2008, it points out that an interest rate reduction would be necessary in USA only if the danger of stagnation gets intensified.

In order to prevent the dispersion of the problems in sub prime mortgage markets to the overall economy, US government announced a plan in December 2007. The plan, which aims to weaken the executory wave on the housing loans, proposes a freeze on the interest rates of the housing loans of the borrowers who borrowed on flaoting interest rate basis. In line with the expectations, Federal Reserve has reduced the short term interest rate by 25 basis and brought it down to 4.25%. In an announcement made by FED, it is stated that the recovery in the housing sector has become more evident, there has been a slowdown both in private sector investments and consumer spending and uncertainties about the inflation have increased.

European Central Bank has not changed the short term interest rate and maintained it at 4% level. In pace with increasing food and energy prices, inflation rate at the Euro zone has peaked to 3 %, its highest in the last six years. ECB has revised its inflation forecast for 2008 from 2% to 2.5%. At the same time the appreciation of Euro and the problems in the credit markets put growth in jeopardy. In its prediction for the year 2008, ECB estimates growth will be lower than 2.6% achieved in 2007.

Bank of England by reducing short term interest rate from 5.75% to 5.50% has ended the interest rate increase period pursued for some time. Bank cautions that the conditions in the finamcial markets are getting worse. Under these circumstances, as the signals about a slowdown in the economy are becoming more evident, it is expected that inflation rate, which floats above the targeted rate of %2 presently, will move closer to it in the medium term. Therefore, it is reckoned that interest rate reduction policy of the Bank will continue.

In a meeting Bank of Japan held towards the end of the year, it kept the short term interest unchanged, at 0,50%. Bank, while pointing out the stagnation in the housing market remarked that the economy is signaling a slowdown. As a result, the expectations that Bank of Japan will not change the short term interest rates in 2008 strengthened.

While depreciating against Euro and Japanese Yen in the first nine months of the year, it has shown a stronger performance in the last quarter. Due to the breakdowns occurred in oil production in USA, accompanied by concerns about the military operations made in Norhern Iraq by Turkey, expectations of a strong hard winter in Norhern hemisphere and the possibility of an insufficiency in the stocks against the demand oil prices have increased sharply.

Turkish economy has registered a 2 % growth in the third quarter of 2007, which well below expectations. It has been the lowest rate recorded since second quarter of 2002. The poor performance in the third quarter has been effected by weak domestic demand together with the shrinkage in agricultural sector. In the third quarter increase in export and import volumehas been 7,5% and 16,8 %, respectively. Thus, exports, which has contributed favourably to growth since second quarter 2006, has had an negative impact in the third quarter of 2007.

Following the disapperance of the ambugieties related to the elections, consumer spending has shown a mild increase. However, the unfavourable developments in the global economic conditions observed in second half of 2007, may have increasing contractory effects on domestic and external demand. Taking into cinsideration the fact that trade deficit will be adversely effected by the ongoing growth tendency in imports and the slight expansion in domestic demand, it is estimated that growth rate in 2007 will realize somewhere between 4.5 % to 5.0 %.

Unemployment rate was maintained at its 2006 level and had been around 12 % in 2007.

1.7- The Number Of Employees And Branches And Type Of The Services, Field Of Business and Remarks For Its Position In The Sector:

The branch provides various banking activities mainly in the field of financing for trade transactions with the Islamic Republic of Iran.

The Branch has 3 branches in Turkey including main branch. Within the context of permission for banking services given through its branches, it mediates import and export transactions in the first rank and opens deposit accounts in TL and hand curriencies and makes worldwide money transfers, and renders services for collection of cheques and promissory notes, and deals in fx buying and selling transactions and meets cash and non-cash loans demands. The branch acts with a higher rate of capital suffiency in pursuance of the policy in Turkey.

The number of the employees working in the branch is 49 as of 31.12.2007. (31.12.2006: 50)

2-Information About The Management And The Corperate Governance Implementations:

2.1- Board Of Managers :

The vision and mission and strategic short and long term aims of our bank operating in Turkey acting in the branch level are determined by the Board of Managers to be formed in pursuance of the article No.23 of the Banking law No.5411 which bears the responsibility of the Board of Managers.

The Board of Managers consisting of four members meets minimum four times a month and reviews the policies and strategies continiously according to recent conditions previously determined. Our Board of Managers also fulfills the mission of credit committee at the same time.

The written proposals and requests are submitted together with all the relevant documentation for the resolution and approval of the Board and the subjects resolved are communicated to the pertinent managerial level for implementation. The resolutions are submitted for signing to the Board members latest by the end of the month the meeting was held.

The General Manager who is the chairman of the Board is responsible for the management and work of the branch and departments according to procedures and risk management priciples determined by the Board of Managers.

The curriculum vitaes and professional background of the Board of Managers members are as follows.

YOUNES HORMOZI SHEIKH TABAGH

Duty: General Manager and Chairman

Mr. Hormozi Sheikh Tabagh after his graduation from Allameh Tabatabee University in Iran started his banking career in 1976 by having the chief title in credit section, assistant manager in fx accounting department and successively served as the manager of the fx accounting department, afterwards he has been appointed to accounting manager in Istanbul Branch and later on he undertook the responsibilities of assistant general manager in foreign department and general of financial department. He has been carrying out duties of general manager and chairman of Mellat Bank Branches in Turkey since March 2003.

AHMET ARIÖZ
Duty: Board Member Responsible For Internal Control And Risk Management And Assistant General Manager

As an alumnus from the faculty of political sciences of Ankara University. Mr. Arıöz started his banking career in Türkiye İş Bankası as internal auditor in 1973 until the end of July 1987, then he was appointed as the assistant manager to Galata Branch of the said Bank and served in this branch till November 1989. Then, he transferred to Faisal Finance Institution in December 1989 under the title of assistant general manager and worked there for 3 years till november 1992. Afterwards, he undertook the responsibility of same position in Derbank during 1996/01-1996-05. During 1996-1999 he has served as internal auditor in our Bank and been carrying out his job having seated in the position of board member and assistant general manager.

SEYED REZA MIR TALEBİ
Duty: Acting Head of Ankara Branch and Board of Managers Member

Having graduated from the Faculty of Economical Affairs of the Miniotry of Finance and Economic Affairs/Iran in 1997, Mr. Talebi carried out his banking career starting from 1991, as assistant manager of Branch LC department and Branch assistant responsible for foreign of transactions. Having been served as assistant general manager responsible for internal control and audit, he has been appointed to Turkey to have his job as acting head of Ankara Branch and Board Member of the Bank in Turkey.

HODJATALLAH SHEIKHALESLAMI
Duty: Assistant General Manager

Being a graduate of the faculty of Economic Affairs of the Ministry of Finance/Iran, he started his banking career in 1990. He fulfilled the jobs under the title of Fx accountant, Fx chief of branch, assistant manager of branch and financial manager. He has been appointed to Turkey as assistant general manager in 2005 and in addition to his current job, he has been fulfilling the board membership since 01.12.2006.

2.2- Information About The Branch's Internal Systems (Audit and Compliance) and its Management:

The internal audit, internal control and risk management systems being carried out under the supervision of a board member who has no duty and responsibility on any executive department. The board member responsible for internal systems is obliged to inform the Board about the issues which may adversely effect the works of branch through the regular reports to be received from the external audit company and internal control, audit and risk management departments.

Internal Audit, Internal Control and Risk Management units perform their activities according to the internal regulations duly approved by Board of Managers. Please find below information about the management of the above mentined units:

INTERNAL AUDIT - Fevzi Sayan
Mr. Sayan has graduated from Aegean University Department of Economics. Worked as an internal auditor at Emlak and Ziraat Banks close to 20 years. Had also served as a branch manager at Ziraat. Joined Bank Mellat in November 2007.

INTERNAL CONTROL – Aldemir Ilgar
A graduate of Anadolian University Economics Department Mr. Ilgar also had a masters degree at Marmara University Institute of Banking. Following his career at various banks and different positions and having an experience more than ten years he joined Bank Mellat in April 2005.

RISK MANAGEMENT – Yusuf Çağala

Mr.Çağala is a graduate of University of Istanbul Business Administration Department. Started his career as an internal auditor at İşbank and served at managerial levels in a number of banks. With an experience close to 30 years joined Bank Mellat in December 2006.

2.3- Committees:

The names, purposes and members of various commitees functioning Branch are shown on the below chart:

BOARD OF MANAGERS
COMMITTEES

ASSET LIABILITY	INFORMATION SYSTEMS	RISK

Duties - Responsibilities

ASSET LIABILITY	INFORMATION SYSTEMS	RISK
- A/L maturity matching - Profit margins - FX position - Commissions, fees, expenses - Liquidity - Market assessment - Problem loans	- Planning and organization - Acquisition and implementation - Delivery and support - Monitoring and evaluation - IT audit	- Developing risk awareness - Instruments and techniques - Risk limits (general) - Risk limis (department, manager)

Members

ASSET LIABILITY	INFORMATION SYSTEMS	RISK
- General Manager (Chairman) - Asst. General Managers - Accounting Manager	- General Manager (Chairman) - 1 Board of Managers - 1 Asst. General Manager - Accounting Manager - mSoft Representative	- General Manager (Chairman) - Board of Managers' member responsible for Internal Systems - Asst. General Manager-Operations - Accounting Manager - Risk Manager

The number of times the above Committes convened during the year and the number of resolutions taken at these meetings are shown below:

COMMITTEE	NUMBER OF MEETINGS	NUMBER OF RESOLUTIONS
ASSET LIABILITY	23	15
INFORMATION SYSYTEMS	11	22
RISK	11	6

2.4- Information About Human Resources Implementations:

Testing period for apprentices who will be employed under an employment agreement is 2 months and other candidate employees who will work as the member of Laber Union is 4 months. The apprenticeship of the candidates who are understood to be beneficial for the branch is ended upon the proposal of relevant branch and recruited to permanent positions. The branch managers send their opinions for the employment agreements of the employees in testing period 10 days before the end of termination date whether they are going to be carried out or not. The employment agreements of those who are understood that they may not be beneficial for the branch are cancelled by the general manager without paying employment termination fee and notice allowance upon the proposal of branch manager.

The promotion means to change the title of branch employees into upper level. Promotions include the changes in title and salary as well. Promotion of employees depens on ;
-The completion of a certain service period,
-The existence of an affirmative assessment for the employee,
-The possession of ability and qualification required by the upper level,
-The existency of a vacant seat in the upper level
-The achievement in the examination to be held when necessary.

For the promotion of the branch employees to an upper level those of the employees are required to serve at least
3 years for the university graduates,
4 years for the high school graduates,

at their present positions. There required servicing periods may be extended one more year only within the current authorization powers.

2.5- Information about the transanctions relating to the Branch's risk group:

a. **The volume of transactions relating to the Branch's risk group, outstanding loan and deposit transactions and profit and loss of the period:**

1. 31 December 2007:

Branch's Risk Group (*) (**)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Branch		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	-	27.894	2.304
Balance at the End of the Period	-	-	-	-	34.706	9.335
Interest and Commission Income Received	-	-	-	-	3.034	225

(*) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

(**) Nostro balances and placements are also comprised in the above figures.

2. 31 December 2006:

Branch's Risk Group (*) (**)	Investments in associates, subsidiaries and	Direct and indirect shareholders of the Branch	Other real and legal persons that have been included in the risk group

	joint ventures					
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	-	21.063	79
Balance at the End of the Period	-	-	-	-	27.894	2.304
Interest and Commission Income Received	-	-	-	-	2.804	306

(*) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.
(**) Nostro balances and placements are also comprised in the above figures.

3. Information on deposits of the Branch's risk group:

Branch's risk group (*)	Investments in Associates, Subsidiaries and Joint Ventures		Direct and Indirect Shareholders of the Branch		Other Real and Legal Persons That Have Been Included in the Risk Group	
Deposit	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Beginning of the Period	-	-	-	-	6.539	7.868
End of the Period	-	-	-	-	14.281	6.539
Interest Expense on Deposits	-	-	-	-	172	11

(*) Defined in the Subsection 2, article 49 of the Banking Law No. 5411.

4. Information on borrowings from the Branch's risk group:

Branch's risk group (*)	Associates and subsidiaries		Direct and indirect shareholders of the Branch		Other items that have been included in the risk group	
Borrowings	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Beginning of the Period	-	-	-	-	53.751	10.734
End of the Period	-	-	-	-	3.441	53.751
Interest Expense	-	-	-	-	950	4.233

5. Information on forward and option agreements and other similar derivative transactions with the Branch's risk group:

   The Branch has no forward and option agreements and other similar derivative transactions as of 31 December 2007 and 2006.

6. Information on benefits provided to key management:

As of 31 December 2007, benefits provided to the Branch's key management amount to YTL 380 (31 December 2006: YTL 294).

3- Financial Information And Assessments For The Risk Management

3.1- Information Regarding The Assessment Of Procedures For Internal Control, Audit And Risk Management Systems And The Activities In The Accounting Period:

The financial risks the branch is esposed to are listed below in order of importance:

- Credit Risk
- Operational Risk
- Liquidity Risk
- Market Risk

As a matter of course Internal Audit, Internal Control and Risk Management activities are planned in accordance with the above risk importance hieracy and performed by special emphasis on Credit and Operational Risks.

3.1.1- Internal Audit

Internal Audit work has been performed in compliance to the plan prepared for the year 2007 in all major aspects. The conclusions derived from the audit points in the reports are summarized below:

As a result of the evaluation of the reports prepared by Internal Audit, it is concluded that:

- By focusing on the customers that are well known by the Branch, concentrating on short term international trade finance and granting facilities against high quality and liquid collaterals the credit risk has been minimized.
- As of year end non-performing loan balance is 0.13 % of the Branch's networth.
- Non-performing loan balances brought forward from previous years have all been collected in 2007.
- Other findings in the reports mainly relate to Operational Risk and they do imply an acceptable risk level which do not pose any significant and immediate risk.
- The findings are duly communicated to the branches and related departments and the points mentioned in the previous reports are being followed up.

3.1.2- Internal Control

Internal Control activities are assumed as an integral part of the Branch's activities and are performed as such. The examinations focused largely on authorizations, approvals and reporting that relate to execution of daily transactions, reconciliations, documentation requirements and compliance to the approved limits and regulations.

Basing on the nature of the transaction, the controls have been performed repeatedly on a daily, weekly, monthly and quarterly basis. The defects and weak points spotted are reported to the departments and actions taken are followed up.

3.1.3- Risk Management

There has been no change during the year in the Branch's "Risk Management Policies By Risk Categories" document which was ratified by Board of Managers' in early 2007 and the policies therein have been pursued.

The Branch's standing in terms of basic risk indicators as at year end against its peer group and the sector as a whole is illustrated below:

INDİCATOR	BRANCH	PEER GROUP	SECTOR
Capital Adequacy (%)	49,30	35,53	18,93
External Sources / Shareholders' Equity (%)	422,29	431,77	653,22
Non-Performing Loans (Net) / Shareholders' Equity (%)	0,13	0,93	1,81
Non-Performance Conversion (%)	0,17	7,44	3,48
Liquid Assets / Total Deposits (%)	643,88	137,87	48,46
Weighted Average Maturity-Securities (day)	321	745	1.181
Return On Assets (%)	3,79	2,11	2,79
Return On Equity (%)	23,89	12,10	24,79

The above figures reveal that the Branch's:

- Capital Adequacy Ratio is well above both the peers' and the sector's.
- Leverage is close to the peers' but below the sector's.
- Non-Performing Loans (Net) / Shareholders' Equity and Non-Performance Conversion ratios are around 14 % of the peers' and 7 % of the sector's.
- Interest Rate and Liquidity risks are at acceptable levels.
- Profitability ratios are quite satisfactory.

In light of all above, it is concluded that there has been no change neither on the risk level nor risk structure that the Branch is exposed to in the year 2007 and the stability has been maintained in the management of risk.

3.2- Financial Charts And Information About Financial Structure To be Given In The End Of Chapter.

3.2.1- Assessment Relating To Financial Position, Profitability And Debt Payment Ability

Net term profit of Bank Mellat Turkey as of 31.12.2007 realized as YTL 8.444 thousand, owners' equity as YTL 41.069 thousand and asset total as YTL 217.856 thousand. The profitability ratios are realized in 2007 as shown below.

Profit before tax/ Total assets	= 10.464 / 217.856	= % 4,80
Profit before tax/ Total networth	= 10.464 / 41.069	= % 25,48
Profit before tax/ Paid-up capital	= 10.464 / 31.211	= % 33.52

Bank Mellat has sufficient amount of liquidity and as well as similar quasi cash values to be able to fulfill its debt obligations.

3.2.3- Summary Financial Information Covering Last Five Years, Including The Reporting Period

	2007	**2006**	**2005**	**2004**	**2003**
Cash and Due From Banks	82.851	81.907	56.034	45.097	57.620
Loans	105.021	122.619	103.720	101.639	26.979
Securities	19.226	10.387	8.890	9.407	10.924
Other Assets	10.758	10.567	25.789	22.575	16.783
Total Assets	**217.856**	**225.480**	**194.433**	**178.718**	**112.306**

Deposits	43.288	36.337	33.412	30.038	29.424
Borrowed Funds	36.324	67.931	34.887	118.516	55.812
Provisions	3.737	2.997	2.192	2.485	2.639
Other Liabilities	93.438	80.963	103.242	9.131	6.682
Equity	32.625	32.677	16.148	15.458	13.084
Net Profit (Loss)	8.444	4.575	4.552	3.090	4.665
Total Liabilities and Equity	**217.856**	**225.480**	**194.433**	**178.718**	**112.306**

Total Number of Staff	**49**	**50**	**50**	**47**	**40**
Total Number of Branches	**3**	**3**	**3**	**3**	**3**

BANK MELLAT, MERKEZİ: TAHRAN-İRAN
İSTANBUL TÜRKİYE MERKEZ, ANKARA
VE İZMİR ŞUBELERİ

PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AT 31 DECEMBER 2007

(Convenience Translation of Publicly Announced Unconsolidated
Financial Statements and Independent Auditor's Report
Originally Issued in Turkish,
See in Note I.c of Section Three)

CONVENIENCE TRANSLATION OF
THE INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH

To the Board of Managers of Bank Mellat Merkezi: Tahran-İran İstanbul Türkiye Merkez, Ankara ve İzmir Şubeleri:

We have audited the accompanying unconsolidated balance sheet of Bank Mellat Merkezi: Tahran-İran İstanbul Türkiye Merkez, Ankara ve İzmir Şubeleri ("the Branch") at 31 December 2007 and the related unconsolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Disclosure for the Responsibility of the Branch's Board of Managers:

The Branch's Board of Managers is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for selecting and applying appropriate accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Document" published on the Official Gazette No.26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, interpretations and circulars published or declared by the Banking Regulation and Supervision Agency (the "BRSA") on accounting and financial reporting principles.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit has been implemented in accordance with the "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No.26333 dated 1 November 2006. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; the selection of these audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting process into consideration and assessing the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion stated below.

Independent Auditor's Opinion:

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Bank Mellat Merkezi: Tahran-İran İstanbul Türkiye Merkez, Ankara ve İzmir Şubeleri at 31 December 2007 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by regulations in conformity with article 37 of the Banking Act No. 5411 and other regulations, communiques, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

Additional paragraph for convenience translation:

As explained in detail in Note I.c. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with article 37 of the Banking Act No. 5411, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Alper Önder, SMMM

Istanbul, 21 April 2008

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I.c OF SECTION THREE

THE UNCONSOLIDATED FINANCIAL REPORT OF BANK MELLAT MERKEZİ: TAHRAN-İRAN İSTANBUL TÜRKİYE MERKEZ, ANKARA VE İZMİR ŞUBELERİ AS OF 31 DECEMBER 2007

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Website	: www.mellatbank.com
E-mail address	: mellat@mellatbank.com

The financial report includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

- **Section One** GENERAL INFORMATION
- **Section Two** UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** INFORMATION RELATED TO THE FINANCIAL POSITION
- **Section Five** EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** OTHER EXPLANATIONS AND NOTES
- **Section Seven** EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The accompanying financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of **New Turkish lira** ("YTL"), have been prepared and presented based on the accounting books of the Branch in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting and Keeping of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, and have been independently audited.

Younes Hormozi Sheikh Tabagh	Ahmet Arıöz	Hodjatallah Sheikhaleslami	Sayed Reza Mirtalebi
Chairman of the Board of Managers	Member of the Board of Managers and Internal Systems Executive	Member of the Board of Managers	Member of the Board of Managers

Contact information of the personnel in charge of addressing questions regarding this financial report.

Name-Surname / Title : Yener Bozkurt / Accounting Department Chief
Phone No : (0212) 279 80 15
Fax No : (0212) 284 62 14

SECTION ONE

GENERAL INFORMATION

SECTION TWO

FINANCIAL STATEMENTS

SECTION THREE

ACCOUNTING POLICIES

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION

SECTION FIVE

INFORMATION AND NOTES RELATED TO FINANCIAL STATEMENTS

SECTION SIX

OTHER EXPLANATIONS AND DISCLOSURES

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

SECTION ONE

GENERAL INFORMATION

I. INFORMATION ON THE BRANCH'S DATE OF FOUNDATION, INITIAL STATUS, BRANCH'S SHORT HISTORY WHICH COMPRISES OF CHANGES IN INITIAL STATUS:

Bank Mellat Merkezi: Tahran-İran İstanbul Türkiye Merkez, Ankara ve İzmir Şubeleri ("the Branch"), which is based in Tehran, Iran, established its branches in Istanbul, Ankara and Izmir on 18 August 1981, 23 February 1984 and 16 January 1992, respectively. The branches are registered under the scope of Foreign Capital Encouragement Law No. 6224, which permits the transfer of distributable profits to the Headquarter. The branches started operations after securing permission from the Treasury Undersecretariat in April 1982, May 1985 and October 1992, respectively.

II. EXPLANATION ABOUT THE BRANCH'S CAPITAL STRUCTURE, SHAREHOLDERS OF THE BRANCH WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BRANCH DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE BRANCH BELONGS TO:

The Branch's main shareholder is the Islamic Republic of Iran.

III. EXPLANATION ON THE BRANCH'S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, IF AVAILABLE CHANGES IN THIS SUBJECT AND SHARES OF THE BRANCH THEY POSSESS:

Title	Name	Responsibility	Academic Background
Chairman of the Board of Directors:	Younes Hormozi Sheikh Tabagh	Chairman and General Manager	Graduate
Board of Directors Members:	Ahmet Arıöz	Deputy General Manager	Graduate
	Hodjatallah Sheikhaleslami	Deputy General Manager	Graduate
	Sayed Reza Mirtalebi	Ankara Branch Deputy Manager	Graduate

The individuals above do not possess shares in the Branch.

IV. INFORMATION ON SHAREHOLDERS HAVING CONTROL SHARES:

Name/Commercial title	Share amounts	Share percentage	Paid-in capital	Unpaid portion
Islamic Republic of Iran	31.211	% 100	31.211	-

V. BRIEF INFORMATION ON THE BRANCH'S SERVICE TYPE AND FIELDS OF OPERATION:

The Branch operates in banking services and its core business activity is the financing of commercial activities between The Republic of Turkey and Islamic Republic of Iran.

As of 31 December 2007, the number of employees in the Branch is 49 (31 December 2006: 50).

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

GENERAL INFORMATION (Continued)

VI. OTHER INFORMATION:

Branch's Commercial Title	:	Bank Mellat Merkezi: Tahran-İran İstanbul Türkiye Merkez, Ankara ve İzmir Şubeleri
Branch's Headquarter's Address	:	Talghani Avenue. No: 327 Tehran - Iran
Main Branch Address in Turkey	:	Büyükdere Cd. Binbirçiçek Sk. No.1 34330 1.Levent-Istanbul/Turkey
Telephone	:	(0212) 279 80 15
Fax	:	(0212) 284 62 14
Website	:	www.mellatbank.com
E-mail address	:	mellat@mellatbank.com
Reporting Date	:	1 January – 31 December 2007

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira (“YTL”).)

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

I. BALANCE SHEET

	ASSETS	Note	31 December 2007			31 December 2006		
		(Section Five)	YTL	FC	Total	YTL	FC	Total
I.	**CASH BALANCES WITH CENTRAL BANK**	**(I-a)**	**64**	**18.241**	**18.305**	**55**	**19.866**	**19.921**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)**	**(I-b)**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Trading Financial Assets		-	-	-	-	-	-
2.1.1	Government Debt Securities		-	-	-	-	-	-
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Other Marketable Securities		-	-	-	-	-	-
2.3	Trading Derivative Financial Assets		-	-	-	-	-	-
III.	**BANKS**	**(I-c)**	**7.147**	**57.399**	**64.546**	**11.922**	**50.064**	**61.986**
IV.	**MONEY MARKETS**		**-**	**-**	**-**	**-**	**-**	**-**
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	**AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)**	**(I-d)**	**19.226**	**-**	**19.226**	**10.387**	**-**	**10.387**
5.1	Share Certificates		-	-	-	-	-	-
5.2	Government Debt Securities		19.226	-	19.226	10.387	-	10.387
5.3	Other Marketable Securities		-	-	-	-	-	-
VI.	**LOANS**	**(I-e)**	**616**	**104.405**	**105.021**	**2.577**	**120.042**	**122.619**
6.1	Loans		564	104.405	104.969	1.374	120.042	121.416
6.1.1	Bank’s Risk Group		-	27.099	27.099	-	26.553	26.553
6.1.2	Other		564	77.306	77.870	1.374	93.489	94.863
6.2	Loans under Follow-up		69	-	69	1.467	-	1.467
6.3	Specific Provisions (-)		(17)	-	(17)	(264)	-	(264)
VII.	**FACTORING RECEIVABLES**		**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**HELD-TO-MATURITY SECURITIES (Net)**	**(I-f)**	**-**	**-**	**-**	**-**	**-**	**-**
8.1	Government Debt Securities		-	-	-	-	-	-
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	**(I-g)**	**-**	**-**	**-**	**-**	**-**	**-**
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-Financial Investments in Associates		-	-	-	-	-	-
X.	**SUBSIDIARIES (Net)**	**(I-h)**	**-**	**-**	**-**	**-**	**-**	**-**
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-financial Subsidiaries		-	-	-	-	-	-
XI.	**JOINT VENTURES (Net)**	**(I-i)**	**-**	**-**	**-**	**-**	**-**	**-**
11.1	Accounted Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XII.	**FINANCIAL LEASE RECEIVABLES (Net)**	**(I-j)**	**-**	**-**	**-**	**-**	**-**	**-**
12.1	Financial Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	**HEDGING DERIVATIVE FINANCIAL ASSETS**	**(I-k)**	**-**	**-**	**-**	**-**	**-**	**-**
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		-	-	-	-	-	-
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	**PROPERTY AND EQUIPMENT (Net)**	**(I-l)**	**9.022**	**-**	**9.022**	**8.911**	**-**	**8.911**
XV.	**INTANGIBLE ASSETS (Net)**	**(I-m)**	**-**	**-**	**-**	**-**	**-**	**-**
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		-	-	-	-	-	-
XVI.	**INVESTMENT PROPERTY (Net)**	**(I-n)**	**-**	**-**	**-**	**-**	**-**	**-**
XVII.	**TAX ASSET**	**(I-o)**	**1.640**	**-**	**1.640**	**1.343**	**-**	**1.343**
17.1	Current Tax Asset		1.078	-	1.078	799	-	799
17.2	Deferred Tax Asset		562	-	562	544	-	544
XVIII.	**ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**(I-p)**	**25**	**-**	**25**	**25**	**-**	**25**
18.1	Held for Sale Purposes		25	-	25	25	-	25
18.2	Related to Discontinued Operations		-	-	-	-	-	-
XIX.	**OTHER ASSETS**	**(I-r)**	**71**	**-**	**71**	**127**	**161**	**288**
	TOTAL ASSETS		**37.811**	**180.045**	**217.856**	**35.347**	**190.133**	**225.480**

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

I. BALANCE SHEET

	LIABILITIES	Note (Section Five)	31 December 2007			31 December 2006		
			YTL	FC	Total	YTL	FC	Total
I.	**DEPOSITS**	**(II-a)**	**444**	**42.844**	**43.288**	**274**	**36.063**	**36.337**
1.1	Deposits of Bank's Risk Group		-	14.281	14.281	-	6.539	6.539
1.2	Other		444	28.563	29.007	274	29.524	29.798
II.	**TRADING DERIVATIVE FINANCIAL LIABILITIES**	**(II-b)**	**-**	**-**	**-**	**-**	**-**	**-**
III.	**BORROWINGS**	**(II-c)**	**-**	**36.324**	**36.324**	**-**	**67.931**	**67.931**
IV.	**MONEY MARKETS**		**-**	**-**	**-**	**-**	**-**	**-**
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Funds Provided Under Repurchase Agreements		-	-	-	-	-	-
V.	**MARKETABLE SECURITIES ISSUED (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	**FUNDS**		**-**	**-**	**-**	**-**	**-**	**-**
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	**MISCELLANEOUS PAYABLES**		**7**	**82.697**	**82.704**	**17**	**73.969**	**73.986**
VIII.	**OTHER LIABILITIES**	**(II-d)**	**276**	**10.458**	**10.734**	**597**	**6.189**	**6.786**
IX.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**FINANCIAL LEASE PAYABLES (Net)**	**(II-e)**	**-**	**-**	**-**	**-**	**-**	**-**
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	**HEDGING DERIVATIVE FINANCIAL LIABILITIES**	**(II-f)**	**-**	**-**	**-**	**-**	**-**	**-**
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	**PROVISIONS**	**(II-g)**	**1.188**	**348**	**1.536**	**1.077**	**512**	**1.589**
12.1	General Loan Loss Provision		4	348	352	10	512	522
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		284	-	284	541	-	541
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		900	-	900	526	-	526
XIII.	**TAX LIABILITY**	**(II-h)**	**2.201**	**-**	**2.201**	**1.599**	**-**	**1.599**
13.1	Current Tax Liability		2.201	-	2.201	1.599	-	1.599
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS**	**(II-i)**	**-**	**-**	**-**	**-**	**-**	**-**
14.1	Held for Sale Purpose		-	-	-	-	-	-
14.2	Related to Discontinued Operations		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	**(II-j)**	**-**	**-**	**-**	**-**	**-**	
XVI.	**SHAREHOLDERS' EQUITY**	**(II-k)**	**41.069**	**-**	**41.069**	**37.252**	**-**	**37.252**
16.1	Paid-in capital		31.211	-	31.211	31.211	-	31.211
16.2	Capital Reserves		113	-	113	(29)	-	(29)
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences	(II-l)	113	-	113	(29)	-	(29)
16.2.4	Property and Equipment Revaluation Differences		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Differences		-	-	-	-	-	-
16.2.6	Revaluation differences of investment property		-	-	-	-	-	-
16.2.7	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-	-	-
16.2.8	Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9	Value Increase in Property and Equipment Held for Sale and Related to Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		-	-	-	-	-	-
16.3	Profit Reserves		1.301	-	1.301	1.495	-	1.495
16.3.1	Legal Reserves		-	-	-	-	-	-
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		1.301	-	1.301	1.495	-	1.495
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Income or (Loss)		8.444		8.444	4.575		4.575
16.4.1	Prior Years' Income or (Loss)		-	-	-	-	-	-
16.4.2	Current Year Income or (Loss)		8.444	-	8.444	4.575	-	4.575
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**45.185**	**172.671**	**217.856**	**40.816**	**184.664**	**225.480**

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

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

II. INCOME STATEMENT

	INCOME AND EXPENSE ITEMS	Note (Section Five)	1 January 2007 – 31 December 2007	1 January 2006 – 31 December 2006
I.	**INTEREST INCOME**	**(III-a)**	**14.998**	**13.875**
1.1	Interest on Loans	(III-a-1)	8.495	8.457
1.2	Interest Received from Reserve Requirements		302	330
1.3	Interest Received from Banks	(III-a-2)	3.640	3.689
1.4	Interest Received from Money Market Transactions		-	
1.5	Interest Received from Marketable Securities Portfolio	(III-a-3)	2.561	1.399
1.5.1	Trading Financial Assets		-	-
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		2.561	1.399
1.5.4	Held-to-Maturity Investments		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		-	-
II.	**INTEREST EXPENSE**	**(III-b)**	**(6.939)**	**(7.946)**
2.1	Interest on Deposits	(III-b-3)	(514)	(859)
2.2	Interest on Funds Borrowed	(III-b-1)	(6.425)	(7.087)
2.3	Interest Expense on Money Market Transactions		-	-
2.4	Interest on Securities Issued		-	-
2.5	Other Interest Expenses		-	-
III.	**NET INTEREST INCOME (I + II)**		**8.059**	**5.929**
IV.	**NET FEES AND COMMISSIONS INCOME**		**5.570**	**4.140**
4.1	Fees and Commissions Received		5.582	4.167
4.1.1	Non-cash Loans		4.877	3.716
4.1.2	Other		705	451
4.2	Fees and Commissions Paid		(12)	(27)
4.2.1	Non-cash Loans		-	-
4.2.2	Other		(12)	(27)
V.	**DIVIDEND INCOME**	**(III-c)**	**-**	**-**
VI.	**TRADING INCOME/(LOSS) (Net)**	**(III-d)**	**(146)**	**671**
6.1	Trading Gains / (Losses) on Securities		-	-
6.2	Foreign Exchange Gains / (Losses)		(146)	671
VII.	**OTHER OPERATING INCOME**	**(III-e)**	**1.521**	**729**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**15.004**	**11.469**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**(III-f)**	**(7)**	**(392)**
X.	**OTHER OPERATING EXPENSES (-)**	**(III-g)**	**(4.533)**	**(4.971)**
XI.	**NET OPERATING INCOME/(LOSS) (VIII+IX+X)**		**10.464**	**6.106**
XII.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		**-**	**-**
XIII.	**INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**-**	**-**
XIV.	**INCOME/(LOSS) ON NET MONETARY POSITION**		**-**	**-**
XV.	**INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)**	**(III-h)**	**10.464**	**6.106**
XVI.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**		**(2.020)**	**(1.531)**
16.1	Current Tax Provision		(2.038)	(1.415)
16.2	Deferred Tax Provision		18	(116)
XVII.	**NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)**	**(III-i)**	**8.444**	**4.575**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
18.1	Income from Non-current Assets Held for Resale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3	Other Income From Discontinued Operations		-	-
XIX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
19.1	Expenses for Non-current Assets Held for Resale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
19.3	Other Expenses From Discontinued Operations		-	-
XX.	**PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)**		**-**	**-**
XXI.	**PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)**		**-**	**-**
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	**NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)**		**-**	**-**
XXIII.	**NET PROFIT/LOSSES (XVII+XXII)**	**(III-j)**	**8.444**	**4.575**
	Earnings/(Loss) per share		0,0027	0,0015

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

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

III. OFF-BALANCE SHEET COMMITMENTS

	OFF-BALANCE SHEET COMMITMENTS	Note (Section Five)	31 December 2007			31 December 2006		
			YTL	FC	Total	YTL	FC	Total
A.	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**		**427**	**42.938**	**43.365**	**491**	**17.829**	**18.320**
I.	**GUARANTEES AND WARRANTIES**	**(IV-a-2, 3)**	**209**	**42.938**	**43.147**	**287**	**17.829**	**18.116**
1.1.	Letters of Guarantee		181	5.455	5.636	259	4.377	4.636
1.1.1.	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2.	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3.	Other Letters of Guarantee		181	5.455	5.636	259	4.377	4.636
1.2.	Bank Acceptances		-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		-	37.483	37.483	-	13.452	13.452
1.3.1.	Documentary Letters of Credit		-	6.507	6.507	-	835	835
1.3.2.	Other Letters of Credit		-	30.976	30.976	-	12.617	12.617
1.4.	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7.	Factoring Guarantees		-	-	-	-	-	-
1.8.	Other Guarantees		-	-	-	-	-	-
1.9.	Other Collaterals		28	-	28	28	-	28
II.	**COMMITMENTS**	**(IV-a-1)**	**218**	**-**	**218**	**204**	**-**	**204**
2.1.	Irrevocable Commitments		218	-	218	204	-	204
2.1.1.	Asset Purchase and Sale Commitments		-	-	-	-	-	-
2.1.2.	Deposit Purchase and Sale Commitments		-	-	-	-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4.	Loan Granting Commitments		-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.	Commitments for Cheques		218	-	218	204	-	204
2.1.8.	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9.	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10.	Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12.	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13.	Other Irrevocable Commitments		-	-	-	-	-	-
2.2.	Revocable Commitments		-	-	-	-	-	-
2.2.1.	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(IV-b)**	-	-	-	-	-	-
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		-	-	-	-	-	-
3.2.1	Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1	Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2	Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3	Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3	Foreign Currency, Interest Rate and Securities Options		-	-	-	-	-	-
3.2.3.1	Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2	Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**38**	**45**	**83**	**327**	**-**	**327**
IV.	**ITEMS HELD IN CUSTODY**		**38**	**-**	**38**	**327**	**-**	**327**
4.1.	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		-	-	-	-	-	-
4.3.	Checks Received for Collection		38	-	38	327	-	327
4.4.	Commercial Notes Received for Collection		-	-	-	-	-	-
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	-	-	-	-	-
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**-**	**45**	**45**	**-**	**-**	**-**
5.1.	Marketable Securities		-	-	-	-	-	-
5.2.	Guarantee Notes		-	45	45	-	-	-
5.3.	Commodity		-	-	-	-	-	-
5.4.	Warranty		-	-	-	-	-	-
5.5.	Immovable		-	-	-	-	-	-
5.6.	Other Pledged Items		-	-	-	-	-	-
5.7.	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTEES**		-	-	-	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**465**	**42.983**	**43.448**	**818**	**17.829**	**18.647**

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

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	31 December 2007	31 December 2006
I.	**ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS**	**71**	**(15)**
II.	**PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES**	-	-
III.	**INTANGIBLE ASSETS REVALUATION DIFFERENCES**	-	-
IV.	**CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS**	-	-
V.	**PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)**	-	-
VI.	**PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)**	-	-
VII.	**EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS**	-	-
VIII.	**OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS**	-	-
IX.	**DEFERRED TAX RELATED TO VALUATION DIFFERENCES**	**35**	**(15)**
X.	**NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)**	**106**	**(30)**
XI.	**CURRENT YEAR PROFIT/LOSS**	**(36)**	**18**
1.1	Net change in fair value of marketable securities (transfer to profit-loss)	(36)	18
1.2	Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
1.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
1.4	Other	-	-
XII.	**TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X-XI)**	**142**	**(48)**

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Note Section Five	Paid-in Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Value Increase Fund	PPE and Intangible Assets Revaluation Fund	Bonus Shares From Investment in Associates and Subsidiaries	Hedging Transactions Funds	Held for Resale/ Discontinued Operations Revaluation Fund	Total Shareholders' Equity
	31 December 2006													-	-	-	-	-
I.	**Period Opening Balance (31 December 2005)**		4.236	10.398	-	-	-	-	1.495	-	4.552	-	19	-	-	-	-	20.700
II.	**Changes in Accounting Policies according to TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**		4.236	10.398	-	-	-	-	1.495	-	4.552	-	19	-	-	-	-	20.700
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	**Increase/Decrease due to the Merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Marketable Securities Valuation Differences**		-	-	-	-	-	-	-	-	-	-	(48)	-	-	-	-	(48)
VI.	**Hedging Transactions Funds (Effective Parts)**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Property and Equipment Revaluation Differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Intangible Fixed Assets Revaluation Differences**		-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Foreign Currency Difference**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Changes due to the Disposal of Assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Changes due to the Reclassification of Assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Effect of the Changes in Investment in Associates' Equity to the Bank's Equity**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Capital Increase**	V-d	26.975	(10.398)	-	-	-	-	-	-	(4.552)	-	-	-	-	-	-	12.025
14.1	Cash Increase		12.025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12.025
14.2	Internal Resources		14.950	(10.398)	-	-	-	-	-	-	(4.552)	-	-	-	-	-	-	-
XV.	**Share Premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Share Cancellation Profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	**Paid in-capital Adjustment Difference**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	**Other**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	**Current Year Income or Loss**		-	-	-	-	-	-	-	-	4.575	-	-	-	-	-	-	4.575
XX.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (III+….+XX)		31.211	-	-	-	-	-	1.495	-	4.575	-	(29)	-	-	-	-	37.252

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

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Paid-in Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Value Increase Fund	PPE and Intangible Assets Revaluation Fund	Bonus Shares From Investment in Associates and Subsidiaries	Hedging Transactions Funds	Held for Resale/ Discontinued Operations Revaluation Fund	Total Shareholders'Equity
	31 December 2007																
I.	**Prior Period End Balance**	**31.211**	-	-	-	-	-	**1.495**	-	**4.575**	-	**(29)**	-	-	-	-	**37.252**
	Changes in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	**Increase/Decrease due to the Merger**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable Securities Valuation Differences**	-	-	-	-	-	-	-	-	-	-	**142**	-	-	-	-	**142**
IV.	**Hedging transactions**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Valuation Differences due to Revaluation of Property and Equipment**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Valuation Differences due to Revaluation of Intangible Assets**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Property and Equipment Revaluation Differences**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Intangible Fixed Assets Revaluation Differences**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Foreign Exchange Differences**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effect of the Changes in Investment in Associates' Equity to the Bank's Equity**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Capital Increase**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share Premium**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share Cancellation Profits**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Paid in-capital Adjustment Difference**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	**Current Year Income or Loss**	-	-	-	-	-	-	-	-	**8.444**	-	-	-	-	-	-	**8.444**
XVIII.	**Profit Distribution**	-	-	-	-	-	-	**(194)**	-	**(4.575)**	-	-	-	-	-	-	**(4.769)**
18.1	Dividend Paid	-	-	-	-	-	-	(194)	-	-	(4.575)	-	-	-	-	-	(4.769)
18.2	Transfers to Reserves	-	-	-	-	-	-	-	-	(4.575)	4.575	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (I+….+XIV)	**31.211**	-	-	-	-	-	**1.301**	-	**8.444**	-	**113**	-	-	-	-	**41.069**

The accompanying explanations and notes form an integral part of these financial statements

(Unless otherwise stated amounts are expressed in thousands of New Turkish Lira ("YTL").)

VI. STATEMENT OF CASH FLOWS

	STATEMENT OF CASH FLOWS	Note Section Five	31 December 2007	31 December 2006
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	Operating Profit before changes in operating assets and liabilities		6.949	5.420
1.1.1	Interest received		14.984	13.578
1.1.2	Interest paid		(6.969)	(7.923)
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		5.584	4.140
1.1.5	Other income		1.520	-
1.1.6	Collections from previously written-off loans and other receivables		182	-
1.1.7	Payments to personnel and service suppliers		(2.369)	(2.145)
1.1.8	Taxes paid		(2.203)	(948)
1.1.9	Other		(3.780)	(1.282)
1.2	Changes in operating assets and liabilities		7.621	(3.603)
1.2.1	Net (increase) / decrease in trading financial assets		-	-
1.2.2	Net (increase) / decrease in fair value through profit/loss financial assets		-	-
1.2.3	Net decrease in banks		57	-
1.2.4	Net (increase) / decrease in loans		16.925	(16.934)
1.2.5	Net decrease in other assets		925	18.862
1.2.6	Net decrease in bank deposits		10.164	2.553
1.2.7	Net (decrease) / increase in other deposits		(3.416)	268
1.2.8	Net (decrease) / increase in funds borrowed		(31.653)	32.824
1.2.9	Net increase in payables		-	948
1.2.10	Net increase / (decrease) in other liabilities		14.619	(42.124)
I.	**Net cash provided from banking operations**		**14.570**	**1.817**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from investing activities**		**(7.630)**	**(2.348)**
2.1	Cash paid for acquisition of investments, associates and subsidiaries (business partnership)		-	-
2.2	Cash obtained from disposal of investments, associates and subsidiaries (business partnership)		-	-
2.3	Purchases of property and equipment		(48)	(1.698)
2.4	Disposals of property and equipment		43	-
2.5	Cash paid for purchase of investments available-for-sale		(7.624)	(650)
2.6	Cash obtained from sale of investments available-for-sale		-	-
2.7	Cash paid for purchase of investment securities		-	-
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from financing activities**		**(4.769)**	**12.025**
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Issued capital instruments		-	-
3.4	Dividends paid		(4.769)	-
3.5	Payments for finance leases		-	-
3.6	Other		-	12.025
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**-**	**-**
V.	**Net increase in cash and cash equivalents (I + II + III + IV)**		**2.172**	**11.494**
VI.	**Cash and cash equivalents at beginning of the period**	**VI-a**	**67.528**	**56.034**
VII.	**Cash and cash equivalents at end of the period**	**VI-a**	**69.700**	**67.528**

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.c OF SECTION THREE

BANK MELLAT MERKEZİ: TAHRAN-İRAN İSTANBUL TÜRKİYE MERKEZ, ANKARA VE İZMİR ŞUBELERİ
PROFIT APPROPRIATION STATEMENTS AT 31 DECEMBER 2007 AND 2006
(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

VII. PROFIT APPROPRIATION STATEMENT

		31 December 2007	31 December 2006
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	Current Year Income	10.464	6.106
1.2	Taxes And Duties Payable (-)	2.020	1.531
1.2.1	Corporate Tax (Income tax)	2.038	1.415
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	(18)	116
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**8.444**	**4.575**
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	-	-
1.5	Other Statutory Reserves (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A+(1.3+1.4+1.5)]**	**8.444**	**4.575**
1.6	First Dividend To Shareholders (-)	-	-
1.6.1	To Owners Of Ordinary Shares	-	-
1.6.2	To Owners Of Privileged Shares	-	-
1.6.3	To Owners Of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	-
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders (-)	-	-
1.9.1	To Owners Of Ordinary Shares	-	-
1.9.2	To Owners Of Privileged Shares	-	-
1.9.3	To Owners Of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	-
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	-
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And Loss Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)		
III.	**EARNINGS PER SHARE**	**-**	**-**
3.1	To Owners Of Ordinary Shares	0,0027	0,0015
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 (%)	-	-

Note: As of the preparation date of these financial statements, the profit appropriation of the Branch for the year 2007 has not been decided yet.

The accompanying explanations and notes form an integral part of these financial statements

VIII. CONSOLIDATED FINANCIAL STATEMENTS OF THE BRANCH'S HEADQUARTER

As at 20 March 2007, the financial statements issued by the Headquarters of the Branch have been independently audited. The Headquarters of the Branch has not issued financial statements as at 31 December 2007 and 31 December 2006.

BANK MELLAT (IRAN)
CONSOLIDATED COMPARATIVE BALANCE SHEET
(THOUSANDS OF USD)

	CURRENT PERIOD (20 March 2007)	**PRIOR PERIOD (20 March 2006) (*)**
Cash and cash equivalents	135.913	96.091
Central bank	2.908.513	2.175.327
Other assets	29.464.883	23.607.459
Total Assets	**32.509.309**	**25.878.877**
Deposits	21.711.231	16.354.508
Other liabilities	8.845.378	7.653.799
Shareholders' equity	1.952.700	1.870.570
Total Liabilities	**32.509.309**	**25.878.877**

BANK MELLAT (IRAN)
CONSOLIDATED COMPARATIVE INCOME STATEMENT
(THOUSANDS OF USD)

	CURRENT PERIOD (20 March 2007)	**PRIOR PERIOD (20 March 2006)**
Total income	1.754.897	1.459.826
Interest expense on deposits	(907.985)	(775.249)
Other income	611.132	457.256
Total net income	1.458.044	1.141.833
Total expenses	(1.295.938)	(946.567)
Profit before tax	162.106	195.266
Taxes payable	(36.220)	(83.729)
Net Profit	**125.886**	**111.537**

(*) Restatements have been made.

SECTION THREE

ACCOUNTING POLICIES

I. EXPLANATIONS ON THE BASIS OF PRESENTATION:

a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Accounting Applications for Banks and Safeguarding of Documents:

The Branch maintains its books of accounts in New Turkish lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from 1 November 2005, the Turkish Commercial Code and Turkish tax legislation.

The financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Keeping Documents" published in the Official Gazette No.26333 dated 1 November 2006, which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA"). The format and content of the financial statements to be disclosed to the public and related disclosures to these financial statements have been prepared in accordance with the "Communiqué Regarding Financial Statements to be disclosed to the Public and Related Disclosures" published in the Official Gazette No.26651 dated 22 September 2007.

The financial statements have been prepared in YTL, under the historical cost convention and in accordance with inflation accounting except for the financial assets and liabilities carried at fair value.

The financial statements have been subjected to the inflation accounting according to "Turkish Accounting Standard for Financial Reporting in Hyperinflationary Economies" ("TAS 29") until 31 December 2004. As of 28 April 2005, BRSA announced that the inflation accounting application in the banking sector had been terminated based on the decree No.1623 dated 21 April 2005 and accordingly the application of inflation accounting has been terminated in the presentation of the financial statements as of 1 January 2005.

The preparation of financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Branch management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

The accounting policies and valuation methods adopted in the presentation of these financial statements are in accordance with TAS. These accounting policies and valuation methods are explained in Notes II. to XXVIII.

b. Explanations on first-time adoption of Turkish Accounting Standards:

The Branch has prepared its financial statements in accordance with TAS as of 31 December 2006 for the first time. According to the "Turkish Financial Reporting Standard Regarding the First-time Adoption of Turkish Financial Reporting Standards" ("TFRS 1") the effects of adoption of TAS are also to be reflected to the comparatives of these financial statements as of 31 December 2006 by adjusting the opening balance sheet as of 1 January 2005. Since the only adjustment to be done on 1 January 2005 opening balance sheet is related to the employment termination benefit liability which is immaterial, its effect has been reflected to the unconsolidated income statement as of 31 December 2006.

ACCOUNTING POLICIES (Continued)

c. Explanation for convenience translation into English:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

The Branch's operation scope involves all commercial banking operations and business lines described in the banking legislation.

The Branch invests the funds obtained through fixed rate deposits, loans form Head Office and cash quarantees to short-term, high interest bearing and relatively low risk bank placements and credit for banks. The Branch manages the liquidity risk by providing sufficient cash and cash equivalent sources for its current and contingent liabilities. In this context, the Branch aims at ensuring a liquidity structure which matches liabilities due.

The Branch protects itself from interest rate risk, currency risk and price fluctuations by its investments in short-term placements and provides cash collaterals.

The Branch takes a position according to the currency basket of the Central Bank of the Republic of Turkey ("CBRT") in order to protect itself against possible foreign exchange risks. The Branch with the change in the currency system to floating currency, limits the total foreign currency position in accordance with the legal limits because of the increasing uncertainties in the changing currency path.

As of 31 December 2007, rates used for translation of foreign currency balances into New Turkish lira are YTL1,1647 for USD, YTL1,7102 for Euro and YTL1,0279 for Yen.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES:

As of 31 December 2007 and 31 December 2006 the Branch has no investments in associates.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

Derivative instruments are measured at fair value on initial recognition and are subsequently re-measured at their fair values. The accounting method of the income or loss arising from derivative instruments depends on the derivative being used for hedging purposes or not and depends on the type of the item being hedged. As of 31 December 2007, the Branch has no derivative instruments that qualify for hedging purposes.

The Branch has no forward transactions, options or other derivative instruments.

ACCOUNTING POLICIES (Continued)

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognised in the income statement on an accrual basis using the effective interest method.

The Branch, ceases accruing interest income on non-performing loans and any interest income accruals from such loans are reversed and no income accounted until the collection is made according to the related regulation.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES:

All fees and commission income/expenses are recognised on an accrual basis, except for certain commission incomes and fees for various banking services which are recorded as income at the time of collection. Borrowing fees and commission expenses paid to other financial institutions are recognised as operational costs and recorded using the "effective interest method". Contract based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third party or legal person are recognised as income at the time of collection.

VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Branch classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sales and purchases of the financial assets mentioned above are recognised at the "settlement dates". The appropriate classification of financial assets is determined at inception according to Branch management's purpose of purchase.

a. Financial assets at fair value through profit or loss:

This category has two sub categories: "Trading financial assets" and "Financial assets designated at fair value through profit or loss at initial recognition."

Trading financial assets are financial assets which were either acquired for generating a profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. However, if fair values can not be obtained from the fair market transactions, it is accepted that the fair value cannot be measured reliably and financial assets are measured using the official prices announced by the CBRT. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

ACCOUNTING POLICIES (Continued)

Derivative financial instruments are classified as trading financial assets unless they are not designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV. of Section Three.

The Branch has no financial assets designated as financial assets at fair value through profit or loss.

b. Loans and receivables:

Financial assets that are originated by the Branch by providing money, services or goods to borrowers are categorised as loans and receivables. Loans and receivables originated by the Branch are carried initially at cost and subsequently recognised at the amortised cost value calculated using the "effective yield method".

If the collectibility of any receivable is identified as limited or doubtful by the management through assessments and estimates, the Branch provides general and specific provisions for these loans and receivables in accordance with the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette dated 1 November 2006, No.26333.

Provision expenses are deducted from the net income of the period. Uncollectible receivables are written-off after all the legal procedures are finalised. If there is a subsequent collection from a receivable that was already provisioned in the previous years, the recovery amount is deducted from specific provisions and included in the income statement.

c. Held-to-maturity financial assets:

Held-to-maturity financial assets are assets that are not classified under "loans and receivables" with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognised at cost, and subsequently carried at amortised cost using the "effective yield method"; interest earned whilst holding held-to-maturity securities is reported as interest income. Interest income from held-to-maturity financial assets is reflected in the income statement.

There are no financial assets that were previously classified as held-to-maturity but which can not be subject to this classification for two years due to the contradiction of classification principles.

The Branch has no financial assets that are classified as held-to-maturity as of 31 December 2007 and 31 December 2006.

ACCOUNTING POLICIES (Continued)

d. Available-for-sale financial assets:

Financial assets available-for-sale consists of financial assets other than "Loan and receivables", "Held-to-maturity" and "Financial assets at fair value through profit or loss".

Debt securities classified as available-for-sale financial assets are subsequently remeasured at fair value. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in shareholders' equity as "Marketable securities value increase fund", unless there is a permanent decline in the fair values of such assets or they are disposed of. When these securities are disposed of or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

VIII. EXPLANATIONS ON IMPAIRMENT ON FINANCIAL ASSETS:

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the "effective interest method", or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is made for the diminution in value of the impaired financial asset and it is charged against the income for the year.

The principles regarding the accounting of provisions of loans and receivables are explained in detail in Note VII.b. of this section.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Branch has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

The Branch does not have any sales and repurchase agreements and securities lending transactions as of 31 December 2007 and 31 December 2006.

Securities subject to repurchase agreements ("repo") are classified as "Fair value difference through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Branch and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds Provided under Repurchase Agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the "effective interest method".

ACCOUNTING POLICIES (Continued)

Funds given against securities purchased under agreements ("reverse repo") to resell are accounted under "Receivables from Reverse Repurchase Agreements" in the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the "effective interest method".

XI. EXPLANATIONS ON ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS:

The Branch has no discontinued operations.

Assets held-for-resale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated 1 November 2006, No.26333.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

The Branch has no goodwill and other intangible assets at 31 December 2007 and 31 December 2006.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over of the cost of property and equipment using the straight-line method. The expected useful lives are stated below:

Buildings	50 years
Furniture, fixture and vehicles	5 years

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written-down immediately to its recoverable amount and the provision for the diminution in value is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

ACCOUNTING POLICIES (Continued)

Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised over the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

There are no pledges, mortgages or purchase commitments on property and equipment as of 31 December 2007 and 31 December 2006.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

The Branch has no leasing transactions as of 31 December 2007 and 31 December 2006.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES:

Provisions and contingent liabilities are accounted in accordance with "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognised when the Branch has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the matching principle. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Branch, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

Obligations related to employment termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19").

Under the Turkish Labour Law, the Branch is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Bank arising from this liability.

ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON TAXATION:

a. Current tax:

On 21 June 2006, "Corporate Tax Law" No.5520 ("New Tax Law") was published in the Official Gazette, No.26205. Most of the New Tax Law articles are effective from 1 January 2006. According to this Law, the corporate tax rate is 20% for the year 2007 (for the year 2006: 20%). Corporate tax is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and investments and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% after 23 July 2006. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if temporary prepaid tax remains, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholders' equity for five years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until the twenty fifth day of the following fourth month after the closing of the accounting year to which they relate.

Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

ACCOUNTING POLICIES (Continued)

b. Deferred tax:

The Branch calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

The calculated deferred tax assets and deferred tax liabilities are presented on a net basis in these financial statements.

XIX. EXPLANATIONS ON BORROWINGS:

Trading financial liabilities and derivative instruments are valued at the fair value and other financial liabilities are carried at amortised cost using the "effective interest method".

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

Direct transaction costs regarding the issuance of share certificates are recorded under shareholders' equity after eliminating the tax effects. The Branch has no share certificates at as of 31 December 2007 and 31 December 2006.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the off-balance sheet commitments. The Branch has no avalized drafts and acceptances at as of 31 December 2007 and 31 December 2006.

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

The Branch has no government grants at as of 31 December 2007 and 31 December 2006.

XXIII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT APPROPRIATION:

Retained earnings are available for profit distribution, subject to the written permission of BRSA.

ACCOUNTING POLICIES (Continued)

XXIV. EXPLANATIONS ON EARNINGS PER SHARE:

Earning per share disclosed in the income statement is calculated by dividing net profit for the year to the weighted average number of shares outstanding during the period concerned.

	31 December 2007	**31 December 2006**
Distributable Net Profit to Ordinary Shares	8.444	4.575
Weighted Average Number of Issued Ordinary Shares (Thousand)	31.211	31.211
Earnings Per Share (Disclosed in full YTL for nominal shares)	**0,0027**	**0,0015**

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares "bonus shares" to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

XXV. EXPLANATIONS ON RELATED PARTIES:

For the purpose of these financial statements, shareholders, key management personnel and board members together with their families and companies controlled by/affiliated with them, and associated companies are considered and referred to as related parties in accordance with "Turkish Accounting Standard for Related Parties" ("TAS 24"). The transactions with related parties are disclosed in detail in Note VII of Section Five.

XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

For the purposes of the cash flow statement, cash includes cash, effectives and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

XXVII.SEGMENT REPORTING:

Informations related with fields of operations of the bank prepared in line with the organizational and internal reporting structure of the branch and in accordance with "Turkish Accounting Standards related with Segment Reporting" ("TAS 14") are disclosed in detail in Note X. of Section Four.

XXVIII. RECLASSIFICATIONS:

Reclassifications have been made on comparative figures as of 31 December 2006, to conform to changes in presentation in the 31 December 2007 financial statements.

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION OF BRANCH

I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO:

The capital adequacy ratio of the Branch is 49,30% (31 December 2006: 48,96%), which is higher than the minimum required ratio stipulated in the legislation.

The capital adequacy ratio of the Bank is calculated in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio" and "Regulation Regarding Banks' Shareholders Equity" published as of 1 November 2006 and "Regulation Regarding the Change in the Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio" published as of 10 October 2007 (together referred as "Regulation Regarding Capital Adequacy"). The following tables show the details of "risk weighted assets" and the calculation of "shareholders' equity" for the capital adequacy ratio calculation.

Information related to capital adequacy ratio:

	Risk Weights				
	0%	**10%**	**20%**	**50%**	**100%**
Amount subject to credit risk					
Balance sheet items (Net)	**118.797**	**-**	**64.547**	**721**	**33.717**
Cash	171	-	-	-	-
Matured marketable securities	-	-	-	-	-
The Central Bank of the Republic of Turkey	4.983	-	-	-	-
Domestic, foreign banks, foreign head offices and branches	-	-	64.490	-	-
Interbank money market placements	-	-	-	-	-
Receivables from reverse repurchase	-	-	-	-	-
Reserve requirements with the CBRT	13.058	-	-	-	-
Loans	78.308	-	-	709	24.218
Non-performing receivables (Net)	-	-	-	-	52
Lease receivables	-	-	-	-	-
Available-for-sale financial assets	17.843	-	-	-	-
Held-to-maturity investments	-	-	-	-	-
Receivables from the disposal of assets	-	-	-	-	-
Miscellaneous receivables	-	-	-	-	7
Interest and income accruals	2.791	-	57	12	407
Investments in associates, subsidiaries and joint ventures (Net)	-	-	-	-	-
Fixed assets	-	-	-	-	9.022
Other assets	1.643	-	-	-	11
Off-balance sheet items	**1.085**	**-**	**1.731**	**18.890**	**14**
Non-cash loans and commitments	1.085	-	1.731	18.890	14
Derivative financial instruments	-	-	-	-	-
Non-risk weighted accounts	-	-	-	-	-
Total Risk Weighted Assets	**119.882**	**-**	**66.278**	**19.611**	**33.731**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

Summary information about the capital adequacy ratio:

	31 December 2007	31 December 2006
Amount subject to credit risk "ASCR"	56.792	72.112
Amount subject to market risk "ASMR"	8.050	4.963
Amounts subject to operational risk "ASOR"*	18.907	-
Shareholders' equity	**41.285**	**37.737**
Shareholders' equity /(ASCR+ASMR+ASOR) *100	**49,30**	**48,96**

(*) Amount subject to operational risk is effective from 1 June 2007 regarding the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 26333 dated 1 November 2006, and it has been calculated for the first time as of 30 June 2007.

Information about the shareholders' equity items:

CORE CAPITAL	31 December 2007	31 December 2006
Paid-in capital	31.211	31.211
Nominal capital	31.211	31.211
Capital Commitments (-)	-	-
Inflation adjustment to share capital	-	-
Share premium	-	-
Share cancellation profits	-	-
Legal reserves	-	-
First legal reserve (Turkish Commercial Code 466/1)	-	-
Second legal reserve (Turkish Commercial Code 466/2)	-	-
Other legal reserve per special legislation	-	-
Status reserves	-	-
Extraordinary reserves	1.301	1.495
Reserves allocated by the General Assembly	1.301	1.495
Retained earnings	-	-
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	-
Inflation adjustment of legal reserves, status reserves and extraordinary reserves	-	-
Profit	8.444	4.575
Current period profit (net)	8.444	4.575
Prior period profit	-	-
Provisions for possible risks (up to 25% of core capital)	-	-
Profit on disposal of associates, subsidiaries and immovables to be transferred to share capital	-	-
Primary subordinated loans up to 15% of core capital	-	-
Uncovered portion of loss with reserves (-)	-	-
Current period loss (net)	-	-
Prior periods loss	-	-
Special costs (-) (**)	-	-
Prepaid expenses (-) (**)	49	53
Intangible Assets (-) (**)	-	-
Deferred tax asset amount exceeding 10% of core capital (-)	-	-
Limit exceeding amount regarding the third clause of the article 56 of the Law (-)	-	-
Total Core Capital	**40.956**	**37.281**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

	31 December 2007	31 December 2006
SUPPLEMENTARY CAPITAL		
General Provisions	352	522
45% of the movables revaluation fund	-	-
45% of the immovables revaluation fund	-	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-	-
Primary subordinated loans that are not considered in the calculation of core capital	-	-
Secondary subordinated loans	-	-
45 % of Marketable Securities valuation fund	51	(13)
From associates and subsidiaries	-	-
From financial Assets Available for Sale	51	(13)
Inflation adjustment of Capital Reserve, Profit Reserve and Prior Years' Income or Loss (Except inflation adjustment of Legal Reserves, Status Reserves and Extraordinary Reserves)	-	-
Total Supplementary Capital	**403**	**509**
TIER III CAPITAL	**-**	**-**
CAPITAL	**41.359**	**37.790**
DEDUCTIONS FROM THE CAPITAL	**74**	**53**
Investments in Unconsolidated Financial Institutions (Domestic, Foreign) and Banks in which 10% or more equity interest is exercised	-	-
Investments in Financial Institutions (Domestic, foreign) and Banks, in which less than 10% equity interest is exercised and that exceeds 10% of the total core and supplementary capital of the Bank	-	-
The Secondary Subordinated Loans extended to Banks, Financial Institutions (Domestic or Foreign) or Significant Shareholders of the Bank and the Debt Instruments That Have Primary or Secondary Subordinated Loan Purchased From Them	-	-
Loans extended as contradictory to articles 50 and 51 of the Law	-	-
The Net Book Value of Bank's Immovables That Are Over 50% of Shareholders' Equity and Immovables or Commodities That Are Received on behalf of the Receivables From Customers and are to be Disposed of Accordingly with Banking Law article 57 as they have been Held for More Than Five Years From the Acquisition Date.	25	-
Other	-	-
TOTAL SHAREHOLDERS' EQUITY	**41.285**	**37.737**

(**) According to the temporary article 1. of the "Regulation Regarding Capital Adequacy"; "Special Costs", "Prepaid Expenses", "Intangible Assets" will be considered as "Deductions from the Capital" until 1 January 2009.

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

II. EXPLANATIONS ON CREDIT RISK:

a. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to banks with high credibility rate and other financial institutions. The Branch requires additional guarantees from the real persons and entities that the Branch extends loans to who were assessed as high risk after performing detailed risk ratings on individual loans.

The credit worthiness of borrowers is monitored regularly in accordance with the related legislated financial statements and other financial reports taken from borrowers of extended loans.

b. At 31 December 2007, the Branch has no forward and option contracts or any other similar agreements.

c. At 31 December 2007, the Branch has been faced with an insignificant amount of credit risk exposure.

d. The Branch subjects the non-cash loans which are reimbursed, to the same risk weight as the loans matured, but not collected. Credit risk is defined broadly for contracts and positions bearing all types of cash and non-cash counterparty risk, and managed accordingly.

Rescheduled or restructured loans are monitored by the Branch according to the risk management and monitoring principles of the Branch. The financial conditions and commercial operations of the related customers are continuously analysed where interest and capital payments according to new payment plans are closely followed.

e. The Branch's transactions in foreign countries with regard to banking operations and credit facilities are mainly held with corporations based in Islamic Republic of Iran, where the head office of the Branch is also based.

f. The Branch is not active in international banking market.

g.
1. The proportion of the largest 100 cash loan balances in the total cash loan portfolio of the Branch is 98% (31 December 2006: 100%).
2. The proportion of the largest 100 non-cash loan balances in the total non-cash loan portfolio of the Branch is 91% (31 December 2006: 100%).
3. The proportion of the cash and non-cash loan balances in the total assets and non-cash loans is 57% (31 December 2006: 50%).

h. The general provision amount provided for credit risk is YTL352 (31 December 2006: YTL522).

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

i. Distribution of the credit risk according to users and geographical regions:

	Loans granted to real persons and corporate entities		Loans granted to Banks and other financial Instutitions		Marketable Securities (*)		Other Loans(**)		Off Balance Sheet	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Loans concentration according to the type of borrowers										
Private Sector	776	4.527	-	-	-	-	-	-	12.005	3.566
Public Sector	-	-	-	-	19.226	10.387	-	-	-	-
Banks	-	-	103.923	117.621	-	-	64.546	61.986	30.976	12.617
Individual Customers	322	471			-	-	-	-	384	2.137
Share certificates	-	-	-	-	-	-	-	-	-	-
Total	**1.098**	**4.998**	**103.923**	**117.621**	**19.226**	**10.387**	**64.546**	**61.986**	**43.365**	**18.320**
Information according to geographical concentration										
Domestic	1.098	4.998	-	-	19.226	10.387	26.780	34.689	12.338	6.208
European Union Countries	-	-	-	-	-	-	24.790	25.954	-	-
OECD Countries (***)	-	-	-	-	-	-	5.369	1.343	-	-
Off-shore banking regions	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	103.923	117.621	-	-	7.607	-	31.027	12.112
Total	**1.098**	**4.998**	**103.923**	**117.621**	**19.226**	**10.387**	**64.546**	**61.986**	**43.365**	**18.320**

(*) Consists of financial assets at fair value through profit or loss, available-for-sale financial assets and held to maturity Investments.
(**) Transactions defined as loans according to the article number 48 of the law number 5411 other than those on the first three columns of the UCA.
(***) OECD Countries other than EU countries, USA and Canada

j. Information according to geographical concentration:

	Assets	Liabilities	Non-cash loans	Capital Expenditures	Net profit
31 December 2007					
Domestic	76.167	33.715	12.120	48	8.444
European Union Countries	24.790	-	-	-	-
OECD Countries (*)	5.369	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	-	-	-	-	-
Other Countries	111.530	143.072	31.027		-
Associates, Subsidiaries and Joint ventures	-	-	-	-	-
Unallocated Assets/liabilities (**)	-	-	-	-	-
Total	**217.856**	**176.787**	**43.147**	**48**	**8.444**
31 December 2006					
Domestic	80.562	32.057	6.004	1.698	4.575
European Union Countries	25.954	-	-	-	-
OECD Countries (*)	1.343	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	-	-	-	-	-
Other Countries	117.621	156.171	12.112	-	-
Associates, Subsidiaries and Joint ventures	-	-	-	-	-
Unallocated Assets/liabilities (**)	-	-	-	-	-
Total	**225.480**	**188.228**	**18.116**	**1.698**	**4.575**

(*) OECD Countries other than EU countries, USA and Canada
(**) Unallocated assets/liabilities which could not be distributed according to a consistant principle

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

k. Information on amounts that are exposed to credit risk:

	31 December 2007	31 December 2006
Balance sheet items that are exposed to credit risk:		
Bank placements	64.546	61.986
Loans and advances to customers	105.021	122.619
-Consumer	322	471
-Corporate	104.699	122.148
Trading Securities	-	-
-Government Securities	-	-
-Share certificates	-	-
-Other marketable securities	-	-
-Derivative financial instruments	-	-
Investment Securities	19.226	10.387
-Government Debt Securuties	19.226	10.387
-Share certificates	-	-
-Other marketable securities	-	-
Receivables from financial leasing	-	-
Other assets	71	288
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	43.119	18.088
Loan commitments and other credit related liabilities	28	28
Total	**232.011**	**213.396**

l. Loans and other receivables past due:

31 December 2007	Corporate Loans	Consumer Loans	Total	31 December 2006
Past due up to 30 days	228	-	228	1.375
Past due 30-60 days	8	-	8	-
Past due 60-90 days	-	-	-	-
Total	**236**	**-**	**236**	**1.375**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

k. Debt securities, treasury bills and other eligible bills:

31 December 2007 **Moody's Rating**	**Financial Assets At Fair Value Through Profit Or Loss (Net)**	**Available-for-sale Financial Assets (Net)**	**Held to Maturity Investments (Net)**	**Total**
Aaa	-	-	-	-
Aa	-	-	-	-
A	-	-	-	-
Baa	-	-	-	-
Ba3 (*)	-	19.226	-	19.226
Total	**-**	**19.226**	**-**	**19.226**

31 December 2006 **Moody's Rating**	**Financial Assets At Fair Value Through Profit Or Loss (Net)**	**Available-for-sale Financial Assets (Net)**	**Held to Maturity Investments (Net)**	**Total**
Aaa	-	-	-	-
Aa	-	-	-	-
A	-	-	-	-
Baa	-	-	-	-
Ba3 (*)	-	10.387	-	10.387
Total	**-**	**10.387**	**-**	**10.387**

(*) Securities consist of Republic of Turkey government bonds and treasury bills.

k. Sector concentrations for cash loans:

	31 December 2007				**31 December 2006**			
	YTL	**(%)**	**FC**	**(%)**	**YTL**	**(%)**	**FC**	**(%)**
Agricultural	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Farming and raising livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	**59**	**10**	**17.608**	**17**	**231**	**17**	**22.439**	**19**
Mining	-	-	-	-	-	-	-	-
Production	59	10	17.608	17	231	17	22.439	19
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	**-**	**-**	**-**	**-**	**36**	**3**	**449**	**1**
Services	**-**	**-**	**68.144**	**65**	**678**	**49**	**77.994**	**64**
Wholesale and retail trade	-	-	3.812	3	678	49	12.338	10
Hotel, food and beverage services	-	-	-	-	-	-	-	-
Transportation and telecommunication	-	-	-	-	-	-	-	-
Financial Institutions	-	-	64.332	62	-	-	65.656	54
Real estate and renting services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	**505**	**90**	**18.653**	**18**	**429**	**31**	**19.160**	**16**
Total	**564**	**100**	**104.405**	**100**	**1.374**	**100**	**120.042**	**100**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

III. EXPLANATIONS ON MARKET RISK:

The Branch defines the market risk as the fluctuations in its portfolio value with the changes in the parameters such as market prices, interest rate, currency rates and prices of common stocks. The measurement of market risk is significant for the Branch.

The Branch considers currency risk and interest rate risk as the main components of market risk. The table below shows how the market risk as of 31 December 2007 is calculated in accordance with the Section 3 of the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Adequacy Ratio", published in the Official Gazette No.26333 dated 1 November 2006, namely "Calculation of Market Risk with Standard Method".

a. Information on Market Risk:

	Amount
(I) Capital to be Employed for General Market Risk - Standard Method	-
(II) Capital to be Employed for Specific Risk - Standard Method	-
(III) Capital to be Employed for Currency Risk - Standard Method	644
(IV) Capital to be Employed for Commodity Risk - Standard Method	-
(IV) Capital to be Employed for Commodity Risk - Standard Method	-
(VI) Capital to be Employed for Market Risk Due to Options - Standard Method	-
(VII) Total Capital to be Employed for Market Risk for Banks Applying Risk Measuring Model	-
(VIII) Total Capital to be Employed for Market Risk (I+II+III+IV+V+VI+VII)	644
(IX) Amount Subject to Market Risk 12,5xVIII) or (12,5xVII)	**8.050**

b. Market risk table of calculated market risk during the month ends:

	31 December 2007			**31 December 2006**		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest Rate Risk	36	37	34	43	53	27
Share Certificates Risk	-	-	-	-	-	-
Currency Risk	658	781	484	596	1.028	370
Commodity Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option risk	-	-	-	-	-	-
Total Amount Subject to Risk	**694**	**818**	**518**	**639**	**1.081**	**397**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

IV. EXPLANATIONS ON OPERATIONAL RISK:

The operational risk has been defined by the Branch as the damage possibility arrising from the overlook of mistakes and frauds due to the internal control deficiencies, from the inability of the bank management and the bank personel to act according to conditions and time, from the defects in bank management, from the defects in information systems, from natural disasters like earthquake, fire or flood or from the terrorist attacks.

The Branch calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2006, 2005 and 2004 year-end gross income balances of the Branch, in accordance with Section 4 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No.26333 dated 1 November 2006, namely "The Calculation of the Amount Subject to Operational Risk". As of 31 December 2007 the amount subject to operational risk is YTL18.907 and the capital liability calculated for the operational risk is YTL1.513.

V. EXPLANATIONS ON CURRENCY RISK:

Since floating exchange rates have been implemented, the Branch monitors its net foreign currency position continuously. The Branch does not have derivatives or net foreign currency investments to hedge its currency risk.

The Branch is taking a position according to the foreign currency basket of the CBT to avoid foreign exchange risk. Foreign currency asset and liability management on price, liquidity and credit risks are performed in order to carry on profitability in the framework of the Branch's targeted risk and return profile. Measurable and manageable risks are taken on the basis of the prudential ratios.

The Branch's foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are presented below:

	USD	Euro	100 JP
31 December 2007	**YTL1,1647**	**YTL1,7102**	**YTL1,0279**
28 December 2007	YTL1,1708	YTL1,6976	YTL1,0216
27 December 2007	YTL1,1715	YTL1,6912	YTL1,0242
26 December 2007	YTL1,1746	YTL1,6917	YTL1,0269
25 December 2007	YTL1,1799	YTL1,6986	YTL1,0316
24 December 2007	YTL1,1827	YTL1,7025	YTL1,0413

The simple arithmetical averages of the Branch's foreign exchange bid rates for the last thirty days are:

US Dollars	YTL1,1730
Euro	YTL1,7093
100 Japanese Yen	YTL1,0431

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

Information on the Branch's currency risk:

	Euro	USD	Yen	Other FC	Total
31 December 2007					
Assets					
Cash Equivalents and Central Bank	10.227	8.014	-	-	18.241
Banks	33.974	17.020	339	6.066	57.399
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-
Available-for-Sale Financial Assets (Net)	-	-	-	-	-
Loans	83.265	7.915	13.552		104.732
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Held to Maturity Investments (Net)	-	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-	-
Tangible Assets (Net)	-	-	-	-	-
Intangible Assets (Net)	-	-	-	-	-
Other Assets	-	-	-	-	-
Total Assets	**127.466**	**32.949**	**13.891**	**6.066**	**180.372**
Liabilities					
Bank Deposits	14.140	5.048	66	5.432	24.686
Foreign Currency Deposits	13.986	3.882	-	290	18.158
Funds from Interbank Money Market	-	-	-	-	-
Borrowings	24.054	12.270	-	-	36.324
Issued Marketable Securities (Net)	-	-	-	-	-
Miscellaneous Payables	60.205	9.168	13.324	-	82.697
Hedging Derivative Financial Liabilities	-	-	-	-	-
Other Liabilities	9.436	992	5	25	10.458
Total Liabilities	**121.821**	**31.360**	**13.395**	**5.747**	**172.323**
Net On-Balance Sheet Position	**5.645**	**1.589**	**496**	**319**	**8.049**
Net Off Balance Sheet Position					
Financial Derivative Assets	-	-	-	-	-
Financial Derivative Liabilities	-	-	-	-	-
Non-cash Loans	41.327	1.611	-	-	42.938
31 December 2006					
Total Assets	**54.387**	**129.992**	**5.989**	**755**	**191.123**
Total Liabilities	**50.861**	**126.875**	**5.920**	**496**	**184.152**
Net On-Balance Sheet Position	**3.526**	**3.117**	**69**	**259**	**6.971**
Net Off Balance Sheet Position	-	-	-	-	-
Financial Derivative Assets	-	-	-	-	-
Financial Derivative Liabilities	-	-	-	-	-
Non-cash Loans	5.202	12.627	-	-	17.829

The table above summarizes the Branch's exposure to foreign currency exchange rate risk, categorised by currency. Foreign currency indexed assets, classified as Turkish lira assets according to the Uniform Chart of Accounts, are considered as foreign currency assets for the calculation of net foreign currency position. Therefore, the difference between the sum of the foreign currency assets in the following table and in the balance sheet is YTL327 (31 December 2006: YTL990), which is due to foreign currency indexed loans.

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

VI. EXPLANATIONS ON INTEREST RATE RISK:

"Interest rate risk" is defined as the impact of interest rate changes on interest-sensitive assets and liabilities of the Branch.

The Branch evaluates interest rate in two dimensions. This is maturity risk originating from the differences of maturity structures and repricing risk originating from the fluctuations of net interest margin. Interest rate risk is managed using natural hedges that arise from offsetting interest rate sensitive assets with interest rate sensitive liabilities.

Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

31 December 2007	Up to 1 Month	1 – 3 Months	3 – 12 Months	1– 5 years	Over 5 years	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	13.151	-	-	-	-	5.154	18.305
Banks	26.981	-	-	-	-	37.565	64.546
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets (Net)	-	-	13.163	6.063	-	-	19.226
Loans	8.340	21.885	74.532	212	-	52	105.021
Held to Maturity Investments (Net)	-	-	-	-	-	-	-
Other Assets (*)	-	-	-	-	-	10.758	10.758
Total Assets	**48.472**	**21.885**	**87.695**	**6.275**	**-**	**53.529**	**217.856**
Liabilities							
Bank Deposits	-	-	-	-	-	24.687	24.687
Other Deposits	3.319	5.218	1.352	-	-	8.712	18.601
Funds From Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables		10.559	69.812			2.333	82.704
Marketable Securities Issued (Net)	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	19.143	17.181	-	-	-	-	36.324
Other Liabilities (**)	10.734	2.200	-	-	-	42.606	55.540
Total Liabilities	**33.196**	**35.158**	**71.164**	**-**	**-**	**78.338**	**217.856**
Balance Sheet Long Position	**15.276**	**-**	**16.531**	**6.275**	**-**	**-**	**38.082**
Balance Sheet Short Position	**-**	**(13.273)**	**-**	**-**	**-**	**(24.809)**	**(38.082)**
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	**15.276**	**(13.273)**	**16.531**	**6.275**	**-**	**(24.809)**	**-**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

31 December 2006	Up to 1 Month	1 – 3 Months	3 – 12 Months	1– 5 years	Over 5 years	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	14.256	-	-	-	-	5.665	19.921
Banks and Other Financial Institutions	55.758	-	-	-	-	6.228	61.986
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets (Net)	2.376	3.681	4.330	-	-	-	10.387
Loans	8.355	25.156	87.565	340	-	1.203	122.619
Held to Maturity Investments (Net)	-	-		-	-	-	-
Other Assets	-	-		-	-	10.567	10.567
Total Assets	**80.745**	**28.837**	**91.895**	**340**	-	**23.663**	**225.480**
Liabilities					-		
Bank Deposits	-	-	-	-	-	14.523	14.523
Other Deposits	5.945	1.446	4.603	-	-	9.820	21.814
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	6.096	11.563	52,469	2.108	-	1.750	73.986
Marketable Securities Issued (Net)	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	46.895	21.036	-	-	-	-	67.931
Other Liabilities	-	-	-	-	-	47.226	47.226
Total Liabilities	**58.936**	**34.045**	**57.072**	**2.108**	-	**73.319**	**225.480**
Balance Sheet Long Position	**21.809**	**-**	**34.823**	**-**	**-**	**-**	**56.632**
Balance Sheet Short Position	**-**	**(5.208)**	**-**	**(1.768)**	**-**	**(49.656)**	**(56.632)**
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	**21.809**	**(5.208)**	**34.823**	**(1.768)**	-	**(49.656)**	**-**

(*) "Other Assets'' line includes Deferred Tax Assets, Tangible Assets, Assets Held for Resale and Other Assets.

(**) Shareholders' equity is presented under "Other liabilities" item in the "Non interest bearing" column.

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

Effective average interest rates for monetary financial instruments:

Interest rates in the below tables are the weighted average rates of the related balance sheet items.

31 December 2007	Euro	USD	Yen	YTL
	%	%	%	%
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1,88	2,46	-	13,11
Banks	3,57	4,74	-	17,17
Financial Assets at Fair Value Through Profit / Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	-	-	18,15
Loans	7,55	8,49	5,15	15,57
Held to Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	4,41	4,42	-	11,27
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	5,93	6,41	2,81	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	4,69	4,39	-	-

31 December 2006	Euro	USD	Yen	YTL
	%	%	%	%
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1,73	2,52	-	13,12
Banks	4,42	5,86	-	17,37
Financial Assets at Fair Value Through Profit / Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	-	-	18,49
Loans	6,76	8,63	5,78	13,75
Held to Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	2,96	4,46	-	13,52
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	4,76	6,53	3,14	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	3,71	5,43	-	-

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

VII. EXPLANATIONS ON LIQUIDITY RISK:

Liquidity risk arises from the mismatching of maturities of assets and liabilities. The Branch balances the maturities of the related assets and liabilities, keeps the mismatch of maturities under control. Major objective of the Branch's asset and liability management is to ensure that sufficient liquidity is available to meet the Branch's commitments to customers and to satisfy the Branch's own liquidity needs.

The most important funding resources of the Branch for long-term and short-term liquidity needs are the Tehran Headquarters and other banks.

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1– 5 years	Over 5 years	Unclassified (*)	Total
31 December 2007								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	5.154	13.151	-	-	-	-	-	18.305
Banks	37.565	26.981	-	-	-	-	-	64.546
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-sale Financial Assets	-	-	-	13.163	6.063	-	-	19.226
Loans	-	8.340	21.885	74.532	212	-	52	105.021
Held-to-maturity Investments	-	-	-	-	-	-	-	-
Other Assets (*)	562	12	1.078	52	-	-	9.054	10.758
Total Assets	**43.281**	**48.484**	**22.963**	**87.747**	**6.275**	**-**	**9.106**	**217.856**
Liabilities								
Bank Deposits	24.687	-	-	-	-	-	-	24.687
Other Deposits	8.712	3.319	5.218	1.352	-	-	-	18.601
Funds Borrowed From Other Financial Institutions	-	19.143	17.181	-	-	-	-	36.324
Funds From Interbank Money Market	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	2.333	-	10.559	69.812	-	-	-	82.704
Other Liabilities (**)	1.537	10.734	2.200	-	-	-	41.069	55.540
Total Liabilities	**37.269**	**33.196**	**35.158**	**71.164**	**-**	**-**	**41.069**	**217.856**
Net Liquidity Gap	**6.012**	**15.288**	**(12.195)**	**16.583**	**6.275**	**-**	**(31.963)**	**-**
31 December 2006								
Total Assets	13.547	80.745	28.837	91.895	340	-	10.116	225.480
Total Liabilities	34.464	59.131	34.045	58.480	2.108	-	37.252	225.480
Net Liquidity Gap	**(20.917)**	**21.614**	**(5.208)**	**33.415**	**(1.768)**	**-**	**(27.136)**	**-**

(*) Assets that are necessary for banking activities and that can not be liquidated in the short-term, such as tangible assets, investments, subsidiaries, stationery, pre-paid expenses and loans under follow-up, are classified in this column.

(**) Shareholders' Equity is presented under the "Other Liabilities" item in the "Unallocated" column.

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2007	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Above 5 years
Liabilities					
Deposit	36.875	5.271	1.388	-	-
Funds Borrowed From Other Financial Institutions	19.186	17.329	-	-	-
Funds From Interbank Money Market	-	-	-	-	-
Total	**56.061**	**22.600**	**1.388**	-	-

VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

The expected fair value of the demand deposits represents the amount to be paid upon request. The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Branch. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying Value		Fair Value	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Financial Assets				
Banks	64.546	61.986	65.546	61.949
Available-for-sale Financial Assets	19.226	10.387	19.226	10.387
Loans	105.021	122.619	109.396	129.437
Financial Liabilities				
Bank Deposits	24.687	14.523	24.687	14.523
Other Deposits	18.601	21.814	18.616	21.920
Funds Borrowed From Other Financial Institutions	36.324	67.931	37.382	67.943
Miscellaneous Payables	82.704	73.986	86.530	74.530

IX. EXPLANATIONS ON ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES:

The Branch does not carry out trading, custody and fund management services on behalf of others and on their account. The Branch has no trust transactions.

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE BRANCH (Continued)

X. EXPLANATIONS ON OPERATING SEGMENTS:

The Branch manages its banking operations through three strategic business units: Retail banking, Corporate and Commercial banking and Treasury operations.

Retail banking provides deposits and loans to individual and small business customers. Other products and services include foreign currency exchange, cheques and bills and money orders.

Corporate and Commercial banking provided corporate and commercial customers financial solutions and banking services. Products and services include FC and YTL loans, foreign trade finance, domestic and international non-cash credit line facilities such as letters of credit and guarantees, foreign exchange and deposits.

Treasury operations are managed by the Treasury Department. The Treasury Department has transactions such as purchases-sales of domestic marketable securities and YTL and FC placement transactions.

Informations about the operating segments as of 31 December 2007 are presented on the table below.

	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total operations of the branch
31 December 2007					
Operating Revenue	(469)	8.970	6.503	-	15.004
Segment Revenue	**(469)**	**8.970**	**6.503**	-	**15.004**
Net Operating Profit	**(747)**	**5.633**	**5.578**	-	**10.464**
Income from Associates	-	-	-	-	-
Profit Before Tax	-	-	-	-	**10.464**
Corporate Tax	-	-	-	-	(2.020)
Minority Rights	-	-	-	-	-
Net Profit					**8.444**
Segment Assets	264	105.021	101.813	-	207.098
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	10.758	10.758
Total Assets	**264**	**105.021**	**101.813**	**10.758**	**217.856**
Segment Liabilities	1.279	150.509	10.528	-	162.316
Unallocated liabilities	-	-	-	14.471	14.471
Shareholders' Equity	-	-	-	41.069	41.069
Total Liabilities	**1.279**	**150.509**	**10.528**	**55.540**	**217.856**
Other Segment Items					
Equity Investment	-	-	-	-	-
Amortization	75	95	79	-	249
Non-cash other income and expense	169	180	213	-	562
Restructuring Costs	-	-	-	-	-

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

SECTION FIVE
EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND DISCLOSURES ON ASSETS:

a. Information related to cash and the account of the Central Bank of the Republic of Turkey (the "CBRT):

1. Information related to cash and the account of CBRT:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Cash	11	160	18	227
The CBRT	53	18.081	37	19.639
Other	-	-	-	-
Total	**64**	**18.241**	**55**	**19.866**

2. Information related to the account of the CBRT:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Demand Unrestricted Account (*)	53	4.955	37	5.383
Time Unrestricted Account	-	-	-	-
Time Restricted Account	-	13.126	-	14.256
Total	**53**	**18.081**	**37**	**19.639**

(*) The YTL reserve requirement booked as average has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA as of 3 January 2008.

3. Information on reserve requirements:

In accordance with "Communiqué Regarding the Reserve Requirements" No.2005/1 issued by the CBRT, banks operating in Turkey are reguired to place reserves in CBRT at a rate of 6% for their YTL liabilities and 11% for USD and/or EUR foreign currency liabilities. The CBRT makes quarterly interest payments over the reserve requirements based on the interest rates set. As of the corresponding interest rates are 11,81% for YTL, 1,95%, for USD and 1,80% for EUR reserves.

b. Information on financial assets at fair value through profit or loss:

As of 31 December 2007, the Branch does not have any financial assets at fair value through profit or loss (31 December 2006: None).

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

c. Information on banks:

1. Information on banks:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Banks				
Domestic	7.147	19.633	11.922	22.767
Foreign	-	30.159	-	27.297
Head Quarters and Branches Abroad	-	7.607	-	-
Other Financial Institutions	-	-	-	-
Total	**7.147**	**57.399**	**11.922**	**50.064**

2. Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
EUCountries	30.159	27.297	-	-
USA, Canada	-	-	-	-
OECD Countries (*)	-	-	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	**30.159**	**27.297**	**-**	**-**

(*) OECD countries except EU countries, USA and Canada.

d. Information on available-for-sale financial assets, net:

1. As of 31 December 2007 there are no available for-sale-financial assets subject to repo transactions (31 December 2006: None).
2. As of 31 December 2007 there are no available-for-sale financial assets given as collateral/blocked amount (31 December 2006: None).
3. Information on available-for-sale financial assets:

	31 December 2007	31 December 2006
Debt Securities	19.226	10.387
Quoted on Stock Exchange	19.226	10.387
Not Quoted	-	-
Share Certificates	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	-	-
Total	**19.226**	**10.387**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

e. Information on loans:

1. Information on all types of loans and advances given to shareholders and employees of the Branch:

	31 December 2007		31 December 2006	
	Cash	**Non-cash**	**Cash**	**Non-cash**
Direct Loans Granted to Branch's Shareholders	-	-	-	-
Corporate Shareholders	-	-	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Branch's Shareholders	-	-	-	-
Loans Granted to Branch's Employees	47	-	43	-
Total	**47**	-	**43**	-

2. Information on the first and second group loans, other receivables and loans that have been restructured or rescheduled and other receivables:

	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 Specialised Loans	**104.969**	-	-	-
Discount and Purchase Notes	-	-	-	-
Export Loans	199	-	-	-
Import Loans	275	-	-	-
Loans Granted to Financial Sector	-	-	-	-
Foreign Loans	103.923	-	-	-
Consumer loans	322	-	-	-
Credit cards	-	-	-	-
Precious Metal Loans	-	-	-	-
Other	250	-	-	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**104.969**	-	-	-

3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other receivables	**Restructured or Rescheduled**	**Loans and other receivables**	**Restructured or Rescheduled**
Short-term Loans and Other Receivables	**104.886**	-	-	-
Non-specialised Loans	104.886	-	-	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	**83**	-	-	-
Non-specialised Loans	83	-	-	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Information on consumer loans, consumer credit cards, personnel loans and personnel credit cards:

	Short-term	Long and medium term	Total
Consumer Loans-YTL	**-**	**-**	**-**
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans- FC indexed	**236**	**35**	**271**
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	236	35	271
Consumer Loans- FC	**4**	**-**	**4**
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	4	-	4
Consumer Credit Cards –YTL	**-**	**-**	**-**
With installment	-	-	-
Without installment	-	-	-
Consumer Credit Cards –FC	**-**	**-**	**-**
With installment	-	-	-
Without installment	-	-	-
Personnel Loans-YTL	**-**	**39**	**39**
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	39	39
Personnel Loans – FC indexed	**-**	**-**	**-**
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**8**	**8**
Housing loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	8	8
Personnel Credit Cards –YTL	**-**	**-**	**-**
With installment	-	-	-
Without installment	-	-	-
Personnel Credit Cards –FC	**-**	**-**	**-**
With installment	-	-	-
Without installment	-	-	-
Overdraft-YTL (Real Person)	**-**	**-**	**-**
Overdraft-FC (Real Person)	**-**	**-**	**-**
Total Consumer Loans	**240**	**82**	**322**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. (i) Information on loans by types and specific provisions:

31 December 2007	Corporate Loans	Consumer Loans	Total	31 December 2006
Standart loans	104.647	322	104.969	121.416
Loans under legal follow-up	69	-	69	1.467
Specific Provisions (-)	(17)	-	(17)	(264)
Total	**104.699**	**322**	**105.021**	**122.619**

(ii) Fair value of collaterals (Loans and advances given to customers):

31 December 2007	Corporate Loans	Consumer Loans	Total	31 December 2006
Watch listed	-	-	-	-
Loans under legal follow-up	350	-	350	10.600
Total	**350**	**-**	**350**	**10.600**

6. Information on commercial installment loans and corporate credit cards:

The Branch has no commercial installment loans and corporate credit cards.

7. Loans according to type of borrowers:

	31 December 2007	31 December 2006
Public	-	-
Private	104.969	121.416
Total	**104.969**	**121.416**

8. Distribution of domestic and foreign loans: Loans are classified according to the locations of the customers.

	31 December 2007	31 December 2006
Domestic Loans	1.046	3.795
Foreign Loans	103.923	117.621
Total	**104.969**	**121.416**

9. Loans granted to investments in associates and subsidiaries:

As of 31 December 2007 there are no loans granted to investments in associates and subsidiaries (31 December 2006: None).

10. (i) Specific provisions provided against loans:

	31 December 2007	31 December 2006
Loans and other receivables with limited collectibility	-	-
Loans and other receivables with doubtful collectibility	7	172
Uncollectible loans and other receivables	10	92
Total	**17**	**264**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ii) Provisions related to loans:

	Commercial Loans	Consumer Loans	Total	31 December 2006
1 January	**264**	**-**	**264**	**136**
Allowance for impairment	7	-	7	172
Amount recovered during the period	(172)	-	(172)	(33)
Loans written off during the period as uncollectible	(82)	-	(82)	(11)
Exchange differences	-	-	-	-
31 December	**17**	**-**	**17**	**264**

11. Information on non-performing loans (Net):

11(i) Information on loans and other receivables rescheduled or restructured from non-performing loans:

The Branch has no loans and other receivables rescheduled or restructured from non-performing loans.

11(ii) Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
31 December 2006	**-**	**1.375**	**92**
Additions (+)	59		-
Transfers from other categories of non-performing loans (+)	-	59	-
Transfers to other categories of non-performing loans (-)	(59)	-	-
Collections (-)	-	(1.375)	-
Write-offs (-)	-	-	(82)
Corporate and commercial loans	-	-	(82)
Consumer loans	-	-	-
Credit cards	-	-	-
Others	-	-	-
31 December 2007	**-**	**59**	**10**
Specific provisions (-)	-	(7)	(10)
Net Balance on Balance Sheet Date	**-**	**52**	**-**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

11(iii) Information on non-performing loans granted as foreign currency loans:

The Branch has no foreign currency loans and other receivables in non-performing loans.

11(iv) Information on non-performing loans according to user groups:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited	**Loans and Other Receivables with Doubtful**	**Uncollectible Loans and Other Receivables**
31 December 2007 (Net)	**-**	**52**	**-**
Loans to real and legal persons (Gross)	-	59	10
Specific provisions (-)	-	(7)	(10)
Loans to real and legal persons (Net)	-	-	-
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
31 December 2006 (Net)	**-**	**1.203**	**-**
Loans to real and legal persons (Gross)	-	1.375	92
Specific provisions (-)	-	(172)	(92)
Loans to real and legal persons (Net)	-	-	-
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

12. The policy followed for the collection of uncollectible loans and other receivables:

Uncollectible loans and other receivables are aimed to be liquidated through the collection of collaterals and legal procedures. The policy of the Branch regarding the writing-off the loans under legal follow up is as writing-off the ones that is proved as uncollectible.

f. Information on held-to-maturity investments:

As of 31 December 2007 and 31 December 2006, the Branch has no held-to-maturity securities.

g. Information on investments in associates (Net):

As of 31 December 2007 and 31 December 2006, the Branch has no investments in associates.

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

h. Information on subsidiaries (Net):

As of 31 December 2007 and 31 December 2006, the Branch has no subsidiaries.

i. Information on joint ventures:

As of 31 December 2007 and 31 December 2006, the Branch has no joint ventures.

j. Information on finance lease receivables (Net):

As of 31 December 2007 and 31 December 2006, the Branch has no finance lease receivables.

k. Information on hedging derivative instruments:

As of 31 December 2007 and 31 December 2006, the Branch has no hedging derivative instruments.

l. Information on property and equipment:

	Immovables	Vehicles	Other Tangible Fixed Assets	Total
31 December 2006				
Cost	12.175	142	366	12.683
Accumulated depreciation	(3.184)	(101)	(175)	(3.460)
Impairment	(312)	-	-	(312)
Net book value	**8.679**	**41**	**191**	**8.911**
31 December 2007				
Net book value at beginning of the period	**8.679**	**41**	**191**	**8.911**
Additions	-	-	48	48
Disposals, net	-	-	-	-
Depreciation	(165)	(29)	(55)	(249)
Impairment	312	-	-	312
Closing net book value	**8.826**	**12**	**184**	**9.022**
Cost at period end	10.477	142	414	11.033
Accumulated depreciation at period end	(1.651)	(130)	(230)	(2.011)
Impairment	-	-	-	-
Closing net book value	**8.826**	**12**	**184**	**9.022**

	Immovables	Vehicles	Other Tangible Fixed Assets	Total
31 December 2005				
Cost	10.644	142	208	10.994
Accumulated depreciation	(3.056)	(73)	(138)	(3.267)
Net book value	**7.588**	**69**	**70**	**7.727**
31 December 2006				
Net book value at beginning of the period	**7.588**	**69**	**70**	**7.727**
Additions	1.531	-	167	1.698
Disposals, net	-	-	(9)	(9)
Depreciation	(128)	(28)	(37)	(193)
Impairment	(312)	-	-	(312)
Closing net book value	**8.679**	**41**	**191**	**8.911**
Cost at period end	12.175	142	366	12.683
Accumulated depreciation at period end	(3.184)	(101)	(175)	(3.460)
Impairment	(312)	-	-	(312)
Closing net book value	**8.679**	**41**	**191**	**8.911**

As of 31 December 2006, the Branch provided an impairment provision of YTL312. The amount has been abrogated as of 31 December 2007.

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

m. Explanations on intangible assets:

As of 31 December 2007 and 31 December 2006, the Branch has no intangible assets.

n. Explanations on investment immovables:

As of 31 December 2007 and 31 December 2006, the Branch has no investment immovables.

o. Information on deferred tax asset:

As of 31 December 2007, deferred tax assets of the Branch are YTL562 (31 December 2006: YTL544). The Branch has no fiscal loss that can be deducted from current tax liability. Assets and liabilities, which are calculated over the temporary differences arising between applied accounting policies and valuation principles and tax legislation are accounted as YTL562 on net basis to deferred tax assets.

p. Information on assets held for resale:

	31 December 2007	31 December 2006
Cost	25	25
Accumulated depreciation	-	-
Net Book Value	**25**	**25**
Opening balance	25	25
Additions	-	-
Disposals (-),net	-	-
Depreciation (-)	-	-
Closing Net Book Value	**25**	**25**

r. Information on other assets:

Other assets amount to YTL71 (31 December 2006: YTL288) and do not exceed 10% of the total balance sheet, excluding off-balance sheet commitments.

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND DISCLOSURES ON LIABILITIES:

a. Information on deposits

1. Information on maturity structure of the deposits:

There are no deposits with seven days notification and accumulative deposits.

(i) 31 December 2007:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 month – 1 year	1 year and over	Total
Saving Deposits	67	117	37	2	8	-	231
Foreign Currency Deposits	8.433	2.605	1.681	436	5.003	-	18.158
Residents in Turkey	4.408	396	649	24	294	-	5.771
Residents Abroad	4.025	2.209	1.032	412	4.709	-	12.387
Public Sector Deposits	-	-	-	-	-	-	-
Commercial Deposits	211	-	-	-	-	-	211
Other Institutions Deposits	1	-	-	-	-	-	1
Gold Vault	-	-	-	-	-	-	-
Bank Deposits	24.687	-	-	-	-	-	24.687
The CBRT	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-
Foreign Banks	24.173	-	-	-	-	-	24.173
Special Finance Institutions	514	-	-	-	-	-	514
Other	-	-	-	-	-	-	-
Total	**33.399**	**2.722**	**1.718**	**438**	**5.011**	**-**	**43.288**

(ii) 31 December 2006:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 month – 1 year	1 year and over	Total
Saving Deposits	17	31	38	2	13	-	101
Foreign Currency Deposits	9.630	3.504	2.018	510	5.878	-	21.540
Residents in Turkey	4.899	511	798	36	593	-	6.837
Residents Abroad	4.731	2.993	1.220	474	5.285	-	14.703
Public Sector Deposits	-	-	-	-	-	-	-
Commercial Deposits	172	-	-	-	-	-	172
Other Institutions Deposits	1	-	-	-	-	-	1
Gold Vault	-	-	-	-	-	-	-
Bank Deposits	14.523	-	-	-	-	-	14.523
The CBRT	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-
Foreign Banks	14.269	-	-	-	-	-	14.269
Special Finance Institutions	254	-	-	-	-	-	254
Other	-	-	-	-	-	-	-
Total	**24.343**	**3.535**	**2.056**	**512**	**5.891**	**-**	**36.337**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Information on saving deposits insurance:

(i) Information on saving deposits under the guarantee of the saving deposits insurance fund and amounts exceeding the limit of the deposit insurance fund:

	Under the Guarantee of Deposit Insurance		Exceeding the Limit of Deposit Insurance	
	31 December 2007	**31 December 2006**	**31 December 2007**	**31 December 2006**
Saving Deposits	127	99	2	-
Foreign Currency Saving Deposits	2.158	2.558	1.659	3.519
Other Deposits in the Form of Saving Deposits	-	-	-	-
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-

(ii) Saving deposits which are not under the guarantee of deposit insurance fund:

None (31 December 2006: None).

(iii) Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	31 December 2007	**31 December 2006**
Foreign Branches' Deposits and other accounts	-	-
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children in care	111	16
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26.09.2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities Solely	-	-

b. Information on trading derivative financial liabilities:

As of 31 December 2007 and 31 December 2006, the Branch has no trading derivative financial liabilities.

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2007		31 December 2006	
	YTL	**FC**	**YTL**	**FC**
Borrowings from the CBRT	-	-	-	-
From Domestic Bank and Institutions	-	-	-	-
From Foreign Banks, Institutions and Funds	-	36.324	-	67.931
Total	**-**	**36.324**	**-**	**67.931**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Information on maturity structure of borrowings:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Short-term	-	36.324	-	67.931
Medium and Long-term	-	-	-	-
Total	**-**	**36.324**	**-**	**67.931**

The funding sources of the Branch are deposits and borrowings. Major funding sources are loans borrowed from the Headquarters and other Iranian financial institutions.

d. Information on other liabilities:

Other liabilities amount to YTL10.734 (31 December 2006: YTL6.786) and do not exceed 10% of the total balance sheet.

e. Information on financial leasing agreements:

As of 31 December 2007 and 31 December 2006, the Branch has no financial lease payables.

f. Information on hedging derivative financial liabilities:

None (31 December 2006: None).

g. Information on provisions:

1. Information on general provisions:

	31 December 2007	31 December 2006
General Provisions		
Provisions for Group I Loans and Receivables	123	332
Provisions for Group II Loans and Receivables	-	-
Provisions for Non Cash Loans	61	17
Other	168	173
Total	**352**	**522**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Information on reserve for employee rights:

The reserve has been calculated by estimating the present value of the future probable obligation of the Branch arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	31 December 2007	31 December 2006
Discount rate (%)	5,71	5,71
Rate for the Probability of Retirement (%)	96	96

The principal actuarial assumption is that the maximum liability of YTL2.087,92 will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL2.087,92 (1 January 2006: YTL1.960,69) effective from 1 January 2007 has been taken into consideration in calculating the reserve for employee termination benefits.

Movements in the reserve for employment termination benefits during the periods are as follows:

	31 December 2007	31 December 2006
Prior Period Ending Balance	**489**	**428**
Provisions Recognised During the Period	(212)	69
Paid During the Period	59	8
Balance at the End of the Period	**218**	**489**

In addition as of , the Branch has provided a provision for unused vacation rights amounting to YTL66 (31 December 2006: YTL52).

3. Information on Provisions Related with Foreign Currency Difference of Foreign Indexed Loans:

   As of 31 December 2007, the provision related to foreign currency difference of foreign indexed loans amounts to YTL10 (31 December 2006: YTL15).

4. Specific provisions for non-cash loans that are non-funded and non-transformed into cash:

   As of 31 December 2007, the branch has no specific provision for non-cash loans (31 December 2006: YTL11).

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Information on other provisions:

(i) Information on provisions for possible risks:

As of 31 December 2007 and 31 December 2006, the Branch has no provisions for possible risks.

(ii) Other provisions if they exceed 10% of total provisions:

In the second quarter of 2006 some employees and previous employees of the Branch sued the Branch claiming their employee benefits related to previous periods. The Branch has prudently provided a provision amounting to YTL900 (31 December 2006: YTL500). This provision is classified in the balance sheet under "Other Provisions".

h. Information on tax payable:

1. Information on current tax payable:

(i) Information on taxes payable:

	31 December 2007	**31 December 2006**
Corporate Tax Payable	2.038	1.408
Taxation of Marketable Securities	33	61
Property Tax	-	-
Banking Insurance Transaction Tax (BITT)	20	21
Foreign Exchange Transaction Tax	4	3
Value Added Tax Payable	6	4
Other	48	56
Total	**2.149**	**1.553**

(ii) Information on premium payables:

	31 December 2007	**31 December 2006**
Social Security Premiums – Employee	20	17
Social Security Premiums – Employer	29	26
Bank Social Aid Pension Fund Premiums – Employee	-	-
Bank Social Aid Pension Fund Premiums – Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	1	1
Unemployment Insurance – Employer	2	2
Other	-	-
Total	**52**	**46**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Information on deferred tax liability:

   As of 31 December 2007 the Branch has no deferred tax liability (31 December 2006: None).

i. Information on liabilities for property and equipment held for sale and related to discontinued operations:

None (31 December 2006: None).

j. Explanations on subordinated loans:

The Branch has no subordinated loans as of 31 December 2007 and 31 December 2006.

k. Information on shareholders' equity:

1. Presentation of paid-in capital:

   Since the entity has the status of a branch, paid-in capital is not received in exchange for shares.

2. The amount of paid-in capital, explanation on whether the registered share capital system is used, if this system is used the amount of registered share capital:

Capital system	Paid-in capital	Ceiling
Registered Share Capital	31.211	31.211

3. Information on share capital increases and their sources; other information on increased capital shares in current period: None

4. Information on share capital increases from capital reserves in current period:

   None (31 December 2006: None).

5. Information on capital commitments, the general purpose and the estimated sources needed for these commitments until the end of the fiscal year and the subsequent interim period:

   There are no capital commitments until the end of the fiscal year and the subsequent interim period.

6. Information on income, profitability and liquidity of the Group by taking into consideration prior period indicators and uncertainities and their possible effects on shareholders' equity:

   There is no adverse change expected in the profitability and liquidty of the Branch.

7. Summarised information about privileges given to shares representing the capital:

   None (31 December 2006: None).

l. Information on marketable securities value increase fund:

	31 December 2007		31 December 2006	
	YTL	**FC**	**YTL**	**FC**
From Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Valuation Difference	113	-	(29)	-
Foreign Currency Difference	-	-	-	-
Total	**113**	**-**	**(29)**	**-**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND DISCLOSURES ON INCOME STATEMENT:

a. Information on interest income:

1. Information on interest income on loans:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Short-Term Loans	133	8.267	83	8.318
Medium and Long-Term Loans	14	42	28	1
Interest on Loans Under Follow-Up	39	-	27	-
Premiums Received from the Resource Utilisation Support Fund	-	-	-	-
Total	**186**	**8.309**	**138**	**8.319**

2. Information on interest income on banks:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
From the CBRT	5	97	3	116
From Domestic Banks	1.632	747	1.322	1.221
From Foreign Banks	-	1.159	-	1.027
Headquarters and Branches Abroad	-	-	-	-
Total	**1.637**	**2.003**	**1.325**	**2.364**

3. Information on interest income on marketable securities:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
From Trading Financial Assets	-	-	-	-
From Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	2.561	-	1.399	-
From Held-to-Maturity Investments	-	-	-	-
Total	**2.561**	**-**	**1.399**	**-**

4. Information on interest income received from investments in associates and subsidiaries:

   The Branch has no interest income received from investments in associates and subsidiaries as of 31 December 2007 and 31 December 2006.

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	6.253	-	1.044
Headquarters and Branches Abroad	-	172	-	6.043
Other Institutions	-	-	-	-
Total	**-**	**6.425**	**-**	**7.087**

2. Information on interest expense given to investments in associates and subsidiaries:

   The Branch has no interest expense given to investments in associates and subsidiaries as of 31 December 2007 and 31 December 2006.

3. Maturity structure of the interest expense on deposits:

   There are no deposits with seven days notification and accumulative deposits.

	Demand Deposits	Time Deposit					
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More than 1 Year	Total
YTL							
Bank Deposits	-	-	-	-	-	-	**-**
Saving Deposits	5	5	5	-	1	-	**16**
Public Sector Deposits	-	-	-	-	-	-	**-**
Commercial Deposit	-	-	-	-	-	-	**-**
Other Deposits	-	-	-	-	-	-	**-**
Total	**5**	**5**	**5**	**-**	**1**	**-**	**16**
FC							
Foreign Currency Deposits	74	116	69	22	217	-	**498**
Bank Deposits	-	-	-	-	-	-	**-**
Gold Vault	-	-	-	-	-	-	**-**
Total	**74**	**116**	**69**	**22**	**217**	**-**	**498**
Grand Total	**79**	**121**	**74**	**22**	**218**	**-**	**514**

c. Explanations on dividend income:

None (31 December 2006: None).

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

d. Explanations on trading loss/income (Net):

	31 December 2007	31 December 2006
Income	**1.492**	**1.096**
Income from Capital Market Transactions	-	-
Derivative Financial Transactions	-	-
Other	-	-
Foreign Exchange Gains	1.492	1.096
Loss (-)	**(1.638)**	**(425)**
Loss from Capital Market Transactions	-	-
Derivative Financial Transactions	-	-
Other	-	-
Foreign Exchange Loss	(1.638)	(425)
Net Income / Loss	**(146)**	**671**

e. Explanations on other operating income:

There are no extraordinary items included in other operating income.

f. Provision expenses related to loans and other receivables of the Branch:

	31 December 2007	31 December 2006
Specific Provisions for Loans and Other Receivables	7	183
III. Group Loans and Receivables	-	-
IV. Group Loans and Receivables	7	183
V. Group Loans and Receivables		-
General Provision Expenses	-	209
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-sale Financial Assets	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held–to-maturity Investments	-	-
Other	-	-
Total	**7**	**392**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

g. Information related to other operating expenses:

	31 December 2007	31 December 2006
Personnel Expenses	2.369	2.145
Reserve for Employee Termination Benefits	-	69
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	312
Depreciation Expenses of Fixed Assets	249	193
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	-	-
Impairment Expenses of Equity Participations for Which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	968	1.031
Operational Leasing Expenses	-	-
Maintenance Expenses	51	27
Advertisement Expenses	15	-
Other Expenses	902	1.004
Loss on Sales of Assets	-	-
Other	947	1.221
Total	**4.533**	**4.971**

h. Explanations on profit and loss from continuing operations before tax:

Profit and loss before tax consists of net interest income amounting to YTL8.059 (31 December 2006: YTL5.929), net fee and commission income amounting to YTL5.570 (31 December 2006: YTL4.140) and total other operating expense amounting YTL4.533 (31 December 2006: YTL4.971).

i. Information on tax provision:

1. Explanations on calculated current tax income or expense and deferred tax income or expense:

   As of 31 December 2007, the Branch has a current tax expense of YTL 2.038 (31 December 2006: YTL1.415) and deferred tax expense of YTL18 (31 December 2006:YTL116).

2. Explanations on deferred tax income or expense arising from the temporary differences occurred or closed:

   The Branch calculated deferred tax income of YTL83 due to the occurrence of temporary differences, deferred tax expense of YTL65 due to the closing of temporary differences with a net deferred tax income of YTL18.

3. Explanations on reflection of temporary difference, financial loss, diminution of tax and exceptions on income statement:

   As of 31 December 2007, the Branch has YTL18 deferred tax income due to the occurrence of temporary differences (31 December 2006:YTL116).

j. Information on net income/loss for the period:

To understand the Branch's current year performance, the characteristics of income or expense items arising from common banking transactions, and the dimension and recurrence of these transactions are not required.

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND DISCLOSURES ON OFF BALANCE SHEET ACCOUNTS:

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

As of 31 December 2007, all commitments of the Branch are irrevocable. The Branch's commitments for cheques is YTL218 (31 December 2006: YTL204).

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

The Branch has no probable losses arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in "Off-balance sheet commitments".

(i) Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	31 December 2007	31 December 2006
Bank acceptance loans	-	-
Letters of credit	37.483	13.452
Other guarantees	28	28
Total	**37.511**	**13.480**

(ii) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	31 December 2007	31 December 2006
Bid bonds	5.457	508
Performance bonds	174	4.123
Advance letter of guarantees	-	-
Letter of guarantees given to customers	5	5
Other letters of guarantees	-	-
Total	**5.636**	**4.636**

3. (i) Total amount of non-cash loans:

	31 December 2007	31 December 2006
Non-cash Loans Given for the Purpose of Obtaining Cash Loans	-	-
With Original Maturity of 1 Year or Less Than 1 Year	-	-
With Original Maturity of More Than 1 Year	-	-
Other Non-cash Loans	43.147	18.116
Total	**43.147**	**18.116**

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ii) Information on sectoral risk concentrations of non-cash loans:

	31 December 2007				31 December 2006			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agricultural	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Farming and Raising livestock.	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	**2**	**1**	**1.616**	**5**	**48**	**17**	**1.222**	**7**
Mining			77	1	-	-		-
Production	2	1	1.539	4	48	17	1.222	7
Electric, Gas and Water	-	-	-	-	-	-	-	-
Construction	**4**	**2**	**85**	**1**	**8**	**3**	**-**	**-**
Services	**39**	**19**	**35.494**	**82**	**76**	**26**	**14.261**	**80**
Wholesale and Retail Trade	2	1	4.492	9	44	14	1.616	9
Hotel, Food and Beverage					-	-	-	-
Transportation and Telecommunication	5	2	26	1	5	2	28	-
Financial Institutions	30	15	30.976	72	25	9	12.617	71
Real Estate and Leasing Services	2	1	-	-	2	1	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	**164**	**78**	**5.743**	**12**	**155**	**54**	**2.346**	**13**
Total	**209**	**100**	**42.938**	**100**	**287**	**100**	**17.829**	**100**

(iii) Information on non-cash loans classified in Group I and Group II:

	Group I		Group II	
	YTL	FC	YTL	FC
Non- Cash Loans				
Letters of Guarantee	181	5.455	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	37.483	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	28	-	-	-
Total	**209**	**42.938**	**-**	**-**

(iv). Maturity distribution of non cash loans:

31 December 2007 (*)	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of Credit	-	37.483	-	-	37.483
Letter of Guarantee	-	5.636	-	-	5.636
Other	-	28	-	-	28
Total	**-**	**43.147**	**-**	**-**	**43.147**

31 December 2006(*)	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of Credit	-	13.452	-	-	13.452
Letter of Guarantee	-	4.608	28	-	4.636
Other	-	28	-	-	28
Total	**-**	**18.088**	**28**	**-**	**18.116**

(*) The distribution is based on the original maturities.

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

b. Information on derivative financial instruments :

The Branch has no derivative financial instruments as of 31 December 2007 and 31 December 2006.

c. Explanations on contingent liabilities and assets:

In the second quarter of 2006 some employees and previous employees of the Branch sued the Branch claiming their employee benefits related to previous periods. The Branch has prudently provided a provision amounting to YTL900 (31 December 2006: YTL500). This provision is classified in the balance sheet under "Other Provisions".

V. EXPLANATION AND DISCLOSURES ON CHANGES IN SHAREHOLDERS' EQUITY:

a. Explanation on inflation adjustment differences on shareholders' equity balances:

Inflation accounting applicable for the banking sector has been terminated as of 1 January 2005, based on the BRSA decision No. 1623 taken on 21 April 2005, in accordance with the decree published by the BRSA on 28 April 2005.

According to this decree, the "Inflation adjustment difference on paid-in capital" amounting to YTL10.398 accumulated until 31 December 2006 has been transferred to "Other Capital Reserves" account and has been used in capital increase in 2006 with the BRSA permission. Inflation adjustment differences related to other equity items are presented in the respective accounts.

b. Explanation on profit distributions:

Retained earnings of the Branch can be distributed through the permission of the BRSA.

c. Amounts transferred to legal reserves:

None (31 December 2006: None).

d. Information on capital increase:

According to the Board of Managers decision dated 18 September 2006 and in accordance with BRSA registry decision dated 6 September 2006, the Branch has increased its paid-in capital by YTL26.975, of which YTL12.025 is cash, YTL10.398 is inflation adjustment difference on paid-in capital and YTL4.552 is profit reserves.

e. Explanations on available-for-sale financial assets:

"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognised in current year profit or loss statement but recognised in the "Marketable securities value increase fund" account under shareholders' equity, until the financial assets are derecognised, sold, disposed of or impaired.

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. EXPLANATIONS AND DISCLOSURES ON STATEMENT OF CASH FLOWS:

a. Information on cash and cash equivalents:

1. Components of cash and cash equivalents and the accounting policy applied in their determination:

   Cash and effectives together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market placements and time deposits in banks with original maturities less than three months are defined as "Cash Equivalents".

2. Effect of a change on the accounting policies: None.

3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

   3(i). Information on cash and cash equivalents at the beginning of the year:

	31 December 2007	31 December 2006
Cash	**11.860**	**19.547**
Cash and Effectives	245	146
Demand Deposits in Banks	11.615	19.401
Cash Equivalents	**55.668**	**36.487**
Interbank Money Market Placements	-	-
Time Deposits in Banks	55.668	36.487
Total Cash and Cash Equivalents	**67.528**	**56.034**

The total amount from the operations the in prior period gives the total cash and cash equivalents amount at the beginning of the current period.

3(ii). Information on cash and cash equivalents at the end of year:

	31 December 2007	31 December 2006
Cash	**42.719**	**11.860**
Cash and Effectives	171	245
Demand Deposits in Banks	42.548	11.615
Cash Equivalents	**26.981**	**55.668**
Interbank Money Market Placements	-	-
Time Deposits in Banks	26.981	55.668
Total Cash and Cash Equivalents	**69.700**	**67.528**

b. Information on cash and cash equivalent assets of the Branch that are not available for free use due to legal restrictions or other reasons:

None (31 December 2006: None).

c. Explanations on the other cash flow items and effect of changes in foreign exchange rates on cash and cash equivalents:

The "Other" item under "Cash flows from banking operations" amounting to YTL3.780 (31 December 2006: YTL1.282) consists mainly of items such as fees and commissions, foreign exchange gains/losses and other operating expenses excluding personnel expenses.

The effect of changes in the foreign currency rates on the cash and cash equivalents is reflected on net foreign exchange gains/losses. The foreign exchange gains/losses amount mentioned above is included in the "Other" line under "Operating profit before changes in operating assets and liabilities".

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. EXPLANATIONS AND DISCLOSURES RELATED TO BRANCH'S RISK GROUP :

The volume of transactions relating to the Branch's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. 31 December 2007:

Branch's Risk Group (*) (**)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Branch		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	-	27.894	2.304
Balance at the End of the Period	-	-	-	-	34.706	9.335
Interest and Commission Income Received	-	-	-	-	3.034	225

(*) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.
(**) The information in table above includes banks as well as loans.

2. 31 December 2006:

Branch's Risk Group (*) (**)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Branch		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	-	21.063	79
Balance at the End of the Period	-	-	-	-	27.894	2.304
Interest and Commission Income Received	-	-	-	-	2.804	306

(*) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.
(**) The information in table above includes banks as well as loans.

3. Information on deposits of the Branch's risk group:

Branch's risk group (*)	Investments in Associates, Subsidiaries and Joint Ventures		Direct and Indirect Shareholders of the Branch		Other Real and Legal Persons That Have Been Included in the Risk Group	
Deposit	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Beginning of the Period	-	-	-	-	6.359	7.868
End of the Period	-	-	-	-	14.281	6.539
Interest Expense on Deposits	-	-	-	-	172	11

(*) Defined in the Subsection 2, article 49 of the Banking Law No. 5411.

4. Information on borrowings from the Branch's risk group:

Branch's risk group (*)	Associates and subsidiaries		Direct and indirect shareholders of the Branch		Other items that have been included in the risk group	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Borrowings						
Beginning of the Period	-	-	-	-	53.571	10.734
End of the Period	-	-	-	-	3.441	53.751
Interest Expense	-	-	-	-	950	4.233

(*) Defined in the Subsection 2, article 49 of the Banking Law No. 5411

(Amounts expressed in thousand of New Turkish lira ("YTL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Information on forward and option agreements and other similar derivative transactions with the Branch's risk group:

   The Branch has no forward and option agreements and other similar derivative transactions as of 31 December 2007 and 31 December 2006.

6. Information on benefits provided to key management:

   As of 31 December 2007, benefits provided to the Branch's key management amount to YTL380 (31 December 2006: YTL294).

VIII. EXPLANATIONS RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BRANCH:

	Number	Number of Employees			
Domestic Branch	3	49			
	-	-	Country of Incorporation		
Foreign Rep. Offices	-	-	-		
	-	-	-		
	-	-	-		
	-	-	-	Total Assets	Statutory Share Capital
Foreign Branch	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

IX. EXPLANATIONS AND DISCLOSURES RELATED TO SUBSEQUENT EVENTS:

None.

SECTION SIX
OTHER EXPLANATIONS AND DISCLOSURES

I. OTHER EXPLANATIONS RELATED TO OPERATIONS OF THE BRANCH:

None.

SECTION SEVEN
EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

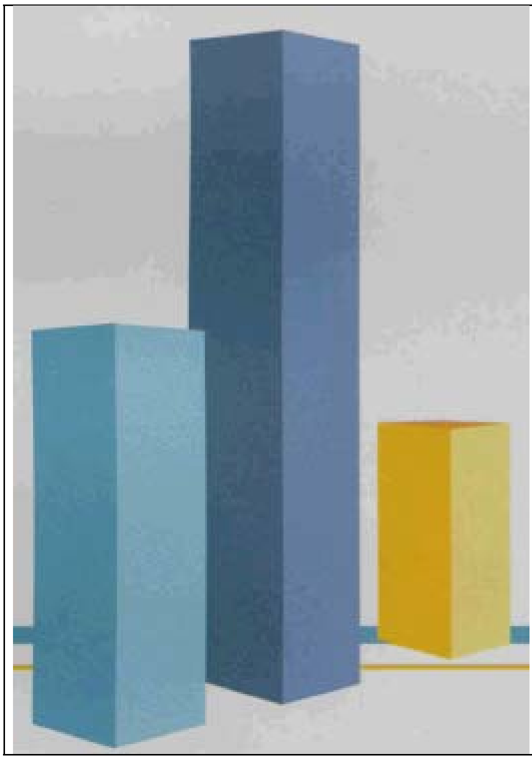
I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT:

The unconsolidated financial statements as of 31 December 2007 have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and the independent auditor's report dated 21 April 2008 has been presented prior to the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR:

None.

……………………………



Bank Mellat Annual Report

2006/07

In The Name Of God

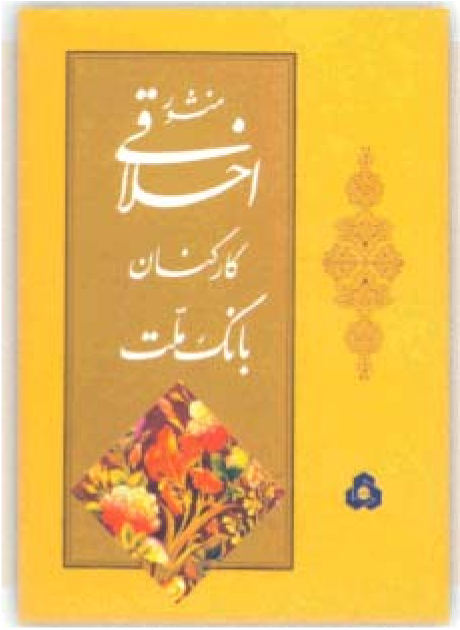
Contents

Part 1

Part 2

Part 1: Bank' s Profile

The Ethical Charter



Bank Mellat is honored to have devised its ethical charter in 1385(2006/07) and the managers and the staff took the oath in a common session. this charter includes outstanding humane ethical traits which should be observed by the staff in the process of rendering services to the public. in the oath-taking ceremony all the participants unanimously swore to each and every article of the charter and pledged to remember its principles and always assey their behavior and performance with its touchstone. Having believed in their responsibility in the great family of the bank, they prayed to The Almighty to help them in better serving people and put all their strength in the daily increasing honor, image and achievements of this intimate organization, which is the result of years of honest work and effort. The ethical charter of the staff begins as follows:

I, as one of the members of staff of Bank Mellat, above all things thank The Almighty for blessing me with the honor of serving the honorable people of Iran, a way which ends in his satisfaction.

I pray The Almighty to help me in getting endowed with the desirable personal and professional attributes in order to realize the targets of the bank; so that I can commit myself to observing the principles of this statement which is extracted from the pivotal values of the bank and represents the ethical charter of the staff.

Undoubtedly, the Bank owes its high profile, credibility, and image to the unrelenting and orchestrated efforts of a set of staff of whom some has retired, others are working and the rest are those who will enhance and inherit this credibility. So, at this juncture, and knowing the value of this invaluable asset, I will try to safeguard the valuable efforts of the predecessors and be a pride for the successors.

Letter of Commendation

Islamic republic of Iran Ministry of Commerce

in His Exalted Name
Letter of Commendation

Dear Dr. Divandari,
Chairman & **Managing Director** of **Bank Mellat**

After brilliant achievements in the great jihad of self sufficiency in wheat, which is one of the blessings of the sacred system of the Islamic republic of Iran and the result of several years of hard work and effort of the statesmen and farmers, a serious step shall have been taken in developing commercial services supporting this great achievement in order to ensure continuance of this huge movement.

This was realized under the auspices of The Almighty in the year of the Great Prophet (PBUH) with a huge development in the wheat purchasing process, of which the blessed result was receiving of their labor by the hard working farmers in less than 24 hours.

I hereby would like to express my gratitude towards your bank for the efforts and cooperation in streamlining the purchase process of the domestic wheat, which has led to bring about satisfaction of the hard working wheat growers, and realize the sacred targets o of the government of the Islamic republic of Iran, adding yet another golden chapter to the honors of the government and wish you great reward from The Almighty for this invaluable achievement.

Seyed Masoud Mir Kazemi
Minister of Commerce
(imza)

Bank's History

According to the provisions of article one of the Articles of Association of the Bank, ratified in the General Assembly of Banks, Bank Mellat was established by virtue of the resolution dated 20.12.1979 of the Assembly, and with due respect to article 17 of the legal bill on the administrating the banks, as merger of ten private banks; that is, Tehran, Dariush, Pars, Etebarat Taavoni & Tozie , Iran & Arab, Bein-al-melalie-Iran, Omran, Bimeh-Iran, Tejarat Khareji Iran and Farhangian.

The purpose of the Bank is to provide banking services and facilitate domestic and foreign trade affairs and enter manufacturing sectors in order to serve the economy of the country.

The Bank has been established for an unlimited period of time with its head office in Tehran.

The operations of the bank at the inception, among others, included: opening and maintaining current and saving accounts, accepting deposits, granting loans and advances, foreign exchange; acting as custodian, guardian, agent and entering all kind of commercial and banking activities that are allowed by the rules and regulations.

Message from the Chairman & Managing Director

The great and valuable developments in 1385(2006/07) in various areas such as policy making, rules and regulations, and economic performance of the government of the Islamic Republic of Iran can be seen as an outset for a huge advance toward achieving targets of the 20-year vision plan and Iran vision in 1404 (2025/26).

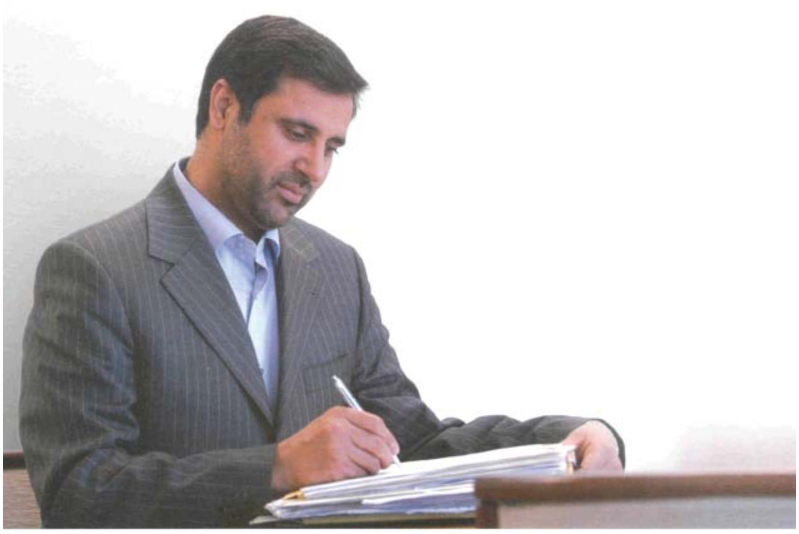
However, ranking the first in terms of economy, science, and technology in the region and subsequently enhancing welfare and social well-being; involves extensive participation of public and private sectors, deregulation, decentralization, increasing productivity, etc.

in this context, Bank Mellat, as a leading Iranian bank, on the one hand, contributed in the large-scale national projects; having posted a new chapter in the performance of the banking system of the country by its authoritative presence and precise implementation of the projects; and on the other hand, thanks to the unrelenting and dedicated efforts of its hard working staff, retained the high position of the Bank in the various operational indicators and transparency of information among the commercial banks of the country.

This annual report features some of the operational aspects of the Bank in 1385(2006/07)in mobilization and allocation of Resources, research and training development, human resources, international banking, customer care, modern services, and electronic banking, which represents our intention to render distinctive services based on state of the art technology.

Finally, while thanking The Almighty for His blessings, I would like to express my gratitude towards all the committed staff and valuable clients who paved the way for the Bank's achievements in the year named after the Grand Prophet (PBUH) by their continued trust and faithfulness.

Dr. Ali Divandari
chairman & Managing Director
(imza)



Board Members

Left To Right :
Esmaeel Saberi - Mohammad Ali Nasrollahi - Dr.Ali Divandari - Abdolkarim Ghavami Far
Mohammad Hassan Mogharei - Mohsen Fadavi

Organization Chart

- Dr. Ali Divandiri
  Chairman & Managing Director
  - Research and planning center
  - Security Division
  - Recruit-screening Division
  - Organization & Procedures
    Improvement Division
  - Computer Services Division
  - New Services Division
  - Abdolkarim Ghavamifar
    Board Membert
    - Reserch and planning center
    - Security Division
    - Recruit-screening Division
  - Mohammad Ali Nasrollahi
    Board Membert
    - Organization & Procedures
    - Computer Services Division
    - New Services Division
    - Credit Division
  - M. Hassan Mogharei
    Board Membert
    - Inspection & Monitoring Division
    - Assemblies Affairs Division
    - Secretariat Office & Public Relations
  - Esmaeil Saberi
    Board Membert
    - Division
    - International Division
    - Foreign Operations Division
  - Mohsen Fedavi
    Board Membert
    - Training Division
    - Logistics Division
    - Building Engineering Division

Financial Highlights

Amounts in bilion Rls

Description	2006/07	2005/06
Capital	13100	13100
Asset	294429	231325
Resources	200900	149352
Allocations	170077	128736
Income	12889	10204
Expenses	11755	9194
Net profit	1134	1010

Major Achievements of the Bank

- Bank Mellat has ranked the second in1385 (2006/07)among the domestic commercial banks in absorbing total resources;
- Bank Mellat has ranked the second in1385(2006/07) among the domestic commercial banks for absorbing the largest amount of the four core deposits;
- Bank Mellat has ranked the first for the fifth year in a row in1385(2006/07) mong the domestic commercial banks for absorbing the largest amount of the four core deposits, in terms of resources per capita;
- Bank Mellat has ranked the first for the fourth year in a row among the domestic commercial banks in1385 (2006/07) by absorbing the highest resources in terms of branch per capita;
- Gross profit of the Bank's foreign branches and subsidiaries has increased by 28% in1385 (2006/07)over the previous year;
- Making the arrangements for the e-purse plan of Bank Mellat on the smart gas cards;
- Exploiting internet shopping system as the first state-owned-bank for the SHETAB based card holders;
- Introducing a new, advanced card, named core -based Mellat Card(access card), capable of providing services via internet, internet shopping system, POS terminals, and SHETAB based ATMs;
- Collaboration with the government of the Islamic republic of Iran, in the national projects, like wheat cash purchase, Mehr-e-Imam Reza(PBUH) fund facilities, beet root cash purchase, collecting and changing broken-down cars.

Vision& Mission

Developing to a leading Iranian bank in order to:

- Provide favorable services in the money market
- Create unique values for the customers
- Provide the society with effective services
- Streamline economic activities in the commercial, industrial, and agricultural sectors

Strategies	Targets
Developing Information and Communication Technology	Enhancing quality and accelerating the speed of rendering banking services Availability of on-line banking services for the customers Moving toward electronic banking Responding to the new requirements of the customers Introducing new services & products Developing special lines & Information Technology infra structures
Customer Relations Management	Recognizing and attracting key customers Streamlining customer s' access to banking services and consequently increasing their satisfaction Respecting the clients & customer care
Improving Services Quality	Standardization of provision of banking services Decentralizing and vesting authority to Accelerate the speed of rendering services Evaluation of the operations and strategic controlling the key operations of the Bank
Developing Human Resources	Improving recruiting & retaining methods of human resources to increase customer satisfaction Improving educational composition of human resources Training, improving and strengthening human resources Increasing staff contribution in decision making by implementing suggestions & participation systems Institutionalizing & expanding scientific vision in the Bank by Developing & deepering research activities
Developing Operational Indicators	Retaining and enhancing the Bank's profile Optimal management of customers' deposits Optimizing allocations portfolio and adjusting non performing loans Increasing profitability and possibility of paying definite profit to deposits Improving provision of services in foreign currencies and letters of guarantee Optimizing the branches network

National Projects

A- Cash purchase of wheat from farmers

Based on the reiterations of the President and the ninth government, cash purchasing of wheat from farmers was performed with collaboration of Bank Mellat and Government Trading Corporation of Iran

In1385 (2006/07), providing that purchasing of wheat to be in cash and via selected branches of the bank.

By implementing this project, the branchlets in the wheat delivery centers remit the proceeds to the farmers' accounts on an on line basis.

Achievements of the project

1-centralization of the funds earmarked for purchasing of wheat in a single on line electronic account in order to better managing the account and getting informed of the balance on an on line basis;
2-Possibility of more effective management and control by the authorities on the funds paid to the farmers;
3-Instant payment of the proceeds to the farmers in cash;
4-Creating internet site for providing statistical figures on the purchased wheat across the country by each purchase center.

Latest situation of purchasing wheat by the end of 1385(2006/07)

Total wheat purchased (ton	Nr of farmers	Amount in million Ris	Active purchase center
11,214,419	1,476,345	23,475,874	1,689

B- Cash purchase of high-yield rice from rice growers

With the exceptional overture of the farmers toward the unique service of Bank Mellat in cash purchasing of wheat and satisfaction of the esteemed Cabinet and the Parliament from the way it was implemented, cash purchase of high-yield rice from rice growers will be in the pipeline from August 2007 with collaboration of Government Trading Corporation of Iran. Upon getting approval of the Grain & Commercial Services Co as well as huskremoving shops, the selected branches would pay the proceeds to rice growers in shortest possible time.

By implementing this project, the branclets in the rice delivery centers remit the proceeds to the farmers' accounts on an on line basis upon delivering rice to the warehouse.

Targets of the project

1-Possibility of more effective management by the authorities on the funds paid to the farmers;
2-Supporting high-yield rice growers;

Scope of the project

Five provinces: Mazandaran, Golestan, Fars, Khuzestan, and Kohkiluyeh-va-Boyerahmad

C- Cash purchase of beet root

As the farmer's welcomed the cash purchasing of wheat, the project of granting facilities to sugar producing factories, enabling them to purchase beet root from farmers, was put into the agenda with collaboration of Government Trading Corporation of Iran.

The whole process is that Bank Mellat grants facilities to sugar producing factories from its internal resources, so that they pay the proceeds of the delivered beet roots to farmers in cash.

Targets of the project

1-Supporting the beet root growers;
2-Accelerating the process of paying the proceeds of beet roots purchased

from the farmers
3-Supporting sugar producing factories;

Latest situation of purchasing beet root by the end of 1385(2006/07)

Active purchase centers	Nr of farmers	Amount in million Ris	Total beet root purchase (ton)
29	55,501	1,143,967	5,327,377

D- Cooperation with Mehr-e-Imem Reza (PBUH) Fund

In execution of the provisions of the resolution of the high administrative council of the countryin 1385, and in line with enhancing mutual cooperation and expanding interactions, a memorandum of understanding was concluded between banking system and Mehr-e-Imem Reza (PBUH) Fund. According to this memorandum of understanding the banks would undertake banking operations of the Fund. Having a lot of customers, Mehr-e-Imem Reza (PBUH) Fund requires extensive banking operations; and enjoying electronic banking services would increase productivity and decrease costs.

Adopted Measures

Introducing several branches to cooperate with Mehr-e-Imem Reza (PBUH) Fund through web site of the bank;
1-opening Mellat Electronic Current Account number 8888 for donations of individuals and private or public institutions
to the fund;
2-opening electronic non-interest bearing saving account special for Mehr-e-Imem Reza (PBUH) and issuing access card for volunteers of contribution in the project;
3-granting non-interest bearing marriage facilities for the couples introduced by Mehr-e-Imem Reza (PBUH) Fund.

Facilities granted from Mehr-e-Imem Reza (PBUH) Fund by the end of 1385(2006/07)

Description	Nr of facility takers	Amount paid in million Ris
non-interest bearing facilities granted from 15.06.2006 till 18.03.2007 (resources pledged with the Bank)	157,908	710,946

E- Contribution in collecting and changing broken down cars

In execution of the provisions of the government's resolution, collecting and changing broken down cars plan was implemented with cooperation of ministry of interior, large car makers; namely, Iran Khodro, Saipa, and Bahman; and with the agency snip of Bank Mellat since September 2006.

In order to expedite the process of granting facilities and accelerate implementation of the project, Bank Mellat has vested authority in some of its branches. thus; the credit committee of the selected branches would assess the case and approve the facility, if deemed eligible, and enter into agreement with the applicant of facility, that has been introduced by the dealership of the car maker company. The bankers check is drawn in favor of the car maker company.

Bank Mellat is pledged to contribute in withdrawal of 125000 broken down cars by granting facilities to the applicants out of its own resources.

Adopted Measures

1-selecting some of the branches based on proximity to the dealerships of respective car making factories;
2-introducing the selected branches through Bank's web site;
3-distributing brochures about work steps of the plan in the selected dealerships of respective car making factories; preparing the directive on granting facilities to the applicants;

Facilities granted for withdrawal of broken down cars by the end of 1385(2006/07)

Description	Nr of facility takers
Facilities granted for withdrawal of broken down cars	84,656

F- Electronic sale of bakery flour

In order to mechanize the sale process of bakery flour, removing post from work steps, possibility of more effective management of the funds and expediting rendering services, Bank Mellat put the scheme of selling bakery flour in the agenda with collaboration of Government Trading Corporation of Iran in 2006.

According to this scheme, the bakers would refer to the branches and submitting the code allocated to them by the Bank, would systematically be aware of its flour quota and respective expenses. Then they pay for the flour and the data are electronically transmitted to the units of the Government Trading Corporation, grains company, and commercial services of provinces.

Eventually the flour quatas are delivered at the bakeries.

Achievements of the scheme

1-Unification of distribution of bakery flour quotas across the country;
1-Removing post from the process and electronic transmission of data;
2-Possibility of more effective management of the funds by Government Trading Corporation, grains company, and commercial services of provinces via special on-line services of Mellat Electronic Current Account;
3-Expediting the process of determining and selling the flour quota to the bakeries and on-line remitting of the proceeds thereto across the country (via the branches equipped with the Mellat Electronic Current Account system).

G-Establishing entrepreneurship center of the elites in Sanati-e-Sharif university

In line with realizing the targets of the 20-year vision and 5-year development plan, establishing entrepreneurship center of the elites was implemented with collaboration of Bank Mellat and Sanati-e-Sharif university.

In order to support the elite and developing the scientific and research process in the country, Bank Mellat grants facilities to the natural and legal entity innovators; including growth centers, incubators, as well as scientific elites across provinces that enter entrepreneurial activities, with the introduction letter of the entrepreneurship center of the university.

Achievements of the scheme

1-Preventing emigration of the elites;
2-Assisting scientific elites in entering economic and commercial activities;
3-Assisting the companies established by support of the university;
4-Assisting development of technology and boosting the relations between industry and university.

Mobilization of Resources

Mobilization of Resources

Mobilization of Resource

Controlling liquidity growth and its subsequent inflationary impacts has always been accounted as the most significant functions and apprehensions of the banking system of the countries all over the world. Since adopting appropriate monetary policies with regard to economic situation, coupled with accurate performance of the banking sector, can facilitate achieving policies of the monetary sector and realize financial policies of the economy.

Along with liquidity growth, on the one hand, presence of the monetary sector in the economy has become more effective and sensitive; and on the other hand, with attraction of the resources in the banking system many of the infrastructure projects of the country would be financed based on the present capacities. This highly represents attending the risks associated with collecting different kind of resources and also significance of recovery of overdue loans for the bank.

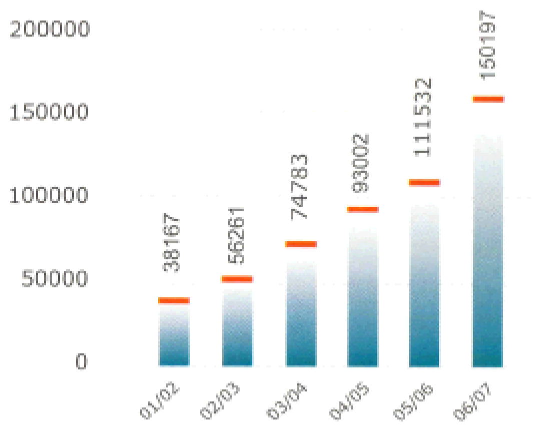
Monetary sector of Iranian economy experienced a growth of 39.4 percent in terms of liquidity over the previous year in 1385(2006/07).

Given above, this size of the liquidity can provide a suitable platform for presences in the manufacturing areas and development of the banking system. This is a desirable opportunity of which the Bank availed itself in order to contribute in many national projects in various economic segments.

Types of Deposits
Non -Interest Bearing Current Deposit

The balance of the current deposits amounted to IRR 48,544 bn by the end of 1385(2006/07), enjoying a growth of 33.2 % in comparison tol384 (2005/06). This kind of deposits formed 24.16 % of

Comparative chart of the resources during 2001/02-2006/07 (amounts in IRR bn)



Non -Interest Bearing Saving Deposit

The balance of this deposit amounted to IRR 14,083 bn by the end of 1385(2006/07), showing a growth of 61.26 % and accounting for 7.02 % of total resources of the Bank.

Short - term Investment Deposit

Enjoying a balance of IRR 44,065 bn at the end of 1385(2006/07), this deposit experienced a growth of 65.89 % over the previous year. This deposit forms 21.93 % of the Bank's resources.

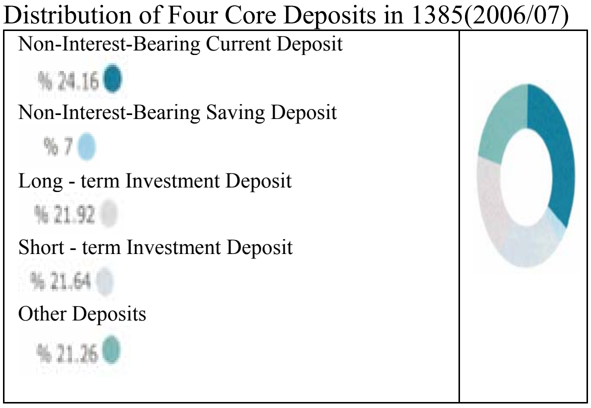
Long - term Investment Deposit

The balance of this deposit reached IRR 43,505 bn by the end of 1385(2006/07), experiencing a growth of 9.35 % compared with 1384(2005/06). This kind of deposit has allocated 21.64 % of the total resources of the Bank to itself.

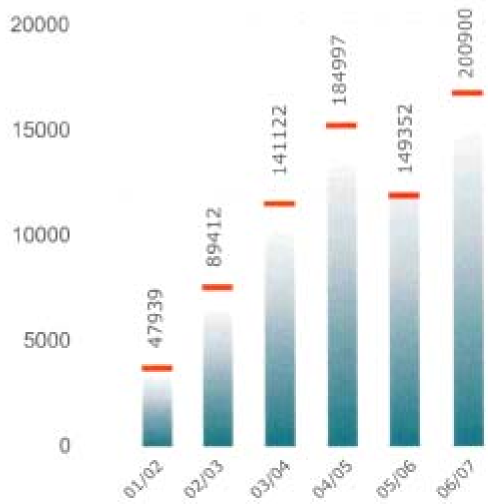
Other Deposits

Showing a balance of IRR 50,703 bn at the end of 1385(2006/07), other deposits form 25.25 % of the bank's total resources.

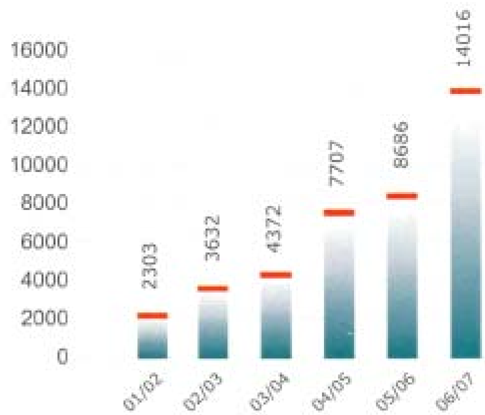
Distribution of Four Core Deposits in 1385(2006/07)



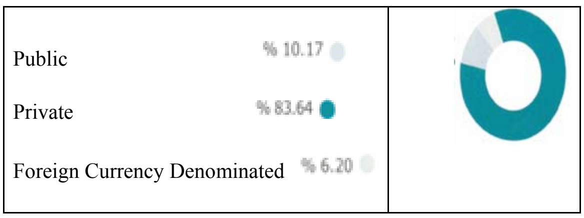
Comparative chart of the resources
during 2001/02-2006/07 (amounts in IRR bn)



Non -Interest Bearing Saving Deposit
during 2001/02-2006/07 (Amounts in IRR bn)



Distribution of Four Core
Deposits in 1385(2006/07)



Allocation of Resources

Allocation

Contribution in Large-scale National Projects

Allocation of Resources

Taking a bunch of national and global factors into consideration in devising credit policies of the banking system has streamlined realization of monetary and financial targets.

Due to enjoying the platform required to implement risk and liquidity management policies, allocation of Resources plays a significant role in performance and competitive position of the banks.

Distribution of Allocations by Economic Sector

Private and Cooperative Sector

Having absorbed the largest portion of the credit facilities of the Bank, the balance of the credits granted to this sector amounted to IRR 151,886 bn at the end of 1385 (2006/07), showing a growth of 31.95 % over the previous year. This sector accounts for 89.30 % of total balance of the granted facilities.

Public Sector

The balance of the facilities granted to the public sector (state-owned companies and institutions) at the end of 1385 (2006/07) amounted to IRR 16,902 bn. This sector allocated 9.95 % of the total facilities granted by the Bank, which represents a growth of 37.33 % over the previous year.

Banks

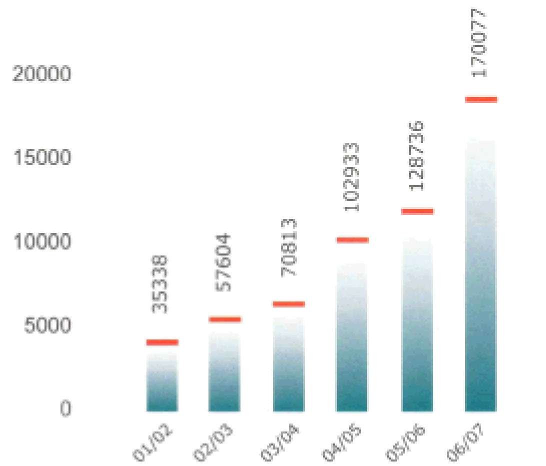
Considering the credit policies of the Central Bank of the Islamic Republic of Iran, a certain portion of the Bank's resources has been earmarked as loans and advances to the specialized banks in order to meet some of their financial requirements.
The balance of loans and advances granted to specialized banks by the end of 1385 (2006/07) amounted to IRR 1,289 bn, that is a 0.75 % share of total granted facilities.

Distribution of Allocations by Economic Segment

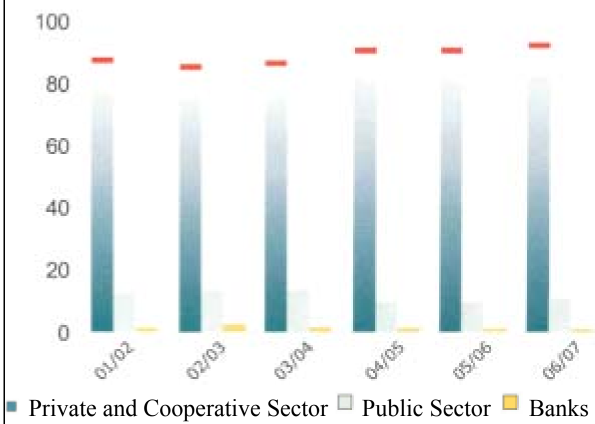
Industry & Mining

Given the particular significance of industry and mining in the economy of the state, total facilities granted to this segment amounted to IRR 79,413 bn by the end of 1385 (2006/07) showing a growth of 25.46 % over the previous year.

Distribution of the credits granted
during 2001/02-2006/07 Amounts in IRR bn



Distribution of Allocations by Economic Sector
during 2001/02-2006/07



This segment accounted for 46.7 % of total granted facilities.

Trade, Services & Export

Facilities granted to trade, services and export purposes amounted to IRR 53,474 bn by the end of 1385 {2006/07) showing a growth of 39.18 % over the previous year. This segment accounted for 31.44 % of the total granted facilities.

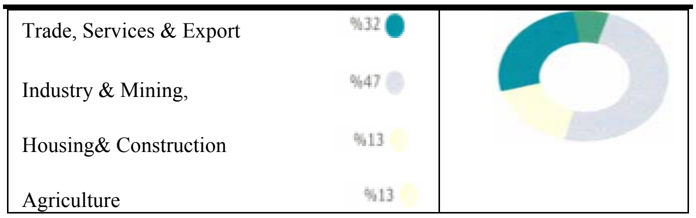
Housing & Construction

In a bid to secure houses for the compatriots and development of the country, Bank Mellat managed to allocate IRR 22,841 bn to this segment which reflects more than 28.72 % growth over the previous year. This segment accounted for 13.43 % of the total facilities granted by the Bank.

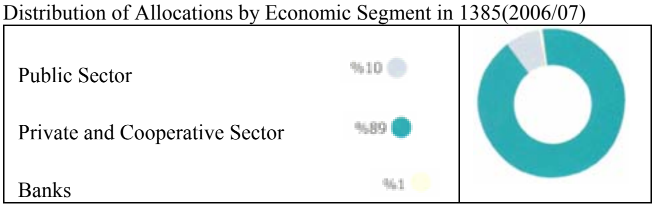
Agriculture

Having accounted for 8.43 % of the total facilities granted by the Bank, balance of the facilities granted to agriculture by the end of 1385 (2006/07) amounted to IRR 14,349 bn, showing a growth of 54.63 % over the previous year.

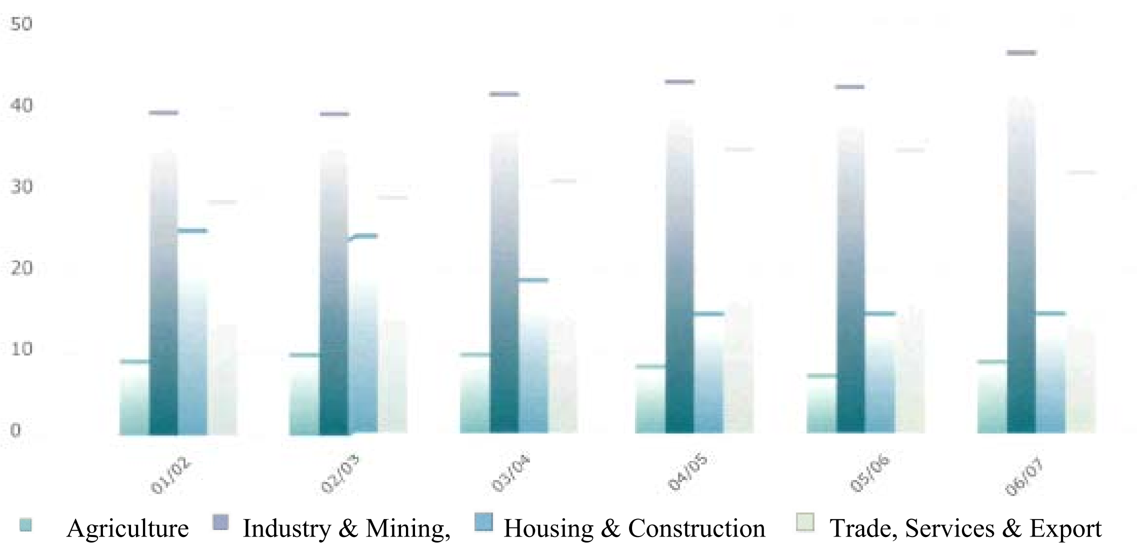
Distribution of Allocations by Economic Sector in 1385(2006/07)



Distribution of Allocations by Economic Segment in 1385(2006/07)



Distribution of Allocations by Economic Segment during 2001/02-2006/07



Contribution in the Large-scale National Projects

Bank mallat has contributed in successfol implementation of developmental projects and furthering industrial and manufacturing projects of the country.

Sufian Cement Company

Located in KM 23 of Tabriz-Marand road, the plant would produce grey cement with a production capacity of 7000 tons per day. The total capital invested in the project amounts to IRR 1,424 bn.
The Bank has contributed for IRR 300 bn out of its internal resource and Euro 20 million has been financed via oil stabilization fund, The commissioning date is projected for March 2009.

IMIDRO Organization, Hormozgan Steel Plant

The plant is under construction in the Hormozgan industries and metals special economic zone. Its production capacity will be 1.5 million tons per year. Total capital invested in the project amounts to IRR 7,666 bn equaling USDM 824.3 , which has been earmarked out of note 2 of budget law of 1385(2006/07) and Bank Mellat is the lead arranger of a USDM 180 tranche. The commissioning date of the project is scheduled for 2009.

Zabol Cement Company

Located in Zabol, the plant would produce grey cement with a production capacity of 3300 tons per day. The total capital invested in the project amounts to IRR 1,225 bn. The Bank has contributed for IRR 510 bn out of its internal resource and Euro 30.3 million has been financed via oil stabilization fund. The commissioning date is projected for March 2009.

Bualisina Petrochemical Company

The plant is under construction in the Mahshahr special economic zone. It produces parazylene, artuzylene, benzene, liquefied gas etc. with a total capacity of 860 thousand tons per year.
Total capital invested in the project amounts to IRR 3,646 bn of which the Bank's share is USD 218 mn out of external finance and IRR 300 bn financed out of the Bank's internal resources. The first phase of the project was launched in 2004.

Peyvand Golestan Cement Company

Located in Gorgan, the plant would produce grey cement with a production capacity of 3300 tons per day. The total capital invested in the project amounts to IRR 1,249 bn. The Bank has contributed for IRR 450 bn out of its internal resource and Euro 24.3 million has been financed via oil stabilization fund. The commissioning date is projected for 2009.

Marun Petrochemical Company

The plant is under construction in the Mahshahr special economic zone. it produces HDPE, ethylene, propylene, etc. with a total capacity of 1,144 thousand tons per year. Total capital invested in the project amounts to IRR 1,500 bn of which the Bank's share is IRR 500 bn out of the Bank's internal resources. The project was launched in March 2007.

Training

Training

Human Resources

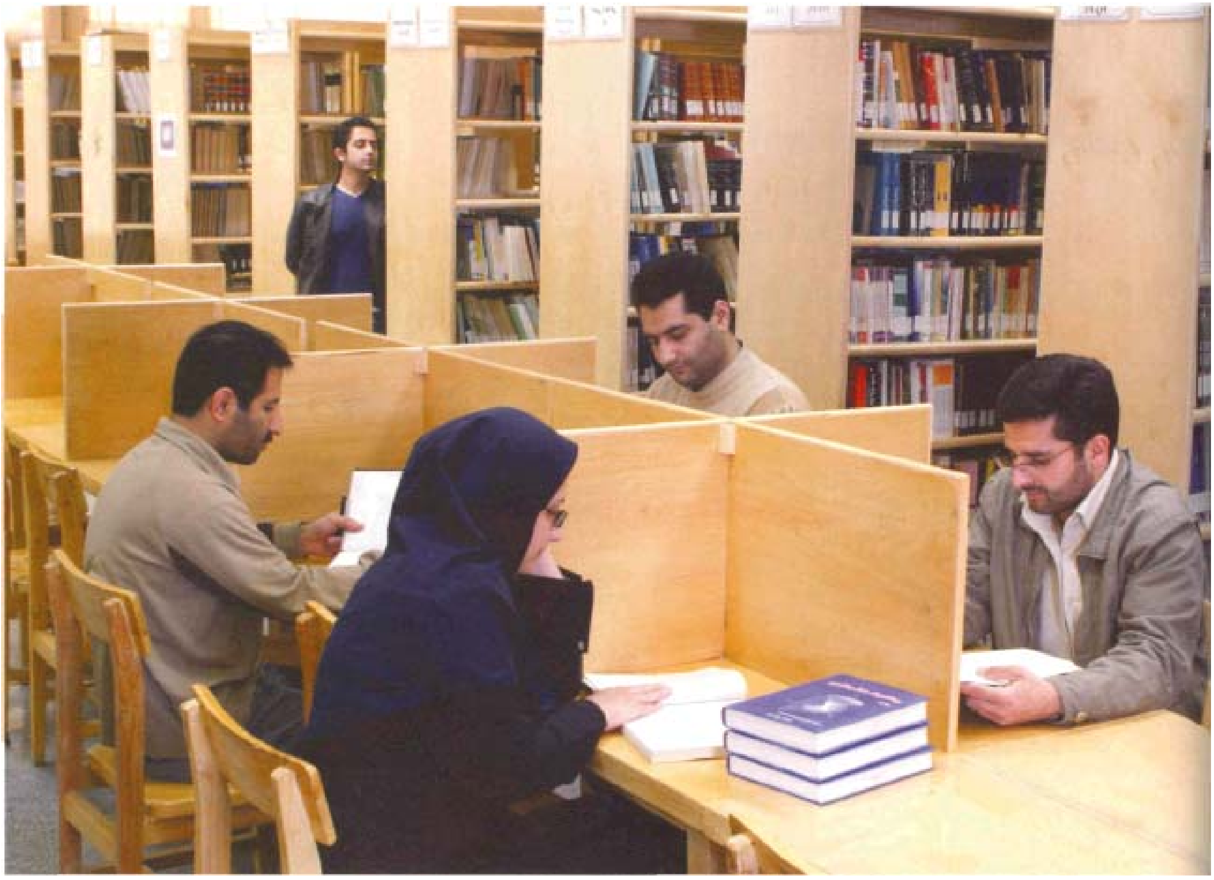
Development Of Scientific & Resaech Activities

Training

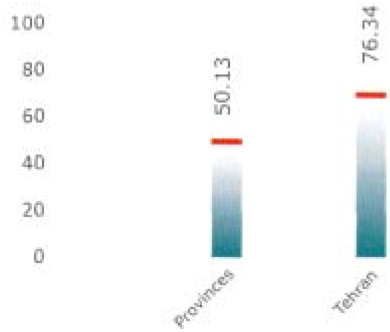
Training is one of the most essential duties of any organization in human resources management, which is truly called the additive of the recruit system. In fact, proper training of the staff of any organization can empower human resources and guarantee future achievements by enhancing their insight and skills.

Comparative table of the growth in
Per capita education İnl384 (2005/06) and 1385 (2006/07) in
Tehran and other provinces,

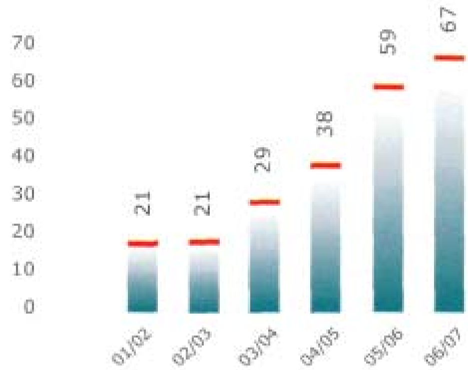
Area under review	1385(2006/07)	1385(2005/06)	Growth (%)
Tehran	93.43	76.34	22.38
Provinces	54.46	50.13	8.63
total	67.41	59.28	13.71



growth of the Per capita education in Tehran and other provinces in 1385(2006/07)



Comparative chart of the Per capita education during 2001/02-2006/07



Comparative table of the Per capita education during 2001/02-2006/07

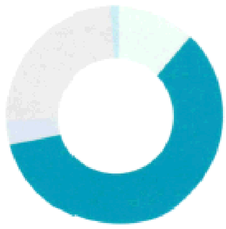
Year	Man/ hour training	# Personnel	Per capita education
2001/02	484.552	23.514	21
2002/03	501.132	24.266	21
2003/04	718.259	25.053	29
2004/05	952.926	25.056	38
2005/06	1.502.382	25.475	59
20006/07	1.664.941	25.019	67

Per capita education in the Bank has increased from 59 hours in 1384 (2005/06) to 67 hours in 1385 (2006/07).

Human Resource

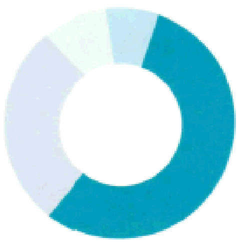
Personnel Distribution by education at the end of1385 (2006/07)

Below Diploma
%11.28
Diploma
%58.91
Associate
%6.24
Graduate
%22.59
Post Graduate
%0.98



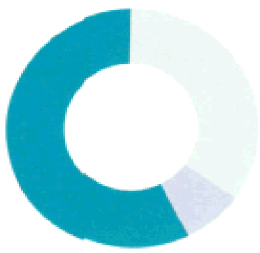
Personnel distribution by age at the end of1385 (2006/07)

Under 25 year
%5.83
26-35
%48.21
36-45
%39.01
Over 45 year
%6.95



Personnel distribution by years of service at the end of1385 (2006/07)

Managerial
9948
Expert
9948
Executive
14002

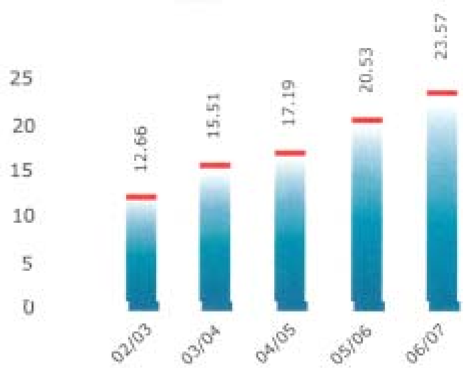


Personnel distribution by years of service at the end of1385 (2006/07)

Under 5 Year
%26.68
5-10
%22.93
10-15
%21.67
15-20
%24.69
20-25
%1.74
25-30
%2.11
over 30 Year
%0.18

Nowadays, human resources are regarded as the most significant factors in furtherance of the corporate targets. No organization can be successful without having efficient and planner staff. Thus, human resources are the most valuable asset or the impetus of any organization. On the other hand, human resources play such a vital role in the banking industry that it is impossible to retain the competitive edge of the bank without enhancing productivity, motivation, and participatory morale of the staff. Having a good understanding of this, has tried to reach a desirable level in terms of human resources by adopting various strategies and enjoy contribution and cooperation of its 25,019 employees.

Comparative chart of personnel holding graduate and above degree during 2002/03-2006/07



Developing Scientific & Research Activities

Securing competitive advantages and key competencies, recognizing and scrutinizing the unseen issues of the organizations and developing research activities, is one of the instruments of creating outstanding opportunities.

These kinds of activities can guarantee the appropriate platform for decision making based on foresight and futurism in any organization.

In this context, research and planning center of the Bank, has tried to create the corporate dynamism required to achieve the targets set forth in the vision of the Bank, through developing and attracting collaboration of other active units inside and outside the Bank.

To this end, about 38 research projects were defined in this centre in 1385(2006/07). Complaint system and the new system of evaluating the staff are among the projects that have been operative.

group	**Projects in 1385(2006/07)**
Human resources	Instructing and implementing staff evaluation system; Introducing a suitable sample of measuring staff satisfaction in the Bank; Assessing the present position of the experts in the Bank, emphasizing on credit experts; Training needs project of the experts; Designing the pattern of capabilities of senior managers;
Optimal allocation of resources	Reducing facility granting process period and allocation of resources using six sigma approach; implementing trouble finding system of procedures; Organizing and implementing risk management; Designing assets portfolio management system;
Computer and İT	Establishing smart complaints system in the Bank; Bank's branches İD based on geographic information system; Data warehouse; Designing and implementing financial data mart, outstanding credit loans, and ATM; Automating insertion of the credit data;
Financial reviews	Assessing and improving financial accounting system in financial division using reengineering approach; Assessing and improving present procedures in construction and logistics division using reengineering approach; Comparative analysis of the accounting policies of the banks with the international accounting standards; Asset & liability management; Reducing expenses using financial clinic approach;

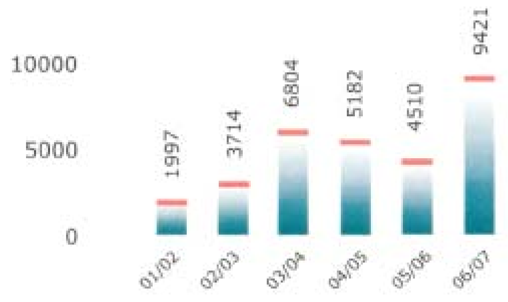
Planning	Activating strategic management office to implement strategic plans
Developing participatory management	Implementing suggestions system
Economic assessments	Analytic assessment of the loans interest rate; Devising economic vision of the Bank in 1385(2006/07); Portfolio management systems; Predicting financial figures of the Bank using econometrics;
Productivity	Calculating cost/income efficiency of the branches; Developing and productivity of the branches in both domestic and foreign currency(the new phase of the project: constant assessing of productivity of the branches, using DEA system); Recognizing and evaluating performance measurement indicators in line with operational plan of branches and introducing a suitable system for evaluating it;
Marketing	Radio and television broadcasting; Non-interest bearing accounts festival; Pathology of Mellat debit card; Pathology of the weaknesses and strengths of ATMs & POSs; Students culture card project; Optimizing the Bank's web site project; Advertising for Students culture card project, modern services, Bank's web site, and household economy plan; Evaluating effectiveness of the advertisements of the Bank;

International Banking

- International Banking
- Letters of Guarantee
- Financing Projects
- International Network
- Addresses of Foreign branches and subsidiaries
- Foreign Exchange

International Banking

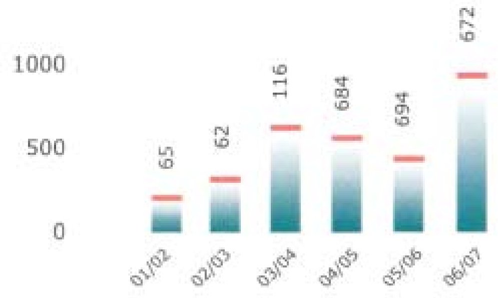
Comparative chart of the U/Cs issued during 2001/02-2006/07 Amounts in USD million



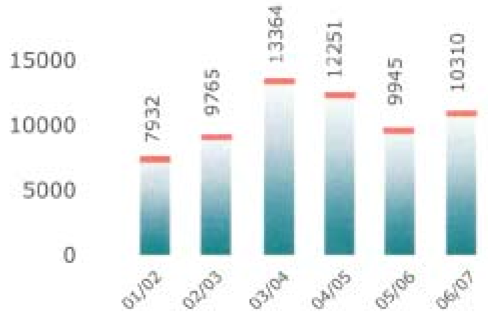
In line with the foreign currency policies of the country and in order to meet its targets, letters of credit issued by Bank Mellat İnl385 (2006/07) exceeded USD 9.4 billion.

The income obtained thereof (including commissions and charges received out of issuance and handling, etc.) amounted to IRR672 billion.

Comparative chart of commissions received during 2001/02-2006/07 Amounts in IRR billion

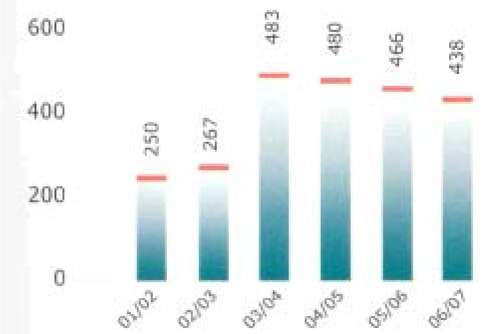


Comparative chart of the number of the L/Cs issued during 2001/02-2006/07



Letters of Guarantee

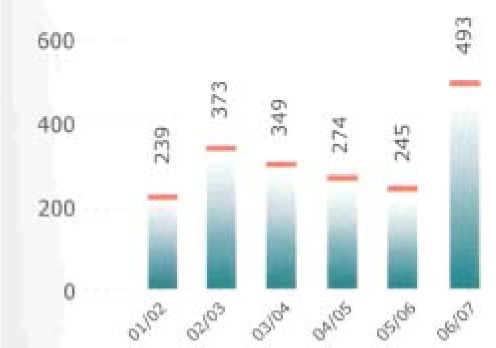
Comparative chart of the number of L/Gs issued during 2001/02-2006/07



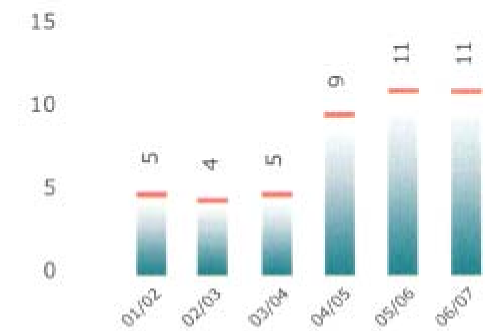
One of the major foreign currency operations of the banking sector to further enhance and streamline the presence of the businessmen in the foreign trade arena is issuance of the letters of guarantee.

Total number of 438 letters of guarantee worth USD 493 million were issued İnl385 (2006/07), representing a growth by 101 % compared with 1384 (2005/06).

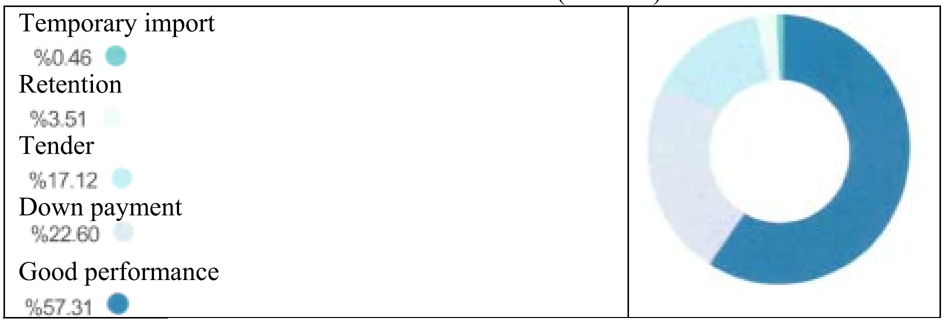
Comparative chart of L/Gs issued during 2001/02-2006/07 Amounts in USD million



Comparative chart of commissions received from L/Gs during 2001/02-2006/07 Amounts in IRR billion



Distribution of Letters of Guarantee Issued in 1385(2006/07)



Letters of Guarantee Issued in 1385(2006/07)

Nature	Quantity	Amount in USD million
Good Performance	251	197
Down payment	99	271
Tender	75	19
Retention	2	1
Temporary import	11	6
payment	0	0
Total	**438**	**493**

Financing Projects

In line with the policies of the government of the Islamic Republic of Iran, Bank Mellat has contributed in implementing national projects. This contribution is intended to accelerate the economic growth and development by arranging financing for half complete and new infra structural projects of the country.

It is noteworthy that a total number of 43 projects worth USD 4828 millions were financed via the Bank from 1380 (2001/02) until the end of 1385 (2006/07) of which the oil, gas and petrochemical industries have accounted for the largest share.

Distribution of the Financed L/Cs by Industrial Segment during 2001/02 -2006/07

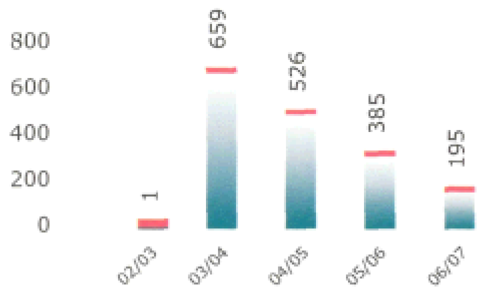
Dam making	%1	Municipality	%5
Ship-building	%1	Petrochemical	%30
Cement	%1	textile	%0
Oil & gas	%34	steel	%10
Other industries	%8	aluminum	%2
		Automotive	%8

Financed L/Cs by Industrial Segment during 2001/02 -2006/07

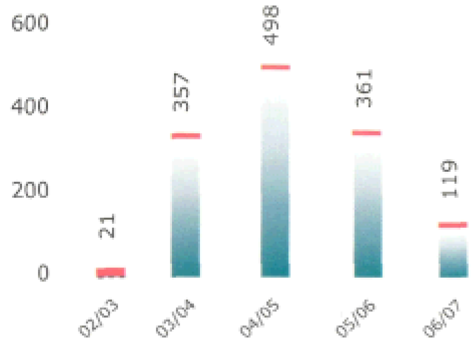
Industry	**# of Projects**	**# of L/C**	**L/C Amount (USD million)**
Petrochemical	7	16	1441
textile	2	2	17
steel	7	7	464
aluminum	1	1	94
Automotive	3	28	390
Dam making	2	18	31
Ship-building	1	1	70
Cement	1	1	55
Oil &gas	5	9	1655
Other industries	13	14	371
Municipality	1	0	240
Total	43	97	4828

There was no L/C for the municipality project and a contract was concluded between the Bank and ABC Bahrain.

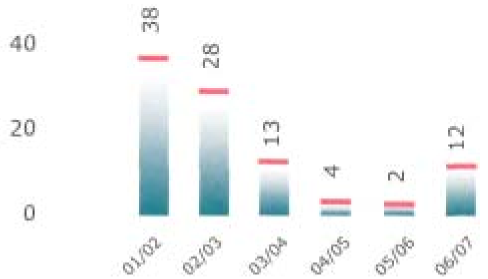
Number of L/Cs Refinanced by Industrial Segment during 2002/03-2006/07



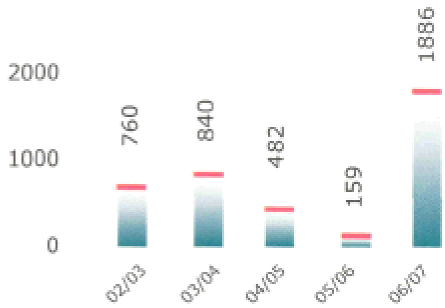
L/Cs Refinanced by Industrial Segment during 2002/03-2006/07 (in MUSD)



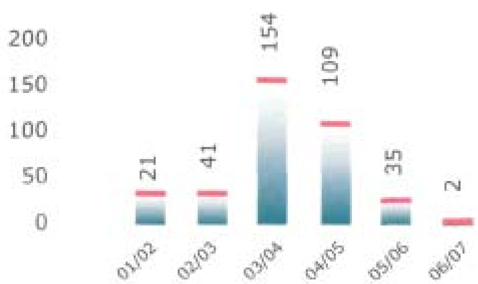
Number of L/Cs Financed by Industrial Segment during 2001/02 -2006/07



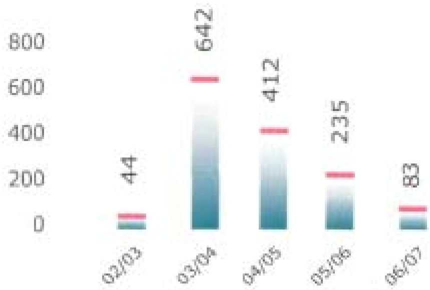
L/Cs Financed by Industrial Segment during 2002/03-2006/07 (in MUSD)



Number of Projects Financed via Oil Stabilization Fund during 2001/02 -2006/07

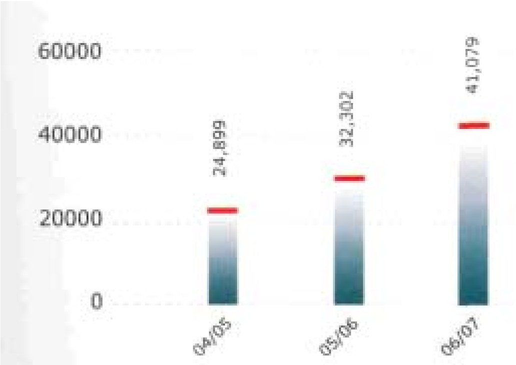


L/Cs Financed via OSF by Industrial Segment during 2002/03-2006/07 (in MUSD)



International Network

Profit (loss) of the foreign branches & subsidiaries during 2004/05 -2006/07 amounts in thousand USD



Currently, Bank Mellat has four branches in Turkey (Istanbul, İzmir and Ankara) and South Korea (Seoul), as well as two subsidiaries namely Mellat Bank CJSC. in Republic of Armenia and Persia International Bank PLC, in London. The Bank also holds a 26.27 % stake in Europaisch-Iranische Handelsbank AG, in Hamburg as an associated bank,

Total gross profit of the foreign branches & subsidiaries exceeded USD 41 million, showing a growth of 28% over the previous year. This represents the desirable performance of the international network of the Bank.

Gross profit and capital of the foreign branches & subsidiaries during 2004/05 -2006/07

amounts in thousand USD

Foreign branches & subsidiaries profit (loss)			**Foreign branches & subsidiaries**	**Foreign branches & subsidiaries capital**		
2004/05	2005/06	2006/07		2006/07	2005/06	2004/05
7008	5663	7167	Seoul Branch	13205	12118	12118
4284	4474	4257	Turkey Branches	22204	3157	3157
-337	433	2158	Mellat Bank Yerevan	9689	7823	7823
8068	13841	19273	Persia International Bank (P.I.B)	78000	69000	69000
5876	7891	8224	Europaish Iranische Handelsbank (EIH)	53164	46413	46413
24899	32302	41079	Total Profit (Loss)/ Total Capital	176262	138511	138511

*Considering the Bank's stake in the PIB; i.e. 60% at the end of 1385(2006/07) and in the EIH 27.26% at the end of 1385(2006/07), 25.73% at the end of 1384(2005/06), and 28.63% at the end of 1383(2004/05), its share from their gross profits are as the above table.

Addresses of Foreign branches and subsidiaries

Persia International Bank PLC, London	Tel:+44(207) 606 85 21 (10 Line) Fax:+44 (207) 606 20 20 Telex:88 54 26 Swift:PIBPGB2L Web Site:www.persianbank.co.uk	6Lothbury, London EC2R 7HH
Persia International Bank PLC (Dubai Branch)	Tel:+971 4 362 08 11 (5 Line) Fax:+971 4 362 08 12 Swift:PIBPAEAD	4th Floor,the Gate Building P.O.Box 119871 , Dubai,UAE
Mellat Bank CJSC Yerevan	Tel:(+ 374 10) 581354,581523 581791,581394 Fax:54885.Telex: 24 33 03 MLTARAM,243110BMYRAM Swift:BKMTAM22 E-mail:mellat@mellatbank.am Web Site: www.persianbank.am	Tel:(+ 374 10) 581354,581523 581791,581394 Fax:54885.Telex: 24 33 03 MLTARAM,243110BMYRAM Swift:BKMTAM22 E-mail:mellat@mellatbank.am Web Site: www.persianbank.am
Seoul Branch	Tel:+82 (2) 558 44 48 (9 Line) 554-55556,2007 6700,2007 6701-2 Telex:K36019-Mellat Fax:557-4448 Swift: BKMTKRSE	the keumkan Tower 13/14 Floor 889-13-Daechi-Dong Gangnam-KU, seoul 135-280,KOREA
Istanbul Branch	Tel:+90(212) 279 80 15 PBX Telex:26023,26502 MELTTR Fax:+90 (212) 284 62 14 284 65 57 Swift:BKMTTRIS	Büyükdere Caddesi Binbir Çiçek Sok No. 1 l.Levent / İstanbul-Turkey
Ankara Branch	Tel:+90 (312) 435 48 00] 433 12 04 - 434 01 41 Telex:45915 BMELTR Fax:+90 (312) 432 17 26 Swift:BKMTTRIS 100	Ziya Gökalp Bulvarı No. 12 Kızılay, Ankara Türkiye P.O.Box:79106425 Kızılay, Ankara
Izmir Branch	Tel:+90 (232) 441 74 00 Telex: 53053 BMIZ TR Fax:+90 (232)441 76 36 Swift:BKMTTRIS 200	Cumhuriyet Bulvarı N0.88/A P.K.710 3521,Konak, Izmir,Turkey
Europish - Iranische Handelsbank AG Hamburg	Tel:+49 40 32 10 90 Fax:+49 40 32 10 98 90 Telex:2 163 067 Swift:FIHBDEHH	Depenau 2 . 20095 Hamburg PF 10 13 04 - 20008 Hamburg Germany

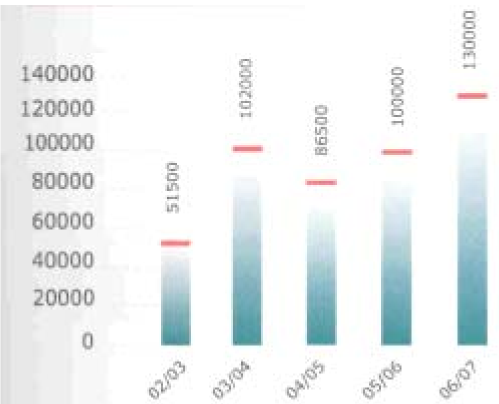
Foreign Exchange

Since unification of the exchange rates in 1381(2002/03), buying and selling foreign currency of the letters of credit issued by the branches and also non-commercial foreign currency has been focused in the foreign exchange department.

Having been equipped with the Reuter's news, Reuter’s news and dealing system, and Tele-rate, and establishing relations with first class banks of the world, foreign exchange department has actively participated in the foreign exchange and money market.

Desirable performance in foreign exchange has led the inter-bank and international, as well as buying and selling of the foreign currency from the customers amounted to USD 5.5 billion in 1385(2006/07). This led to an IRR 130 billion at the end of 1385(2006/07), showing a growth of 30% over the previous year.

Income Gained from Foreign Exchange during 2002/03-2006/07 Amounts in IRR million



Income Gained from Foreign Exchange during 2002/03-2006/07

amounts in IRR mn

Description	2006/07	2005/06	2004/05	2003/04	2002/03
Income Gained from Foreign Exchange	130000	100000	86500	102000	51500

Dealing Room Performance in placements in 1385(2006/07)

amounts in IRR mn

Description	Quantity	Amount
Exchanging in the inter-bank & international markets	1312	2133
Buying from customers	-	3531
Selling to customers	-	5774
Exchanging in the secondary market	93	725

Dealing Room Performance in foreign exchange in 1385(2006/07)

amounts in IRR mn

Description	Quantity	Amount
Placements received from the correspondents	66	612,101
Placements with the correspondents	488	948,274
Income of placements with the correspondents	_	38,111
Expenses of placements received from	-	18,681

Modern Services

- Modern Services

Modern Services

Developing Information and communication system

Due to the significance of information and communication technology, electronic banking and provision of new banking services across the country; supplying reliable communicative platform is one of primary principles. Bank Mellat has spectacular activities in this respect, which has been welcomed and appreciated by the clients using the services.

1- Launching the first mobile bank in Iran

Simultaneous with the 7th international tele-communication industry and information technology (tele-com), the first mobile bank of the country was officially inaugurated at presence of the chairman and managing director of the Bank. The mobile bank, mounted on a vehicle, will render service to the community across the city, and will be catering in the areas suffering from heavy crowd and traffic.

2-Electronic non-interest bearing saving account

This is the third product in a row after MECA and Mellat Card systems. Options comprises opening, remittance, and withdrawal of the funds in each and every branch, enjoying the holder's finger print identity recognition system, and availability of the account through access card. Other features of the account include: blockage of the account in all branches; lifting of blockage only in the account opening branch;

Provision and delivery of the statement to the account holders in all branches equipped with the system;

3- Core teller system

This system was designed to meet the following targets in all of the branches of the Bank:

Exerting comprehensive liquidity management in the Bank (this system enables the managers to have on line access and monitor the changes in balance of cash book of each and every branch);

Posting and monitoring the short/long position of the cash book in the center (this feature leads to a faster and more accurate monitoring; hence, it is expected to substantially reduce any contingent errors or misconducts);

Provision of full services of the core system to the clients;

4- Access card

Issued in the name of the holder with a Standard number, access card has been designed to give round-the-clock on-line services to core account holders, such as Mellat Electronic Current Account, electronic non-interest bearing saving account, and electronic short term account.

Features

The customers can have access to all of their accounts with only one access card, or ask for one card for each account;

In case several accounts are linked to the access card, only one of them can be introduced as the main account of the card in the core banking system;

It has a Standard number and is issued in the name of the holder;

It is equipped with parameters to buy or pay via internet (password and CVV2).

Where to use access card

Access card holders can receive services via: ATMs of Bank Mellat (withdrawal, viewing or getting print of the balance, changing pin code, changing internet password, print of the last ten transactions, and remitting funds);

ATMs of the other domestic inter-bank tele-communication network (Shetab) member banks(withdrawal, viewing or getting print of the balance);

Point of sales in the shops(purchasing goods, viewing the balance, and refund which is possible only through the Bank's own Points of sales);

Internet shops (to buy or pay via internet).

5-Special services of access card (MECA & electronic non-interest bearing saving account)

Using SMS and internet banking for several years Bank Mellat has introduced the above services for MECA.

In 1385(2006/07), along with inaugurating the new system of electronic non-interest

bearing saving account, by developing and diversifying the services, allowed the access card holders to get following special services:

Phone banking system

Getting informed of balance and the last 3 transactions, paying utility bills, receiving statement via fax, and announcing the fate of a specific voucher or transaction.

Mobile Banking

Paying utility bills, getting informed of the balance and the last three transactions, and announcing the fate of a specific voucher or transaction, announcing early morning balance, changing pin code, and announcing dishonored check.

Internet

The customer's access to all of its electronic accounts, wire transfers, paying utility bills, receiving periodic statements of core-based accounts in the requested forms, getting the online statement of the last five, ten, and thirty transactions of all core-based accounts, sending account statement via e-mail, changing pin code, and confirming the amount and value date of checks (concerning MECA).

6-Internet shopping system

In order to increase attractiveness and efficiency of its debit cards (Mellat card, Bon card, and access card), Bank Mellat has facilitated internet shopping by using second internet password and CVV2 parameter.

Complied with the latest standards of the world, this is a new service in line with internet banking, deleting bank notes in financial transaction, and trading goods and services.

The internet shopping system is fully secured and has Secure Socket Layer certificate from the domestic authorities. Thus, all business transactions in the Bank's site are conducted in a fully secured and free from any hacked environment.

Using this service, all holders of the Bank's debit cards or any other domestic inter-bank tele-communication network (Shetab) member banks, that are equipped with internet shopping system parameters, can buy goods or receive services in virtual environment and pay on an on line basis. Internet shopping system of the Bank has been officially launched in January 2007 and presently the following services are rendered to the customers:

- selling Raja passenger trains tickets;
- registering for credit SİM cards of mobile Communications company, etc;
- registering for students of Ferdowsi Mashhadn, Azad Islami Mashhad, Shiraz, etc,

7-Mellat Bon-Card

Mellat Bon-Card is used to remit the funds of the non-cash purchase packages of the institutions to their staff, currently provided in paper form.
Using this card, the staff can purchase from all shops equipped with point of sales or do internet shopping.
This card has been designed deploying the latest state-of-the-art technology and enjoys following features:

- It is magnetic and pin-coded;
- It can be issued in name of the holder;
- It can be issued with zero balance;
- It has standard identification number (IIN of Bank Mellat) in order to be used in Shetab system;
- Its life span is around 3 years;
- There is possibility of repeated and group charging;
- Possibility of buying from shops with pos;
- The account can be closed and balance transferred to the contracte organization;
- It is possible to ask for duplicate making it HOT;
- Upon referring the representative of the applicant organization to anyone of the branches of the Bank and filling the forms out, Bon card will be issued.

8-Gift card

It is a pin coded, bearer form card that is issued in fixed denominations (IRR100,000 ,200,000, 300,000, 500,000, and 1,000,000). it is a shopping card in nature and disposable. The applicant of Mellat gift card can refer to anyone of the branches of the Bank and receive the card and its pin code after paying for the face value of the card. This card is magnetic and double coded as the other cash cards:

- The pin code of the card that is used for getting services from store points of sales and ATMs of Bank Mellat.
- internet password that is used for internet environment and internet shopping.
-

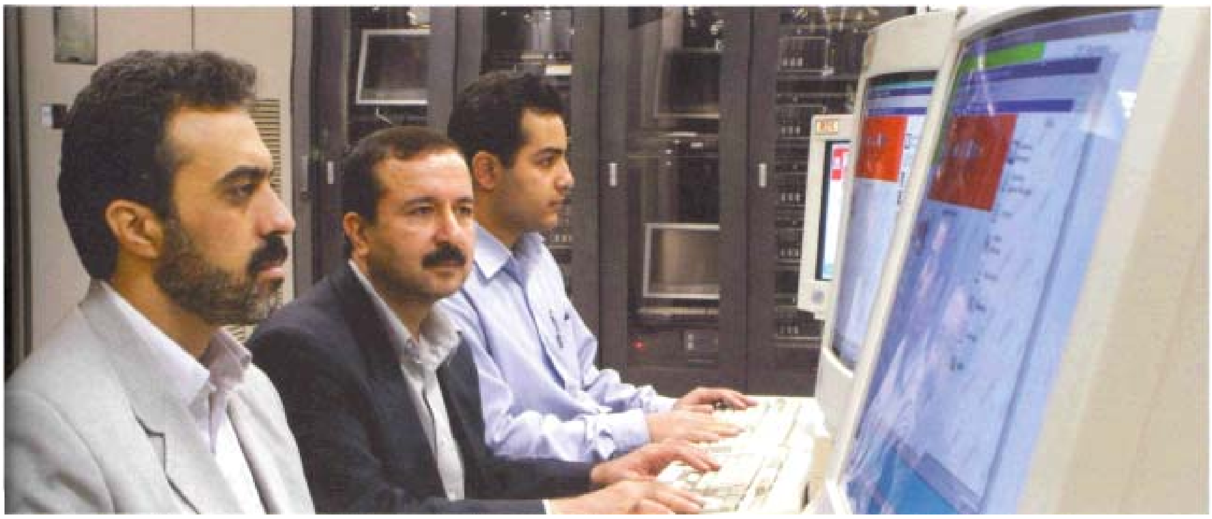
Where to use Mellat gift card

- store points of sales and Shetab linked service centers;
- virtual shops that are under contract in the internet environment;
- ATMs of Bank Mellat.

It is possible to withdraw the whole balance of the card, getting balance and print of the last ten transactions,
changing pin code, and changing internet password from the ATMs of Bank Mellat.
It is noteworthy that Mellat gift card can not be used in the ATMs of the other banks.

9- Student culture card

This card was issued for culturally active university students according to request



of sciences, researches and technology and can be charged by the branches points of sales.

Apart from shopping in all stores equipped with point of sales, or in the internet (virtual shops), students can enjoy special discount when shopping in the stores, institutions as well as scientific and cultural centers in contract with the above ministry.

10-Real time gross settlement system

The real time gross settlement is an electronic system for on line process and settlement of inter bank transactions. Since by setting up the real time gross settlement system all inter bank transactions, clearing house and inter personal transactions will be processed and settled through, so it would be set up in four phases. The first two phases of the system, i.e. settling daily

transaction of Shetab, and clearing house of the whole country was commissioned in 1385(2006/07).

Features of RTGS

-real time settlement of transactions;
-one by one and gross transfer of transactions to the system;
-real time and gross settlement of transactions.

11-Connecting Mellat card network to Bahrain, Qatar and Kuwait networks

This service furnishes the clients with the possibility of using electronic payment service of Bahrain, Qatar and Kuwait network with Bank Mellat cards and vice versa, based on the local currencies of the four countries.

Henceforward Bank Mellat cards in addition to Shetab domestic network can be used in the electronic payment service of the above three countries; by the same token, Bank Mellat's ATMs will render service to the cards of the above countries. ceiling for withdravval is USD 300 daily and 3,000 yearly.

12-Connecting MECA and Mellat Card Systems via ATM Platform

In an effort to meet the clients' requirements and expanding the scope of electronic services, Bank Mellat has connected the two systems of Mellat Electronic Current Account (with a non-interest bearing nature) and Mellat card (with a short-term investment account nature) through ATMs and internet banking site of the Bank.

Achievements of the project

By connecting these two systems, account holders can receive following services via ATMs and internet banking site of the Bank:

A-Remitting funds from the short term account of the Mellat card to:

-Mellat Electronic Current Account of the same card (needless of entering the account number);
Mellat Electronic Current Account of others;
short term account of the Mellat card of others;

B-Remitting funds from a MECA that is connected to Mellat card to:

-short term account of the same card (needless of entering the account number);
-short term account of the Mellat card of others;
-Mellat Electronic Current Account of others

13- Monitoring center for the ATMs

In order to guarantee round-the-clock services of the ATMs, removing contingent problems, and timely cash adding, Bank Mellat has managed to Monitor their situation on an on line basis across the country. This is done through core and non core monitoring soft wares.

ATMs are monitored in three levels:
1-Treasury and distribution division in Tehran(on a non core basis);
2-Informatics services departments in the directorate offices and provinces(on a non core basis);
3-Modern services division (in the head office on a core basis).

14- Designing the new site for internet banking

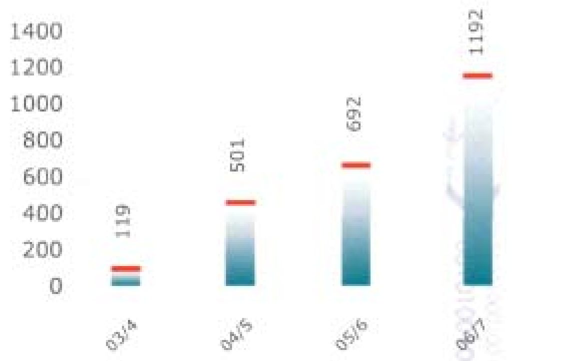
The new site of the Bank for internet banking has been launched with a new design and according to the latest standards of the world.

This site has been designed on a user friendly and conveniently rendering internet services to the access card holders, provides the users with a good variety of services.

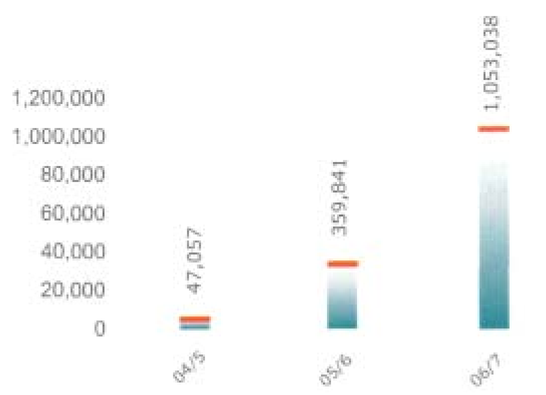
Among its features is receiving SSL certificate from domestic authorities. So the clients can do their banking and receive required services in a short time, least expenses, and with peace of mind.

Moreover all the security principles have been predicted in producing the software and processing the required services; so, the least misconduct or suspicious transaction will face the appropriate reaction of the monitoring units. getting equipped with the software and hardware firewalls and proxies are among the other security features of the site.

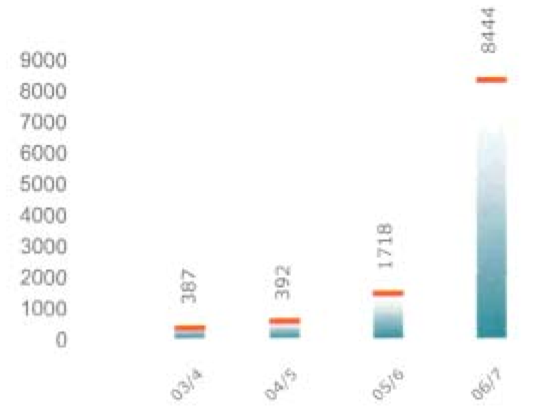
Total number of ATM units during 2003/04- 2006/07



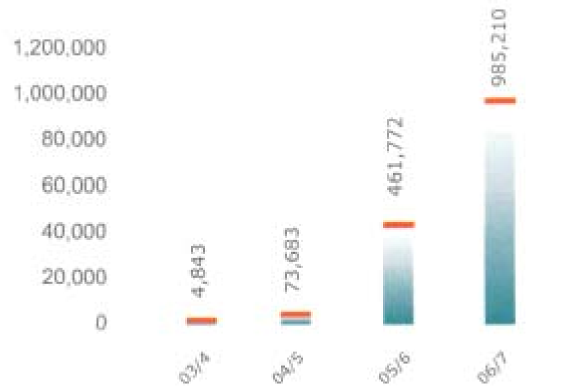
Total number of Mellat Card accounts during 2004/05- 2006/07



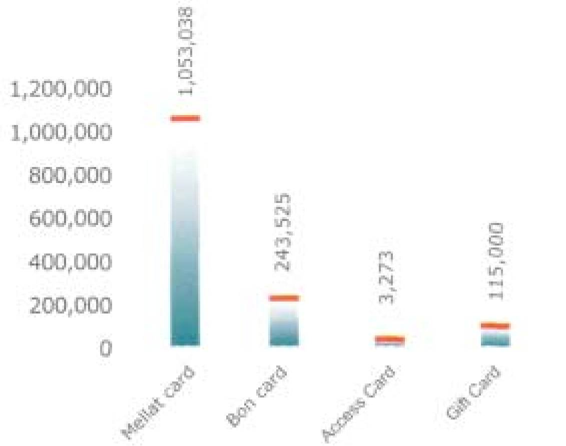
Total number of POS units during 2003/04- 2006/07



Total number of Mellat Electronic Current Accounts during 2003/04- 2006/07



Different kind of card s issued in 1385(2006/07)



Part 2: Financial Statements

Financial statements

1-Accounting Convention

Financial statements of Bank Mellat have been prepared under historical cost convention and current values have also been applied when deemed appropriate.

2-Basis of Determining Depositors' Profit Share from Joint Income

By virtue of usury-free banking Act ratified on 30.08.1983 and the executive directives thereof, and considering the circular number 1799 dated 08.01.2004 issued by the Central Bank of the Islamic Republic of Iran, incomes gained out of granting financial facilities, investing in the stock and participating bonds, which are recognized within the framework of the accounting policies practiced by the Bank, are considered as the joint income and the depositors' share is determined in proportion to the net amount of their deposits invested in the above stated activities.

3-Summary of Significant Accounting Policies

3-1- Investments

3-1-1- Evaluation Method

Long-lived assets are evaluated based on cost price less the provisioning for impairment loss for each investment.

Liquid current assets are evaluated at their market value at the date of preparing the balance sheet. Other current assets are evaluated at the least cost price and net sale value of each asset. 3-1-2- Income Recognition Method

Profit from the investment in the subsidiaries and affiliated companies are recognized at the date of approval of their financial statements by the general meeting of stockholders (until the date of approval of the financial statements).

Profit from the investments in the other companies, current or long term, are recognized at the date of approval of their financial statements by the general meeting of stockholders (until the balance sheet date).

3-2- Tangible Fixed Assets

3-2-1- Tangible fixed assets, except for those mentioned in note 3-2-2, are posted at the cost price in the accounts. The repairs and improvements, that lead to considerably increase in the capacity or estimated useful life of the fixed assets or essentially improve their utility are charged as capital expenses and are depreciated during the remaining useful life of the asset. Maintenance costs incurred in order to partial repair and retain the economic interests as per initially evaluated performance standards expected from the business unit, are deemed as current expenses and charged the profit (loss) of the period

3-2-2- By virtue of the article 62 of the third five -year development plan, the land and building of the head office of the Bank was revaluated at Rls 11,543 bn and the resulted surplus amounting to Rls 10,637 bn was posted to the capital increase account of the government in the bank

3-2-3- According to the resolution adopted in the 1077th session of the Money and Credit Council on 17.02.2007,sincel385(2006/07) Depreciation of tangible fixed assets are calculated in accordance with depreciation schedule set forth in the article 151 of Direct Taxes Act, based on the rates and methods as follows:

Asset	Depreciation Rate	Depreciation Method
Premises	%7	Declining
Automobiles	%25	Declining
Equipment & Computer Systems' Hardware	10 years	Direct line
PC Hardware	3 years	Direct line

According to note 10 of the code of conduct for the depreciations, based on article 151 of the Direct Taxes Act, the depreciation rate for the buildings revaluated at the end of 1383(2004/05) has been charged at 3.5% using declining method.

3-3- Goodwill

By virtue of the article 62 of the third five -year development plan, the Bank's good will was posted based on revaluated price in 1382(2003/04). Meanwhile, as according to the resolution adopted in the 1077^{th} session of the Money and Credit Council, depreciation of assets are calculated in accordance with depreciation schedule of the article 151 of Direct Taxes Act; therefore, no amortization is calculated since the beginning Ofl385(2006/07).

3-4-Income Recognition

According to the resolution of the Money and Credit Council, the income derived from the facilities granted in accordance with shariah based contracts by the end of 1382(2003/04), have been recognized based on cash basis. Sincel383(2004/05), however, in order to be compliant with the accounting standards, all the Bank's incomes have been calculated and posted on accrual basis.

3-5- Foreign Currency Translation

3-5-1-Domestic Accounts

In accordance with the provisions of article 136 of the Public Audits Act concerning translating foreign currency denominated assets and liabilities, the difference resulted from translation was posted to the foreign currency translation reserve account as described in note 16 in 1383(2004/05). 3-5-2- Foreign Branches and subsidiaries

All the monetary and non-monetary items of the Foreign Branches and subsidiaries (except shareholders' equity) are translated at the market value at the balance sheet date, and shareholders' equity are translated at the market value at the creation date (historical rates). Profit and loss items are translated at the banking market value at the transaction date. The difference resulted from translation of their balance sheets are posted under shareholders' equity.

3-6- Provision for Doubtful Debts

In view of the codes of conduct adopted by the resolution number 885 dated 07/10/1376 (28/12/1997) of the Money and Credit Council, equal to 2% of the total granted facilities balance is provisioned and charged to the accounts.

1- General provisions is calculated and charged to the accounts based on the directive on categorizing the credit facilities and liabilities of banks.
2- Specific provisions is calculated and charged to the accounts based on the directive on categorizing the credit facilities and liabilities of banks.

3-7- Severance Pay Provision

Severance pay provision is calculated and charged to the accounts based on one month of the last salary and allowances of the staff for each year of service.

3-8- Assets classification

According to the code of conduct released in the 1074th and 1077th session of the Money and Credit Council, and with due regard to the duration of the late payment of the granted facilities, the clients' business situation towards the Bank, loans granted by the Bank are classified as follows:

1-Outstanding

2-Overdue

3-Non performing

4-Doubtful

3-9- severance pay liabilities

The present value of severance pay liabilities with respect to the staffs' year of service (including working, retired and pensioner employees) are calculated based on actuary assumptions.

3-10-Dues from the Government

The compulsorily granted facilities granted under guarantee of the management & Planning Organization of the state, are regarded as Dues from the Government in the following conditions:
a- the overdue loans due to insolvency of the customer, insufficiency of the collaterals, or failure of the bank in collecting the loan
b-the overdue loans related to performing the getting capital assets
c-loans granted to ministries and governmental organizations

Bank's Balance Sheet

As at March 20th, 2007

Amounts in Million Rials

Assets		**1385(2006/07)**	**1384(2005/06)**	**Liabilities & Shareholders' Equity**		**1385 (2006/07)**	**1384 (2005/06)**
Cash		997,564	870,457	Dues to the Central Bank of Iran	**9**	6,979,696	1,546,322
Dues from the Central Banks	1	26,877,569	20,102,192	Dues to the Banks	10	24,699,022	16,441,463
Loans & Advances to Banks	2	25,979,831	15,503,741	Customers' Accounts	11	199,831,860	149,283,843
Dues from the Government		5,438,586	4,340,719	Provisions & Other Liabilities	12	3,483,198	4,308,180
Loans & Advances to Customers	3	160,242,293	120,557,309	Acceptances and Endorsements		41,378,508	42,493,301
Dues from L/Cs & Time Drafts		41,378,508	42,493,301	Shareholders' Equity:			
Investments & Participation Bonds	4	3,107,329	2,520,382	Capital	13	13,100,000	13,100,000
Tangible Fixed Assets	5	11,852,620	11,867,901	Reserves	14	742,595	531,913
Intangible Fixed Assets	6	1,255,722	1,269,368	Retained Earnings (loss)	15	2,634,810	2,329,611
Other Assets	7	17,298,936	11,799,472	Exchange Translation Reserves	16	1,579,269	1,290,209
Total Assets		**294,428,958**	**231,324,842**	**Total Liabilities & Shareholders' Equity**		**294,428,958**	**231,324,842**
Contingent Liabilities	8	**119,566,812**	**84,421,882**	**Contingent Liabilities**	8	**119,566,812**	**84,421,882**

Bank's Profit & Loss Account

For the Year Ending March 20th, 2007

Amounts in Million Rials

	Note	1385(2006/07)	1384(2005/06)
Profit & Commissions Received	17	21,166,737	17,220,530
Profit & Commissions Paid	18	**(9,663,771)**	**(8,309,196)**
Operating Profit		11,502,966	8,911,334
Other Incomes	19	**112,547**	**147,875**
Gross Income		11,615,513	9,059,209
Staff Expenses	20	(3,451,850)	(3,135,223)
Administrative Expenses	21	(6,337,551)	(3,499,840)
Depreciation Expenses	22	(444,187)	(702,955)
Total Expenses		**(10,233,588)**	**(7,338,018)**
Profit Before Tax Deduction		1,381,925	1,721,191
Tax	23	(247,571)	(711,212)
Net Profit	24	**1,134,354**	**1,009,979**

Consolidated Balance Sheet
As at March 20th , 2007

Amounts in Million Rials

Assets	1385(2007)07	1384(2005/06)	Liabilities & Shareholders' Equity	1385 (200607)	1384(2005/06)
Cash	1,255,971	887,978	Dues to Central Bank	6,979,696	1,546,322
Dues from Central Banks	26,877,569	20,102,192	Dues to Banks & Credit Institutions	29,034,089	21,651,798
Dues from Banks & Credit Institutions	28,535,556	20,860,966	Sight Deposits	83,428,616	59,041,384
Dues from the Government	5,438,586	4,340,719	Saving Deposits & the Like	14,082,923	8,732,392
Loans & Advances to Public Sector	11,463,705	7,966,230	Time Investment Deposit	87,570,152	66,347,161
Loans & Advances to Private Sector	152,746,773	115,587,420	Other Deposits	15,551,796	17,011,068
Dues from L/Cs & Time Drafts	41,378,508	42,493,301	Provisions & Other Dues	2,717,269	3,616,912
Participation Bonds & the Like	1,271,773	1,281,892	Acceptances and Endorsements	41,378,508	42,460,076
Investments & Partnerships	1,284,821	795,853	Severance Pay	1,058,653	968,159
Fixed Assets	13,113,111	13,143,684	**Total Liabilities**	**281,801,702**	**221,375,272**
Other Assets	2,686,564	1,834,148	Shareholders' Equity:		
Items in Transit	14,365,587	9,852,316	Capital	13,100,000	13,100,000
			Reserves	742,595	531,913
			Retained Earnings (loss)	2,537,868	2,284,953
			Exchange Translation Gain (Loss)	193,854	139,396
			Exchange Translation Reserves	1,470,579	1,229,679
			Total Shareholders' Equity	**18,044,896**	**17,385,941**
			Minority Interest	571,926	485487
Total Assets	**300,418,524**	**239,146,700**	**Total Liabilities & Shareholders' Equity**	**300,418,524**	**239,146,700**
Contingent Liabilities:			Contingent Liabilities:		
Party To Liabilities for L/Cs	65,511,642	36,996,575	Liabilities for L/Cs	65,511,642	36,996,575
Party To Liabilities for L/Gs	28,711,334	22,649,264	Liabilities for L/Gs	28,711,334	22,649,264
Party To Other Liabilities	24,201,031	24,118,869	Other Liabilities	24,201,031	24,118,869
Managed Funds & the Like	2,986,170	3,091,676	Party to Managed Funds &the Like	2,986,170	3,091,676
Total Contingent Liabilities	**121,410,177**	**86,856,384**	Total Contingent Liabilities	**121,410,177**	**86,856,384**

Consolidated Profit & Loss Account

For the Year Ending March 20th, 2007

Amounts in Million Rials

	1385(2006/07)	1385(2005/06)
A- Income Gained from the Banks & Depositors' Resources:		
Profit &Late Payment Charges Received	15,999,656	13,319,903
Other Incomes	217,346	170,347
Joint Incomes	**16,217,002**	**13,490,250**
Deductions:		
Partial Payment on Profit Paid to Depositors	(8,390,687)	(7,103,728)
Fees Received for Utilizing Investments Deposits	1,113,611	607,508
Deficit (Surplus) of Partial Payment on Profit Share Paid to Depositors	(1,113,611)	(667861)
Depositors' Net Profit Share	**(8,390,687)**	**(7,164,081)**
Bank’s Profit Share & Fees Received	7,826,315	6,326,169
B-Income Gained from Bank’s Own Resources:		
Profit &Late Payment Charges Received	3,841,391	2,751,606
Commission Received	1,689,306	1,303,301
Other Incomes	116,774	170,599
Total Incomes Gained from Bank's Own Resources	**5,647,471**	**4,225,506**
Bank's Total Income	**13,473,786**	**10,551,675**
C - Expenses:		
Profit Paid (Save Depositor's Profit)	(1,330,619)	(1,164,826)
Commission Paid	(65,606)	(20,847)
Total Expenses	(10,327,660)	(7,420,725)
Other Expenses	(251,870)	(140,827)
Bank's Total Expenses	**(11,975,755)**	**(8,747,225)**
Profit Before Tax Deduction	1,498,030	1,804,450
Deductions:		
Tax	(334,713)	(773,740)
Minority's Interest	(81,246)	(58,245)
Net Profit	**1,082,071**	**972,465**

Amounts in Million Rials

1) Dues from the Central Banks	**1385(2006/07)**	**1384(2005/06)**
Deposit with the Central Banks (1)	26,875,364	20,099,987
Prepayment for purchasing foreign currency	2,205	2,205
Total	26,877,569	20,102192

(1)From Rls 26,875 bn with the Central Banks, Rls26, 708 bn is the legal deposit with the Central Bank of Iran which, as per the ratios set by the Money & Credit Council, is calculated and deposited at the rate of 17 %. in the meantime, legal deposits ratio for all local and foreign currency denominated deposits in the branched located in the free trade zones has been set at 10 %.

2) Loans & Advances to Banks	**1385(2006/07)**	**1384(2005/06)**
6 months	9,436,509	5,845,264
One year	6,761,829	2,573,806
One to 5 years	7,557,996	7,008,220
Over 5 years	2,268,343	135,852
Total	26,024,677	15,563,142
Deduction:		
Provision for doubtful debts	(19,829)	(26,892)
Profit of the following years	(25,017)	(32,509)
Total	25,979,831	15,503,741

3) Loans & Advances to Customers	**1385(2006/07)**	**1384(2005/06)**
Public Sector		
1 to 3 years	5,330,358	4,560,154
3 to 5 years	1,528,417	1,307,571
5 to 10 years	3,828,145	3,275,003
Over 10 years	1,604,895	1,372,999
Total	12,291,815	10,515,727
Deduction:		
Provision for doubtful & bad debts		
General provisions	(90,813)	(154,770)
Profit of the following years	(721,596)	(1,109,395)
Deferred profit	(15,701)	(1,285,333)
Total of public sector	11,463,705	7,966,229

	1385(2006/07)	1384(2005/06)
Private Sector		
1 to 3 years	106,349,717	79,688,448
3 to 5 years	43,287,115	32,435,282
5 to 10 years	13,085,186	9,804,804
Over 10 years	11,052,030	8,281,349
Total	173,774,048	130,209883
Deduction:		
Provision for doubtful & bad debts	(2,393,744)	(3,429,746)
General provisions	(8,601,928)	(2,292,698)
Specific provisions	(13,679,356)	(10,856,174)
Profit of the following years	(320,432)	(1,040,185)
Deferred profit	148,778,588	112,591,080
Total of private sector	160,242,293	120,557,309

4) Investments & Participation Bonds	**1385(2006/07)**	**1384(2005/06)**
Participation bonds	694,562	752,058
foreign currency denominated securities	495,331	423,044
Domestic investments	965,004	500,954
Foreign investments (1)	987,153	891,952
Total	3,142,050	2,568,008
Deduction:		
Provision for impairment of the stock	(34,721)	(34,721)
2% as general provisions	-	(12,905)
Total	3,107,329	2,520,382

(1)From Rls 987 bn invested in foreign countries, Rls 352 bn is related to purchase 786,146 shares (equal to 26.27%) of Europaisch-Iranisch Handelsbank AG, and Rls 633 bn belongs to 60% of equity stake in Persia International Bank (PIB) and the rest, amounting to Rls 2 bn is related to Iran and England insurance, Iran and Armenia insurance, and SWIFT companies.

5) Tangible Fixed Assets	**1385(2006/07)**	**1384(2005/06)**
Tangible fixed assets	14,434,551	14,012,750
Deduction:		
Depreciation provision	(2,581,931)	(2,144,849)
Net book value at the end of the year	11,852,620	11,867,901

6) Intangible Fixed Assets	1385(2006/07)	1384(2005/06)
Intangible fixed assets	1,255,722	1,615,841
Deduction:		
Amortization provision	-	(346,473)
Net book value at the end of the year	1,255,722	1,269,368

7) Other Assets	1385(2006/07)	1384(2005/06)
Accounts & receivable profit from stock	94,732	151,667
Bank's internal accounts	16,822,203	11,218,732
Tax prepayment	257,652	181,887
Prepayments to companies & institutions	124,349	247,186
Total	17,298,936	11,799,472

8) Contingent Liabilities	1385(2006/07)	1384(2005/06)
Liabilities for letter of credit	65,133,751	36,236,639
Liabilities for letter of guarantee	27,811,362	21,918,219
Other liabilities	23,635,529	23,175,347
Managed funds & the like	2,986,170	3,091,677
Total	119,566,812	84,421,882

9) Dues to the Central Bank of Iran	1385(2006/07)	1384(2005/06)
Impressed government funds (Central Bank)	3,114,272	957,229
Facilities received from the Central Bank	602,000	655,400
Other liabilities	3,585,885	157,707
Less:		
Dues from the Central Bank	(322,461)	(224,014)
Total	6,979,696	1,546,322

10) Dues to Banks	1385(2006/07)	1384(2005/06)
Non -Interest Bearing Current account of the banks (vostro account)	119,560	97,240
Non -Interest Bearing Current account of the non-bank credit institutions	1,068,391	69,073
foreign currency denominated sight deposits of domestic and foreign banks	459,827	60,469
Facilities received under Refinancing Agreements	5,971,133	2,844,012
Facilities received under Oil Stabilization Fund	10,592,916	8,354,615
Other	6,487,195	5,016,054
Total	24,699,022	16.441,463

11) Customers' Accounts	1385(2006/07)	1384(2005/06)
Demand deposits:		
Current accounts	48,653,593	36,540,174
Other accounts	34,775,027	22,501,210
Total demand deposits	83,428,617	59,041,384
Savings deposits:		
Less than one year	65,084,012	50,456,852
1 to 3 years	11,269,733	8,736,943
Above 3 years	40,049,498	31,048,664
Total savings deposits	116,403,243	90,242,459
Grand Total	199,831,860	149,283,843

12) Provisions & other Liabilities	1385(2006/07)	1384(2005/06)
Tax provision(l)	870,272	2,121,528
Deficit on profit paid to depositors	81,986	262,427
Other provisions and liabilities	1,472,287	956,069
Severance pay provision	1,058,653	968,159
Total	3,483,198	4,308,180

(1) Bank's tax until the end of the year 1384 (2005/06) is definite and under settlement. in the meantime, tax provision has been calculated after deducting the incomes of which the taxes have been fully paid.

13) Capital	1385(2006/07)	1384(2005/06)
Capital	13,100,000	13,100,000
Total	13,100,000	13,100,000

14) Reserves	1385(2006/07)	1384(2005/06)
Legal reserve	733,831	453,572
Other reserves	6,055	5,085
Foreign assets revaluation reserves	2,709	73,256
Total	742,595	531,913

15) Retained Earnings (Loss)	1385(2006/07)	1384(2005/06)
Retained Earnings	2,634,810	2,329,611
Total	2,634,810	2,329,611

16) Exchange Translation Reserve	**1385(2006/07)**	**1384(2005/06)**
Exchange translation reserve (1)	1,579,269	1,290,209
Total	1,579,269	1,290,209

(1) By virtue of the article 93 of the third five -year economic, social, and cultural development plan of the I.R. of Iran, since beginning of 1381 (2002/03), all the foreign currency accounts are converted into Rials at the reference rate, and the results are reflected in the account of result of the changes due to legal parities of the exchange rate, of which a portion will be posted to the capital increase account after passing legal procedures and based on the regulations.

17) Profit & Commissions Received	**1385(2006/07)**	**1384(2005/06)**
Profit of legal reserve with the Central Bank	217,346	170,347
Profit of the stock, participation bonds & the like	329,068	329,245
Profit received from banks	234,940	192,623
Profit received from customers	18,795,258	15,291,910
Commissions received	1,590,125	1,236,405
Total	21,166,737	17,220,530

18) Profit & Commissions Paid	**1385(2006/07)**	**1384(2005/06)**
Paid profit to banks	**956,426**	**984,208**
Paid profit to Time deposits	**8,642,557**	**7,304,908**
Commissions paid	**64,788**	**20,080**
Total	**9,663,771**	**8,309,196**

19) Other Incomes	**1385(2006/07)**	**1384(2005/06)**
Income gained from foreign exchange	**(113,135)**	**(29,821)**
Other incomes	**225,682**	**177,696**
Total	**112,547**	**147,875**

20)Staff Expenses	**1385(2006/07)**	**1384(2005/06)**
Salary and allowances	2,218,196	1,841,285
Insurance and pension	655,779	469,171
Staff severance pay	233,716	594,592
Staff sundry expenses	344,159	230,175
Total	3,451,850	3,135,223

21) Administrative Expenses	1385(2006/07)	1384(2005/06)
Buildings & equipment expenses	67,999	101,516
Leasehold expenses	41,276	36,543
Computer & equipment leasing expenses	96,054	62,257
Doubtful debts expenses	5,140,352	2,565,299
Sundry expenses	991,870	734,225
Total	6,337,551	3,499, 840

22) Depreciation Expenses	1385(2006/07)	1384(2005/06)
Goodwill	0	160,436
Buildings	385,351	382,265
Computer & equipment	58,836	160,254
Total	444,187	702,955

23) Tax	1385(2006/07)	1384(2005/06)
Income tax	(247,571)	(711,212)
Total	(247,571)	(711,212)

24) Net Profit	1385(2006/07)	1384(2005/06)
Profit after tax	1,134,354	1,009,979
Total	1,134,354	1,009,979

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