THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

FINANCIAL STATEMENTS
AT 31 DECEMBER 2006
TOGETHER WITH AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

Başaran Nas Bağımsız Denetim
ve Serbest Muhasebeci Mali
Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi
No:48 B Blok Kat 9 Akaretler
Beşiktaş 34357 İstanbul-Turkey
www.pwc.com/tr
Telephone +90 (212) 326 6060
Facsimile +90 (212) 326 6050

INDEPENDENT AUDITOR'S REPORT

To the Central Bank of the Republic of Turkey

1. We have audited the accompanying financial statements of the Central Bank of the Republic of Turkey (the "Bank") which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow 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 as to whether the financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the 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. In our opinion, the accompanying 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.

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

Haluk Yalçın, SMMM

Istanbul, 9 March 2007

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

FINANCIAL STATEMENTS
AT 31 DECEMBER 2006

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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEET AT 31 DECEMBER

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)
(Amounts are translated into US$ for convenience purposes only (See Note 2.c))

	Notes	2006 thousand YTL	2005 thousand YTL	2006 million US$ (*)	2005 million US$ (*)
ASSETS					
Cash and gold reserves	6	3,865,080	3,008,521	2,750	2,140
Due from banks	7	8,610,821	6,328,670	6,126	4,502
Financial assets at fair value through profit or loss	8	98,266,146	80,936,749	69,910	57,582
Loans and advances to customers	9	44,209	46,624	31	33
Investment securities:					
-Available-for-sale	10	259,822	225,268	185	160
-Held-to-maturity	10	434,011	436,486	309	311
Property and equipment	11	235,971	243,130	168	173
Intangible assets	12	3,405	3,305	2	2
Other assets	13	27,635	34,707	20	25
Total assets		**111,747,100**	**91,263,460**	**79,501**	**64,928**
LIABILITIES					
Currency in circulation	14	26,815,151	19,612,019	19,077	13,953
Due to banks	15	34,219,288	27,937,406	24,345	19,876
Other deposits	16	43,654,859	37,016,098	31,058	26,335
Due to International Monetary Fund ("IMF")	17	7,389	6,748	5	5
Other borrowed funds	18	2,417,470	6,013,857	1,720	4,278
Other liabilities	19	1,765,227	1,690,692	1,255	1,202
Retirement benefit obligations	21	60,205	53,989	43	38
Total liabilities		**108,939,589**	**92,330,809**	**77,503**	**65,687**
SHAREHOLDERS' EQUITY					
Paid-in share capital		47,464	47,464	34	34
Retained earnings/(accumulated deficit)		2,521,505	(1,320,778)	1,794	(940)
Other reserves	10	238,542	205,965	170	147
Total shareholders' equity		**2,807,511**	**(1,067,349)**	**1,998**	**(759)**
Total liabilities and shareholders' equity		**111,747,100**	**91,263,460**	**79,501**	**64,928**
Commitments and contingent liabilities	27				

(*) US dollar ("US$") amounts presented above are translated from YTL for convenience purposes only, at the official YTL bid rate announced by the Bank at 31 December 2006, and therefore do not form part of these financial statements (Note 2.c.).

The notes on pages 5 to 38 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)
(Amounts are translated into US$ for convenience purposes only (See Note 2.c))

	Notes	2006 thousand YTL	2005 thousand YTL	2006 Million US$ (*)	2005 Million US$ (*)
Interest and similar income	22	4,154,374	3,034,846	2,955	2,159
Interest expense and similar charges	22	(4,033,817)	(2,648,051)	(2,870)	(1,884)
Net interest income		**120,557**	**386,795**	**85**	**275**
Fee and commission income	23	39,896	35,166	28	25
Fee and commission expense	23	(153,995)	(121,087)	(110)	(86)
Net fee and commission expense		**(114,099)**	**(85,921)**	**(82)**	**(61)**
Dividend income	24	4,757	3,249	3	2
Net trading income		34,823	120,659	25	86
Foreign exchange gains/(losses), net	25	4,403,175	(111,344)	3,133	(79)
Other operating income		7,699	2,997	5	2
Impairment losses on loans and advances	9	(182,389)	(51,140)	(130)	(36)
Other operating expenses	26	(388,645)	(343,191)	(276)	(245)
Operating profit/(loss)		**3,885,878**	**(77,896)**	**2,763**	**(56)**
Monetary gain		-	53,043	-	38
Profit/(loss) before income tax		**3,885,878**	**(24,853)**	**2,763**	**(18)**
Income tax expense	20	(43,851)	-	(31)	-
Profit/(loss) for the year		**3,842,027**	**(24,853)**	**2,732**	**(18)**

(*) US dollar ("US$") amounts presented above are translated from YTL for convenience purposes only, at the official YTL bid rate announced by the Bank at 31 December 2006, and therefore do not form part of these financial statements (Note 2.c.).

The notes on pages 5 to 38 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

	Share capital					
	Share capital	Adjustment to share capital	Total paid-in share capital	Other reserves	Retained earnings/ (accumulated deficit)	Total
Balance at 1 January 2005	**25**	**47,439**	**47,464**	-	**(1,295,925)**	**(1,248,461)**
Available-for-sale securities fair value gains (Note 10)	-	-	-	205,965	-	205,965
Net loss for the year	-	-	-	-	(24,853)	(24,853)
Balance at 31 December 2005	**25**	**47,439**	**47,464**	**205,965**	**(1,320,778)**	**(1,067,349)**
Balance at 1 January 2006	**25**	**47,439**	**47,464**	**205,965**	**(1,320,778)**	**(1,067,349)**
Available-for-sale securities fair value gains (Note 10)	-	-	-	32,577	-	32,577
Gains on demonetized banknotes (Note 14)	-	-	-	-	256	256
Net profit for the year	-	-	-	-	3,842,027	3,842,027
Balance at 31 December 2006	**25**	**47,439**	**47,464**	**238,542**	**2,521,505**	**2,807,511**

The notes on pages 5 to 38 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF CASH FLOW
FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

	Note	2006	2005
Cash flows from operating activities			
Net profit/(loss) for the year		**3,842,027**	**(24,853)**
Adjustment for:			
Depreciation of property and equipment	11	13,668	12,009
Amortisation of intangible assets	12	942	985
Impairment losses on loans and advances	9	182,389	51,140
Foreign exchange (gains)/losses on equity participation		(1,978)	1,601
Retirement benefit obligations	21	11,821	8,329
Interest income, net	22	(120,557)	(386,795)
Interest received		4,065,499	3,045,745
Interest paid		(4,217,979)	(3,315,613)
Dividend income	24	(4,757)	(3,249)
Commission expense, net	23	114,099	85,921
Commission received		39,896	35,166
Commission paid		(141,491)	(121,435)
Increase in reserves due to demonetized banknotes	14	256	-
Income tax expense	20	43,851	-
Inflation effect on non-operating activities		-	(47,014)
Cash flows from operating profits before changes in operating assets and liabilities		**3,827,686**	**(658,063)**
Changes in operating assets and liabilities:			
Net increase in financial assets at fair value through profit or loss		(17,329,397)	(11,944,437)
Net decrease in loans and advances to customers		2,415	389,798
Net decrease/(increase) in other assets		1,211	(2,017)
Net increase in currency in circulation		7,203,510	5,788,694
Net increase in due to banks		6,093,569	7,129,006
Net increase in other deposits		6,917,212	2,887,996
Net increase in other liabilities		12,577	251,452
Inflation effect on operating activities		-	173,471
Net cash from operating activities		**6,728,783**	**4,015,900**
Cash flows from investing activities			
Purchase of property, equipment and intangible assets, net	11,12	(7,551)	(18,986)
Redemption of securities		2,475	16,042
Dividends received		4,343	3,492
Inflation effect on investing activities		-	(110,791)
Net cash used in investing activities		**(733)**	**(110,243)**
Cash flows from financing activities			
Repayments of borrowed funds and due to IMF		(3,594,720)	(1,850,656)
Inflation effect on financing activities		-	191,019
Net cash from financing activities		**(3,594,720)**	**(1,659,637)**
Net increase in cash and cash equivalents		**3,133,330**	**2,246,020**
Inflation effect on cash and equivalents		**-**	**(207,014)**
Cash and cash equivalents at beginning of year	30	**9,336,226**	**7,297,220**
Cash and cash equivalents at the end of year	30	**12,469,556**	**9,336,226**

The notes on pages 5 to 38 are an integral part of these financial statements.

NOTE 1 - GENERAL INFORMATION

The Central Bank of the Republic of Turkey (the "Bank") was incorporated in Turkey in 1931. It was established as a joint stock company with the exclusive privilege of issuing banknotes in Turkey and is vested with the powers and duties set forth in the Central Bank of the Republic of Turkey Law No. 1211 (the "Central Bank Law"). The Head Office of the Bank is located in Ankara. The Bank's registered head office is located at the following address: İstiklal Cad. 10 Ulus, 06100 Ankara, Turkey. The Bank now operates a nationwide network of 21 branches, four foreign representatives and one liaison office abroad. As at 31 December 2006, the Bank employed 4,598 people (2005: 4,660).

The primary objective of the Bank shall be to achieve and maintain price stability. The Bank shall determine on its own discretion the monetary policy that it shall implement and the monetary policy instruments that it is going to use in order to achieve and maintain price stability.

The fundamental duties of the Bank are;

a) to carry out open market operations,

b) to take necessary measures in order to protect the domestic and international value of the New Turkish Lira ("YTL") and to establish the exchange rate policy in determining the parity of YTL against gold and foreign currencies jointly with the government; to execute transactions such as spot and forward purchases and sales of foreign exchange and banknotes, foreign exchange swaps and other derivatives transactions in order to determine the value of YTL against other currencies,

c) to determine the procedures and conditions of reserve requirements by taking into consideration the liabilities of banks and other financial institutions to be deemed appropriate by the Bank,

d) to conduct rediscount and advance transactions,

e) to manage the gold and foreign exchange reserves of the country,

f) to regulate the volume and circulation of the YTL, to establish payment, securities transfer and settlement systems and to set forth regulations to ensure the uninterrupted operation and supervision of the existing or future systems, to determine the methods and instruments including electronic environment for payments,

g) to take precautions for enhancing the stability in the financial system and to take regulatory measures with respect to money and foreign exchange markets,

h) to monitor the financial markets, and

i) to determine the terms and types of deposits in banks and the terms of participation funds in special finance houses.

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION

(a) New Turkish Lira financial statements

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). The Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Commercial Practice and Tax Legislation and the Central Bank Law. These financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with IFRS issued by the IASB.

The financial statements are presented in the national currency of the Republic of Turkey.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in respective accounting policies.

Adoption of revised standards

Effective from 1 January 2006, the Bank adopted the following revised IFRS, which are relevant to its operations. The 2005 accounts have been amended in accordance with the relevant requirements.

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 21 (revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003)	Related Party Disclosures
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 39 (revised 2003)	Financial Instruments: Recognition and Measurement
IAS 36 (revised 2004)	Impairment of Assets
IAS 38 (revised 2004)	Intangible Assets

The adoption of IAS 1, 8, 10, 16, 17, 21, 24, 32 and 39 (all revised 2003) has been made in accordance with the transition provisions in the respective standards and did not result in substantial changes to the Bank's accounting policies. In summary:

- IAS 1 (revised 2003) has affected the presentation and other disclosures.
- IAS 8, 10, 16, 17, 32 and 39 (all revised in 2003) and IAS 39 (revised 2004) have no material effect on the Bank's policies.
- IAS 21 (revised 2003) has no material effect on the Bank's policy.
- IAS 24 (revised 2003) has affected the identification of related parties and some other related-party disclosures.
- IAS 38 (revised 2004) has no adjustment resulted from the reassessment of useful lives of its intangible assets.

There was no impact on the opening retained earnings at 1 January 2006 and 2005 from the adoption of any of the above-mentioned standards.

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION (Continued)

(b) Accounting for the effect of hyperinflation

Prior to 1 January 2006, the adjustments and reclassifications made to the statutory records for the purpose of fair presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of the New Turkish Lira in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of Turkey indicate that hyperinflation has ceased, effective from 1 January 2006, the Bank no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2005 are treated as the basis for the carrying amounts in these financial statements.

Corresponding figures, as at and for the year ended 31 December 2005, were restated for the changes in the general purchasing power of YTL at 31 December 2005. The restatement was calculated using the conversion factors derived from the Turkish nationwide Producer Price Index ("PPI") published by the Turkish Statistical Institute (TURKSTAT). The indices used to restate these financial statements as of 31 December 2005 and the respective conversion factors, are:

Dates	Index	Conversion factor
31 December 2005	**8,627.2**	**1.000**
31 December 2004	8,403.8	1.026
31 December 2003	7,382.1	1.168

The main procedures for the above-mentioned restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.

- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.

- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of equity are restated by applying the relevant (monthly, yearly average, year-end) conversion factors.

- Comparative financial statements are restated using general inflation indices at the current purchasing power at the latest balance sheet date.

- All items in the statement of income are restated by applying the monthly conversion factors.

- The effects of inflation on the Bank's net monetary position are included in the statement of income as gain on net monetary position.

(c) US$ translation

US$ amounts shown in the financial statements are translated from YTL for convenience purposes only, at official bid rates announced by the Bank on 31 December 2006 of YTL1.4056 = US$1 and therefore, do not form a part of financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in thousands of YTL, which is the Bank's functional and presentation currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Exchange rates

The following YTL exchange rates for major currencies are used to convert foreign currency assets and liabilities to YTL for reporting purposes.

	2006	**2005**
US$	1.4056	1.3418
EUR	1.8515	1.5875
CHF	1.1503	1.0188
GBP	2.7569	2.3121
SDR (*)	2.1242	1.9272

(*) The SDR ("Special Drawing Rights") is treated in terms of a basket of currencies. Its value is determined as the weighted sum of the exchange rates of the four major currencies (EUR, JPY, GBP, US$). For accounting purposes, SDR is treated as a foreign currency.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Derivative financial instruments

Derivative financial instruments, including forward agreements, are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently remeasured at their fair value. Derivative financial instruments are classified as held for trading. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Bank did not have any derivative financial instruments as at 31 December 2006 and 2005.

The best evidence of the fair value of a derivative at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognises profit or loss on day 1.

Certain derivative transactions, even though providing effective economic hedges under the Bank risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement" and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement.

(c) Interest income and expense

Interest income and expense is recognised in the income statement for all interest bearing instruments measured at amortised cost using the effective interest rate method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(d) Fee and commission income

Fees and commissions are generally recognised in the income statement on an accrual basis when the service has been provided.

(e) Income taxes

(i) Income taxes currently payable

Income taxes ("corporation tax") currently payable are calculated based in accordance with the Turkish tax legislation.

Taxes other than on income are recorded within other operating expenses (Note 26).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Bank. Deferred income tax assets resulting from temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilised (Note 20).

(f) Gold

(i) Gold bullion

Gold bullion consists of the stocks of gold bars of international standard and non-international standard held at the Bank and held with correspondents. Gold is held by the Bank as part of its foreign reserves and presently represents 3.8% (2005: 3.7%) of aggregate foreign reserves. The Bank has no present intention to dispose of any of its existing gold reserve stocks as the Bank maintains the gold reserve as a part of its foreign reserve management. Gold bullion is recorded in physical weight in troy ounces.

Gold is initially recorded at the prevailing rates at recognition date, including transaction costs. Subsequent to initial measurement it is measured at fair value. Fair value is the amount which could be realised from the sale of an asset in an arm's length transaction between knowledgeable, willing parties and is calculated based on the fixing of the London Bullion Market in US$, converted to YTL at the spot YTL/US$ exchange rate.

Gains and losses from the valuation of gold bullions arising as a result of the changes in the fair value are charged directly to the income statement.

The exchange rate of gold bullion to YTL as at 31 December 2006 was YTL894 per troy ounce (2005: YTL688 per troy ounce).

(ii) Gold coins

Gold coins which are no longer legal tender typically have an artistic or collectors' premium such that they are bought and sold at prices which are higher than the intrinsic value of the metal from which they are formed. However, it is unlikely that such a premium could be realised if the Bank were to release a significant quantity of the coins it holds. Consequently coins are valued at the market value of the gold content. Gains and losses are treated as gold bullion.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the management. Derivatives are also categorised as held for trading unless they are designated as hedges. These financial assets are initially recognised at fair value plus transaction costs and subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. All related realised and unrealised gains and losses are included in net trading income. Dividends received are included in dividend income.

All regular way purchases and sales of financial assets at fair value through profit or loss are recognised at the settlement date.

(h) Loans and advances to customers and provision for loan impairment

Loans originated by the Bank by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated by the Bank and are carried at amortised cost, less any provision for loan losses. All originated loans are recognised when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception. An additional provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such.

The provision made during the year is charged against the income for the year. Loans that can not be recovered are written off and charged against the allowance for loan losses. Such loans are written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for loan losses for the year (Note 9).

(i) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale securities. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at fair value plus transaction costs.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Available-for-sale investment debt and equity securities are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from other valuation techniques. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the shareholders' equity as "other reserves", unless there is a permanent decline in the fair values of such assets, in which case they are charged to the income statement. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are transferred to the income statement.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method, less any provision for impairment.

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable is included separately in dividend income when a dividend is declared.

All purchases and sales of investment securities that require delivery with a time frame established by a regulation or market convention ("regular way" purchases and sales) are recognised at the settlement date, which is the date that the asset is delivered to/from the Bank.

(j) Offsetting financial instruments

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

(k) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as financial assets at fair value through profit or loss and the counterparty liability is included in amounts due to banks or other deposits as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as due from banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities lent to counterparties are also retained in the financial statements. Securities borrowed and securities received as collateral for reverse transactions are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

Sale and repurchase agreements of YTL denominated securities are undertaken under open market operations.

(l) Money issuance

The Bank produces currency banknotes. Expenses associated with the banknotes are capitalized and are charged to the income statement when banknotes are transferred to reserve funds of the Bank. Expenses for money issuance include the depreciation of machinery, staff costs, other production costs and costs for transportation of banknotes.

(m) Financial liabilities

Financial liabilities including due to banks, due to International Monetary Fund, other deposits and other funds borrowed are recognised initially at fair value, net of transaction costs incurred. Subsequently financial liabilities are stated at amortised cost including transaction costs and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest rate method. Due to banks represents reserve deposits of depository institutions' participants and current accounts of the Bank.

(n) Property and equipment

All property and equipment carried at historical cost/expenditure that is directly attributable to the acquisition of the items less depreciation are restated to the equivalent purchasing power at 31 December 2005. Depreciation is calculated over the restated amounts of property, plant and equipment using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	50 years
Equipment and motor vehicles	5 years

Expenditure for the repair and renewal of property and equipment is charged against income. It is, however, capitalised if it results in an enlargement or substantial improvement of the respective assets.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net realisable value and value in use"), it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life (five years).

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives.

(p) Banknotes and coins in circulation

(i) Currency in Circulation - New Turkish Lira

Currency issued by the Bank represents a claim on the Bank in favor of the holder. The liability for currency in circulation is recorded at face value in these financial statements.

Through the enactment of the Law No. 5083 concerning the "Currency of the Republic of Turkey" in the Official Gazette dated 30 January 2004, the YTL and the New Kuruş ("YKr") have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The sub-unit of the YTL is the YKr (1 YTL=100 YKr). When the prior currency, Turkish Lira, values are converted into YTL, one million TL shall be equivalent to 1 YTL. Accordingly, the currency of the Republic of Turkey is simplified by removing six zeroes from the TL.

All references made to Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting of the books, accounts and financial statements.

(ii) Demonetised Currency - Turkish Lira

The legal circulation period of Turkish Lira banknotes, which were in circulation along with New Turkish Lira banknotes between 1 January 2005 and 31 December 2005 according to provisional article 1 of the Law on the Currency Unit of the Republic of Turkey No:5083, expired as of 31 December 2005 and these banknotes will be redeemed for a period of ten years starting from 1 January 2006 to the closure of working hours on 31 December 2015 which is the end of the 10-year legal redemption period, at the branches of the Bank and T.C. Ziraat Bankası A.Ş.. The banknotes will be of no value as of 1 January 2016 (Note 14). Although it is most unlikely that significant amounts of demonetised currency will be returned for redemption, the Bank is not able to derecognise any part of the liability unless and until it is legally released from the obligation.

The Bank has recorded gain under equity reserves in the amount of YTL 256 thousand since the legal redemption period of the banknotes in the same amount has been expired as of 31 December 2006.

The liability for Turkish Lira banknote in circulation is recorded at face value under "Currency in circulation" in these financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions

Provisions are recognised when the Bank 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.

(r) Retirement benefit obligations

Retirement benefit obligations represent the present value of the estimated total reserve for the future probable obligation of the Bank arising from the retirement of the employees, calculated in accordance with the Turkish Labor Law (Note 21).

(s) Related parties

For the purpose of these financial statements the shareholders of the Bank together with state-controlled entities in Turkey are considered and referred to as related parties (Note 31).

(t) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including, cash, gold reserves and current accounts with banks (Note 30).

(u) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and financial institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank (Note 27).

(v) Appropriations

The appropriation of the net annual profit of the Bank is as follows:

i) 20% to the reserve fund,

ii) 6% to the shareholders as an initial dividend,

iii) after deducting the above-stated percentages a maximum of 5% of the remaining amount to the Bank personnel in an amount not exceeding the total of two months' salaries, and 10% percent to the extraordinary reserve fund,

iv) 6% as a secondary dividend to the shareholders, with the decision of the General Assembly.

The remaining balance shall be transferred to the Turkish Treasury after this allocation.

(w) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTE 4 - FINANCIAL RISK MANAGEMENT

Index to financial risk management

(a) Strategy in using financial instruments

By nature, the Bank's activities are principally related to the use of financial instruments including derivatives. The Bank accepts deposits and required reserves from banks, workers settled abroad and very short-term funds/securities through open market operations and places these funds as security holdings in local currency through open market operations for influencing short-term interest rates as the main monetary policy tool and foreign currency denominated securities and bank account holdings for foreign currency reserve management. The Bank seeks to hold the amount of foreign currency necessary for any possible future intervention in the foreign currency market and also for preventing high volatility in the market. The Bank also seeks to sustain price stability and achieve annual inflation target in the economy through influencing short-term interest rates by open market operations.

The duties and powers of the determination of monetary policies and strategies in order to achieve and maintain price stability, the determination of inflation target with the government, the announcement of monetary policy targets and its implementation to the public and Government and taking necessary measures to preserve the domestic and international value of the local currency against gold and foreign currencies jointly with the government through determining the exchange rate regime rests with the Monetary Policy Committee of the Bank.

(b) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment, that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. The granting of loans is authorised at Board level or at appropriate levels of management depending on the size of the proposed commitment. The Bank places strong emphasis on obtaining sufficient collateral from borrowers.

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(c) Geographical concentrations of assets, liabilities and off-balance sheet items

Geographical concentrations of assets, liability and off-balance sheet items are as follows:

31 December 2006	Total assets	%	Total liabilities	%	Commitments and contingent liabilities	%
Turkey	24,070,384	21	84,004,961	77	281,957,487	94
Other European countries	50,952,984	46	23,757,836	22	1,124,488	-
Canada and US	35,470,610	32	1,175,124	1	16,287,001	6
South-East Asia	1,214,570	1	455	-	-	-
Other countries	38,552	-	1,213	-	-	-
Total	**111,747,100**	**100**	**108,939,589**	**100**	**299,368,976**	**100**

31 December 2005	Total assets	%	Total liabilities	%	Commitments and contingent liabilities	%
Turkey	21,979,711	24	69,656,692	75	272,300,262	92
Other European countries	44,244,842	48	21,891,858	24	59,529	-
Canada and US	23,940,556	27	782,259	1	23,163,741	8
South-East Asia	1,050,643	1	-	-	-	-
Other countries	47,708	-	-	-	-	-
Total	**91,263,460**	**100**	**92,330,809**	**100**	**295,523,532**	**100**

(d) Currency risk

Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure. The Monetary Policy Committee of the Bank is responsible for taking the necessary measures to protect the domestic and international value of the YTL and to establish the exchange rate policy that determines the parity of the YTL against gold and foreign currencies. Such decisions of the Monetary Policy Committee are approved by the Governor and are furnished to the Board.

The table below summarises the Bank's net foreign currency position at 31 December 2006 and 2005. Included in the table are the Bank's assets, liabilities and equity at carrying amounts, categorised by currency.

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2006								
	Foreign currency								
	US$	EUR	CHF	GBP	SDR	Other	Total	YTL	Total
Cash and gold reserves	3,578,127	187,548	7,853	21,298	-	1,804	3,796,630	68,450	3,865,080
Due from banks	936,927	2,627,205	124,359	157,556	17,260	1,221,055	5,084,362	3,526,459	8,610,821
Financial assets at fair value through profit or loss	33,056,675	44,407,320	-	1,990,278	-	-	79,454,273	18,811,873	98,266,146
Loans and advances to customers	43,805	404	-	-	-	-	44,209	-	44,209
Investment securities:									
-Available-for-sale	-	38	-	-	259,784	-	259,822	-	259,822
-Held-to-maturity	434,011	-	-	-	-	-	434,011	-	434,011
Property and equipment	-	-	-	-	-	-	-	235,971	235,971
Intangible assets	-	-	-	-	-	-	-	3,405	3,405
Other assets	49	1,331	-	69	3,557	439	5,445	22,190	27,635
Total assets	**38,049,594**	**47,223,846**	**132,212**	**2,169,201**	**280,601**	**1,223,298**	**89,078,752**	**22,668,348**	**111,747,100**
Currency in circulation	-	-	-	-	-	-	-	26,815,151	26,815,151
Due to banks	3,384,717	15,773,703	-	257,771	-	2	19,416,193	14,803,095	34,219,288
Other deposits	8,639,423	33,130,622	97,061	14,525	-	69	41,881,700	1,773,159	43,654,859
Due to IMF	-	-	-	-	7,389	-	7,389	-	7,389
Other borrowed funds	-	-	-	-	-	-	-	2,417,470	2,417,470
Other liabilities	1,198,805	447,587	909	15,177	-	5,557	1,668,035	97,192	1,765,227
Retirement benefit obligations	-	-	-	-	-	-	-	60,205	60,205
Shareholders' equity	-	-	-	-	-	-	-	2,807,511	2,807,511
Total liabilities and shareholders' equity	**13,222,945**	**49,351,912**	**97,970**	**287,473**	**7,389**	**5,628**	**62,973,317**	**48,773,783**	**111,747,100**
Net balance sheet position	**24,826,649**	**(2,128,066)**	**34,242**	**1,881,728**	**273,212**	**1,217,670**	**26,105,435**	**(26,105,435)**	**-**

Due from banks in other currencies include JPY placements in an amount of JPY102,619,081,722 (New Turkish Lira equivalent YTL1,210,905 thousand).

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2005								
	Foreign currency								
	US$	**EUR**	**CHF**	**GBP**	**SDR**	**Other**	**Total**	**YTL**	**Total**
Cash and gold reserves	2,748,108	182,269	4,539	3,277	-	1,178	2,939,371	69,150	3,008,521
Due from banks	908,573	3,031,003	110,078	146,450	22,886	1,062,085	5,281,075	1,047,595	6,328,670
Financial assets at fair value through profit or loss	22,804,804	38,038,548	-	623,368	-	-	61,466,720	19,470,029	80,936,749
Loans and advances to customers	45,449	1,175	-	-	-	-	46,624	-	46,624
Investment securities:									
-Available-for-sale	-	31	-	-	225,237	-	225,268	-	225,268
Held-to-maturity	436,486	-	-	-	-	-	436,486	-	436,486
Property and equipment	-	-	-	-	-	-	-	243,130	243,130
Intangible assets	-	-	-	-	-	-	-	3,305	3,305
Other assets	6,185	2,172	-	58	-	420	8,835	25,872	34,707
Total assets	**26,949,605**	**41,255,198**	**114,617**	**773,153**	**248,123**	**1,063,683**	**70,404,379**	**20,859,081**	**91,263,460**
Currency in circulation	-	-	-	-	-	-	-	19,612,019	19,612,019
Due to banks	3,116,127	11,524,210	-	165,373	-	3	14,805,713	13,131,693	27,937,406
Other deposits	11,180,418	24,677,326	94,418	13,618	-	419	35,966,199	1,049,899	37,016,098
Due to IMF	-	-	-	-	6,748	-	6,748	-	6,748
Other borrowed funds	-	-	-	-	-	-	-	6,013,857	6,013,857
Other liabilities	1,158,596	405,916	1,466	40,484	624	35,336	1,642,422	48,270	1,690,692
Retirement benefit obligations	-	-	-	-	-	-	-	53,989	53,989
Shareholders' equity	-	-	-	-	-	-	-	(1,067,349)	(1,067,349)
Total liabilities and shareholders' equity	**15,455,141**	**36,607,452**	**95,884**	**219,475**	**7,372**	**35,758**	**52,421,082**	**38,842,378**	**91,263,460**
Net balance sheet position	**11,494,464**	**4,647,746**	**18,733**	**553,678**	**240,751**	**1,027,925**	**17,983,297**	**(17,983,297)**	**-**

Due from banks in other currencies include JPY placements in an amount of JPY92,130,987,875 (New Turkish Lira equivalent YTL1,050,521 thousand).

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk

The interest rate risk is the exposure of the Bank to possible adverse movements in interest rates. Such an exposure can result from a variety of factors, including differences in the timing between the maturities or repricing of assets, liabilities and off-balance sheet instruments. Changes in the level and shape of interest rate curves may also create interest rate risk.

Since the primary objective of the Bank is to achieve and maintain price stability, it determines at its own discretion the monetary policy that it will implement and the monetary policy instruments that it is going to use in order to achieve and maintain price stability.

The tables below summarises the Bank's exposure to interest rate risks at 31 December 2006 and 2005. Included in the tables are the Bank's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

	31 December 2006						
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Cash and gold reserves	-	-	-	-	-	3,865,080	3,865,080
Due from banks	6,746,873	-	-	-	-	1,863,948	8,610,821
Financial assets at fair value through profit or loss	5,220,200	13,622,315	17,921,026	61,115,505	387,100	-	98,266,146
Loans and advances to customers	-	2,849	2,496	17,944	20,920	-	44,209
Investment securities:							
- Available-for-sale	-	-	-	-	-	259,822	259,822
- Held-to-maturity	-	-	-	-	-	434,011	434,011
Property and equipment	-	-	-	-	-	235,971	235,971
Intangible assets	-	-	-	-	-	3,405	3,405
Other assets	-	-	-	-	-	27,635	27,635
Total assets	**11,967,073**	**13,625,164**	**17,923,522**	**61,133,449**	**408,020**	**6,689,872**	**111,747,100**
Currency in circulation	-	-	-	-	-	26,815,151	26,815,151
Due to banks	34,211,552	-	-	-	-	7,736	34,219,288
Other deposits	1,056,773	1,430,447	8,970,598	11,806,542	-	20,390,499	43,654,859
Due to IMF	-	-	-	-	-	7,389	7,389
Other borrowed funds	2,417,470	-	-	-	-	-	2,417,470
Other liabilities	-	-	-	-	-	1,765,227	1,765,227
Retirement benefit obligations	-	-	-	-	-	60,205	60,205
Shareholders' equity	-	-	-	-	-	2,807,511	2,807,511
Total liabilities and shareholders' equity	**37,685,795**	**1,430,447**	**8,970,598**	**11,806,542**	**-**	**51,853,718**	**111,747,100**
Net repricing gap	**(25,718,722)**	**12,194,717**	**8,952,924**	**49,326,907**	**408,020**	**(45,163,846)**	**-**

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2005						
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Cash and gold reserves	-	-	-	-	-	3,008,521	3,008,521
Due from banks	4,288,864	6,715	-	-	-	2,033,091	6,328,670
Financial assets at fair value through profit or loss	5,543,206	8,429,283	27,672,846	39,055,147	236,267	-	80,936,749
Loans and advances to customers	-	3,272	2,327	18,641	22,384	-	46,624
Investment securities:							
-Available-for-sale	-	-	-	-	-	225,268	225,268
Held-to-maturity	-	-	-	-	-	436,486	436,486
Property and equipment	-	-	-	-	-	243,130	243,130
Intangible assets	-	-	-	-	-	3,305	3,305
Other assets	-	-	-	-	-	34,707	34,707
Total assets	**9,832,070**	**8,439,270**	**27,675,173**	**39,073,788**	**258,651**	**5,984,508**	**91,263,460**
Currency in circulation	-	-	-	-	-	19,612,019	19,612,019
Due to banks	27,924,154	-	-	-	-	13,252	27,937,406
Other deposits	970,442	1,378,026	9,283,146	10,449,778	-	14,934,706	37,016,098
Due to IMF	-	-	-	-	-	6,748	6,748
Other borrowed funds	6,013,857	-	-	-	-	-	6,013,857
Other liabilities	-	-	-	-	-	1,690,692	1,690,692
Retirement benefit obligations	-	-	-	-	-	53,989	53,989
Shareholders' equity	-	-	-	-	-	(1,067,349)	(1,067,349)
Total liabilities and shareholders' equity	**34,908,453**	**1,378,026**	**9,283,146**	**10,449,778**	**-**	**35,244,057**	**91,263,460**
Net repricing gap	**(25,076,383)**	**7,061,244**	**18,392,027**	**28,624,010**	**258,651**	**(29,259,549)**	**-**

The tables below summarise the range for effective average interest rates by major currencies for monetary financial instruments at 31 December 2006 and 2005:

	31 December 2006		
	US$ (%)	EUR (%)	YTL (%)
Assets			
Due from banks	5.28	3.61	18.37
Financial assets at fair value through profit or loss	4.86	3.27	9.65
Loans and advances to customers	5.17	3.61	-
Investment securities	5.14	-	-
Liabilities			
Due to banks	2.52	1.73	13.12
Other deposits	3.93	3.57	-
Other borrowed funds	-	-	14.78

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2005		
	US$ (%)	EUR (%)	YTL (%)
Assets			
Due from banks	4.14	2.28	15.50
Financial assets at fair value through profit or loss	4.28	2.55	7.72
Loans and advances to customers	4.72	2.55	-
Investment securities	3.85	-	-
Liabilities			
Due to banks	2.03	1.14	10.25
Other deposits	4.33	4.48	-
Other borrowed funds	-	-	13.50

(f) Liquidity risk

Liquidity risk is a substantial risk in Turkish markets, which exhibits significant volatility. Occasionally the Bank is exposed to this risk due to the mismatch between the maturities of its assets and liabilities.

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 to counterparties and to meet its policy objectives.

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates.

	31 December 2006							
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Cash and gold reserves	3,865,080	-	-	-	-	-	-	3,865,080
Due from banks	1,841,723	6,746,873	-	-	-	-	22,225	8,610,821
Financial assets at fair value through profit or loss	-	5,220,200	13,622,315	17,921,026	61,115,505	387,100	-	98,266,146
Loans and advances to customers	-	-	2,849	2,496	17,944	20,920	-	44,209
Investment securities:								
-Available-for-sale	259,822	-	-	-	-	-	-	259,822
-Held-to-maturity	-	95,879	111,726	226,406	-	-	-	434,011
Property and equipment	-	-	-	-	-	-	235,971	235,971
Intangible assets	-	-	-	-	-	-	3,405	3,405
Other assets	-	8,124	457	3,437	-	-	15,617	27,635
Total assets	**5,966,625**	**12,071,076**	**13,737,347**	**18,153,365**	**61,133,449**	**408,020**	**277,218**	**111,747,100**
Currency in circulation	-	-	-	-	-	-	26,815,151	26,815,151
Due to banks	7,556	34,211,552	-	-	-	-	180	34,219,288
Other deposits	20,390,499	1,056,773	1,430,447	8,970,598	11,806,542	-	-	43,654,859
Due to IMF	-	-	-	-	-	-	7,389	7,389
Other borrowed funds	-	2,417,470	-	-	-	-		2,417,470
Other liabilities	7,420	63,590	-	1,589,835	-	-	104,382	1,765,227
Retirement benefit obligations	-	-	-	-	-	-	60,205	60,205
Shareholders' equity	-	-	-	-	-	-	2,807,511	2,807,511
Total liabilities and shareholders' equity	**20,405,475**	**37,749,385**	**1,430,447**	**10,560,433**	**11,806,542**	**-**	**29,794,818**	**111,747,100**
Net liquidity gap	**(14,438,850)**	**(25,678,309)**	**12,306,900**	**7,592,932**	**49,326,907**	**408,020**	**(29,517,600)**	**-**

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2005							
	Demand	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Cash and gold reserves	3,008,521	-	-	-	-	-	-	3,008,521
Due from banks	2,093,230	4,203,338	6,715	-	-	-	25,387	6,328,670
Financial assets at fair value through profit or loss	-	5,543,206	8,429,283	27,672,846	39,055,147	236,267	-	80,936,749
Loans and advances to customers	-	-	3,272	2,327	18,641	22,384	-	46,624
Investment securities:								
-Available-for-sale	225,268	-	-	-	-	-	-	225,268
-Held-to-maturity	-	85,723	133,786	216,977	-	-	-	436,486
Property and equipment	-	-	-	-	-	-	243,130	243,130
Intangible assets	-	-	-	-	-	-	3,305	3,305
Other assets	-	10,828	2,012	2,754	-	-	19,113	34,707
Total assets	**5,327,019**	**9,843,095**	**8,575,068**	**27,894,904**	**39,073,788**	**258,651**	**290,935**	**91,263,460**
Currency in circulation	-	-	-	-	-	-	19,612,019	19,612,019
Due to banks	13,224	27,924,154	-	-	-	-	28	27,937,406
Other deposits	14,934,706	970,442	1,378,026	9,283,146	10,449,778	-	-	37,016,098
Due to IMF	-	-	-	-	-	-	6,748	6,748
Other borrowed funds	-	6,013,857	-	-	-	-	-	6,013,857
Other liabilities	7,227	27,815	-	1,577,170	-	-	78,480	1,690,692
Retirement benefit obligations	-	-	-	-	-	-	53,989	53,989
Shareholders' equity	-	-	-	-	-	-	(1,067,349)	(1,067,349)
Total liabilities and shareholders' equity	**14,955,157**	**34,936,268**	**1,378,026**	**10,860,316**	**10,449,778**	**-**	**18,683,915**	**91,263,460**
Net liquidity gap	**(9,628,138)**	**(25,093,173)**	**7,197,042**	**17,034,588**	**28,624,010**	**258,651**	**(18,392,980)**	**-**

(g) Operational risk

Operational risk arises from the potential for financial loss or reputational damage as a result of inadequate systems (including systems breakdown), errors, poor management, 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 thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

h) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realise in a current market exchange.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Carrying value		Fair value	
	2006	**2005**	**2006**	**2005**
Financial assets				
Cash and gold reserves	3,865,080	3,008,521	3,865,080	3,008,521
Due from banks	8,610,821	6,328,670	8,610,821	6,328,670
Loans and advances to customers	44,209	46,624	38,172	38,201
Investment securities (held-to-maturity)	434,011	436,486	440,011	440,323
Financial liabilities				
Due to banks	34,219,288	27,937,406	34,219,288	27,937,406
Other deposits	43,654,859	37,016,098	43,441,337	37,329,882
Other borrowed funds	2,417,470	6,013,857	2,417,470	6,013,857

The following methods and assumptions were used to estimate the fair value of the Bank's financial instruments:

(i) Financial assets

The fair values of certain financial assets carried at amortised cost, including cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The fair value of loans and advances to customers, along with the related allowances for uncollectibility, is based on discounted cash flows using interest rates prevailing at the balance sheet date with similar assets.

Investment securities include only interest-bearing assets held-to-maturity, as assets available-for-sale are unlisted equity participations. The fair value for held-to-maturity assets is based on market prices or prices prevailing at the balance sheet date and derived from the estimated market value of the Federal Reserve Bank of New York.

(ii) Financial liabilities

The fair values of certain financial liabilities carried at amortised cost, including due to banks and other borrowed funds are considered to approximate their respective carrying values due to their short-term nature.

The estimated fair value of other deposits without a quoted market price is based on discounted cash flows using money market interest rates prevailing at the balance sheet date with similar credit risk, currency and remaining maturity.

NOTE 5 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Impairment of available for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 6 - CASH AND GOLD RESERVES

	2006	2005
Gold vaults	3,335,423	2,569,462
Cash in hand	437,978	368,223
Gold bullion in non-international standards	89,409	70,117
Gold coins	2,270	719
	3,865,080	**3,008,521**

Gold coins and bullion in the amount of YTL9,928 thousand (2005: YTL7,648 thousand) are kept in the Bank's vaults on behalf of the Turkish Treasury.

NOTE 7 - DUE FROM BANKS

	2006	2005
Funds lent under reverse repurchase transactions	3,505,288	1,025,000
Time deposits	3,241,585	3,210,440
Demand deposits	1,863,948	2,093,230
	8,610,821	**6,328,670**

Reverse repurchase transactions are performed as part of the open market operations of the Bank.

NOTE 8 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006		2005	
	Cost	Carrying value	Cost	Carrying value
Turkish government bonds and treasury bills	18,561,493	18,811,873	19,160,779	19,470,029
Foreign government bonds and treasury bills	79,139,157	79,268,162	59,280,219	59,244,198
Foreign corporate bonds	184,940	186,111	2,219,112	2,222,522
	97,885,590	**98,266,146**	**80,660,110**	**80,936,749**

Corporate bonds are coupon and discount securities mainly issued by the European Investment Bank, KFW Bankengruppe and BIS.

The breakdown of carrying values of foreign government bonds, corporate bonds and treasury bills by country is as follows at 31 December 2006:

Country of origin	2006
United States	33,240,801
France	12,969,202
Germany	21,210,043
The Netherlands	3,194,302
Spain	2,302,525
Other	6,537,400
	79,454,273

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	2006	2005
Loans to corporate entities:		
Foreign country loans	2,005,426	1,824,835
Domestic loans	755	1,372
Total loans and advances to customers	**2,006,181**	**1,826,207**
Less: Allowance for loan losses	(1,961,972)	(1,779,583)
Net loans and advances to customers	**44,209**	**46,624**

Movement in the allowance for loan losses is as follows:

	2006	2005
Balance at 1 January	1,779,583	1,774,071
Impairment losses on loans and advances	97,773	51,819
Monetary gain	-	(45,628)
Foreign exchange loss/(gain)	84,616	(679)
At 31 December	**1,961,972**	**1,779,583**

NOTE 10 - INVESTMENT SECURITIES

	2006	2005
Securities available-for-sale		
Equity shares		
- unlisted	259,822	225,268
Total securities available-for-sale	**259,822**	**225,268**
Securities held-to-maturity		
Government bonds	434,011	436,486
Total securities held-to-maturity	**434,011**	**436,486**
Total investment securities	**693,833**	**661,754**

Securities held-to-maturity consist of bonds issued by the US Treasury and kept under the custody of the Federal Reserve Bank of New York in the name of the Turkish Defense Fund. Any proceeds from these securities is credited to the deposit account of the Fund, therefore the securities are carried at incurred cost.

The Bank owns shares issued by the Bank for International Settlements ("BIS"). The shares have a par value of SDR5,000 each and are paid up to SDR1,250 each. The balance of SDR3,750 per share is callable at three months' notice by the decision of the BIS Board and is disclosed under contingencies and commitments (Note 27).

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 10 - INVESTMENT SECURITIES (Continued)

The available-for-sale-securities at 31 December are as follows:

		Ownership (%)		Amount	
Name	**Nature of business**	**2006**	**2005**	**2006**	**2005**
BIS	Banking Supervision	1.5	1.5	259,784	225,237
S.W.I.F.T.	Electronic Fund Transfer Services	0.007	0.007	38	31
				259,822	**225,268**

The movement in investment securities is as follows:

	Available-for-sale	Held-to-maturity	Total
At 1 January 2006	**225,268**	**436,486**	**661,754**
Purchases	1	1,003,243	1,003,244
Fair value changes	11,523	-	11,523
Redemptions	-	(1,027,908)	(1,027,908)
Foreign exchange gain	23,030	22,190	45,220
At 31 December 2006	**259,822**	**434,011**	**693,833**

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 11 - PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Construction in progress	Total
At 31 December 2004				
Cost	316,197	26,978	2,702	345,877
Accumulated depreciation	(98,222)	(9,715)	-	(107,937)
Net book amount	**217,975**	**17,263**	**2,702**	**237,940**
Year ended 31 December 2005				
Opening net book amount	217,975	17,263	2,702	237,940
Additions	5,095	11,607	538	17,240
Disposals (net)	-	(41)	-	(41)
Depreciation charge (Note 26)	(5,708)	(6,301)	-	(12,009)
Closing net book amount	**217,362**	**22,528**	**3,240**	**243,130**
At 31 December 2005				
Cost	321,292	36,053	3,240	360,585
Accumulated depreciation	(103,930)	(13,525)	-	(117,455)
Net book amount	**217,362**	**22,528**	**3,240**	**243,130**
Year ended 31 December 2006				
Opening net book amount	217,362	22,528	3,240	243,130
Additions	1,442	4,477	686	6,605
Disposals (net)	(74)	(22)	-	(96)
Depreciation charge (Note 26)	(6,732)	(6,936)	-	(13,668)
Closing net book amount	**211,998**	**20,047**	**3,926**	**235,971**
At 31 December 2006				
Cost	322,312	40,383	3,926	366,621
Accumulated depreciation	(110,314)	(20,336)	-	(130,650)
Net book amount	**211,998**	**20,047**	**3,926**	**235,971**

NOTE 12 - INTANGIBLE ASSETS

	Cost	Accumulated amortisation	Net book value
Opening balance at 1 January 2005	5,455	(2,952)	2,503
Additions	1,787	(985)	802
Balance at 31 December 2005	**7,242**	**(3,937)**	**3,305**
Opening balance at 1 January 2006	7,242	(3,937)	3,305
Additions	1,042	(942)	100
Balance at 31 December 2006	**8,284**	**(4,879)**	**3,405**

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 13 - OTHER ASSETS

	2006	2005
Raw material and work in progress	10,741	11,337
Accrued income	5,959	10,824
Tax receivable	3,656	5,535
Prepaid expenses	546	624
Other	6,733	6,387
	27,635	**34,707**

The Bank produces national currency banknotes; expenses associated with the banknotes for the uncompleted banknotes are recorded under work-in-progress and the banknote papers used in production of banknotes are recorded under raw material.

NOTE 14 - CURRENCY IN CIRCULATION

	2006	2005
Balance at 1 January	**19,612,019**	**13,823,325**
Inflation effect of carrying opening balances	-	(256,083)
Banknotes issued into circulation	13,190,133	24,759,732
Banknotes withdrawn from circulation and destroyed	(5,986,745)	(18,714,955)
Demonetized banknotes	(256)	-
Balance at 31 December	**26,815,151**	**19,612,019**

NOTE 15 - DUE TO BANKS

	2006	2005
Deposits for reserve requirement obligations	27,711,560	22,547,493
Current accounts of banks	6,507,728	5,389,913
	34,219,288	**27,937,406**

Deposits for reserve requirement obligations represent the amount deposited by banks which is based on a proportion of all deposits taken from customers, other than domestic interbank deposits, according to banking regulations in Turkey.

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 16 - OTHER DEPOSITS

	2006	2005
Deposits by citizens abroad	23,264,310	22,081,393
Deposits of Undersecretariat of Treasury	19,183,538	14,228,360
Deposits of state owned entities	176,194	146,406
Deposits of state owned funds	1,030,817	559,939
	43,654,859	**37,016,098**

Deposits by citizens abroad are time deposits with maturities varying from one to three years; other deposits held by government related institutions are interest-free deposits except for the amount YTL68,562 thousand (2005:YTL68,251 thousand).

The breakdown of deposits by citizens abroad by currency type and related interest rates is as follows.

	2006		2005	
	Interest* (%)	YTL amount	Interest (%)	YTL amount
US$	0.25-3.75	1,390,780	2.25-4.50	1,574,123
EUR	0.25-4.50	21,766,014	2.50-4.00	20,399,511
CHF	0.25-0.75	93,654	0.81-0.90	94,418
GBP	0.25-4.00	13,862	4.15-4.43	13,341
		23,264,310		**22,081,393**

(*) The Bank has two different deposit product types named super deposit accounts and deposits accounts with a credit letter attached. On 6 March 2006 the Bank ceased the application of deposit accounts of one year maturity with a credit letter attached. Accounts denominated in EUR, US$, GBP and CHF which were opened prior to this date, are rolled over, unless there is a customer request to the contrary, at the rate of 0.25%. Minimum interest rates of the deposit accounts other than the ones that have ceased to be applied are 2.25%, 3.00%, 0.75% and 4.00% for EUR, US$, CHF and GBP respectively.

NOTE 17 - DUE TO IMF

Due to IMF is denominated in SDR. Due to IMF includes borrowings related to Turkey's IMF quota for the year ending 31 December 2006 and 2005. As of 31 December 2006 and 2005, borrowings related to Turkey's IMF quota are non-interest bearing with no stated maturity.

All borrowings from the IMF are guaranteed by promissory notes which have been cosigned by the government.

As of 1 November 2006, the country quota of Turkey increased by SDR 227,300,000 reaching SDR 1,191,300,000. 25% of the quota increase in the amount of SDR 56,825,000 has been paid in cash denominated in reserve money and the rest of the increase in the amount of SDR 170,475,000 has been paid in securities issued by the Turkish Treasury denominated in YTL.

NOTE 18 - OTHER BORROWED FUNDS

	2006	2005
Interbank money market	2,415,470	6,013,857
Funds borrowed from repurchase agreements	2,000	-
	2,417,470	**6,013,857**

Interbank money market transactions and funds borrowed from repurchase agreements are undertaken as a part of the open market operations of the Bank.

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 19 - OTHER LIABILITIES

	2006	2005
Import transfer orders and deposits	1,584,065	1,538,136
Blocked accounts for pending court cases	30,353	53,022
Taxes and withholdings payable	53,234	52,645
Expense accruals	19,785	8,535
Amount pending due to late application of beneficiary	13,668	13,847
Creditors of foreign currencies that were deposited as trust	2,247	2,287
Other	61,875	22,220
	1,765,227	**1,690,692**

NOTE 20 - TAXATION

	2006	2005
Income taxes currently payable	43,851	-
Income taxes payable	**43,851**	-

Through the enactment of Corporate Tax Law No.5520 ("New Corporate Tax Law") published in the Official Gazette No.26205 dated 21 June 2006, corporation tax is payable at the rate of 20% (31 December 2005: 30%) effective from 1 January 2006 on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and investment and other allowances in accordance with the new tax legislation and the Central Bank Law No.1211. 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 resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via the issuing of bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set-off against other 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 in accordance with the New Corporate Tax Law or are recorded under a specific fund account for five years.

Under the Turkish taxation system, tax 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.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time 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.

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 20 - TAXATION (Continued)

The reconciliation between the expected and the actual taxation charge is stated below:

	2006
Profit before tax	**3,885,878**
Tax calculated at a tax rate of 20%	777,176
Income exempt from taxation	(333,921)
Expenses not deductible for tax purposes	14,576
Utilisation of brought forward tax losses	(413,980)
Income tax expense	**43,851**

Deferred taxes

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in fiscal year 2006 under the liability method using a principal tax rate of 20%.

The deferred tax asset and liability represents the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the financial statements compared to the local tax return, in accordance with the applicable tax law. Since the Bank does not have a plan regarding future taxable profit that will be available against which unused tax losses and unused tax credits can be utilised, no deferred tax has been calculated in these financial statements. The temporary differences giving rise to deferred income tax assets and deferred tax liabilities are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2006	**2005**	**2006**	**2005**
Retirement benefit obligations	60,205	53,989	-	-
Difference between carrying value and tax base of property and equipment	47,100	49,035	-	-
Transfer of valuation account to income statement	1,243,948	2,029,328	-	-
Accumulated tax losses	-	1,966,500	-	-
Total Assets	**1,351,253**	**4,098,852**	-	-
Effect of IAS 39 adjustment	15,880	50,856	-	-
Total Liabilities	**15,880**	**50,856**	-	-
Net	**1,335,373**	**4,047,996**	-	-

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 21 - RETIREMENT BENEFIT OBLIGATIONS

Under the Turkish Labour Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of YTL1,857.44 (31 December 2005: YTL1,727.15) for each year of service.

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

The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees.

IAS 19 "Employment Benefits" 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:

	2006	**2005**
Discount rate (%)	5.71	5.49
Turnover rate to estimate the probability of retirement (%)	99.00	99.00

Additionally, the principal actuarial assumption is that the maximum liability of YTL1,960.69 for each year of service 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 YTL1,960.69 effective from 1 January 2007 (1 January 2006: YTL1,727.15), has been taken into consideration in calculating the reserve for the retirement benefit obligation of the Bank.

Movement in the liability recognised in the balance sheet:

	2006	**2005**
At 1 January	**53,989**	**53,698**
Current year charge	11,821	8,329
Monetary gain	-	(1,405)
Paid during the year	(5,605)	(6,633)
At 31 December	**60,205**	**53,989**

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 22 - NET INTEREST INCOME

	2006	2005
Interest income:		
Financial assets at fair value through profit or loss	3,958,419	2,893,042
Due from banks	106,522	73,058
Loans and advances to customers	89,433	68,746
	4,154,374	**3,034,846**
Interest expense:		
Due to banks	1,548,863	1,068,131
Other deposits	1,106,402	876,539
Other borrowed funds	1,369,779	650,072
Due to IMF	8,703	53,207
Other	70	102
	4,033,817	**2,648,051**
Net interest income	**120,557**	**386,795**

NOTE 23 - NET FEE AND COMMISSION EXPENSE

	2006	2005
Fee and commission income:		
Electronic fund transfer ("EFT")	33,058	26,958
Other fund transfer fees	648	2,317
Open market operations	3,157	2,192
Other	3,033	3,699
	39,896	**35,166**
Fee and commission expense:		
Correspondent bank accounts	149,885	117,641
Other	4,110	3,446
	153,995	**121,087**
Net fee and commission expense	**(114,099)**	**(85,921)**

NOTE 24 - DIVIDEND INCOME

Dividend income represents cash dividends from the equity participations of the Bank.

	2006	2005
Available-for-sale securities	4,757	3,249
	4,757	**3,249**

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 25 - FOREIGN EXCHANGE GAINS/(LOSSES), NET

	2006	2005
Foreign exchange gains/(losses),net		
- translation gains gains/(losses),net	785,380	(382,810)
- transaction gains,net	3,617,795	271,466
	4,403,175	**(111,344)**

NOTE 26 - OTHER OPERATING EXPENSES

	2006	2005
Wages and salaries	273,668	252,979
Administrative expenses	75,827	49,550
Social security costs	24,128	26,879
Depreciation (Note 11 and 12)	14,610	12,994
Other	412	789
	388,645	**343,191**

The average number of persons employed by the Bank during the year 2006 was 4,676 (2005: 4,847).

NOTE 27 - COMMITMENTS AND CONTINGENT LIABILITIES

	2006	2005
Guarantees taken	9,873,508	11,796,736
Uncalled BIS shares (Note 10)	63,726	57,816
	9,937,234	**11,854,552**

As of 31 December 2006, there are a number of legal proceedings outstanding against the Bank amounting to YTL 80,548 thousand, US$ 397,357 and EUR 800,867 (2005: YTL 83,577 thousand, US$ 7,242,351, EUR 831,096). No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 28 - SHARE CAPITAL

The shareholder structure of the Bank as at 31 December 2006 and 2005 is as follows:

	31 December 2006		31 December 2005	
	YTL	Share %	YTL	Share %
T.C. Başbakanlık Hazine Müsteşarlığı	14	55	14	55
T.C. Ziraat Bankası A.Ş.	5	19	5	19
Güvenlik Yard. Sandığı Vakfı	1	5	1	5
Türkiye Garanti Bankası A.Ş.	1	2	1	2
Türkiye İş Bankası A.Ş.	1	2	1	2
Other	3	17	3	17
Historical share capital	**25**	**100**	**25**	**100**
Inflation adjustment on share capital	**47,439**		**47,439**	
Total paid-in capital	**47,464**		**47,464**	

According to 5th article of the Central Bank Law, the capital of the Bank is YTL25 thousand and is divided into 250,000 shares, with a value of YTL0.1 each. The capital may be increased with the approval of the government. The shares are divided into (A), (B), (C), and (D) shares. The (A) group shares belongs solely to the Turkish Treasury while (B) shares belong to national banks, (C) shares belong to banks other than the national banks and to companies possessing certain privileges and (D) shares belong to Turkish commercial institutions and to legal and real persons of Turkish nationality.

NOTE 29 - RETAINED EARNINGS AND LEGAL RESERVES

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution in accordance with the Central Bank Law to the employees, Turkish Treasury and other shareholders, subject to the legal reserve requirement referred to below.

The appropriation of the profit after tax of the Bank is as follows;

i) 20% to the reserve fund,

ii) 6% to the shareholders as an initial dividend,

iii) after deducting the above-stated percentages a maximum of 5% of the remaining amount to the Bank personnel in an amount not exceeding the total of two months' salaries, and 10% percent to the extraordinary reserve fund,

iv) 6% as a secondary dividend to the shareholders, with the decision of the General Assembly.

The remaining balance shall be transferred to the Turkish Treasury after this allocation (Note 32).

(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated)

NOTE 30 - CASH AND CASH EQUIVALENTS

	2006	2005
Cash and gold reserves	3,865,080	3,008,521
Due from banks (excluding accrued interest)	8,604,476	6,327,705
	12,469,556	**9,336,226**

NOTE 31 - RELATED PARTY BALANCES AND TRANSACTIONS

These financial statements include the following related party balances and transactions.

(i) Balances with related parties

	2006	2005
Assets:		
Financial assets at fair value through profit or loss issued by the Turkish Treasury	18,811,875	19,470,029
Funds lent under reverse repurchase transactions	-	1,000,000
Due from banks	72,167	639,998
Liabilities:		
Due to banks	25,581,117	16,376,935
Other deposits	20,390,549	14,934,705

(ii) Transactions with related parties

Salaries and other short-term benefits to key management	2,134	2,265
Interest income	1,744,606	1,475,366
Interest expense	893,854	613,405
Fee and commission income	16,679	12,859
Fee and commission expense	147,190	114,435

NOTE 32 - SUBSEQUENT EVENT

With the Board of Directors' decision dated 1 March 2007, the appropriation of the statutory net income as of 31 December 2006 amounting to YTL3,102,457 thousand in accordance with the Central Bank Law will be as follows: YTL3 thousand as shareholders share, YTL156 thousand as dividend to the employees, YTL2,180,966 thousand as legal reserves and YTL921,332 thousand as dividend to the Turkish Treasury. The decision regarding the profit appropriation will be presented to the General Assembly for approval on 6 April 2007.

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