ÇALIK YATIRIM BANKASI A.Ş.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006

(In accordance with International Financial
Reporting Standards)

ÇALIKBANK

ÇALIK YATIRIM BANKASI A.Ş.
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Çalık Yatırım Bankası A.Ş.

1. We have audited the accompanying financial statements of Çalık Yatırım Bankası A.Ş. which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

4. As detailed in note 3, the Bank has ceased to apply inflation accounting effective from 1 January 2005. Therefore, the accompanying financial statements for the year ended 31 December 2005 have not been prepared in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). If the Bank had applied IAS 29, the total assets, total equity and net income would be thousand TRY 64,319, TRY 55,719 and TRY 4,407.

5. In our opinion, except for the effects of the matter set out in the paragraph 4, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

6. Without qualifying our opinion we would like to draw your attention to the following points:
i. The Bank as of balance sheet date has made most of the banking transactions with related parties (Çalık Group Companies).
ii. As discussed in Note 29, the accompanying 2005 financial statements have been restated.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU**
İstanbul, 16 February 2007

ÇALIK YATIRIM BANKASI A.Ş.
BALANCE SHEET
AS AT 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

				As restated (See Note 29)	
		31 December		31 December	
ASSETS	**Note**	**2006**	**2006(*)**	**2005**	**2005(*)**
		TRY'000	**USD'000**	**TRY'000**	**USD'000**
Cash and Cash Equivalents	4	564	399	93	69
Balances With The Central Bank	5	161	114	212	157
Balances With Banks	6	9,375	6,633	6,178	4,585
Funds Lent Under Securities Resale Agreements	8	199	141	871	646
Financial Assets At Fair Value Through Profit and Loss (net)	7	547	387	1,869	1,387
Derivative Financial Instruments	25	-	-	6	4
Reserve Deposits At The Central Bank	5	257	182	393	292
Loans and Advances (Net)	9	44,936	31,795	48,214	35,781
Investments in Associates (Net)	10	9,020	6,382	4,376	3,248
Premises and Equipment (Net)	11	791	560	1,009	749
Intangible Assets (Net)	12	86	61	125	93
Other Assets	13	470	333	566	420
Deferred Tax Assets (Net)	17	123	87	136	101
Total Assets		**66,529**	**47,074**	**64,048**	**47,532**

31 12 2006 Exchange Rate: 1 USD = 1.41329 TRY
31 12 2005 Exchange Rate: 1 USD = 1.34746 TRY

(*) The amounts translated into US Dollar in these financial statements as at and for the year ended is presented for information purposes only and have been computed on the basis set forth in Note 3 to the accompanying financial statements.

ÇALIK YATIRIM BANKASI A.Ş.
BALANCE SHEET
AS AT 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

				As restated (See Note 29)	
		31 December		31 December	
LIABILITIES	**Note**	**2006**	**2006(*)**	**2005**	**2005(*)**
		TRY'000	**USD'000**	**TRY'000**	**USD'000**
Obligations Under Repurchase Agreements	14	190	134	864	641
Funds Borrowed	15	3,090	2,186	4,236	3,144
Other Provisions	18	165	117	221	164
Current Tax Liabilities	17	121	86	602	447
Sundry Creditors	16	-	-	1,226	910
Other Liabilities	19	2,124	1,503	1,220	904
Total Liabilities		**5,690**	**4,026**	**8,369**	**6,210**
Equity					
Share Capital	20				
Nominal Capital		20,000	14,151	13,500	10,019
Inflation Adjustment To Capital		22,863	16,177	26,113	19,379
Total Paid-In Capital		42,863	30,328	39,613	29,398
Legal Reserves	20	1,825	1,291	1,610	1,195
Retained Earnings		16,151	11,429	14,456	10,729
Total Equity		60,839	43,048	55,679	41,322
Total Liabilities And Shareholders' Equity		**66,529**	**47,074**	**64,048**	**47,532**
COMMITMENTS AND CONTINGENCIES	**24**	**105,718**	**74,803**	**94,781**	**70,340**

31 12 2006 Exchange Rate: 1 USD =1.41329 TRY
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ÇALIK YATIRIM BANKASI A.Ş.
STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

				As restated (See Note 29)	
		31 December		31 December	
	Note	2006 TRY'000	2006(*) USD'000	2005 TRY'000	2005(*) USD'000
Interest Income					
Interest On Loans		7,548	5,341	10,166	7,545
Interest On Securities		301	213	443	329
Interest Received From Banks		1,353	957	226	168
Interest on Interbank Money Market		764	541	92	68
Interest On Financial Leasing		281	199	245	182
Other Interest Income		19	13	15	11
		10,266	**7,264**	**11,187**	**8,303**
Interest Expenses					
Interest On Interbank Money Market Borrowings		-	-	-	-
Interest On Borrowings		(304)	(215)	(337)	(250)
		(304)	**(215)**	**(337)**	**(250)**
Net Interest Income		**9,962**	**7,049**	**10,850**	**8,053**
Fees And Commission Income		2,421	1,713	2,539	1,884
Fees And Commission Expenses		(25)	(18)	(25)	(18)
Fees and Commission Income (net)		**2,396**	**1,695**	**2,514**	**1,866**
Foreign Exchange Gain/Loss (net)		19	13	515	382
Securities Trading Income (net)		56	40	158	117
Net Banking Income		**12,433**	**8,797**	**14,037**	**10,418**
Other Operating Income	21	396	280	28	21
General Administrative and Other Operating Expenses	22	(6,732)	(4,763)	(5,804)	(4,307)
Operating Profit		**6,097**	**4,314**	**8,261**	**6,132**
Share of Associated Company		499	353	-	-
Taxation	17	(1,436)	(1,016)	(2,707)	(2,009)
Net Income		**5,160**	**3,651**	**5,554**	**4,123**

31 12 2006 Exchange Rate: 1 USD =1.41329 TRY
31 12 2005 Exchange Rate: 1 USD =1.34746 TRY

(*) The amounts translated into US Dollar in these financial statements as at and for the year ended is presented for information purposes only and have been computed on the basis set forth in Note 3 to the accompanying financial statements.

ÇALIK YATIRIM BANKASI A.Ş.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

	Share Capital TRY'000	Inflation Adjustment To Capital TRY'000	Legal Reserves TRY'000	Retained Earnings TRY'000	Total TRY'000
Balance as of 1 January 2005	13,500	26,113	1,610	8,902	50,125
Capital Increase	-	-	-	-	-
Legal Reserves	-	-	-	-	-
Net Period Profit	-	-	-	5,554	5,554
Balance as of 31 December 2005	**13,500**	**26,113**	**1,610**	**14,456**	**55,679**
Balance as of 1 January 2006	13,500	26,113	1,610	14,456	55,679
Capital Increase	6,500	(3,250)	-	(3,250)	-
Legal Reserves	-	-	215	(215)	-
Net Period Profit	-	-	-	5,160	5,160
Balance as of 31 December 2006	**20,000**	**22,863**	**1,825**	**16,151**	**60,839**

ÇALIK YATIRIM BANKASI A.Ş.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

		1 January- 31 December 2006	(As restated See Note 29) 1 January- 31 December 2005
Cash Flows From Operating Activities:			
Net Profit For The Period		5,160	5,554
Adjustments To Reconcile Net Profit/(Loss) To Net Cash Provided By Operating Activities:			
Depreciation of property and equipment	11	322	302
Amortization of intangible assets	12	63	92
Allowance for impairment losses on loans	9	89	500
Employee termination benefits	18	17	1
Other provision (income)		(91)	(190)
Deferred tax charge/(benefit)	17	13	(46)
Accrued expenses (net)		156	336
Operating profits before changes in operating assets/liabilities		5,729	6,549
Changes in operating assets and liabilities:			
Decrease in loans		3,382	458
Decrease in other assets		764	7,136
Increase/(Decrease) in other creditors, taxes & liabilities		1,006	(3,878)
		5,152	3,716
Income taxes paid		(2,054)	(2,151)
Net Cash Provided by Operating Activities		3,098	1,565
Cash Flows From Investing Activities:			
Decrease in reserve requirements with the Central Bank		136	527
Decrease/(Increase) in balances with banks		13	(2,524)
Decrease in investments held for trading		1,322	313
(Increase) in investment		(4,639)	(269)
Purchase of premises and equipment	11	(104)	(145)
Purchase of intangible assets	12	(24)	(30)
Sale of premises and equipment	11	-	31
		(3,296)	(2,097)
Net cash (used in)/provided by investing activities			
Cash flow from financing activities:			
New borrowings		138,927	342,045
Repayment of borrowings		(140,828)	(348,718)
Net cash provided by/(used in) financing activities		(1,901)	(6,673)
Net Increase/Decrease In Cash And Cash Equivalents		3,630	(657)
Cash And Cash Equivalents At The Beginning Of The Period		6,458	7,115
Cash And Cash Equivalents At The End Of The Period		10,088	6,458

ÇALIK YATIRIM BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (TRY ‘000’) unless otherwise stated)

1. GENERAL INFORMATION

Çalık Yatırım Bankası A.Ş. (the “Bank”) was incorporated in Turkey in July 1999.

The Bank operates as an “investment bank” and is mainly involved in corporate services such as granting any sort of loan, either cash or non-cash, financial leasing, factoring, corporate lending. As an investment bank, the Bank borrows funds from banks, financial markets, its counterparties, partners and credit customers, but is not entitled to receive deposits from customers.

The head office of the Bank is located at Tekfen Tower Levent/Istanbul, and the Bank has also one branch in Merter/Istanbul.

The Bank has cooperation with Şekerbank T.A.Ş. and Çalık Holding A.Ş. in their project of investing in domestic or foreign oriented banks in Çalık-Şeker Konsorsiyum Yatırım A.Ş. The share of the Bank in this company is 24%.

	Place of Incorporation	Effective Shareholding		Voting rights (%)	
		2006	**2005**	**2006**	**2005**
Agromarket (**)	Turkey	-	44.27	-	44.27
Çalık Şeker Konsorsiyum A.Ş. (*)	Turkey	24	24	24	24

(*) Çalık Şeker Konsorsiyum A.Ş. has been accounted under equity pick up method at the attached financial statements. Please refer to note 10 for detailed information.

(**) Agromarket Tic. ve Elektronik Hiz. Paz. A.Ş. was liquidation as at 28 December 2006, so it is written off from legal records as at 29 December 2006.

During the conduct of its business the Bank had various transactions and balances with related parties during the year. Balances and transactions with related parties as at the balance sheet date are set out in note 23.

The Bank employs 30 people as of 31 December 2006 (28 as of 31 December 2005).

2. ADOPTION OF NEW AND REVISED STANDARDS

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted those new/revised standards mandatory for financial years beginning on or after 1 January 2006.

In summary:

Following amendments to IAS 39 “Investments classified as at fair value through profit or loss” and “Financial guarantee contracts” had no material effect on the Company’s accounting policies.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

• IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies
  Effective for annual periods beginning on or after 1 March 2006
• IFRIC 8 Scope of IFRS 2
  Effective for annual periods beginning on or after 1 May 2006
• IFRIC 9 Reassessment of Embedded Derivatives
  Effective for annual periods beginning on or after 1 June 2006
• IFRIC 10 Interim Financial Reporting and Impairment
  Effective for annual periods beginning on or after 1 November 2006
• IFRS 7 Financial Instruments: Disclosure
  Effective for annual periods beginning on or after 1 January 2007

The Bank has not applied the IFRS and IFRIC Interpretations that have been issued but are not yet effective. In this context, the Bank expects that the adoption of IFRS 7 “Financial Instruments: Disclosures”, which supersedes IAS 30 and disclosure requirements of IAS 32 and is effective for annual periods beginning on or after 1 January 2007 will impact the presentation of additional disclosures on financial instruments. Other than that, the management of the Bank does not anticipate that the adoption of the below Standard and Interpretations in future periods will have a material impact on the financial statements of the Bank.

3. ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The principal accounting policies adopted in the preparation of these financial statements are set out below:

Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards.
Basis of preparation:

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

a) Basis of Presentation of Financial Statements

The Bank maintains its books of account and prepares its financial statements in accordance with the Turkish Banking Law, based on accounting principles regulated by the Banking Regulation and Supervision Agency and regulations regulated by the Turkish Commercial Code and Turkish tax legislation and relevant accounting rules and regulations.

The accompanying financial statements are based on the statutory records, which are maintained under the historical cost convention, except for those items measured at fair value, with adjustments and reclassifications for the purposes of fair presentation in accordance with IFRS. These financial statements are presented in New Turkish Lira since that is the currency in which the majority of the Bank's transactions are denominated.

The accompanying IFRS financial statements adopt the accounting principles and policies applied by the BRSA in the Bank’s statutory financial statements wherever those do not conflict with IFRS.

The effects of the differences between IFRS and generally accepted accounting principles in other countries than Turkey have not been quantified in the accompanying notes to the financial statements. In the opinion of the Bank's management, all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the period have been made in the accompanying financial statements.

Inflation accounting:

IAS 29 “Financial Reporting in Hyperinflationary Economies” requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The inflation rate is determined on the basis of the Turkish nationwide Wholesale Price Index (“WPI”) published by the Turkish State Institute of Statistics (“SIS”) valid up until 31 December 2004. From 1 January 2005 SIS has introduced the Producer Price Index (“PPI”) as a new index measuring inflation and therefore inflation rate during 2005 is measured by PPI.

Until 1 January 2005 the Bank applied inflation accounting in both its statutory and IFRS financial statements, since the Turkish economy was still categorized as hyperinflationary although the cumulative three-year inflation rate as of 31 December 2004 was 70%, lower than 100%. However effective from 1 January 2005 considering the facts explained below, the Bank discontinued the application of inflation accounting:

• Based on the WPI published by SIS, inflation followed a decreasing trend starting from the year 2003 and the three-year inflation rate decreased to 100% for the first time as of 31 July 2004. As of 31 December 2005, the annual inflation rate is 2.7%, and the three-year cumulative inflation rate is 33.2%.

• In response to the letter sent by the Turkish Banks Association, inquiring the opinion of the IASB, as to whether Turkish companies should discontinue the application of inflation accounting or not, the IASB stated that such a decision could be best made by the economic actors operating in the Turkish economy.

• The Ministry of Finance, Undersecretariat of Treasury, Capital Markets Board (“CMB’’) and BRSA, who are the major regulatory authorities in the Turkish economy, have declared that effective from 1 January 2005 the Turkish economy has ceased to be defined as hyperinflationary and that the application of inflation accounting should be discontinued in the statutory financial statements as of that date. Additionally, as the BRSA also commented, the definition of hyperinflation and the criteria necessitating the application of inflation accounting in BRSA and CMB regulations, and in IFRS are similar in many respects; therefore the inflation treatment used in the preparation of IFRS financial statements should be the same.

Based on the facts and reasons explained above, the management of the Bank made its judgment to discontinue inflation accounting in the IFRS financial statements.

If it had been the case that, in accordance with IFRS pursuant to IAS 29, characteristics of the economic environment of Turkey in 2005 did not provide sufficient evidence to conclude that the decline in inflation is other than temporary, IAS 29 should have been applied during the year 2005.

On 22 November 2005, American Institute of Certified Public Accountants (AICPA) International Practices Task Force in its highlights memorandum declared that Turkey will come off its highly inflationary status as of the first period beginning after 15 December 2005.

The main guidelines for the IAS 29 restatement which were applied until 1 January 2005 were as follows:

• All balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date were restated by applying a general price index. Corresponding figures for previous periods are similarly restated.

• Monetary assets and liabilities were not restated because they were already expressed in terms of the measuring unit current at the balance sheet date. Monetary assets are cash held and items to be received or paid in cash.

• Non-monetary assets and liabilities were restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets were restated from the date of purchase, not to exceed their market value. Depreciation was similarly restated. The components of shareholders' equity were restated by applying the applicable general price index from the dates the components were contributed or otherwise arose.

• All items in the statement of operations, except non-monetary balance sheet items that affect the statement of operations, were restated by applying the relevant conversion factors from the dates on which the income and expense items were initially recorded in the financial statements.

• The gain or loss on the net monetary position was the result of the effect of general inflation and was the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position was included in net income.

• Deferred income taxes were recognized for differences between the carrying amounts and the tax bases of non-monetary assets and liabilities arising from restatement in terms of the measuring unit current at the balance sheet date. Related deferred tax expense was reflected on the income statement.

b) Accounting Convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of premises and equipment and indexation.

c) Income and Expense Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Interest and other income and expenses are recognized on an accrual basis. Fees and commissions are generally recognized on an accrual basis when the service has been provided or received. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income on overdue loans is recognized on a cash basis when collected. Income and expenses are recognized at fair value or amortized cost basis.

d) Foreign Currencies

The financial statements of the Bank are presented in the currency of the primary economic environment in which the Bank operates (its functional currency). For the purpose of the accompanying financial statements, the results and financial position of the Bank is expressed in New Turkish Lira, which is the functional currency of the Bank, and the presentation currency for the accompanying financial statements.

Transactions in currencies other than the bank's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

As at 31 December 2006 and 31 December 2005 foreign currency assets and liabilities of the Bank are mainly in US Dollar and Euro. As at 31 December 2006 and 31 December 2005 the Bank's exchange rates of US Dollar and Euro are as follows:

	31 December 2006	31 December 2005
1 US Dollar	1.41329	1.34746
1 Euro	1.86271	1.60133

Average rates are as follows :

	1 January-31 December 2006	1 January-31 December 2005
1 US Dollar	1.43786	1.34701
1 Euro	1.80908	1.67616

e) Financial Instruments

The term financial instruments include both financial assets and financial liabilities, and also derivatives. Financial assets and financial liabilities are recognized on the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument. Financial instruments are fundamental to the Bank's business and constitute the core element of its operations. The risks associated with financial instruments are a significant component of the risks faced by the Bank. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Bank's balance sheet. The Bank trades in financial instruments for customer facilitation and as principal.

Investments

Investments are recognized and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Bank has the expressed intention and ability hold to maturity (held-to-maturity debt securities) are measured at amortized cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

Investments other than held-to-maturity debt securities are classified as either investments at fair value through profit and loss or as available-for-sale, and are measured at subsequent reporting dates at fair value. A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognized in profit or loss. A gain or loss on an available-for-sale financial asset shall be recognized directly in equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. However, interest calculated using the effective interest method is recognized in profit or loss. Dividends on an available-for-sale equity instruments are recognized in profit or loss when the shareholders' rights to receive payment have been established.

Investments that do not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable are accounted for at cost.

The Bank's investments primarily represents Turkish Republic Government bonds, Treasury bills which are accounted for at the fair value of the consideration given (at cost) at initial recognition determined by reference to the transaction price or market prices and subsequently measured as explained above in accordance with their classification.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Bank are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The Bank does not have equity instruments. The accounting policies adopted for specific financial liabilities are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Bank's accounting policy for borrowing costs.

Off balance sheet commitments and contingencies

The Bank deals with off-balance sheet risk in the normal course of business such as letters of guarantee, letters of credit, prefinancing loans, etc. The Bank's exposure to losses arising from these instruments is represented by the contractual amount of those instruments.

Derivative financial instruments and hedge accounting

The Bank's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. In the normal course of business, the Bank enters into a variety of derivative transactions principally in the foreign exchange and interest rate markets. These are used to provide financial services to customers and to actively take, hedge and modify positions as part of trading activities. Derivatives are also used to hedge or modify risk exposures arising on the balance sheet from a variety of activities including placements, lending and securities investment. The majority of the counterparties in the Bank's derivative transactions are banks and other financial institutions.

The Bank uses derivative financial instruments (primarily foreign currency forward and swap contracts) to hedge its risks associated with foreign currency fluctuations relating to forecasted transactions. The significant interest rate risk arises from placements, securities invested, loans extended, deposits and bank borrowings.

The use of financial derivatives is governed by the Bank's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Bank's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date. All unrealized gains and losses on these instruments are included in the statement of income. Unrealized gains and losses on these instruments are not deductible for tax purposes.

Fair value considerations

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

Various financial instruments are accounted for at fair value. Other financial instruments are accounted at amortized cost but disclosure is required of fair value for comparison purposes, wherever practicable.

Due to economic conditions and volatility or low trading volumes in markets, the Bank may be unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparison with similar financial instruments that do have active markets, and calculation of present values on an IRR basis. Where no reliable estimate of fair value is available, amortized cost is used as the carrying value. As there is a wide range of valuation techniques, it may be inappropriate to compare the Bank's fair value information to independent markets or to other financial institutions' fair value information.

For certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would never differ significantly from market rates.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Central Bank accounts and balances with banks: The carrying amount is a reasonable estimate of fair value.

Securities investments: Fair value is estimated using quoted market prices wherever applicable.

Loans: The major portion of the loans is short-term and have interest rates that are subject to fluctuation at short notice in accordance with prevailing interest rates in the market. Management believes that the risk factors embedded in the entry value of interest rates and subsequent rate changes along with the related allowances for uncollectibility and assessment of risks associated with the loan book result in a fair valuation of loans.

Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing borrowings and overdrafts are recorded at the proceeds received. Interests on borrowings are accounted for on an accrual basis and are added to the carrying amount of instruments to the extent they are not settled in the period in which they arise.

f) Loans and loan loss provisions

Loans are financial instruments originated by the Bank and accounted for at amortized cost, using the effective interest rate method, except for certain loans where the straight line accrual basis does not materially differ from amortized cost method in accordance with IAS 39. Based on its evaluation of the current status of loans granted, the bank makes loan loss provisions which it considers adequate to cover estimated uncollectible amounts in the loan portfolio and losses under guarantees and commitments. The estimates are reviewed periodically and, as adjustments become necessary, they are reflected in the statement of income.

The bank generally ceases the accrual of interest if interest or principal has remained unpaid for more than three months. At this stage, the Bank compares the carrying value of the loan with the present value of estimated cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. Management accepts the present values of estimated cash flows as null since no return on these loans are expected. Interest accrued on overdue loans is considered in management's assessment of the required provisions for loan losses. For loans that are rescheduled, interest is calculated retrospectively and added to the loan balance.

The loan loss provisions and the general loan provision follow the requirements as specified by Turkish Banking regulations. In accordance with the prevailing provisioning legislation, banks in Turkey should appropriate 1% general provision for cash loans and other receivables and 0, 2% general provision for non-cash loans after 31 October 2006. Before 31 October 2006, general loan loss provision ratios for cash and non-cash loans are respectively 0.5% and 0.1%.

g) Securities under Resale or Repurchase Transactions

Purchases or sales of securities under agreements of resale or repurchase are short term and entirely involve debt securities. Sales of securities under agreements of repurchase ("Repos") are retained in the balance sheet under securities portfolio and the corresponding counter party commitment is included separately under liabilities. The net gain or loss on repo transactions is accrued over the period to maturity. Purchases of securities under agreements of resale ("reverse repos") are included in the securities portfolio and interest income on such transactions is accrued on an IRR basis over the period to maturity.

h) Premises and Equipment

Premises and equipment are depreciated using rates, which write off the assets over their expected useful lives. The assets are depreciated on a straight-line basis.

Leasehold improvements are depreciated based on the shorter of the rental period or useful life of the assets.

The costs of a major inspection or overhaul that are accounted as a separate asset component are capitalized. Subsequent expenditures incurred on the premises and equipments are added to the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the asset will flow to the entity. All other subsequent expenditures and major inspection or overhaul costs that are embodied in the item of property and equipment are recognized as an expense when it is incurred.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of income.

ı) Computer Software Development Costs

The Bank generally recognizes computer software development costs as expenses when incurred. However, if it is probable that future economic benefits will flow to the Bank, to the extent that expenditures can reliably be measured and attributable to the asset, development costs incurred are incorporated into the initial cost of computer software. All other subsequent expenditure associated with the maintenance of the existing computer software is recognized as expense in the period in which it is incurred.

Computer software development costs capitalized as assets are amortized on a straight-line basis over their expected useful lives.

j) Investments in Associates

In the accompanying financial statements, equity participations are accounted as securities available for sale, in accordance with IAS 39, and are accounted for using the policy set out in note (e) above. In cases where there is evidence of permanent impairment in value, recorded amounts are reduced by a provision for such impairment, charged to the statement of income.

k) Taxation and Deferred Taxes

Taxes on income for the year consist of current tax and the change in deferred taxes. The Company accounts for current and deferred taxation on the results for the period, in accordance with IAS 12.

Provision is allocated in the financial statements for the Company's estimated liability to Turkish corporation tax on its results for the year. The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed.

Deferred tax assets and liabilities are recognized using the liability method in respect of material temporary differences arising from different treatment of items for accounting and taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are only provided to the extent if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the statement of income.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred income tax assets and liabilities are also offset.

l) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Bank as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases. Lease receivables are classified under loans

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

m) Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

n) Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

o) Retirement Benefits

- Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Bank is required to pay lump-sum termination indemnities to each employee who has completed over one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such defined benefit plan is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

For defined contribution plans the Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. The Bank has provided full reserve for defined contribution plans.

p) Related Parties

For the purpose of the accompanying financial statements shareholders of the Bank and related companies, and non-equity participations and related companies, directors and key management personnel together with their families and related companies and other companies in the Çalık Group Companies are referred to as "Related Parties" in this report.

r) Use of Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

s) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The bank has no offsetting transactions for the year ended 31 December 2006.

t) Business and Geographical Segments

Business Segments

For management purposes, the Bank is currently organized into two operating divisions–banking and other financial operations. These divisions are the basis on which the Bank reports its primary segment information.

Geographical Segments

The Bank's operations are mainly located in Turkey. The results of the members of the Bank outside Turkey are not material in the accompanying financial statements and accordingly, geographical segment information is not presented.

u) Cash and Cash Equivalents

In the statements of cash flows, cash and cash equivalents comprise liquid assets, balances with the Central Bank, Balances with Banks, with maturities less than 90 days and Interbank Funds.

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

	31 December 2006	31 December 2005
Cash balances-New Turkish Lira ("TRY")	141	33
Cash balances-Foreign currencies ("FC")	423	60
	564	93

5. BALANCES WITH THE CENTRAL BANK

a) Balances with the Central Bank

	31 December 2006	31 December 2005
Demand deposits-TRY	49	51
Time deposits-FC	112	161
	161	**212**

b) Reserve Deposits at the Central Bank

	31 December 2006	31 December 2005
Foreign currency reserves	257	393
	257	**393**

Under the regulations of the Central Bank Turkish Republic ("Central Bank"), banks are required to deposit with the Central Bank a proportion of all deposits taken from customers, other than domestic inter-bank deposits. These reserves are not available funds to finance the operations of the Bank. Such New Turkish Lira and foreign currency reserves maintained with the Central Bank earn interest at the interest rates of 13.12% for TRY deposits, 2.52% for foreign currency US Dollars deposits and 1.73% for foreign currency Euro deposits. (31 December 2005: 10.25%, for TRY deposits, 2.03% for US Dollars deposits and 1.19% for Euro deposits). Due to a change in regulations, starting from December 2005, the Banks are not obliged to set a reserve on blocked Central Bank accounts on local currency deposits and liabilities.

6. BALANCES WITH BANKS

	31 December 2006	31 December 2005
Domestic Banks		
Demand deposits-New Turkish Lira	1	1
Demand deposits-Foreign currency	219	-
Time deposits-New Turkish Lira	700	3,825
Time deposits-Foreign currency	1,273	1,887
	2,193	**5,713**
Foreign Banks		
Demand deposits-Foreign currency	170	61
Time deposits-New Turkish Lira	7,012	-
Time deposits-Foreign currency	-	404
	7,182	**465**
Total	**9,375**	**6,178**

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

The time deposits above mature within 1 month and earn average interest at rate of 5.19% (31 December 2005: 4.2%) for foreign currency and 18.68% for TRY per annum. (31 December 2005: 14.73% for TRY)

7. SECURITIES PORTFOLIO (NET)

	31 December 2006			31 December 2005		
	Cost	**Accrued interest**	**Carrying Value**	**Cost**	**Accrued interest**	**Carrying Value**
Financial Assets at Fair Value Through Profit and Loss (Net)						
Government Bonds in TRY	243	12	255	1,543	24	1,567
Treasury Bills in TRY	275	17	292	300	2	302
Total	**518**	**29**	**547**	**1,843**	**26**	**1,869**

Income on debt instruments at fair value is included in the statement of income as interest income. Gains and losses on financial assets at fair value through profit and loss are included in the trading income.

8. FUNDS LENT UNDER SECURITIES RESALE AGREEMENTS

	31 December 2006			31 December 2005		
	Cost	**Accrued interest**	**Carrying Value**	**Cost**	**Accrued interest**	**Carrying Value**
Financial Assets at Fair Value through profit and loss (Net)						
Government Bonds in TRY	190	9	199	-	-	-
Treasury Bills in TRY	-	-	-	864	7	871
Total	**190**	**9**	**199**	**864**	**7**	**871**

9. LOANS (NET)

	31 December 2006	**31 December 2005**
Short term loans	42,271	47,505
Medium and long term loans	3,334	567
Overdue loans	**310**	**1,056**
Less: Specific reserve for impairment	(310)	(515)
Less :Portfolio reserve for impairment	(354)	(265)
Unearned income (Leasing)	(315)	(134)
	44,936	**48,214**

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

Movements in the provision for loan losses are as follows:

	31 December 2006	31 December 2005
Provision For Cash Loans:		
As at 1 January	780	299
Charge for the period	89	500
Reversal/Collection	(205)	(19)
As at 31 December	**664**	**780**

Loans can be further analysed by customer, currency and sector as follows:

	31 December 2006	31 December 2005
Customer		
Commercial customers	44,936	48,214
	44,936	**48,214**

Currency

	31 December 2006	31 December 2005
New Turkish Lira	41,684	44,755
US Dollar	92	-
Euro	2,781	1,735
CHF	379	1,724
	44,936	48,214

Loans can be analyzed by sector as follows:

Sector	2006	2006 (%)	2005	2005 (%)
Trade	6,179	13.75	15,039	31.19
Manufacturing	5,246	11.67	10,275	21.31
Transportation and communication	1,280	2.85	764	1.58
Health	-	-	541	1.12
Construction	5,136	11.43	11,576	24.01
Real estate	88	0.20	130	0.27
Financial institutions	24,557	54.65	8,985	18.64
Energy	1,628	3.62	-	-
Other	822	1.83	904	1.88
	44,936	**100.00**	**48,214**	**100.00**

Classification	31 December 2006	31 December 2005
Loans	40,676	39,666
Leasing	1,539	3,668
Factoring	2,721	4,880
	44,936	**48,214**

(Amounts expressed in New Turkish Lira (TRY ‘000’) unless otherwise stated)

Included in the loans above, finance lease receivables are as follows:

	31 December 2006	31 December 2005
Within one year	1,110	3,234
One year and above	744	568
	1,854	**3,802**
Less: Unearned interest income	(315)	(134)
	1,539	**3,668**

Interest rates charged for short-term loans varied between 19.1% and 31% for New Turkish Lira loans (2005: 14.55%-28%) and 8.11% and 14.39% (2005: 11.19%-11.74%) for foreign currency loans per annum during the period.

10. INVESTMENTS IN ASSOCIATES

	Ownership %	31 December 2006	31 December 2005
Investee			
Çalık Şeker Konsorsiyum A.Ş.	24	9,020	4,376
		9,020	**4,376**

The main establishment purpose of Çalık Şeker Konsorsiyum A.Ş., (associate) is the transactions related with purchase of Bank Kombatare Tregtare in Albania. Sales transactions with Saving Deposits and Insurance Fund has been completed as at balance sheet date, the share transfer has been settled in 9 June 2006.

This associate is accounted under equity method, in the accompanying financial statements in this year, (In 2005 sales transactions with Saving Deposits and Insurance Fund has been completed as at balance sheet date, the share transfer has not been settled. Due to this fact, and taking one of the basic principles of accounting “materiality” into consideration, the associate is accounted at cost instead of accounted under equity method, in the accompanying financial statements.)

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

11. PROPERTY and EQUIPMENT (NET)

	Leasehold Improvements	Machinery and Equipment	Vehicles	Furniture and Fixture	Other Fixed	Assets Total
Acquisition Cost						
Opening balance, 1 January 2006	726	684	250	621	11	2,292
Additions	-	94	-	8	2	104
Disposals	-	-	-	-	-	-
Closing balance, 31 December 2006	726	778	250	629	13	2,396
Accumulated Depreciation						
Opening balance, 1 January 2006	378	522	85	287	11	1,283
Charge for the period	103	71	50	98	-	322
Disposals	-	-	-	-	-	-
Closing balance, 31 December 2006	**481**	**593**	**135**	**385**	**11**	**1,605**
Net book value at 31 December 2006	**245**	**185**	**115**	**244**	**2**	**791**

	Leasehold Improvements	Machinery and Equipment	Vehicles	Furniture and Fixture	Other Fixed	Assets Total
Acquisition Cost						
Opening balance, 1 January 2005	700	659	290	614	11	2,274
Additions	26	41	89	7	-	163
Disposals	-	(16)	(129)	-	-	(145)
Closing balance, 31 December 2005	726	684	250	621	11	2,292
Accumulated Depreciation						
Opening balance, 1 January 2005	277	464	170	191	11	1,113
Charge for the period	101	61	44	96	-	302
Disposals	-	(3)	(129)	-	-	(132)
Closing balance, 31 December 2005	**378**	**522**	**85**	**287**	**11**	**1,283**
Net book value at 31 December 2005	**348**	**162**	**165**	**334**	**-**	**1,009**

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

The following useful lives are used in the calculation of depreciation.

	Useful Life
Vehicles, Furniture and Fittings	3-8
Leasehold Improvements	4-5

12. INTANGIBLE ASSETS (NET)

	Intangible Assets Total
Acquisition cost	
Opening balance, 1 January 2006	1,678
Additions	24
Closing balance, 31 December 2006	**1,702**
Accumulated depreciation	
Opening balance, 1 January 2006	1,553
Charge for the period	63
Closing balance, 31 December 2006	**1,616**
Net Book Value, as of 31 December 2006	**86**

	Intangible Assets Total
Acquisition cost	
Opening balance, 1 January 2005	1,648
Additions	30
Closing balance, 31 December 2005	**1,678**
Accumulated depreciation	
Opening balance, 1 January 2005	1,461
Charge for the period	92
Closing balance, 31 December 2005	**1,553**
Net Book Value, as of 31 December 2005	**125**

The following useful lives are used in the calculation of amortization.

Intangibles	3-15

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

13. OTHER ASSETS

	31 December 2006	31 December 2005
Prepaid Expenses	267	226
Transitory Accounts	176	315
Others	27	25
	470	**566**

14. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The securities sold under repurchase agreements and corresponding obligations are as follows:

	31 December 2006 Carrying Value of Underlying Securities	31 December 2005 Carrying Value of Corresponding Liability
Financial Assets at Fair Value through profit and loss (Net)	199	190
	199	**190**

	31 December 2006 Carrying Value of Underlying Securities	31 December 2005 Carrying Value of Corresponding Liability
Financial Assets at Fair Value through profit and loss (Net)	871	864
	871	**864**

The repurchase agreements have maturity periods of six days. The Bank has applied interest rates of 14.71%. (2005: 8.24-10.56%)

15. FUNDS BORROWED

	31 December 2006	31 December 2005
Domestic Banks-TRY	-	1,002
Domestic Banks-Foreign currency	-	-
Banks Abroad-Foreign currency	3,090	3,234
	3,090	**4,236**

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

31 December 2006:

Maturity	Currency	Effective Interest Rate (%)	Amount
12/03/2007	EUR	5.06	2,523
31/01/2007	EUR	4.22	190
28/03/2007	CHF	3.92	175
26/03/2007	CHF	4.05	202
			3,090

31 December 2005:

Maturity	Currency	Effective Interest Rate (%)	Amount
26/01/2006	TRY	13.95	1,002
30/01/2007	EUR	4.05	492
22/12/2011	USD	5.75	1,028
18/10/2006-26/03/2007	CHF	3.40-4.05	1,714
			4,236

16. SUNDRY CREDITORS

	31 December 2006	31 December 2005
Payable to suppliers	-	1,226
	-	**1,226**

17. TAXATION ON INCOME

Corporate Tax

The Bank is subject to Turkish corporation taxes. Provision is made in the accompanying financial statements based on the Bank's results for the period. Tax legislation in Turkey does not allow companies to file their tax returns on a consolidated basis but on a stand-alone basis.

Corporation tax is applied on taxable corporate income, which is calculated from the BRSA accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rates of tax are as follows:

- In 2004: 33%
- In 2005: 30%
- In 2006: 20%

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was decreased to 20% for 2006 (2005: 30%). The excess temporary tax paid of corporate income that was calculated at the rate of 30% during the taxation of the corporate income in temporary taxation periods after January 2006 over 20% will be deducted from future temporary tax returns.

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between April 1-25 following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from April 24, 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from June 21, 2006. However until the resolution of council of ministers, it will be used as 10%. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the Bank. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years as of 31 December 2005 so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

The tax rate that the companies can use in the case of deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Bank cannot use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be cancelled.

As the management of Bank does not plan to use the investment incentive, therefore the corporate tax rate was used as 20% as of December 31, 2006.

Inflation Adjusted Tax Calculation

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2004 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". Since the actual rate of inflation as at the balance sheet date did not exceed the thresholds specified in the taxation legislation, the statutory financial statements have not been inflation adjusted for the current period.

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

Deferred Tax

The Bank recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

In the accompanying financial statements corporate tax and deferred tax asset/liability are comprised of the following:

a)

Balance sheet:	**31 December 2006**	**31 December 2005**
- Corporate tax provision	1,423	2,753
- Prepaid tax	(1,302)	(2,151)
Corporate tax payable	121	602
Deferred tax asset	(123)	(136)
	(2)	**466**

b)

Income statement :	2006	2005
Corporate tax charge	(1,423)	(2,753)
Deferred tax charge	(13)	46
	(1,436)	**(2,707)**

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

The deferred taxes on major temporary differences as at the balance sheet are as follows:

	2006	2005
Deferred Tax Bases		
Useful life difference on fixed assets	(22)	32
Retirement pay provision	(35)	(18)
General loan loss provision	(461)	(360)
Letter of credit commission	(74)	-
Unused vacation provision	(23)	(107)
Deferred tax (asset)/liability	**(615)**	**(453)**
Deferred Tax/Asset Liabilities		
Useful life difference on fixed assets	(4)	10
Retirement pay provision	(7)	(6)
General loan loss provision	(92)	(108)
Letter of credit commission	(15)	-
Unused vacation provision	(5)	(32)
Deferred tax (asset)/liability	**(123)**	**(136)**

Movement of net deferred tax (liability) asset can be presented as follows:

	2006	2005
Deferred tax asset, net at 1 January	(136)	(90)
Deferred income tax recognized in income statement	13	(46)
Deferred tax (asset)/liability, net at 31 December	**(123)**	**(136)**

(Amounts expressed in New Turkish Lira (TRY ‘000’) unless otherwise stated)

18. PROVISIONS

	31 December 2006	31 December 2005
General loan loss provision for non cash loans	107	95
Retirement pay provision	35	18
Unused vacation provision	23	107
Other provisions	-	1
	165	**221**

	31 December 2006	31 December 2005
Provision For Retirement Pay		
Provision at 1 January	18	17
Service cost	16	-
Interest cost	1	1
Provision at 31 December	**35**	**18**
General Loan Loss Provision		
Provision at 1 January	95	75
Provision charge/(reversal) for the period	12	20
Provision at 31 December	**107**	**95**

Retirement Pay Provision:

Under Turkish Labor Law, the Bank is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law’s 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered with 60th article that has been changed.

The amount payable consists of one month’s salary limited to a maximum of TRY1,857.44 (2005: TRY 1,727.15) for each period of service at 31 December 2006.

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the entity’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2006, the provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5% and a discount rate of 11%, resulting in a real discount rate of approximately 5.71% (31 December 2005: 5.49%). As the maximum liability is revised semi annually, the maximum amount of TRY 1,960.69 effective from 1 January 2007 has been taken into consideration in calculation of provision from employment termination benefits.

19. OTHER LIABILITIES

	31 December 2006	31 December 2005
Payables to compulsory government funds	86	44
Customer accounts (*)	1,059	533
Transitory accounts	485	394
Taxes and due payable	212	212
Others	282	37
	2,124	**1,220**

(*) As at 31 December 2006, TRY 787 Thousand comprised of the Customer Accounts to the Related Parties (31 December 2005: TRY 174 Thousand).

20. EQUITY

Share Capital

		31 December 2006		31 December 2005
Shareholders	**%**	**Paid-In Capital**	**%**	**Paid-In Capital**
Çalık Holding A.Ş.	91.5	18,300	91.5	12,352
Gap Güneydoğu Tekstil San. ve Tic. A.Ş.	4.5	900	4.5	608
Ahmet Çalık	2.0	400	2.0	270
Mahmut Çalık	1.0	200	1.0	135
Ali Akbulut	1.0	200	1.0	135
	100	**20,000**	**100**	**13,500**

Components of Capital:		
Nominal capital	20,000	13,500
Unpaid portion	-	-
Effect of inflation	22,863	26,113
	42,863	**39,613**

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

Legal reserves:

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Capital Increase;

The Bank has increased its capital from 13,500 to 20,000 as at 23 November 2006 and published at numbered 6689 Trade Registry Gazette. This increase was approved by the Bank at 17 November 2006 at Extraordinary General Meeting.

Detail of Capital Increase;

Increase from	Increase Amount (TRY)
Accumulated profit	3,250
Inflation adjustment to capital	3,250
Total increase	**6,500**

21. OTHER OPERATING INCOME

	2006	2005
Previous years expenses	228	-
Consultancy gain	84	-
Reversal of unused vacation provision	84	-
Other	-	28
	396	**28**

22. GENERAL ADMINISTRATIVE AND OPERATING EXPENSES

	2006	2005
Personnel expenses	3,363	2,588
Taxes and dues other than on income	198	213
Depreciation and amortization	385	394
Donations paid	17	188
Rent expenses	426	416
Other communication expense	260	170
Reuters Screen Expenses	201	195
Software maintenance&support	146	73
Provision expenses	118	588
Consultancy expenses	522	16
Other general administrative expenses	1,096	963
	6,732	**5,804**

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

23. RELATED PARTY TRANSACTIONS AND BALANCES

The accompanying financial statements include the following balances due from or due to related parties:

	2006	2005
Balances with related parties :		
Balances due from related parties		
Loans and Advances (Net)	**9,672**	**24,856**
Balances to related parties		
Other liabilities (customer accounts)	**787**	**174**
Balances related off balance sheet transactions		
Non-cash loans	**41,766**	**42,922**

Total salaries and other benefits paid to the board of members and upper management during the year is TRY 1,534 (2005: TRY 1,172).

Transactions with related parties:	**2006**	**2005**
Interest income on loans	3,105	5,842
Commission income	1,350	1,291
Consultancy gain	84	
Rent expenses	(19)	(18)
Other administrative expenses	(4)	(83)

24. COMMITMENTS AND CONTINGENCIES

	31 December 2006	31 December 2005
Letters of guarantee	82,642	78,702
Letters of credit	19,090	11,511
Acceptance credits	3,986	4,568
	105,718	**94,781**

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2006 Assets	2006 Liabilities	2005 Assets	2005 Liabilities
Forward transactions	-	-	-	-
Currency swaps	-	-	6	-
	-	**-**	**6**	**-**

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the Bank is committed are as follows:

	2006	2005
Forward foreign exchange contracts-buy	-	2,701
Forward foreign exchange contracts-sell	-	2,722
Swap foreign exchange contracts-buy	-	5,445
Swap foreign exchange contracts-sell	-	5,415

26. DIVIDENDS

During the year 2006, no dividend was paid to shareholders. (2005: None)

27. RISK MANAGEMENT

Through its normal operations, the Bank is exposed to a number of risks, the most significant of which are liquidity, credit, operational and market risk. Risk management department exercises its functions according to the Internal Risk Management Policies of the Bank, and directly reports to Board of Directors.

Liquidity risk

Liquidity risk is a substantial risk that is exposed to a certain degree of mismatch between the maturities of its assets and liabilities.

If any, in order to manage this risk, the Bank measures and manages its cash flow commitments on a daily basis, and maintains liquid assets, which it judges sufficient to meet its commitments.

The Bank uses various methods, including predictions of daily cash positions, to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source.

ÇALIK YATIRIM BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006
(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

As at 31 December 2006 the estimated maturity analysis for certain assets and liabilities;

The maturity analysis for certain asset and liability items is estimated;

	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Unallocated	Total
ASSETS								
Cash and cash equivalents	564	-	-	-	-	-	-	564
Balance with the Central Bank	49	112	-	-	-	-	-	161
Balances with banks	391	8,984	-	-	-	-	-	9,375
Funds lent under securities resale agreements	-	-	-	-	199	-	-	199
Financial assets at fair value through profit and loss (net)	-	-	292	-	255	-	-	547
Derivative financial instruments	-	-	-	-	-	-	-	-
Reserve deposits at the Central Bank	-	257	-	-	-	-	-	257
Loans (net)	-	36,852	6,705	634	147	598	-	44,936
Investment in associates (net)	-	-	-	-	-	-	9,020	9,020
Premises and equipment (net)	-	-	-	-	-	-	791	791
Intangible assets (net)	-	-	-	-	-	-	86	86
Other assets	176	-	-	-	-	-	294	470
Deferred tax assets	-	-	-	-	-	-	123	123
Total	**1,180**	**46,205**	**6,997**	**634**	**601**	**598**	**10,314**	**66,529**
LIABILITIES								
Obligations under repurchase agreements	-	190	-	-	-	-	-	190
Funds borrowed	-	191	2,899	-	-	-	-	3,090
Other provisions	-	-	-	-	-	-	165	165
Current tax liability	-	-	121	-	-	-	-	121
Sundry creditors	-	-	-	-	-	-	-	-
Other liabilities	1,632	492	-	-	-	-	-	2,124
Share capital	-	-	-	-	-	-	42,863	42,863
Legal reserves	-	-	-	-	-	-	1,825	1,825
Retained earnings	-	-	-	-	-	-	16,151	16,151
Total	**1,632**	**873**	**3,020**	**-**	**-**	**-**	**61,004**	**66,529**

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

As at 31 December 2005 the estimated maturity analysis for certain assets and liabilities;
The maturity analysis for certain asset and liability items is estimated;

	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Unallocated	Total
ASSETS								
Cash and cash equivalents	93	-	-	-	-	-	-	93
Balance with the Central Bank	51	161	-	-	-	-	-	212
Balances with banks	62	6,116	-	-	-	-	-	6,178
Funds lent under securities resale agreements	-	-	-	-	871	-	-	871
Financial assets at fair value through profit and loss (net)	-	-	-	289	1,580	-	-	1,869
Derivative financial instruments	-	6	-	-	-	-	-	6
Reserve deposits at the Central Bank	-	393	-	-	-	-	-	393
Loans and advances (net)	-	37,827	6,204	1,198	1,889	555	541	48,214
Investment in associates (net)	-	-	-	-	-	-	4,376	4,376
Premises and equipment (net)	-	-	-	-	-	-	1,009	1,009
Intangible assets (net)	-	-	-	-	-	-	125	125
Other assets	315	-	-	-	-	-	251	566
Deferred tax assets	-	-	-	-	-	-	136	136
Total	**521**	**44,503**	**6,204**	**1,487**	**4,340**	**555**	**6,438**	**64,048**
LIABILITIES								
Obligations under repurchase agreements	-	864	-	-	-	-	-	864
Funds borrowed	-	1,163	350	445	930	1,348	-	4,236
Other provisions	-		-	-	-	-	221	221
Current tax liability	-	-	-	602	-	-	-	602
Sundry creditors	-	147	304	335	440	-	-	1,226
Other liabilities	790	430	-	-	-	-	-	1,220
Share capital	-	-	-	-	-	-	39,613	39,613
Legal reserves	-	-	-	-	-	-	1,610	1,610
Retained earnings	-	-	-	-	-	-	14,456	14,456
Total	**790**	**2,604**	**654**	**1,382**	**1,370**	**1,348**	**55,900**	**64,048**

Credit risk

Credit risk arises where the possibility exists of a counterparty defaulting on its obligations. The most important step in managing this risk is the initial decision whether or not to extend credit. The granting of credit is authorized at the Board level or at appropriate levels of management depending on the size of the proposed commitment, and in accordance with banking regulations in Turkey. The Bank places strong emphasis on obtaining sufficient collateral from borrowers.

The day-to day management of credit risk is devolved to individual business units, which perform regular appraisals of counterparty credit quantitative information.

(Amounts expressed in New Turkish Lira (TRY ‘000’) unless otherwise stated)

The credit portfolio is monitored according to various criteria including and risk categories. The geographical concentration of assets liabilities and other credit related commitments are as follows:

31 December 2006

	Total Assets	%	Total Liabilities	%	Credit Related Other Commitments	%
Turkey	59,348	89	63,439	95	105,718	100
Euro Zone	7,097	11	2,713	4	-	-
OECD Countries	84	-	377	1	-	-
	66,529	**100**	**66,529**	**100**	**105,718**	**100**

31 December 2005

	Total Assets	%	Total Liabilities	%	Credit Related Other Commitments	%
Turkey	63,583	99	59,588	93	74,165	78
Euro Zone	22	-	1,717	3	-	-
USA and Canada	420	1	-	-	-	-
OECD Countries	23	-	1,714	3	-	-
Other	-	-	1,029	1	20,616	22
	64,048	**100**	**64,048**	**100**	**94,781**	**100**

Market risk

The Bank takes on exposure to market risks. Market risk arises from open positions in interest rate and currency, which are exposed to general and specific market movements. The interest rate and exchange rate risks of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to Value at Risk (VAR) is taken into consideration by the standard method.

The Board of Directors of the Bank determines the risk limits for primary risks carried by the Bank and periodically revises these limits. The Bank aims to balance the foreign currency position, collateralize the loans and manage liquidity.

The Bank’s management of its exposure to market risk is performed through the Asset and Liability Committee comprising members of senior management, and through limits on the positions which can be taken by the Bank’s treasury and financial assets trading divisions.

Interest Rate Risk

The Bank is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest sensitive assets and liabilities. The Bank funds its TRY assets through its shareholders’ equity. (as of 31 December 2006, total shareholders’ equity comprises of 91% of the total assets) The Bank manages interest rate sensitivity of the assets, liabilities and off-balance sheet items. Progressive forecasting is determined with reports, interest rate fluctuations effect are identified with reports and analysis. The cash need in the terms is determined with Gap analysis

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

The below table summarizes the Bank's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the reprising date:

31 December 2006:

	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Non interest bearing	Total
ASSETS							
Cash and cash equivalents	-	-	-	-	-	564	564
Balance with the Central Bank	112	-	-	-	-	49	161
Balances with banks	8,984	-	-	-	-	391	9,375
Funds lent under securities resale agreements	-	-	-	199	-	-	199
Financial assets at fair value through profit and loss (net)	-	292	-	255	-	-	547
Derivative financial instruments	-	-	-	-	-	-	-
Reserve deposits at the Central Bank	257	-	-	-	-	-	257
Loans and advances (net)	36,853	6,704	634	147	598	-	44,936
Investment in associates (net)	-	-	-	-	-	9,020	9,020
Premises and equipment (net)	-	-	-	-	-	791	791
Intangible assets (net)	-	-	-	-	-	86	86
Other assets	-	-	-	-	-	470	470
Deferred tax assets	-	-	-	-	-	123	123
Total	**46,206**	**6,996**	**634**	**601**	**598**	**11,494**	**66,529**
LIABILITIES							
Obligations under repurchase agreements	190	-	-	-	-	-	190
Funds borrowed	191	2,899	-	-	-	-	3,090
Other provisions	-	-	-	-	-	165	165
Current tax liability	-	-	-	-	-	121	121
Sundry Creditors	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	2,124	2,124
Share capital	-	-	-	-	-	42,863	42,863
Legal reserves	-	-	-	-	-	1,825	1,825
Retained earnings	-	-	-	-	-	16,151	16,151
Total	**381**	**2,899**	**-**	**-**	**-**	**63,249**	**66,529**

(Amounts expressed in New Turkish Lira (TRY ‘000’) unless otherwise stated)

The below table summarizes the Bank’s exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the reprising date:

31 December 2005:

	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Non interest bearing	Total
ASSETS							
Cash and cash equivalents	-	-	-	-	-	93	93
Balance with the Central Bank	161	-	-	-	-	51	212
Balances with banks	6,116	-	-	-	-	62	6,178
Funds lent under securities resale agreements	-	-	-	871	-	-	871
Financial assets at fair value through profit and loss (net)	-	-	289	1,580	-	-	1,869
Derivative financial instruments	6	-	-	-	-	-	6
Reserve deposits at the Central Bank	393	-	-	-	-	-	393
Loans and advances (net)	37,811	6,204	1,198	1,889	555	557	48,214
Investment in associates (net)	-	-	-	-	-	4,376	4,376
Premises and equipment (net)	-	-	-	-	-	1,009	1,009
Intangible assets (net)	-	-	-	-	-	125	125
Other assets	-	-	-	-	-	566	566
Deferred Tax Assets	-	-	-	-	-	136	136
Total	**44,487**	**6,204**	**1,487**	**4,340**	**555**	**6,975**	**64,048**
LIABILITIES							
Obligations under repurchase agreements	864	-	-	-	-	-	864
Funds borrowed	1,163	350	445	930	1,348	-	4,236
Other Provisions		-	-	-	-	221	221
Current tax liability	-	-	-	-	-	602	602
Sundry Creditors	147	304	335	440	-	-	1,226
Other liabilities	36	-	-	-	-	1,184	1,220
Share capital	-	-	-	-	-	39,613	39,613
Legal reserves	-	-	-	-	-	1,610	1,610
Retained earnings	-	-	-	-	-	14,456	14,456
Total	**2,210**	**654**	**780**	**1,370**	**1,348**	**57,686**	**64,048**

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

As at 31 December 2006, a summary of average interest rates for different assets and liabilities are as follows:

	Euro %	US Dollar %	CHF %	TRY %
Assets				
Balances with banks	-	5.19	-	18.68
Funds lent under securities resale agreements	-	-	-	19.50
Financials assets at fair value through profit and loss (net)	-	-	-	18.91
Loans and advances (net)	8.55	13.59	-	21.32
Liabilities				
Obligations under repurchase agreements	-	-	-	14.71
Funds borrowed	5.00	-	3.99	-

Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that the Bank is subject due to the exchange rate movements in the market.

The Bank's management of its exposure to foreign currency risk is performed through the Asset and Liability Committee comprising members of senior management, and through limits on the positions, which can be taken by the Bank's treasury, and financial assets trading divisions.

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

The below tables summarize the foreign currency position of the Bank as at 31 December 2006:

	EURO	USD	Other Foreign Currencies	Total
Assets				
Cash and cash equivalents & Central Bank	36	478	21	535
Balances with banks	39	1,498	125	1,662
Loans and advances (net) *	2,814	1,123	379	4,316
Reserve deposits at the central bank	-	257	-	257
Other assets	-	27	-	27
Total Assets	**2,889**	**3,383**	**525**	**6,797**
Liabilities				
Funds borrowed	2,713	-	377	3,090
Sundry Creditors	-	-	-	-
Other liabilities	2	836	5	843
Total Liabilities	**2,715**	**836**	**382**	**3,933**
Net Balance Sheet Position	**174**	**2,547**	**143**	**2,864**
Off Balance Sheet Position				
Forwards and swaps to sell agreements	-	-	-	-
Forwards and swaps to buy agreements	-	-	-	-
Net Off Balance Sheet position	-	-	-	-
Net Position	**174**	**2,547**	**143**	**2,864**

* USD and EURO column include foreign currency indexed loans respectively TRY 1,031 and TRY 33.

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

The below tables summarize the foreign currency position of the Bank as at 31 December 2005:

	EURO	USD	Other Foreign Currencies	Total
Assets				
Cash and cash equivalents & Central Bank	5	194	22	221
Balances with banks	14	2,310	28	2,352
Loans and advances (net)*	1,735	425	1,724	3,884
Reserve deposits at the central bank	-	393	-	393
Other assets	-	31	-	31
Total Assets	**1,754**	**3,353**	**1,774**	**6,881**
Liabilities				
Funds borrowed	492	1,028	1,714	3,234
Sundry Creditors	1,226	-	-	1,226
Other liabilities	1	276	5	282
Total Liabilities	**1,719**	**1,304**	**1,719**	**4,742**
Net Balance Sheet Position	**35**	**2,049**	**55**	**2,139**
Off Balance Sheet Position				
Forwards and swaps to sell agreements	2,722	5,415	-	8,137
Forwards and swaps to buy agreements	5,445	2,701	-	8,146
Net Off Balance Sheet Position	**2,723**	**(2,714)**	**-**	**9**

* USD column includes foreign currency indexed loans (TRY 425 Thousand)

Operational risk

Operational risk arises from the potential for financial loss or reputation damage as a result of inadequate systems (including systems breakdown), errors, poor management, and breaches of internal controls, fraud or external events. The Bank's business units manage this risk through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and business continuity arrangements.

(Amounts expressed in New Turkish Lira (TRY '000') unless otherwise stated)

Fair values of financial instruments

As at 31 December 2006 and 31 December 2005, fair values of financial assets and liabilities are as follows:

	31 December 2006		31 December 2005	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Balances with banks	9,375	9,375	6,178	6,178
Financial assets at fair value through profit and loss (net)	547	547	1,869	1,869
Loans and advances (net)	44,936	44,936	48,214	48,214
Financial assets	**54,858**	**54,858**	**56,261**	**56,261**
Funds borrowed	3,090	3,090	4,236	4,236
Financial liabilities	**3,090**	**3,090**	**4,236**	**4,236**

28. APPROVAL OF FINANCIAL STATEMENTS

The statutory financial statements (Banking Regulation Supervision Agency (BRSA)) were approved by the Board of Directors and authorized for issue on 16 February 2007.

(Amounts expressed in New Turkish Lira (TRY ‘000’) unless otherwise stated)

29. RESTATEMENT AND RECLASSIFICATIONS

Subsequent to the issuance of the Bank’s financial statements for the years ended 31 December, 2004 and 2005, the Bank’s management determined that provisions including retirement pay provision determined according to assumptions in accordance with IAS 19, unused vacation liabilities and deferred tax assets would require restatement of such financial statements. As a result, the 2004 and 2005 financial statements and related disclosures have been restated to reflect the following changes:

The effect of the restatement and reclassifications is shown in the table below:

	31 December 2005		31 December 2004	
	As previously reported	**As restated**	**As previously reported**	**As restated**
Restatements				
Retirement pay provision	51	18	48	17
Unused vacation liabilities	-	107	-	17
Deferred tax asset	-	136	-	90
Retained earnings	14,394	14,456	8,798	8,902

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