TÜRK EKONOMİ BANKASI

ANONİM ŞİRKETİ

INDEPENDENT ACCOUNTANTS’

LIMITED REVIEW REPORT

UNCONSOLIDATED FINANCIAL

STATEMENTS AND NOTES

FOR THE PERIOD ENDED

MARCH 31, 2007

*Translated into English from the*

*Original Turkish Report*

To the Board of Directors of

Türk Ekonomi Bankası A.Ş.

İstanbul

**TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ**

INDEPENDENT ACCOUNTANTS’ LIMITED REVIEW REPORT

FOR THE PERIOD JANUARY 1, 2007 – MARCH 31, 2007

We have performed a limited scope review of the accompanying balance sheet of Türk Ekonomi Bankası A.Ş. (“The Bank”) as at March 31, 2007 and the related statements of income, changes in shareholders’ equity and cash flows for the period then ended. These financial statements are the responsibility of the Bank’s management. As independent accountants our responsibility is to issue a report based on the limited scope review performed on these financial statements.

We conducted our review in accordance with the accounting rules and policies, and the accounting and auditing standards, set out as per the Banking Act No: 5411. Those standards require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. Since a review is principally limited to reviewing financial statements by applying analytical procedures, inquiring as to the integrity of the financial statements and making inquiries of management to obtain information, it is substantially less in scope than an audit and therefore provides a lesser assurance. We have not performed a full scope audit and accordingly we do not express an audit opinion.

Based on our limited scope review, we are not aware of any material modifications that should be made to the financial position, the results of its operations and its cash flows, of the Bank for the period ended March 31, 2007 for them to be in conformity with the prevailing accounting principles and standards set out as per the Article No: 37 of the Banking Act No: 5411, and other regulations and pronouncements in respect of accounting and financial reporting made by Banking Regulation and Supervision Agency.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Banks’s financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

Hasan Kılıç

Partner

Istanbul, April 30, 2007

**THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.**

**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2007**

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The unconsolidated financial report for the three months designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections below:

* GENERAL INFORMATION ABOUT THE BANK
* UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
* EXPLANATIONS ON THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE BANK
* INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
* EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
* LIMITED REVIEW REPORT

The unconsolidated interim financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in **thousands of New Turkish Lira**, in accordance with the Communique on Banks’ Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks’ records, have been independently reviewed and presented as attached.

April 30, 2007

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Yavuz Canevi | Alain Pierre André Bailly | İsmail Yanık | Varol Civil | E. Sevinç Özşen | B. Ilgaz Doğan |
| President of the Board of Directors | Head of Audit Commitee | Vice Chairman of the Audit Commitee | General Manager | Assistant General Manager Responsible of Financial Reporting | Manager Responsible of Financial Reporting |

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname / Title: Çiğdem Başaran / Investor Relations Director

Telephone Number: (0212) 251 21 21

Fax Number: (0212) 249 65 68

INDEX

Page Number

SECTION ONE

General Information

I. Bank’s Incorporation Date, Beginning Statue, Changes in the Existing Statue 1

II. Explanations Regarding Bank’s Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Bank 1

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Their Shares in the Parent Bank 2

IV. Information about the persons and institutions that have qualified shares 2

V. Summary on the Bank’s Functions and Areas of Activity 2

**SECTION TWO**

Unconsolidated Financial Statements

I. Balance Sheets 3

II. Statement of Off Balance Sheet Contingencies and Commitments 5

III. Statement of Income 6

IV. Statement of Changes in Shareholders’ Equity 7

V. Statement of Cash Flow 9

# SECTION THREE

Accounting Principles

I. Basis of Presentation 10

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions 10

III. Explanations on Forward and Option Contracts and Derivative Instruments 11

IV. Interest Income and Expenses 11

V. Fees and Commission Income and Expenses 12

VI. Explanations and Disclosures on Financial Assets 12

VII. Explanations on Impairment on Financial Assets 14

VIII. Offsetting of Financial Assets and Liabilities 14

IX. Explanations on Sales and Repurchase Agreements and Lending of Securities 15

X. Explanations on Assets Held For Selling Purposes and Stopped Operations 15

XI. Explanations on Goodwill and Other Intangible Assets 15

XII. Explanations on Tangible Fixed Assets 16

XIII. Explanations on Leasing Transactions 17

XIV. Explanations on Provisions and Contingent Liabilities 17

XV. Explanations on Liabilities Regarding Employee Benefits 17

XVI. Explanations on Taxation 18

XVII. Additional Explanations on Borrowings 18

XVIII. Explanations on Share Certificates 19

XIX. Explanations on Acceptances 19

XX. Explanations on Government Incentives 19

XXI. Explanations on Segment Reporting 19

XXII. Explanations on Other Matters 19

# SECTION FOUR

Information on Financial Structure

I. Explanations Related to the Capital Adequecy Standard Ratio 21

II. Explanations Related to Market Risk 24

III. Explanations Related to Currency Risk 25

IV. Explanations Related to Interest Rate Risk 27

V. Explanations Related to Liquidity Risk 30

# SECTION FIVE

Explanations and Disclosures on Unconsolidated Financial Statements

I. Explanations Related to the Assets 32

II. Explanations Related to the Liabilities 44

III. Explanations Related to the Off-Balance Sheet Contingencies and Commitments 52

IV. Explanations Related to the Income Statement 56

V. Explanations on the Risk Group of the Bank 61

# SECTION SIX

Independent Accountants’ Limited Review Report

I. Explanations on the Independent Accountants’ Limited Review Report 63

II. Other Footnotes and Explanations Prepared by the Independent Accountants 63

**SECTION ONE**

##### GENERAL INFORMATION

##### I. Bank’s Incorporation Date, Beginning Statue, Changes in the Existing Statue

Türk Ekonomi Bankası Anonim Şirketi (“the Bank”), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its name was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to Istanbul.

**II. Explanations Regarding Bank’s Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Bank**

As of March 31, 2007 and December 31, 2006 the shareholders’ structure and their respective ownerships are summarized as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Previous Period | |
| Name of shareholders | Paid in  capital | % | Paid in  capital | % |
|  |  |  |  |  |
| TEB Mali Yatırımlar A.Ş. | 64,454 | 84.25 | 64,454 | 84.25 |
| Publicly Traded | 11,956 | 15.63 | 11,956 | 15.63 |
| Other Shareholders | 90 | 0.12 | 90 | 0.12 |
|  |  |  |  |  |
|  | **76,500** | **100.00** | **76,500** | **100.00** |

As of March 31, 2007 Bank’s paid-in-capital consists of 76,500,000 shares of TRY 1.00 nominal each.

Based on the meeting of the General Assembly on March 27, 2007, after completing all of the legal procedures , it was decided to increase the paid-in capital of the Bank to TRY 100,000 by TRY 23,500 within the registered capital ceiling and decided to incorporate TRY 11,750 of TRY 23,500 increase from the extraordinary reserves, and the remaining TRY 11,750 from the inflation accounting differences on share capital and in exchange distribute the investors as bonus shares as per their proportionate shares.

**III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Their Shares in the Parent** **Bank**

| **Ünvanı** | **İsmi** |
| --- | --- |
|  |  |
| Chairman of the Board of Directors | : Yavuz Canevi |
|  |  |
| Members of the Board of Directors | : Dr.Akın Akbaygil |
|  | Alain Pierre André Bailly (Head of Audit Committee) |
|  | İsmail Yanık (Vice Chairman of Audit Committee) |
|  | Jean-Jacques Marie Santini |
|  | Metin Toğay |
|  | Michel Roger Chevalier |
|  | Refael Taranto |
|  | Varol Civil (General Manager) |
|  |  |
| Chairman of Inspection Committee | : Hakan Tıraşın |
|  |  |
| Assistant General Managers | : Emine Sevinç Özşen |
|  | İzzet Cemal Kişmir |
|  | Levent Çelebioğlu |
|  | Nilsen Altıntaş |
|  | Nuri Tuncalı |
|  | Saniye Telci |
|  | Turgut Boz |
|  | Turgut Güney |
|  | Ümit Leblebici |
|  | Ünsal Aysun |
|  |  |
| Statutory Auditors | : Ayşe Aşardağ |
|  | Cihat Madanoğlu |

## Shares of the Bank owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants are negligible due to shareholding register.

**IV. Information about the persons and institutions that have qualified shares:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name / Commercial Name | Share  Amount | Share  Ratio | Paid up  Shares | Unpaid  Shares |
| TEB Mali Yatırımlar A.Ş. | 64,454 | %84.25 | 64,454 | - |

The directly or indirectly authorized group that have the qualified shares in the Bank’s capital is TEB Mali Yatırımlar A.Ş.

**V. Summary on the Bank’s Functions and Areas of Activity**

The Bank’s operating areas include, retail, commercial and corporate banking, fund management operations and project financing. Besides the daily banking operations, Bank is handling agency functions through its branches on behalf of TEB Sigorta A.Ş. and TEB Yatırım Menkul Değerler A.Ş. As of March 31, 2007 Bank has 201 local branches and 1 foreign branch (December 31, 2006 - 169 local branches, 1 foreign branch).

**SECTION TWO**

**UNCONSOLIDATED FINANCIAL STATEMENTS**

|  |  |
| --- | --- |
| I. | Balance Sheet |
| II. | Statements of Off Balance Sheet Contingencies and Commitments |
| III. | Statement of Income |
| IV. | Statement of Changes in Shareholders’ Equity |
| V. | Statement of Cash Flow |

**I. BALANCE SHEET – ASSETS**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Reviewed** | | | **Audited** | | |
|  |  |  | **Current Period** | | | **Prior Period** | | |
|  |  |  | **31.03.2007** | | | **31.12.2006** | | |
|  |  | Note Ref. | **TRY** | **FC** | **Total** | **TRY** | **FC** | **Total** |
|  |  |  |  |  |  |  |  |  |
| **I.** | **CASH AND BALANCES WITH THE CENTRAL BANK** | (1) | **224,664** | **971,330** | **1,195,994** | **251,908** | **713,502** | **965,410** |
| **II.** | **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)** | (2) | **60,909** | **6,449** | **67,358** | **97,710** | **5,440** | **103,150** |
| 2.1 | Trading financial assets |  | 43,816 | 1,076 | 44,892 | 80,266 | 1,375 | 81,641 |
| 2.1.1 | Public sector debt securities |  | 43,816 | 1,076 | 44,892 | 80,266 | 522 | 80,788 |
| 2.1.2 | Share c ertificates |  | - | - | - | - | - | - |
| 2.1.3 | Other marketable securities |  | - | - | - | - | 853 | 853 |
| 2.2 | Financial assets at fair value through profit and loss |  | - | - | - | - | - | - |
| 2.2.1 | Public sector debt securities |  | - | - | - | - | - | - |
| 2.2.2 | Share certificates |  | - | - | - | - | - | - |
| 2.2.3 | Other marketable securities |  | - | - | - | - | - | - |
| 2.3 | Derivative financial assets held for trading |  | 17,093 | 5,373 | 22,466 | 17,444 | 4,065 | 21,509 |
| **III.** | **BANKS AND OTHER FINANCIAL INSTITUTIONS** | (3) | **27,251** | **155,197** | **182,448** | **4,324** | **433,364** | **437,688** |
| **IV.** | **MONEY MARKET PLACEMENTS** |  | **260,253** | **-** | **260,253** | **-** | **-** | **-** |
| 4.1 | Interbank money market placements |  | 260,253 | - | 260,253 | - | - | - |
| 4.2 | Istanbul Stock Exchange money market placements |  | - | - | - | - | - | - |
| 4.3 | Receivables from reverse repurchase agreements |  | - | - | - | - | - | - |
| **V.** | **FINANCIAL ASSETS AVAILABLE FOR SALE (Net)** | (4) | **1,219,399** | **256,197** | **1,475,596** | **1,265,713** | **265,427** | **1,531,140** |
| 5.1 | Share certificates |  | 9 | 58 | 67 | 9 | 59 | 68 |
| 5.2 | Public sector debt securities |  | 1,219,390 | 256,139 | 1,475,529 | 1,265,704 | 265,368 | 1,531,072 |
| 5.3 | Other marketable securities |  | **-** | **-** | **-** | - | - | - |
| **VI.** | **LOANS** | (5) | **3,832,103** | **1,650,873** | **5,482,976** | **3,430,285** | **1,521,151** | **4,951,436** |
| 6.1 | Loans |  | 3,806,569 | 1,650,873 | 5,457,442 | 3,415,741 | 1,521,151 | 4,936,892 |
| 6.2 | Non-performing loans |  | 59,301 | - | 59,301 | 44,792 | - | 44,792 |
| 6.3 | Specific provisions (-) |  | (33,767) | - | (33,767) | (30,248) | - | (30,248) |
| **VII.** | **FACTORİNG RECEIVABLES** |  | **-** | **-** | **-** | - | - | - |
| **VIII.** | **HELD TO MATURITY INVESTMENTS (Net)** | (6) | **-** | **-** | **-** | - | - | - |
| 8.1 | Public sector debt securities |  | **-** | **-** | **-** | - | - | - |
| 8.2 | Other marketable securities |  | **-** | **-** | **-** | - | - | - |
| **IX.** | **INVESTMENTS IN ASSOCIATES (Net)** | (7) | **-** | **-** | **-** | - | - | - |
| 9.1 | Accounted for under equity method |  | **-** | **-** | **-** | - | - | - |
| 9.2 | Unconsolidated associates |  | **-** | **-** | **-** | - | - | - |
| 9.2.1 | Financial investments |  | **-** | **-** | **-** | - | - | - |
| 9.2.2 | Non-financial investments |  | **-** | **-** | **-** | - | - | - |
| **X.** | **INVESTMENTS IN SUBSIDIARIES (Net)** | (8) | **90,954** | **55,149** | **146,103** | **90,954** | **55,545** | **146,499** |
| 10.1 | Unconsolidated financial subsidiaries |  | 90,954 | 55,149 | 146,103 | 90,954 | 55,545 | 146,499 |
| 10.2 | Unconsolidated non-financial subsidiaries |  | **-** | **-** | **-** | - | - | - |
| **XI.** | **ENTITIES UNDER COMMON CONTROL (Net)** | (9) | **-** | **-** | **-** | - | - | - |
| 11.1 | Consolidated under equity method |  | **-** | **-** | **-** | - | - | - |
| 11.2 | Unconsolidated |  | **-** | **-** | **-** | - | - | - |
| 11.2.1 | Financial subsidiaries |  | **-** | **-** | **-** | - | - | - |
| 11.2.2 | Non-financial subsidiaries |  | **-** | **-** | **-** | - | - | - |
| **XII.** | **FINANCE LEASE RECEIVABLES (Net)** | (10) | **-** | **-** | **-** | - | - | - |
| 12.1 | Finance lease receivables |  | **-** | **-** | **-** | - | - | - |
| 12.2 | Operating lease receivables |  | **-** | **-** | **-** | - | - | - |
| 12.3 | Other |  | **-** | **-** | **-** | - | - | - |
| 12.4 | Unearned income ( - ) |  | **-** | **-** | **-** | - | - | - |
| **XIII.** | **DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES** | (11) | **-** | **-** | **-** | - | - | - |
| 13.1 | Fair value hedge |  | **-** | **-** | **-** | - | - | - |
| 13.2 | Cash flow hedge |  | **-** | **-** | **-** | - | - | - |
| 13.3 | Hedge of net investment risks in foreign operations |  | **-** | **-** | **-** | - | - | - |
| **XIV.** | **TANGIBLE ASSETS (Net)** | (12) | **61,061** | **-** | **61,061** | **56,118** | **-** | **56,118** |
| **XV.** | **INTANGIBLE ASSETS (Net)** | (13) | **38,217** | **-** | **38,217** | **38,935** | **-** | **38,935** |
| 15.1 | Goodwill |  | **-** | **-** | **-** | - | - | - |
| 15.2 | Other |  | 38,217 | - | 38,217 | 38,935 | - | 38,935 |
| **XVI.** | **TAX ASSET** | (14) | **47,273** | **-** | **47,273** | **20,186** | **-** | **20,186** |
| 16.1 | Current tax asset |  | 26,811 | - | 26,811 | 7,811 | - | 7,811 |
| 16.2 | Deferred tax asset |  | 20,462 | - | 20,462 | 12,375 | - | 12,375 |
| **XVII.** | **ASSETS HELD FOR SALE (Net)** | (15) | **-** | **-** | **-** | - | - | - |
| **XVIII.** | **OTHER ASSETS** | (16) | **110,442** | **14,172** | **124,614** | **22,733** | **8,362** | **31,095** |
|  |  |  |  |  |  |  |  |  |
|  | **TOTAL ASSETS** |  | **5,972,526** | **3,109,367** | **9,081,893** | **5,278,866** | **3,002,791** | **8,281,657** |

**The accompanying notes are an integral part of these balance sheets.**

**I. BALANCE SHEET - LIABILITIES**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Reviewed** | | | **Audited** | | |
|  |  |  | **Current Period** | | | **Prior Period** | | |
|  |  |  | **31.03.2007** | | | **31.12.2006** | | |
|  |  | Note Ref. | **TRY** | **FC** | **Total** | **TRY** | **FC** | **Total** |
|  |  |  |  |  |  |  |  |  |
| **I.** | **DEPOSITS** | (1) | **2,455,646** | **3,478,286** | **5,933,932** | **2,370,384** | **3,055,523** | **5,425,907** |
| **II.** | **DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING** | (2) | **104,358** | **2,033** | **106,391** | **67,356** | **1,531** | **68,887** |
| **III.** | **FUNDS BORROWED** | (3) | **375,048** | **584,767** | **959,815** | **266,078** | **652,916** | **918,994** |
| **IV.** | **MONEY MARKET BALANCES** | (4) | **804,110** | **-** | **804,110** | **771,004** | **-** | **771,004** |
| 4.1 | Interbank money market takings |  | - | - | - | - | - | - |
| 4.2 | Istanbul Stock Exchange money market takings |  | - | - | - | - | - | - |
| 4.3 | Funds provided under repurchase agreements |  | 804,110 | - | 804,110 | 771,004 | - | 771,004 |
| **V.** | **MARKETABLE SECURITIES ISSUED (Net)** |  | **-** | **-** | **-** | - | - | - |
| 5.1 | Bills |  | **-** | **-** | **-** | - | - | - |
| 5.2 | Asset backed securities |  | **-** | **-** | **-** | - | - | - |
| 5.3 | Bonds |  | **-** | **-** | **-** | - | - | - |
| **VI.** | **FUNDS** |  | **-** | **-** | **-** | - | - | - |
| **VII.** | **SUNDRY CREDITORS** |  | **80,421** | **38,298** | **118,719** | **68,199** | **34,277** | **102,476** |
| **VIII.** | **OTHER LIABILITIES** | (5) | **124,345** | **4,626** | **128,971** | **34,323** | **1,827** | **36,150** |
| **IX.** | **FACTORING PAYABLES** |  | **-** | **-** | **-** | **-** | **-** | **-** |
| **X.** | **FINANCE LEASE PAYABLES (Net)** | (6) | **-** | **11,777** | **11,777** | **-** | **9,902** | **9,902** |
| 10.1 | Finance lease payables |  | - | 14,711 | 14,711 | - | 12,825 | 12,825 |
| 10.2 | Operating lease payables |  | - | - | - | - | - | - |
| 10.3 | Other |  | - | - | - | - | - | - |
| 10.4 | Deferred finance lease expenses ( - ) |  | - | (2,934) | (2,934) | - | (2,923) | (2,923) |
| **XI.** | **DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES** | (7) | **-** | **-** | **-** | - | - | - |
| 11.1 | Fair value hedge |  | **-** | **-** | **-** | - | - | - |
| 11.2 | Cash flow hedge |  | **-** | **-** | **-** | - | - | - |
| 11.3 | Hedge of net investment in foreign operations |  | **-** | **-** | **-** | - | - | - |
| **XII.** | **PROVISIONS** | (8) | **40,484** | **12,851** | **53,335** | **33,965** | **12,362** | **46,327** |
| 12.1 | General loan loss provisions |  | 25,037 | 12,851 | 37,888 | 20,143 | 12,362 | 32,505 |
| 12.2 | Restructuring provisions |  | - | - | - | - | - | - |
| 12.3 | Reserve for employee benefits |  | 7,658 | - | 7,658 | 7,033 | - | 7,033 |
| 12.4 | Insurance technical reserves (Net) |  | - | - | - | - | - | - |
| 12.5 | Other provisions |  | 7,789 | - | 7,789 | 6,789 | - | 6,789 |
| **XIV.** | **TAX LIABILITY** | (9) | **71,325** | **-** | **71,325** | **50,131** | **-** | **50,131** |
| 14.1 | Current tax liability |  | 71,325 | - | 71,325 | 50,131 | - | 50,131 |
| 14.2 | Deferred tax liability |  | - | - | - | - | - | - |
| **XV.** | **PAYABLES RELATED TO ASSETS HELD FOR SALE** | (10) | **-** | **-** | **-** | - | - | - |
| **XIII.** | **SUBORDINATED LOANS** | (11) | **-** | **298,021** | **298,021** | **-** | **299,912** | **299,912** |
| **XVI.** | **SHAREHOLDERS' EQUITY** | (12) | **593,809** | **1,688** | **595,497** | **549,747** | **2,220** | **551,967** |
| 16.1 | Paid-in capital |  | 76,500 | - | 76,500 | 76,500 | - | 76,500 |
| 16.2 | Supplementary capital |  | 242,150 | 1,688 | 243,838 | 242,037 | 2,220 | 244,257 |
| 16.2.1 | Share premium |  | 1,592 | - | 1,592 | 1,592 | - | 1,592 |
| 16.2.2 | Share cancellation profits |  | - | - | - | - | - | - |
| 16.2.3 | Marketable securities value increase fund |  | (12,118) | 1,688 | (10,430) | (12,231) | 2,220 | (10,011) |
| 16.2.4 | Tangible assets revaluation reserve |  | - | - | - | - | - | - |
| 16.2.5 | Intangible assets revaluation reserve |  | - | - | - | - | - | - |
| 16.2.6 | Bonus shares obtained from associates, subsidiaries and jointly controlled entities | | - | - | - | - | - | - |
| 16.2.7 | Hedging funds (Effective portion) |  | - | - | - | - | - | - |
| 16.2.8 | Value increase on assets held for resale |  | - | - | - | - | - | - |
| 16.2.9 | Other capital reserves |  | 252,676 | - | 252,676 | 252,676 | - | 252,676 |
| 16.3 | Profit reserves |  | 231,210 | - | 231,210 | 125,510 | - | 125,510 |
| 16.3.1 | Legal reserves |  | 20,235 | - | 20,235 | 14,950 | - | 14,950 |
| 16.3.2 | Status reserves |  | - | - | - | - | - | - |
| 16.3.3 | Extraordinary reserves |  | 224,603 | - | 224,603 | 124,188 | - | 124,188 |
| 16.3.4 | Other profit reserves |  | (13,628) | - | (13,628) | (13,628) | - | (13,628) |
| 16.4 | Profit or loss |  | 43,949 | - | 43,949 | 105,700 | - | 105,700 |
| 16.4.1 | Prior year income/loss |  | - | - | - | - | - | - |
| 16.4.2 | Current year income/loss |  | 43,949 | - | 43,949 | 105,700 | - | 105,700 |
| 16.5 | Minority shares | (13) | - | - | - | - | - | - |
|  |  |  |  |  |  |  |  |  |
|  | **TOTAL LIABILITIES AND EQUITY** |  | **4,649,546** | **4,432,347** | **9,081,893** | **4,211,187** | **4,070,470** | **8,281,657** |

**The accompanying notes are an integral part of these balance sheets.**

**II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Reviewed**  **Current Period**  **31.03.2007** | | | | **Audited**  **Prior Period**  **31.12.2006** | | |
|  |  | **Note Ref.** | **TRY** | **FC** | **TOTAL** | **TRY** | | **FC** | **TOTAL** | |
| **A.** | OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III) |  | **3,819,711** | **4,908,739** | **8,728,450** | **2,851,566** | | **3,902,161** | **6,753,727** | |
| **I.** | **GUARANTEES** | (1), (3) | **1,023,984** | **1,920,665** | **2,944,649** | **919,807** | | **1,710,154** | **2,629,961** | |
| 1.1. | Letters of guarantee |  | 963,153 | 976,621 | 1,939,774 | 872,720 | | 852,899 | 1,725,619 | |
| 1.1.1. | Guarantees subject to State Tender Law |  | 47,442 | 149,105 | 196,547 | 43,310 | | 137,411 | 180,721 | |
| 1.1.2. | Guarantees given for foreign trade operations |  | 128,633 | 30,689 | 159,322 | 112,691 | | 36,584 | 149,275 | |
| 1.1.3. | Other letters of guarantee |  | 787,078 | 796,827 | 1,583,905 | 716,719 | | 678,904 | 1,395,623 | |
| 1.2. | Bank loans |  | - | 48,964 | 48,964 | - | | 50,146 | 50,146 | |
| 1.2.1. | Import letter of acceptance |  | - | 48,964 | 48,964 | - | | 50,146 | 50,146 | |
| 1.2.2. | Other bank acceptances |  | - | - | - | - | | - | - | |
| 1.3. | Letters of credit |  | 91 | 767,445 | 767,536 | 87 | | 652,014 | 652,101 | |
| 1.3.1. | Documentary letters of credit |  | 91 | 667,962 | 668,053 | 87 | | 567,695 | 567,782 | |
| 1.3.2. | Other letters of credit |  | - | 99,483 | 99,483 | - | | 84,319 | 84,319 | |
| 1.4. | Prefinancing given as guarantee |  | - | - | - | - | | - | - | |
| 1.5. | Endorsements |  | - | - | - | - | | - | - | |
| 1.5.1. | Endorsements to the Central Bank of Turkey |  | - | - | - | - | | - | - | |
| 1.5.2. | Other endorsements |  | - | - | - | - | | - | - | |
| 1.6. | Securities issue purchase guarantees |  | - | - | - | - | | - | - | |
| 1.7. | Factoring guarantees |  | - | - | - | - | | - | - | |
| 1.8. | Other guarantees |  | 56,783 | 86,337 | 143,120 | 44,489 | | 85,146 | 129,635 | |
| 1.9. | Other collaterals |  | 3,957 | 41,298 | 45,255 | 2,511 | | 69,949 | 72,460 | |
| **II.** | **COMMITMENTS** | (1), (3) | **999,464** | **171,205** | **1,170,669** | **710,372** | | **167,138** | **877,510** | |
| 2.1. | Irrevocable commitments |  | 999,464 | 161,758 | 1,161,222 | 710,372 | | 155,207 | 865,579 | |
| 2.1.1. | Forward asset purchase commitments |  | 100 | 161,758 | 161,858 | - | | 155,207 | 155,207 | |
| 2.1.2. | Forward deposit purchase and sales commitments |  | - | - | - | 4,000 | | - | 4,000 | |
| 2.1.3. | Share capital commitment to associates and subsidiaries |  | - | - | - | - | | - | - | |
| 2.1.4. | Loan granting commitments |  | 174,466 | - | 174,466 | 170,914 | | - | 170,914 | |
| 2.1.5. | Securities underwriting commitments |  | - | - | - | - | | - | - | |
| 2.1.6. | Commitments for reserve deposit requirements |  | - | - | - | - | | - | - | |
| 2.1.7. | Payment commitment for checks |  | 337,514 | - | 337,514 | 259,573 | | - | 259,573 | |
| 2.1.8. | Tax and fund liabilities from export commitments |  | 11,075 | - | 11,075 | 10,094 | | - | 10,094 | |
| 2.1.9. | Commitments for credit card expenditure limits |  | 476,066 | - | 476,066 | 263,871 | | - | 263,871 | |
| 2.1.10. | Receivables from short sale commitments |  | - | - | - | - | | - | - | |
| 2.1.11. | Payables for short sale commitments |  | - | - | - | - | | - | - | |
| 2.1.12. | Other irrevocable commitments |  | 243 | - | 243 | 1,920 | | - | 1,920 | |
| 2.2. | Revocable commitments |  | - | 9,447 | 9,447 | - | | 11,931 | 11,931 | |
| 2.2.1. | Revocable loan granting commitments |  | - | - | - | - | | - | - | |
| 2.2.2. | Other revocable commitments |  | - | 9,447 | 9,447 | - | | 11,931 | 11,931 | |
| **III.** | **DERIVATIVE FINANCIAL INSTRUMENTS** | (2) | **1,796,263** | **2,816,869** | **4,613,132** | **1,221,387** | | **2,024,869** | **3,246,256** | |
| 3.1 | Derivative financial instruments for hedging purposes |  | **-** | **-** | **-** | - | | - | - | |
| 3.1.1 | Fair value hedge |  | **-** | **-** | **-** | - | | - | - | |
| 3.1.2 | Cash flow hedge |  | **-** | **-** | **-** | - | | - | - | |
| 3.1.3 | Hedge of net investment in foreign operations |  | **-** | **-** | **-** | - | | - | - | |
| 3.2 | Held fot trading transactions |  | 1,796,263 | 2,816,869 | 4,613,132 | 1,221,387 | | 2,024,869 | 3,246,256 | |
| 3.2.1 | Forward foreign currency buy/sell transactions |  | 261,082 | 510,991 | 772,073 | 280,381 | | 361,334 | 641,715 | |
| 3.2.1.1 | Forward foreign currency transactions-buy |  | 179,010 | 210,124 | 389,134 | 183,404 | | 138,615 | 322,019 | |
| 3.2.1.2 | Forward foreign currency transactions-sell |  | 82,072 | 300,867 | 382,939 | 96,977 | | 222,719 | 319,696 | |
| 3.2.2 | Swap transactions related to f.c. and interest rates |  | 1,035,336 | 1,208,504 | 2,243,840 | 733,356 | | 891,599 | 1,624,955 | |
| 3.2.2.1 | Foreign currency swap-buy |  | 47,833 | 1,020,961 | 1,068,794 | 17,493 | | 767,077 | 784,570 | |
| 3.2.2.2 | Foreign currency swap-sell |  | 975,838 | 173,670 | 1,149,508 | 703,630 | | 119,836 | 823,466 | |
| 3.2.2.3 | Interest rate swaps-buy |  | 7,195 | 7,214 | 14,409 | 7,488 | | 2,716 | 10,204 | |
| 3.2.2.4 | Interest rate swaps-sell |  | 4,470 | 6,659 | 11,129 | 4,745 | | 1,970 | 6,715 | |
| 3.2.3 | Foreign currency, interest rate and securities options |  | 497,131 | 774,301 | 1,271,432 | 207,650 | | 520,541 | 728,191 | |
| 3.2.3.1 | Foreign currency options-buy |  | 242,907 | 392,570 | 635,477 | 106,152 | | 258,161 | 364,313 | |
| 3.2.3.2 | Foreign currency options-sell |  | 254,224 | 381,731 | 635,955 | 101,498 | | 262,380 | 363,878 | |
| 3.2.3.3 | Interest rate options-buy |  | - | - | - | - | | - | - | |
| 3.2.3.4 | Interest rate options-sell |  | - | - | - | - | | - | - | |
| 3.2.3.5 | Securities options-buy |  | - | - | - | - | | - | - | |
| 3.2.3.6 | Securities options-sell |  | - | - | - | - | | - | - | |
| 3.2.4 | Foreign currency futures |  | 2,714 | 77,754 | 80,468 | - | | 53,299 | 53,299 | |
| 3.2.4.1 | Foreign currency futures-buy |  | 2,714 | 75,183 | 77,897 | - | | 53,299 | 53,299 | |
| 3.2.4.2 | Foreign currency futures-sell |  | - | 2,571 | 2,571 | - | | - | - | |
| 3.2.5 | Interest rate futures |  | - | - | - | - | | - | - | |
| 3.2.5.1 | Interest rate futures-buy |  | - | - | - | - | | - | - | |
| 3.2.5.2 | Interest rate futures-sell |  | - | - | - | - | | - | - | |
| 3.2.6 | Other |  | - | 245,319 | 245,319 | - | | 198,096 | 198,096 | |
| **B.** | **CUSTODY AND PLEDGED ITEMS (IV+V+VI)** |  | **29,914,866** | **5,916,957** | **35,831,823** | **25,827,047** | | **1,908,562** | **27,735,609** | |
| **IV.** | **ITEMS HELD IN CUSTODY** |  | **23,604,377** | **592,517** | **24,196,894** | **22,728,666** | | **591,801** | **23,320,467** | |
| 4.1. | Assets under management |  | **-** | **-** | **-** | - | | - | - | |
| 4.2. | Investment securities held in custody |  | 20,604,076 | 135,646 | 20,739,722 | 20,055,470 | | 148,047 | 20,203,517 | |
| 4.3. | Checks received for collection |  | 2,635,307 | 232,580 | 2,867,887 | 2,362,043 | | 227,038 | 2,589,081 | |
| 4.4. | Commercial notes received for collection |  | 364,895 | 154,855 | 519,750 | 311,042 | | 146,164 | 457,206 | |
| 4.5. | Other assets received for collection |  | - | 69,436 | 69,436 | - | | 70,552 | 70,552 | |
| 4.6. | Assets received for public offering |  | - | - | - | - | | - | - | |
| 4.7. | Other items under custody |  | 99 | - | 99 | 111 | | - | 111 | |
| 4.8. | Custodians |  | - | - | - | - | | - | - | |
| **V.** | **PLEDGED ITEMS** |  | **6,310,397** | **5,324,117** | **11,634,514** | **3,098,289** | | **1,315,948** | **4,414,237** | |
| 5.1. | Marketable securities |  | 152,613 | 71,712 | 224,325 | 249,914 | | 80,605 | 330,519 | |
| 5.2. | Guarantee notes |  | 2,798,609 | 3,974,727 | 6,773,336 | 3,699 | | 2,297 | 5,996 | |
| 5.3. | Commodity |  | - | 54,689 | 54,689 | - | | 111,588 | 111,588 | |
| 5.4. | Warranty |  | - | - | - | - | | - | - | |
| 5.5. | Properties |  | 2,493,603 | 821,735 | 3,315,338 | 2,070,546 | | 744,792 | 2,815,338 | |
| 5.6. | Other pledged items |  | 865,572 | 401,254 | 1,266,826 | 774,130 | | 376,666 | 1,150,796 | |
| 5.7. | Pledged items-depository |  | - | - | - | - | | - | - | |
| **VI.** | **ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES** |  | **92** | **323** | **415** | **92** | | **813** | **905** | |
|  | **TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)** |  | **33,734,577** | **10,825,696** | **44,560,273** | **28,678,613** | | **5,810,723** | **34,489,336** | |

**The accompanying notes are an integral part of these statements.**

**III. STATEMENT OF INCOME**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **Reviewed**  **Current Period**  **01.01-31.03.2007** | **Reviewed**  **Prior Period**  **01.01-31.03.2006** |
|  |  | **Note Ref.** | Total | Total |
|  |  |  |  |  |
| **I.** | INTEREST INCOME | (1) | **310,284** | **154,036** |
| 1.1 | Interest on loans |  | 218,720 | 99,267 |
| 1.2 | Interest received from reserve deposits |  | 7,488 | 3,276 |
| 1.3 | Interest received from banks |  | 12,645 | 9,630 |
| 1.4 | Interest received from money market placements |  | 3,053 | 7,749 |
| 1.5 | Interest received from marketable securities portfolio |  | 68,330 | 34,072 |
| 1.5.1 | Held-for-trading financial assets |  | 4,578 | 3,678 |
| 1.5.2 | Financial assets at fair value through profit and loss |  | - | - |
| 1.5.3 | Available-for-sale financial assets |  | 63,752 | 30,390 |
| 1.5.4 | Investments held-to-maturity |  | - | 4 |
| 1.6 | Finance lease Income |  | - | - |
| 1.7 | Other interest income |  | 48 | 42 |
| **II.** | **INTEREST EXPENSE** | (2) | **196,267** | **88,987** |
| 2.1 | Interest on deposits |  | 139,309 | 58,211 |
| 2.2 | Interest on funds borrowed |  | 24,309 | 13,922 |
| 2.3 | Interest on money market borrowings |  | 31,913 | 16,568 |
| 2.4 | Interest on securities issued |  | - | - |
| 2.5 | Other interest expense |  | 736 | 286 |
| **III.** | **NET INTEREST INCOME (I - II)** |  | **114,017** | **65,049** |
| **IV.** | **NET FEES AND COMMISSIONS INCOME** |  | **25,742** | **14,715** |
| 4.1 | Fees and commissions received |  | 34,745 | 18,473 |
| 4.1.1 | Cash loans |  | 5,207 | 3,060 |
| 4.1.2 | Non-cash loans |  | 7,194 | 4,833 |
| 4.1.3 | Other |  | 22,344 | 10,580 |
| 4.2 | Fees and commissions paid |  | 9,003 | 3,758 |
| 4.2.1 | Cash loans |  | 322 | 319 |
| 4.2.2 | Non-cash loans |  | 26 | 14 |
| 4.2.3 | Other |  | 8,655 | 3,425 |
| **V.** | **DIVIDEND INCOME** | (3) | **14,752** | **18,528** |
| **VI.** | **NET TRADING INCOME** | (4) | **(4,441)** | **14,803** |
| 6.1 | Profit/losses on trading account securities |  | (3,748) | 10,151 |
| 6.2 | Foreign exchange gains/losses |  | (693) | 4,652 |
| **VII.** | **OTHER OPERATING INCOME** | (5) | **8,181** | **7,024** |
| **VIII.** | **TOTAL OPERATING INCOME (III+IV+V+VI+VII)** |  | **158,251** | **120,119** |
| **IX.** | **PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)** | (6) | **11,968** | **7,759** |
| **X.** | **OTHER OPERATING EXPENSES (-)** | (7) | **93,564** | **54,597** |
| **XI.** | **NET OPERATING INCOME/(LOSS) (VIII-IX-X)** |  | **52,719** | **57,763** |
| **XII.** | **AMOUNT IN EXCESS RECORDED AS GAIN** |  | - | - |
|  | **AFTER MERGER** |  | - | - |
| **XIII.** | **GAIN / (LOSS) ON EQUITY METHOD** |  | - | - |
| **XIV.** | **GAIN / (LOSS) ON NET MONETARY POSITION** | (8) | **52,719** | **57,763** |
| **XV.** | **INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)** | (9) | **8,770** | **12,852** |
| **XVI.** | **PROVISION FOR TAXES ON INCOME (±)** |  | 16,751 | 7,806 |
| 16.1 | Provision for current income taxes |  | (7,981) | 5,046 |
| 16.2 | Provision for deferred taxes | (10) | **43,949** | **44,911** |
| **XVII.** | **NET OPERATING INCOME AFTER TAXES (XV±XVI)** |  | **-** | **-** |
| 17.1 | Discontinued Operations |  | **-** | **-** |
| 17.2 | Other | (11) | **43,949** | **44,911** |
| **XVIII.** | **NET PROFIT/(LOSS)** |  | **43,949** | **44,911** |
| 18.1 | Group's profit/loss |  |  |  |
| 18.2 | Minority shares |  |  |  |
|  | Earnings per share |  | 0.5745 | 0.5871 |

**The accompanying notes are an integral part of these statements.**

**IV. STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Reviewed** | Note Ref | Paid-in  Capital | Effect of inflation Accounting on  Capital and Other Capital Reserves | Share premium | Share certificate cancellation profits | Legal  Reserves | Statutory  Reserves | Extraordinary  Reserves | Other Reserves | Current Period  Net Income/(Loss) | Prior Period  Net Income/(Loss) | Revaluation  Fund | Revaluation Value Increase  Fund | Marketable  Securities  Value Increase Fund | Total Equity |
|  | **Prior Period – 01.01.-31.03.2006** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **I** | **Beginning Balance – 31.12.2005** |  | **57,800** | **252,676** | **-** | **-** | **9,253** | **-** | **61,218** | **-** | **-** | **78,717** | **-** | **-** | **9,147** | **468,811** |
| **II.** | **Corrections according to TAS 8** |  | **-** | **-** | **-** | **-** | **-** | **-** | **2,293** | **(13,628)** | **-** | **6,399** | **-** | **-** | **-** | **(4,936)** |
| 2.1 | The effect of corrections of errors |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| 2.2 | The effects of changes in accounting policy. |  | - | - | **-** | - | - | - | 2,293 | (13,628) | - | 6,399 | - | - | - | (4,936) |
| **III.** | **New Balance (I+II)** |  | **57,800** | **252,676** | **-** | **-** | **9,253** | **-** | **63,511** | **(13,628)** | **-** | **85,116** | **-** | **-** | **9,147** | **463,875** |
|  | Changes in period |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| **IV.** | **Increase/Decrease related to merger** |  | - | - | **-** | - | - | **-** | - | - | - | **-** | - | - | - | - |
| **V.** | **Investments securities available for sale** |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | **(5,522)** | **(5,522)** |
| **VI.** | **Hedging Transactions** |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| 6.1 | Cash-flow hedge |  | - | - | **-** | - | - | **-** | - | - | - | **-** | - | - | - | - |
| 6.2 | Transfer to hedge of net investment in foreign operations |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| **VII.** | **Investments securities available for sale** |  | - | - | **-** | - | - | **-** | - | - | - | **-** | - | - | - | - |
| **VIII.** | **Hedging transactions** |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| 8.1 | Cash-flow hedge |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| 8.2 | Hedge of net investment in foreign operations |  | - | - | **-** | - | - | **-** | - | - | - | **-** | - | - | - | - |
| **IX.** | **Period net income/(loss)** |  | - | - | **-** | - | - | - | - | - | **44,911** | **-** | - | - | - | **44,911** |
| **X.** | **Profit distribution** |  | **-** | - | **-** | - | **5,697** | - | **60,677** | - | - | **(85,116)** | - | - | - | **(18,742)** |
| 10.1 | Dividends distributed |  | - | - | **-** | - | - | **-** | - | - | - | (18,742) | - | - | - | (18,742) |
| 10.2 | Transfers to reserves |  | - | - | **-** | - | 5,697 | - | 54,278 | - | - | (59,975) | - | - | - | - |
| 10.3 | Other |  | - | - | **-** | - | - | - | 6,399 | - | - | (6,399) | - | - | - | - |
| **XI.** | **Capital increase** |  | **-** | - | **-** | - | - | **-** | - | - | - | **-** | - | - | - | - |
| 11.1 | Cash |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| 11.2 | Tangible assets value increase in revaluation fund |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| 11.3 | Bonus shares from associates, subsidiaries and jointly controlled entities |  | - | - | **-** | - | - | **-** | - | - | - | **-** | - | - | - | - |
| 11.4 | Marketable securities value increase fund |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| 11.5 | Inflation adjustment to paid-in capital |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| 11.6 | Issuance of share certificates |  | - | - | **-** | - | - | **-** | - | - | - | **-** | - | - | - | - |
| 11.7 | Foreign exchange differences |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| 11.8 | Other |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| **XII.** | **The disposal of assets** |  | - | - | **-** | - | - | **-** | - | - | - | **-** | - | - | - | - |
| **XIII.** | **The reclassification of assets** |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| **XIV.** | **Primary subordinated loans** |  | - | - | **-** | - | - | - | - | - | - | **-** | - | - | - | - |
| **XV.** | **Secondary subordinated loans** |  | - | - | **-** | - | - | **-** | - | - | - | **-** | - | - | - | - |
| **XVI.** | **The effect of change in associate’s equity** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,137** | - | **-** | - | - | **-** | **1,137** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Closing Balance 31.03.2006**  **(I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV)** |  | **57,800** | **252,676** | **-** | **-** | **14,950** | **-** | **124,188** | **(12,491)** | **44,911** | **-** | - | - | **3,625** | **485,659** |

**The accompanying notes are an integral part of these statements.**

**IV. STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Reviewed** | Note Ref | Paid-in  Capital | Effect of inflation Accounting on  Capital and Other Capital Reserves | Share premium | Share certificate cancellation profits | Legal  Reserves | Statutory  Reserves | Extraordinary  Reserves | Other Reserves | Current Period  Net Income/(Loss) | Prior Period  Net Income/(Loss) | Revaluation  Fund | Revaluation Value Increase  Fund | Marketable  Securities  Value Increase Fund | Total Equity |
|  | **Current Period – 01.01.-31.03.2007** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **I** | **Prior period balance – 31.12.2006** |  | **76,500** | **252,676** | **1,592** | **-** | **14,950** | **-** | **124,188** | **(13,628)** | **-** | **105,700** | **-** | **-** | **(10,011)** | **551,967** |
|  | Changes in period |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
| **II.** | **Increase/Decrease related to merger** |  | - | - | - | - | - | **-** | **-** | - | **-** | **-** | **-** | - | - | - |
| **III.** | **Investments securities available for sale** |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | **(419)** | **(419)** |
| **IV.** | **Hedging Transactions** |  | - | - | - | - | - | - | **-** | **-** | **-** | **-** | **-** | - | - | **-** |
| 4.1 | Cash-flow hedge |  | - | - | - | - | - | **-** | **-** | - | **-** | **-** | **-** | - | - | - |
| 4.2 | Transfer to hedge of net investment in foreign operations |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
| **V.** | **Investments securities available for sale** |  | - | - | - | - | - | **-** | **-** | - | **-** | **-** | **-** | - | - | - |
| **VI.** | **Hedging transactions** |  | - | - | - | - | - | - | **-** | **-** | **-** | **-** | **-** | - | - | **-** |
| 6.1 | Cash-flow hedge |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
| 6.2 | Hedge of net investment in foreign operations |  | - | - | - | - | - | **-** | **-** | - | **-** | **-** | **-** | - | - | - |
| **VII.** | **Period net income/(loss)** |  | - | - | - | - | - | - | **-** | - | **43,949** | **-** | **-** | - | - | **43,949** |
| **VIII.** | **Profit distribution** |  | - | - | - | **-** | **5,285** | - | **100,415** | - | **-** | **(105,700)** | **-** | - | - | **-** |
| 8.1 | Dividends distributed |  | - | - | - | - | - | **-** | - | - | **-** | - | **-** | - | - | - |
| 8.2 | Transfers to reserves |  | - | - | - | - | 5,285 | - | 100,415 | - | **-** | (105,700) | **-** | - | - | - |
| 8.3 | Other |  | - | - | - | - | - | - | - | - | **-** | - | **-** | - | - | - |
| **IX.** | **Capital increase** |  | **-** | - | **-** | **-** | **-** | **-** | **-** | - | **-** | **-** | **-** | - | - | **-** |
| 9.1 | Cash |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
| 9.2 | Tangible assets value increase in revaluation fund |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
| 9.3 | Bonus shares from associates, subsidiaries and jointly controlled entities |  | - | - | - | - | - | **-** | **-** | - | **-** | **-** | **-** | - | - | - |
| 9.4 | Marketable securities value increase fund |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
| 9.5 | Inflation adjustment to paid-in capital |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
| 9.6 | Issuance of share certificates |  | - | - | - | - | - | **-** | **-** | - | **-** | **-** | **-** | - | - | - |
| 9.7 | Foreign exchange differences |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
| 9.8 | Other |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
| **X.** | **The disposal of assets** |  | - | - | - | - | - | **-** | **-** | - | **-** | **-** | **-** | - | - | - |
| **XI.** | **The reclassification of assets** |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
| **XII.** | **Primary subordinated loans** |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
| **XIII.** | **Secondary subordinated loans** |  | - | - | - | - | - | **-** | **-** | - | **-** | **-** | **-** | - | - | - |
| **XIV.** | **The effect of change in associate’s equity** |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Closing Balance 31.03.2007**  **(I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV)** |  | **76,500** | **252,676** | **1,592** | **-** | **20,235** | **-** | **224,603** | **(13,628)** | **43,949** | **-** | **-** | **-** | **(10,430)** | **595,497** |

**The accompanying notes are an integral part of these statements.**

**V. STATEMENT OF CASH FLOWS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | |  | **Reviewed** | **Reviewed** |
|  | |  | **Current Period** | **Prior Period** |
|  | | **Note Ref** | **01.01.-31.03.2007** | **01.01.-31.03.2006** |
| A. | **CASH FLOWS FROM BANKING OPERATIONS** |  |  |  |
|  |  |  |  |  |
| 1.1 | **Operating profit before changes in operating assets and liabilities** |  | **78,451** | **23,781** |
|  |  |  |  |  |
| 1.1.1 | Interest received |  | 287,656 | 155,817 |
| 1.1.2 | Interest paid |  | (154,198) | (91,156) |
| 1.1.3 | Dividend received |  | 14,752 | 18,528 |
| 1.1.4 | Fees and commissions received |  | 34,745 | 18,473 |
| 1.1.5 | Other income |  | 8,181 | 21,827 |
| 1.1.6 | Collections from previously written off loans |  | 10,212 | 2,946 |
| 1.1.7 | Payments to personnel and service suppliers |  | (44,599) | (27,789) |
| 1.1.8 | Taxes paid |  | (18,996) | (42,959) |
| 1.1.9 | Others | (1) | (59,302) | (31,906) |
|  |  |  |  |  |
| 1.2 | **Changes in operating assets and liabilities** |  | **58,776** | **98,192** |
|  |  |  |  |  |
| 1.2.1 | Net (increase) decrease in financial assets |  | 36,079 | 40,509 |
| 1.2.2 | Net (increase) decrease in financial assets at fair value through profit or loss | (1) | - | - |
| 1.2.3 | Net (increase) decrease in due from banks and other financial institutions |  | (18,961) | 45,265 |
| 1.2.4 | Net (increase) decrease in loans |  | (533,876) | (198,027) |
| 1.2.5 | Net (increase) decrease in other assets |  | (143,475) | (7,719) |
| 1.2.6 | Net increase (decrease) in bank deposits |  | 31,564 | (413,945) |
| 1.2.7 | Net increase (decrease) in other deposits |  | 516,114 | 445,088 |
| 1.2.8 | Net increase (decrease) in funds borrowed |  | 33,656 | 124,488 |
| 1.2.9 | Net increase (decrease) in matured payables |  | - | - |
| 1.2.10 | Net increase (decrease) in other liabilities | (1) | 137,675 | 62,533 |
|  |  |  |  |  |
| I. | **Net cash provided from banking operations** |  | **137,227** | **121,973** |
|  |  |  |  |  |
| B. | **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |  |
|  |  |  |  |  |
| II. | **Net cash provided from investing activities** |  | **63,207** | **145,263** |
|  |  |  |  |  |
| 2.1 | Cash paid for purchase of entities under common control, associates and subsidiaries |  | **-** | - |
| 2.2 | Cash obtained from sale of entities under common control, associates and subsidiaries |  | **-** | - |
| 2.3 | Fixed assets purchases |  | (8,512) | (2,429) |
| 2.4 | Fixed assets sales |  | 18 | - |
| 2.5 | Cash paid for purchase of financial assets available for sale |  | (15,272) | (744,780) |
| 2.6 | Cash obtained from sale of financial assets available for sale |  | 88,849 | 892,458 |
| 2.7 | Cash paid for purchase of investment securities |  | - | - |
| 2.8 | Cash obtained from sale of investment securities |  | - | 100 |
| 2.9 | Others |  | (1,876) | (86) |
|  |  |  |  |  |
| C. | **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |  |
|  |  |  |  |  |
| III. | **Net cash provided from financing activities** |  | **(2,080)** | **(18,742)** |
|  |  |  |  |  |
| 3.1 | Cash obtained from funds borrowed and securities issued |  | - | - |
| 3.2 | Cash used for repayment of funds borrowed and securities issued |  | - | - |
| 3.3 | Capital increase |  | - | - |
| 3.4 | Dividends paid |  | - | (18,742) |
| 3.5 | Payments for finance leases |  | (2,080) | - |
| 3.6 | Other |  | - | - |
|  |  |  |  |  |
| IV. | **Effect of change in foreign exchange rate on cash and cash equivalents** |  | **(15,380)** | **(29)** |
|  |  |  |  |  |
| V. | **Net increase / (decrease) in cash and cash equivalents** |  | **182,974** | **248,265** |
|  |  |  |  |  |
| VI. | **Cash and cash equivalents at beginning of the period** | **(2)** | **1,118,666** | **743,090** |
|  |  |  |  |  |
| VII. | **Cash and cash equivalents at end of the period** | **(2)** | **1,301,640** | **991,555** |

**The accompanying notes are an integral part of these statements.**

##### SECTION THREE

**ACCOUNTING PRINCIPLES**

I. Basis of Presentation

The Bank prepares financial statements and notes according to Communique on Banks’ Accounting Practice and Maintaining Documents, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS), other communiques, pronouncements and explainations about accounting and financial reporting issued by Banking Regulation and Supervision Agency (BRSA), Turkish Commercial Code and Tax Legislation.

*Accounting Policies Used*

The prior period financial statements, are restated as desribed below, in line with the principles of TAS No:1 “Fundamentals of Preparing and Presenting Financial Statements” published on Official Gazette on January 16, 2005 with No: 25702, and in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards; and other principles, methods and explainations about accounting and financial reporting procedures issued by BRSA. The adjustments to the prior period profits, are summarized below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31.03.2006** | **31.03.2006** | **31.12.2005** | **31.12.2005** |
|  | **Profit for the Period** | **Extraordinary Reserves** | **Profit for the Period** | **Extraordinary Reserves** |
|  |  |  |  |  |
| As previously reported | 48,322 | 115,496 | 78,717 | 61,218 |
|  |  |  |  |  |
| Foreign currency difference adjustment for subsidiaries | (1,137) | 13,628 | 7,074 | 6,554 |
| Employee benefit liability adjustment | (1,961) | (7,051) | (964) | (6,087) |
| Deferred tax adjustment | (313) | 2,115 | 289 | 1,826 |
|  |  |  |  |  |
| **As restated** | **44,911** | **124,188** | **85,116** | **63,511** |

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Bank aims to fulfill the financial needs of each customer such as SMEs, multinational companies and even small individual investors in line with Banking Legislation. The priority objective of the Bank is to maintain liquidity while fulfilling customer needs. Thus, the Bank uses 40% on average of its resources on liquid items, while the Bank also aims for the highest yield possible with effective maturity management.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of risk management strategy of the Bank, management of risk bearing positions of currency, interest or price movements is performed only by the Treasury Asset Liability department and using the limits defined by the Board of Directors. The Asset-Liability Committee manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions (continued)

The Board of Directors allows a purchase risk in treasury operations and the limits defined by the Board are different for every product.

The Bank’s hedging activities from the currency risk due to foreign currency available-for-sale capital instruments are explained under the Currency Risk header; and the Bank’s hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate loans are explained under Interest Rate Risk header.

The Bank’s Asset-Liability Committee decides to invest in foreign currency available-for-sale capital instruments and approves the purchase of various derivative instruments such as currency swaps, forwards and similar derivatives, as hedging instruments.

Hedge of currency risk of foreign currency investment in foreign institutions is made in line with the strategy of hedging of Bank’s foreign currency position by spot and foreign currency forward transactions, within the legal limits.

**III. Explanations on Forward and Option Contracts and Derivative Instruments**

Values of foreign currency forward, swap transactions are determined by comparing the period end Bank foreign exchange rates with the contractual forward rates discounted to the balance sheet date. The resulting gain or loss is reflected to the income statement. Discounted values calculated using the fixed and floating interest rates between the transaction date and repricing date are used in determination of the fair values of interest rate swaps. Fair value of option transactions are determined by comparing the option rates discounted to the balance sheet date with the period end foreign exchange rates of the Bank and the resulting gain or loss is reflected to the income statement of the current period, taking into account the exercisability of the option. Premiums, received and paid for the option transactions, are calculated on an accrual basis using effective interest rate method. The Bank also enters into futures agreements. Futures transactions are valued daily by the primary market prices and related unrealized gains or losses are reflected in the income statement.

IV. Interest Income and Expenses

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

V. Fees and Commission Income and Expenses

Fees for various banking services are recorded as income when collected and prepaid commission income on cash and non-cash loans is recorded as income by using effective interest rate in the related period.

Fees and commissions for funds borrowed paid to other financial institutions, as part of the transaction costs, are recorded as prepaid expenses using the effective interest rate in the related period.

The dividend income is reflected to the financial statements on a cash basis when the profit distribution is realized by the associates and subsidiaries.

VI. Explanations and Disclosures on Financial Assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments constitute the basis of Bank’s trading activities and operations. Risks related to these activities form a significant part among total risks the Bank undertakes. Financial instruments affect liquidity, market, and credit risks on the Bank’s balance sheet in all respects. Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities and operations of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the instutition and (b) disposing of the asset out of the balance sheet on the date settled by the instution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the instution accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the instution settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are mentioned below.

*Cash, Banks, and Other Financial Institutions*

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book values of these assets approximate their fair values.

*Financial Assets at Fair Value Through Profit and Loss*

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost. Transaction costs of the related securities are included in the initial cost. The positive difference between the cost and fair value of such securities is accounted for as interest and income accrual, and the negative difference is accounted for as “Impairment Provision on Marketable Securities”.

**VI. Explanations and Disclosures on Financial Assets (continued)**

*Held to Maturity Investments, Financial Assets Available for Sale and Loans*

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability. This portfolio excludes loans and receivables.

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

The marketable securities are initially recognized at cost including the transaction costs.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in “Marketable Securities Value Increase Fund” under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices. In the absence of prices formed in an active market fair values of these securities are determined using the Official Gazette prices or other valuation methods stated in TAS.

Loans are those generated by lending money and exclude those that are held with the intention of trading or selling in the near future.

After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

There are no financial assets that have been previously classified as held to maturity investments but cannot be currently classified as held to maturity for two years due to “tainting” rules.

The Bank classifies its securities as referred to above at the acquisition date of related assets.

The sale and purchase transactions of the held to maturity investments are recorded on a settlement date basis.

*Loans and Provisions for Impairment*

The Bank initially records loans and receivables at cost. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

With the amendment in the Uniform Chart of Accounts as of January 26, 2007, net foreign exchange gain of the foreign currency indexed loans are presented under foreign exchange gain/loss. Statement of income for the period ended March 31, 2006 is reclassified to reflect the effect of the changes above.

**VI. Explanations and Disclosureson Financial Assets (continued)**

*Loans and Provisions for Impairment (continued)*

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement. The provisioning criteria for non-performing loans are determined by the Bank’s management for compensating the probable losses of the current loan portfolio, by evaluating the quality of loan portfolio, risk factors and considering the economical conditions, other facts and related regulations.

Specific reserves are provided and provided for Group III, IV and V loans in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 26333 dated November 1, 2006. These provisions are reflected in the income statement under “Provision and Impairment Expenses - Special Provision Expense". The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

The collections made related to loans for which provision is made in the current period are reversed from the “Provision for Loans and Other Receivables” account in the income statement. The collections made related to loans written off or provisioned in prior years are recorded to “Collections Related to the Prior Period Expenses” under “Other Operating Income” account and related interest income is credited to the “Interest Received from Non-performing Loans” account.

Releases of loan loss provisions are credited in the “Provision and Impairment Expenses - Special Provision Expense” account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; Bank records general loan loss provisions for loans and other receivables. Bank calculated the general loan provision as 0.5% for cash loans and other receivables, and 0.1% for non-cash loans until November 1, 2006. Subsequent to the change in the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 26333 dated November 1, 2006; Bank started to book general loan loss provision of 1% for cash loans and other receivables; and 0.2% for non-cash loans on the increase in the cash and non-cash loan portfolio as compared to their October 31, 2006 balances whereas allocating 0.5% general loan loss provision for cash loans and other receivables, and 0.1% for non-cash loans for the balances as of October 31, 2006.

VII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence (or nonoccurrence) of one or more than one event (“loss event”) after the first journalization of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses caused by the future events are not journalized.

**VIII. Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously.

**IX. Explanations on Sales and Repurchase Agreements and Lending of Securities**

The sales and purchase of government securities under repurchase agreements made with the customers are being recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities.

These transactions are short-term and consist of domestic public sector debt securities.

The income and expenses from these transactions are reflected to the “Interest Income on Marketable Securities” and “Interest Expense on Money Market Borrowings” accounts in the income statement.

As of March 31, 2007, the Bank does not have any reverse repo transactions (December 31, 2006 - None).

As of March 31, 2007, the Bank does not have any marketable securities lending transaction (December 31, 2006 - None).

**X. Explanations on Assets Held for Sale and Discontinued Operations**

Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

The Bank does not have any assets held for sale.

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement seperately. The Bank does not have any discontinued operations.

**XI. Explanations on Goodwill and Other Intangible Assets**

There is no goodwill regarding the investments in associates and subsidiaries.

Intangible assets are accounted for at restated cost until December 31, 2004 in accordance with inflation accounting and are amortized with straight-line method, after December 31, 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and amortized on a straight-line method. The cost of assets subject to amortisation is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

**XI. Explanations on Goodwill and Other Intangible Assets (continued)**

The intangible assets of the Bank comprise mainly softwares. The requirements of the Turkish Tax Procedural Code are taken into consideration in determining the useful lives and no other specific criteria are used. Useful lives of such assets acquired prior to 2004 are determined as 5 years and for the year 2004 and forthcoming years, as 3 years. Softwares used are mainly developed within the Bank by the Bank’s personnel and the related expenses are not capitalized. Software is purchased only in emergency cases and for special projects. Leasehold improvements are depreciated over the lease period by straight-line method.

There are no anticipated changes in the accounting estimates about the amortisation rate and method and residual values that would have a significant impact in the current and future periods.

**XII. Explanations on Tangible Fixed Assets**

Properties are accounted for at their restated costs until December 31, 2004; after December 31, 2004 the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected, less reserve for impairment, if any. The straight-line method of depreciation is used for buildings and useful life is considered as 50 years.

Other tangible fixed assets are accounted for at their restated costs until December 31, 2004; afterwards December 31, 2004 the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected less reserve for impairment, if any, and depreciated on a straight-line method. Depreciation of assets held less than one year as of the balance sheet date is accounted for as a proportion of the estimated yearly depreciation with the period between the balance sheet date and the acquisition date of the asset. The depreciation method has not been changed in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

|  |  |
| --- | --- |
|  | **%** |
| Buildings | 2 |
| Motor vehicles | 20 |
| Furniture, fixtures and office equipment and others | 3 - 50 |

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of the tangible fixed assets are capitalized if they extend the economic useful life of the related asset. Other maintenance costs are expensed. There are no pledges, mortgages or other restrictions on the tangible fixed assets.

There are no purchase commitments related to the tangible fixed assets.

There are no anticipated changes in the accounting estimates, which could have a significant impact in the current and future periods.

Bank employs independent appraisers in determining the current fair values of the real estates at year ends.

XIII. Explanations on Leasing Transactions

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS No:17. In accordance with this standard, the leasing transactions, which consist only foreign currency liabilities, are translated to New Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to New Turkish Lira with the Bank’s period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, the Bank records depreciation expense for the depreciable leased assets in each period. The depreciation rate is determined in accordance with TAS No:16 "Accounting Standard for Tangible Fixed Assets" and the depreciation rate used is 20% for the leased assets acquired before July 31, 2003 and 3%-50% for leased assets acquired after July 31, 2003 which is in line with Turkish Tax Legislation.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

The Bank does not have any leasing transactions as lessor.

XIV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank’s best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

XV. Explanations on Liabilities Regarding Employee Benefits

*Defined Benefit Plans*

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 “Turkish Accounting Standard on Employee Benefits”. The Bank is also required to pay employment termination notice calculated on each year of service.

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the servies rendered by them under the defined benefit plan is determined by independent actuaries annuallyusing the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed annually. The carrying value of employee termination benefit provisions as of March 31, 2007 is TRY 7,658 (December 31, 2006 - TRY 7,033).

*Defined Contribution Plans*

For defined contribution plans the Bank pays contributions to Social Security Funds on a mandatory basis. In addition to this, the employees of the Bank are members of the Foundation of TEB Employees (“TEB’liler Vakfı”). For the employees of the Bank that are the members of TEB’liler Vakfı, the Bank does not have any other liability to this foundation other than paying 20% of the first monthly contribution fee of the employee only for one time. Contribution fees are accounted as employee benefits. There are no other labilities related to employee benefits to be provisioned.

**XVI. Explanations on Taxation**

###### *Corporate tax*

According to the Article 32 of the Corporate Tax Law No. 5520, accepted in the general assembly meeting of Grand National Assembly of Turkey (TBMM) on June 13, 2006 and announced in the Official Gazette dated June 21, 2006, the corporate tax rate has been decreased from 30% to 20%, effective from January 1, 2006 as per the Article 37 of the Corporate Tax Law.

The tax legislation, requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year.

Tax returns are required to be filed between the first and twentyfifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month**.**

Tax provision related with items that are credited or charged directly to equity are charged or credited to equity. As at March 31, 2007 TRY 2,607 (December 31, 2006 - TRY 2,503) deferred tax which is related with items recorded in the equity was netted-off under equity in “Marketable Securities Value Increase Fund”.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

*Deferred Tax Liability / Asset*

The Bank calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

As of March 31, 2007 and December 31, 2006, in accordance with TAS No: 12 “Turkish Accounting Standard on Income Taxes” and the changes in the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated December 8, 2004, the Bank calculated deferred tax asset on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are shown in the accompanying financial statements on a net basis.

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax benefit of TRY 7,981 is stated under the tax provision in the income statement (March 31, 2006 - TRY 5,046 deferred tax charge). The deferred tax asset of TRY 2,607 (December 31, 2006 - TRY 2,503) resulting from differences related to items that are credited or charged directly to equity is netted with these accounts.

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

XVII. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement at the period they are incurred.

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

XVIII. Explanations on Share Certificates

Based on the resolution of the Board of Directors no. 3840/28 on March 31, 2006, the Bank has increased its paid in capital of TRY 57,800 within the registered capital ceiling of TRY 100,000 by TRY 18,700, to TRY 76,500. TRY 18,700 capital increase has been decided to be used as pre-emptive rights to the shareholders and the unused pre-emptive rights to be traded on the Stock Exchange, and the whole amount to be paid in cash. The increase of TRY 18,700 was registered with Istanbul Trade Registry Office on September 20, 2006 and capital increase procedures were completed.

Based on the meeting of the General Assembly on March 27, 2007, after completing all of the legal procedures , it was decided to increase the paid-in capital of the Bank to TRY 100,000 by TRY 23,500 within the registered capital ceiling and decided to incorporate TRY 11,750 of TRY 23,500 increase from the extraordinary reserves, and the remaining TRY 11,750 from the inflation accounting differences on share capital and in exchange distribute the investors as bonus shares as per their proportionate shares.

XIX. Explanations on Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

XX. Explanations on Government Incentives

There are no government incentives utilized by the Bank.

XXI. Explanations on Segment Reporting

The Bank mainly operates in retail and corporate banking segments.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Retail** | **Corporate** | **Other** | **Total** |
|  |  |  |  |  |
| Net interest income | 10,694 | 63,652 | 39,671 | 114,017 |
| Net fees and commissions income and other operating income | 4,312 | 29,045 | 566 | 33,923 |
| Trading profit / loss | 3,249 | 5,082 | (12,772) | (4,441) |
| Dividend income | - | - | 14,752 | 14,752 |
| Impairment provision for loans | (126) | (4,692) | (7,150) | (11,968) |
| Other operating income | (13,260) | (27,974) | (52,330) | (93,564) |
|  |  |  |  |  |
| **Profit before tax** | **4,869** | **65,113** | **(17,263)** | **52,719** |
| Tax | - | - | (8,770) | (8,770) |
|  |  |  |  |  |
| **Net profit for the period** | **4,869** | **65,113** | **(26,033)** | **43,949** |

XXII. Explanations on Other Matters

**Investments in Subsidiaries**

New Turkish Lira investments in subsidiaries are reflected at restated costs until December 31, 2004, computed by using relevant conversion factors considering purchase and capital contribution dates excluding share capital increases from internally generated reserves such as the revaluation fund. Foreign currency subsidiaries are accounted for at period end exchange rates. Only the difference between the indexed amounts until December 31, 2004 and balance sheet amounts are kept under shareholders’ equity. Bank started to hedge its net investment risk in The Economy Bank NV (“TEB NV”), its subsidiary operating in Netherlands with capital of EUR 30 million from the period December 31, 2006. Bank has classified fair value differences arising from this investment in other profit reserves under shareholders’ equity, and fair value differences arising from hedging instrument in “other profit reserves” under shareholders’ equity, in accordance with the Turkish Accounting Standards.

**XXII. Explanations Other Matters (continued)**

***Explanation for convenience translation to English***

The accounting principles used in the preparation of the accompanying financial statements differ from International Financial Reporting Standards (IFRS). The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the financial statements.

**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE**

I. Explanations Related to the Capital Adequacy Standard Ratio

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks ", which was published on November 1, 2006 in the Official Gazette numbered 26333. The Bank’s uncosolidated capital adequacy ratio in accordance with the related communiqué is 13.60%. (December 31, 2006 - 14.27%)

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting requirements are used. Additionally, the market risk amount is calculated in accordance with the communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

The values deducted from the capital base in the shareholders’ equity computation are excluded while calculating risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and amortization among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

While calculating the basis of non-cash loans subject to credit risk, the net receivable amount from the counter parties net of provision amount set in accordance with the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” is multiplied by the loan conversion rates presented in the Article 5, the Clause 1 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

Receivables from counter parties from derivative foreign currency and interest rate transactions are multiplied by the loan conversion rates presented in the Article 5, the Clause 2 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

I. Explanations Related to the Capital Adequacy Standard Ratio (continued)

**Information related to the capital adequacy ratio:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Risk Weight** | | | |
|  | 0% | 20% | 50% | 100% |
| **Risk Weighted Assets, Liabilities and Non-Cash Loans** |  |  |  |  |
| Balance Sheet items (Net) |  |  |  |  |
| Cash | 140,648 | - | - | - |
| Matured Marketable Securities | - | - | - | - |
| Due From Central Bank of Turkey | 737,351 | - | - | - |
| Due From Dometic Banks, Foreign Banks, Branches and  Head Office Abroad | - | 180,568 | - | 74 |
| Interbank Money Market Placements | 260,000 | - | - | - |
| Receivables From Reverse Repo Transactions | - | - | - | - |
| Reserve Deposits | 309,877 | - | - | - |
| Loans | 200,649 | 71,576 | 1,145,188 | 3,973,481 |
| Non-performing loans (Net) | - | - | - | 25,534 |
| Financial Lease Receivables | - | - | - | - |
| Available-For-Sale Financial Assets | 1,435,777 | - | - | 67 |
| Held to Maturity Investments | - | - | - | - |
| Receivables From Installment Sales of Assets | - | - | - | - |
| Sundry Debtors | - | 9,919 | - | 12,070 |
| Interest and Income Accruals | 48,124 | 1,805 | - | 68,057 |
| Subsidiaries, Associates and Entities Under Common Control (Net) | - | - | - | 146,103 |
| Tangible Assets | - | - | - | 61,061 |
| Other Assets | 129,405 | - | - | 9,084 |
| Off-Balance Sheet Items | - | - | - | - |
| Guarantees and Commitments | 50,061 | 772,416 | 485,966 | 799,541 |
| Derivative Financial Instruments | - | 101,295 | - | 12,772 |
| Non Risk Weighted Accounts | - | - | - | - |
|  |  |  |  |  |
| **Total Value at Risk** | **3,311,892** | **1,137,579** | **1,631,154** | **5,107,844** |
| **Total Risk Weighted Assets** | **-** | **227,516** | **815,577** | **5,107,844** |

**Summary information related to the capital adequacy ratio:**

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior  Period |
|  |  |  |
| Total Risk Weighted Assets (TRWA) | 6,150,937 | 5,560,811 |
| Amount Subject to Market Risk (ASMR) | 215,900 | 191,138 |
| Amount Subject to Operational Risk (ASOR) (\*) | - | - |
| Shareholders’ Equity | 865,911 | 820,725 |
| Shareholders’ Equity / (TRWA + ASMR + ASOR) \*100 | 13.60 | 14.27 |

**TRWA:** Total Risk Weighted Assets

**ASMR:** Amount Subject to Market Risk

**ASOR:** Amount Subject to Operational Risk

(\*) Effective after June 30, 2007.

I. Explanations Related to the Capital Adequacy Standard Ratio (continued)

**Information related to the components of shareholders' equity:**

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| **CORE CAPITAL** |  |  |
| Paid-in capital | 76,500 | 76,500 |
| Nominal capital | 76,500 | 76,500 |
| Capital commitments (-) | - | - |
| Paid-in Capital Indexation Difference | 252,676 | 252,676 |
| Share premium | 1,592 | 1,592 |
| Cancellation Profits | - | - |
| Legal reserves | 20,235 | 14,950 |
| First legal reserve (Turkish Commercial Code 466/1) | 14,699 | 9,414 |
| Second legal reserve (Turkish Commercial Code 466/2) | 5,536 | 5,536 |
| Other legal reserve per special legislation | - | - |
| Statutory reserves | - | - |
| Extraordinary reserves | 210,975 | 110,560 |
| Reserves allocated by the General Assembly | 210,975 | 110,560 |
| Retained earnings | - | - |
| Accumulated losses | - | - |
| Foreign currency share capital exchange difference | - | - |
| Indexation differences of legal, statutory and extraordinary reserves | - | - |
| Profit | 43,949 | 105,700 |
| Current period profit | 43,949 | 105,700 |
| Prior years’ profits | - | - |
| Provision for possible losses up to 25% of the Core Capital | - | - |
| Gains on sale of associates and subsidiaries and properties to be added to capital | - | - |
| Primary subordinated loans up to 15% of the Core Capital | - | - |
| Losses that cannot be covered by reserves (-) | - | - |
| Net current period loss | - | - |
| Prior years’ losses | - | - |
| Leasehold improvemets (-) | 32,690 | 33,069 |
| Prepaid expenses (-) | 19,460 | 11,307 |
| Intangible assets (-) | 5,527 | 5,866 |
| Deferred tax asset exceeding 10% of the Core Capital | - | - |
| Excess amount in the Article 56, Clause 3 of the Banking Law | - | - |
| **Total Core Capital** | **605,927** | **561,978** |
| **SUPPLEMENTARY CAPITAL** |  |  |
| General Loan Loss Reserves | 37,888 | 32,505 |
| 45% of the revaluation reserve for movable fixed assets | - | - |
| 45% of the of revaluation reserve for properties | - | - |
| Bonus shares obrained from associates, subsidiaries and entities under common control | - | - |
| Primary subordinated loans excluded in the calculation of the Core Capital | - | - |
| Secondary subordinated loans | 284,467 | 280,989 |
| 45% of the marketable securities value increase fund | (4,694) | (4,505) |
| Available for sale securities | - | - |
| Associates and subsidiaries | (4,694) | (4,505) |
| Indexation differences for capital reserves, profit reserves and retained earnings (Except indexation differences for legal reserves, statutory reserves and extraordinary reserves) | - | - |
| **Total Supplementary Capital** | **317,661** | **308,989** |
| **TIER III CAPITAL** | - | - |
| **CAPITAL** | **923,588** | **870,967** |
| **DEDUCTIONS FROM THE CAPITAL** | **57,677** | **50,242** |
| Shareholdings of banks and financial institutions (Domestic, Foreign) from which the Bank keeps ten percent or more of capitals | - | - |
| Shareholdings of unconsolidated banks and financial institutions (Domestic, Foreign) from which the Bank keeps less than Ten percent of capitals which exceed the ten Percent of Bank’s Core and Supplementary Capital | - | - |
| Secondary subordinated loans granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified Shareholders and placements that possess the nature of their Primary or Secondary Subordinated Debt | - | - |
| Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law | - | - |
| The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure | - | - |
| Other | - | - |
| **Total Shareholder’s Equity** | **865,911** | **820,725** |

**II. Explanations Related to Market Risk**

The Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”issued on Official Gazette dated November 1, 2006 numbered 26333.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets, 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 and the amount subject to VAR, as summarised below, is taken into consideration by the standard method. Beside the standart method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by three different methods which are historic simulation, Monte Carlo simulation and parametric method. These results are also reported daily to the management.

Market risk is calculated by using not only with standart method but also with internal method (VAR). The results found are supported with scenario analysis and stress tests.

a) Information Related to Market Risk

|  |  |
| --- | --- |
|  | Amount |
|  |  |
| (I) Capital Requirement to be Employed For General Market Risk - Standard Method | 15,572 |
| (II) Capital Requirement to be Employed For Specific Risk - Standard Method | - |
| (III) Capital Requirement to be Employed For Currency Risk - Standard Method | 1,700 |
| (IV) Capital Requirement to be Employed For Commodity Risk - Standard Method | - |
| (V) Capital Requirement to be Employed For Settlement Risk - Standard Method | - |
| (VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard Method | - |
| (VII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model | - |
| (VIII) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI) | 17,272 |
| (IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII) | 215,900 |

b) Average market risk table calculated at the end of the months during the period:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Current Period | | | Prior Period | | |
|  | Average | Maximum | Minimum | Average | Maximum | Minimum |
| Interest Rate Risk | 15,376 | 15,572 | 15,077 | 9,201 | 13,535 | 6,592 |
| Common Stock Risk | - | - | - | - | - | - |
| Currency Risk | 820 | 1,116 | 600 | 1,619 | 4,450 | 168 |
| Commodity Risk | - | - | - | - | - | - |
| Settlement Risk | - | - | - | - | - | - |
| Option Risk | 580 | 1,107 | 51 | 203 | 635 | - |
| **Total Value Subject to Risk** | **209,721** | **215,900** | **201,650** | **137,787** | **191,138** | **109,500** |

III. Explanations Related to Currency Risk

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Bank’s positions are also monitored.

As an element of the Bank’s risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

The Treasury Department of the Bank is responsible for the management of New Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Bank’s Asset-Liability Committee on a weekly basis.

As of March 31, 2007, the Bank's net long position is TRY 2,850 (December 31, 2006 - TRY 11,572 net short) resulting from short position amounting to TRY 763,523 (December 31, 2006 - TRY 572,613 short) on the balance sheet and long position amounting to TRY 766,373 (December 31, 2006 - TRY 561,041 long) on the off-balance sheet.

The announced current foreign exchange buying rates of the Bank at March 31, 2007 and the previous five working days in full TRY are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **25.03.2007** | **26.03.2007** | **27.03.2007** | **28.03.2007** | **29.03.2007** | **30.03.2007** |
| **USD** | 1.37730 | 1.37920 | 1.38330 | 1.38690 | 1.38610 | 1.38010 |
| **CHF** | 1.13270 | 1.12780 | 1.13700 | 1.14240 | 1.13880 | 1.12960 |
| **GBP** | 2.70650 | 2.70320 | 2.71760 | 2.72170 | 2.72200 | 2.70170 |
| **JPY** | 1.16800 | 1.16440 | 1.16810 | 1.18020 | 1.17820 | 1.16710 |
| **EURO** | 1.83510 | 1.83000 | 1.84580 | 1.85020 | 1.84900 | 1.83830 |

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before March 31, 2007 are as follows:

|  |  |
| --- | --- |
|  | **Monthly Average Foreign Exchange Rate** |
| USD | 1.40106 |
| **CHF** | 1.14848 |
| **GBP** | 2.72728 |
| **JPY** | 1.19210 |
| **EURO** | 1.85539 |

**III. Explanations Related to Currency Risk (continued)**

**Information on the foreign currency risk of the Bank:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Current Period | EUR | USD | YEN | OTHER | TOTAL |
| Assets |  |  |  |  |  |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit,  Cheques Purchased, Precious Metals) and Balances with the  Central Bank of Turkey. | 508,519 | 454,851 | 54 | 7,906 | **971,330** |
| Due From Other Banks and Financial Institutions | 79,259 | 65,403 | 421 | 10,114 | **155,197** |
| Financial Assets at Fair Value Through Profit and Loss (\*\*\*\*\*) | 234 | 894 | - | - | **1,128** |
| Money Market Placements | - | - | - | - | **-** |
| Available-For-Sale Financial Assets | 58 | 256,139 | - | - | **256,197** |
| Loans (\*\*) | 1,030,220 | 1,027,497 | 17,242 | 124,480 | **2,199,439** |
| Subsidiaries, Associates and Entities Under Common Control | 55,149 | - | - | - | **55,149** |
| Held-To-Maturity Investments | - | - | - | - | - |
| Derivative Financial Assets for Hedging Purposes | - | - | - | - | - |
| Tangible Assets | - | - | - | - | - |
| Intangible Assets | - | - | - | - | - |
| Other Assets (\*\*\*) | 483 | 13,353 |  | - | **13,836** |
| **Total Assets** | **1,673,922** | **1,818,137** | **17,717** | **142,500** | **3,652,276** |
| Liabilities |  |  |  |  |  |
| Bank Deposits | 21,760 | 24,200 | 499 | 21,433 | **67,892** |
| Foreign Currency Deposits (\*) | 979,433 | 2,366,312 | 2,656 | 61,993 | **3,410,394** |
| Money Market Borrowings | - | - | - | - | - |
| Funds Provided From Other Financial Institutions | 628,160 | 234,977 | - | 19,651 | **882,788** |
| Marketable Securities Issued | - | - | - | - | - |
| Sundry Creditors | 25,697 | 12,297 | - | 304 | **38,298** |
| Derivative Financial Liabilities for Hedging Purposes | - | - | - | - | **-** |
| Other Liabilities (\*\*\*) | 7,444 | 8,945 | - | 38 | **16,427** |
| **Total Liabilities** | **1,662,494** | **2,646,731** | **3,155** | **103,419** | **4,415,799** |
| Net Balance Sheet Position | **11,428** | **(828,594)** | **14,562** | **39,081** | **(763,523)** |
| **Net Off-Balance Sheet Position** | **(6,538)** | **824,494** | **(14,549)** | **(37,034)** | **766,373** |
| Financial Derivative Assets (\*\*\*\*) | 250,067 | 1,540,871 | 16,706 | 63,564 | **1,871,208** |
| Financial Derivative Liabilities (\*\*\*\*) | 256,605 | 716,377 | 31,255 | 100,598 | **1,104,835** |
| Non-Cash Loans (\*\*\*\*\*\*) | 635,015 | 1,220,973 | 9,412 | 55,265 | **1,920,665** |
| **Prior Period** |  |  |  |  |  |
| Total Assets | 1,510,535 | 1,819,861 | 15,984 | 135,912 | 3,482,292 |
| Total Liabilities | 1,484,463 | 2,446,591 | 6,833 | 117,018 | 4,054,905 |
| Net Balance Sheet Position | 26,072 | (626,730) | 9,151 | 18,894 | (572,613) |
| Net Off-Balance Sheet Positon | (18,475) | 605,884 | (9,069) | (17,299) | 561,041 |
| Financial Derivative Assets | 196,607 | 1,100,270 | 4,835 | 68,102 | 1,369,814 |
| Financial Derivative Liabilities | 215,082 | 494,386 | 13,904 | 85,401 | 808,773 |
| Non-Cash Loans (\*\*\*\*\*\*) | 648,150 | 995,305 | 6,777 | 59,921 | 1,710,153 |

(\*) Gold account deposits amounting to TRY 12,459 (December 31, 2006 - TRY 15,247) are included in the foreign currency deposits.

(\*\*) Foreign currency indexed loans amounting to TRY 548,566 (December 31, 2006 – TRY 481,055) are included in the loan portfolio.

(\*\*\*) TRY 336 (December 31, 2006 – TRY 364) prepaid expenses is deducted from other assets, and TRY 2,009 expense accruals from derivative financial instruments, and TRY 12,851 (December 31, 2006 – TRY 12,362) provision for general loan losses are deducted from other liabilities.

(\*\*\*\*) Forward asset purchase-sale commitments of TRY 79,590 (December 31, 2006 – TRY 76,854) are added to derivative financial assets and TRY 79,584 (December 31, 2006 – TRY 76,864) has been added to derivative liabilities..

(\*\*\*\*\*) TRY 5,321 (December 31, 2006 – TRY 1,190) income accruals from derivative financial instruments is deducted from Financial Assets at Fair Value Through Profit and Loss.

(\*\*\*\*\*\*)There are no effects on the net off-balance sheet position.

**IV. Explanations Related to Interest Rate Risk**

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank’s position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

The first priority of the Bank’s risk management department is to protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank does not permit maturity mismatches or imposes limits on the mismatch, a significant interest rate risk exposure is not expected.

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Up to 1  Month | 1-3  Months | 3-6  Months | 6-12  Months | 1 Year and  Over | Non-interest bearing | Total |
| **Current Period** |  |  |  |  |  |  |  |
| Assets |  |  |  |  |  |  |  |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey. | 890,601 | - | - | - | - | 305,393 | **1,195,994** |
| Due From Other Banks and Financial Institutions | 15,076 | 9,374 | 11,616 | 6,000 | - | 140,382 | **182,448** |
| Financial Assets at Fair Value Through Profit and Loss | 47,360 | 4,867 | 2,216 | 4,379 | 8,536 | - | **67,358** |
| Money Market Placements | 260,253 | - | - | - | - | - | **260,253** |
| Available-For-Sale Financial Assets | 15,785 | 76,019 | 952,213 | 46,237 | 385,275 | 67 | **1,475,596** |
| Loans | 2,723,657 | 369,373 | 450,517 | 551,944 | 1,361,951 |  | **5,457,442** |
| Held-To-Maturity Investments | - | - | - | - | - | - | **-** |
| Other Assets | - | - | - | - | - | 442,802 | **442,802** |
|  |  |  |  |  |  |  |  |
| Total Assets | **3,952,732** | **459,633** | **1,416,562** | **608,560** | **1,755,762** | **888,644** | **9,081,893** |
|  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |
| Bank Deposits | 61,653 | 7,369 | 57 | - | - | 53,159 | **122,238** |
| Other Deposits | 4,645,887 | 213,562 | 41,519 | 8,511 | 330 | 901,885 | **5,811,694** |
| Money Market Borrowings | 804,110 | - |  | - | - | - | **804,110** |
| Sundry Creditors | - | - | - | - | - | 118,719 | **118,719** |
| Marketable Securities Issued | - | - | - | - | - | - | - |
| Funds Provided From Other Financial Institutions | 356,543 | 587,261 | 209,789 | 93,322 | 10,921 | - | **1,257,836** |
| Other Liabilities | 45,719 | 3,808 | 18,841 | 14,234 | 35,566 | 849,128 | **967,296** |
|  |  |  |  |  |  |  |  |
| Total Liabilities | **5,913,912** | **812,000** | **270,206** | **116,067** | **46,817** | **1,922,891** | **9,081,893** |
|  |  |  |  |  |  |  |  |
| Balance Sheet Long Position | - | - | 1,146,356 | 492,493 | 1,708,945 | - | **3,347,794** |
| Balance Sheet Short Position | 1,961,180 | 352,367 | - | - | - | 1,034,247 | **3,347,794** |
| Off-Balance Sheet Long Position | 14,409 | - | - | - | - | - | **14,409** |
| Off-Balance Sheet Short Position | 11,129 | - | - | - | - | - | **11,129** |
|  |  |  |  |  |  |  |  |
| Total Position | **(1,957,900)** | **(352,367)** | **1,146,356** | **492,493** | **1,708,945** | **(1,034,247)** | **3,280** |

**IV. Explanations Related to Interest Rate Risk (continued)**

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates) (continued):**

The other assets line in the non-interest bearing column consists of tangible assets amounting to TRY 61,061; intangible assets amounting to TRY 38,217, subsidiaries amounting to TRY 146,103 and the other liabilities line includes the shareholders’ equity of TRY 595,497.

**Average interest rates applied to monetary financial instruments:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | EURO  % | USD  % | YEN  % | TRY  % |
| Current Period |  |  |  |  |
| Assets |  |  |  |  |
| Cash (Cash İn Vault, Foreign Currency Cash, Money İn Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey | 1.84 | 2.53 | - | 13.12 |
| Due From Other Banks And Financial Institutions | - | 5.27 | - | 18.78 |
| Financial Assets At Fair Value Through Profit And Loss | 5.69 | 6.85 | - | 20.08 |
| Money Market Placements | - | - | - | 17.50 |
| Available-For-Sale Financial Assets | - | 6.70 | - | 20.46 |
| Loans | 6.16 | 7.51 | 3.81 | 23.54 |
| Held-To-Maturity Investments | - | - | - | - |
| Liabilities |  |  |  |  |
| Bank Deposits | 3.23 | 4.76 | - | 16.84 |
| Other Deposits | 3.36 | 4.95 | 0.25 | 18.82 |
| Money Market Borrowings | - | - | - | 18.17 |
| Sundry Creditors | - | - | - | - |
| Marketable Securities Issued | - | - | - | - |
| Funds Provided From Other Financial Institutions | 4.74 | 7.64 | - | 17.98 |

**IV. Explanations Related to Interest Rate Risk (continued)**

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Up to 1  Month | 1-3  Months | 3-6  Months | 6-12  Months | 1 Year and  Over | Non-interest bearing | Total |
| **Prior Period** |  |  |  |  |  |  |  |
| Assets |  |  |  |  |  |  |  |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey. | 645,653 | - | - | - | - | 319,757 | **965,410** |
| Due From Other Banks and Financial Institutions | 82,111 | - | 2,290 | 1,000 | - | 352,287 | **437,688** |
| Financial Assets at Fair Value Through Profit and Loss | 45,046 | 12,713 | 3,268 | 2,983 | 38,287 | 853 | **103,150** |
| Money Market Placements | - | - | - | - | - | - | **-** |
| Available-For-Sale Financial Assets | 291,988 | 663,403 | 76,104 | 74,449 | 425,129 | 67 | **1,531,140** |
| Loans | 2,599,403 | 333,953 | 360,262 | 390,693 | 1,252,581 | - | **4,936,892** |
| Held-To-Maturity Investments | - | - | - | - | - | - | - |
| Other Assets | - | - | - | - | - | 307,377 | **307,377** |
|  |  |  |  |  |  |  |  |
| Total Assets | **3,664,201** | **1,010,069** | **441,924** | **469,125** | **1,715,997** | **980,341** | **8,281,657** |
|  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |
| Bank Deposits | 74,323 | 1,806 | - | - | - | 47,875 | **124,004** |
| Other Deposits | 4,859,484 | 402,218 | 30,645 | 9,415 | 141 | - | **5,301,903** |
| Money Market Borrowings | 771,004 | - | - | - | - | - | **771,004** |
| Sundry Creditors | - | - | - | - | - | 102,476 | **102,476** |
| Marketable Securities Issued | - | - | - | - | - | - | **-** |
| Funds Provided From Other Financial Institutions | 319,187 | 106,291 | 735,398 | 47,365 | 10,665 | - | **1,218,906** |
| Other Liabilities | 18,899 | 11,175 | 4,952 | 14,144 | 29,619 | 684,575 | **763,364** |
|  |  |  |  |  |  |  |  |
| Total Liabilities | **6,042,897** | **521,490** | **770,995** | **70,924** | **40,425** | **834,926** | **8,281,657** |
|  |  |  |  |  |  |  |  |
| Balance Sheet Long Position | - | 488,579 | - | 398,201 | 1,675,572 | 145,415 | **2,707,767** |
| Balance Sheet Short Position | 2,378,696 | - | 329,071 | - | - | - | **2,707,767** |
| Off-Balance Sheet Long Position | 10,204 | - | - | - | - | - | **10,204** |
| Off-Balance Sheet Short Position | 6,715 | - | - | - | - | - | **6,715** |
|  |  |  |  |  |  |  |  |
| Total Position | **(2,375,207)** | **488,579** | **(329,071)** | **398,201** | **1,675,572** | **145,415** | **3,489** |

The other assets line at the non-interest bearing column consists of tangible assets amounting to TRY 56,118; intangible assets amounting to TRY 38,935, TRY 1,959 accrued interest and income receivables, subsidiaries amounting to TRY 146,499 and the other liabilities line includes the shareholders’ equity of TRY 551,967.

**Average interest rates applied to monetary financial instruments**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | EURO  % | USD  % | YEN  % | TRY  % |
| Prior Period |  |  |  |  |
| Assets |  |  |  |  |
| Cash (Cash İn Vault, Foreign Currency Cash, Money İn Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey | 1.73 | 2.52 | - | 13.12 |
| Due From Other Banks And Financial Institutions | - | 5.26 | - | 16.85 |
| Financial Assets At Fair Value Through Profit And Loss | 5.45 | 7.08 | - | 21.15 |
| Money Market Placements | - | - | - | - |
| Available-For-Sale Financial Assets | - | 6.78 | - | 21.57 |
| Loans | 5.94 | 7.56 | 3.88 | 22.72 |
| Held-To-Maturity Investments | - | - | - | - |
| Liabilities |  |  |  |  |
| Bank Deposits | 2.87 | 4.50 | - | 18.59 |
| Other Deposits | 3.18 | 5.21 | - | 20.32 |
| Money Market Borrowings | - | - | - | 17.50 |
| Sundry Creditors | - | - | - | - |
| Marketable Securities Issued | - | - | - | - |
| Funds Provided From Other Financial Institutions | 4.81 | 7.23 | - | 17.57 |

V. Explanations Related to Liquidity Risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank’s policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TRY and foreign currency assets and liabilities on the balance sheet and their costs. According to this strategy, the Bank manages its maturity risk within the limits determined by Bank’s Management.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources. Generally the Bank is in a lender position.

V. Explanations Related to Liquidity Risk (continued)

**Presentation of assets and liabilities according to their remaining maturities:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Current Period** | Demand | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1 Year and Over | Undistributed  (\*) | Total |
| Assets |  |  |  |  |  |  |  |  |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey. | 305,393 | 890,601 | - | - | - | - | - | **1,195,994** |
| Due From Other Banks and Financial Institutions | 140,382 | 15,076 | 9,374 | 11,616 | 6,000 | - | - | **182,448** |
| Financial Assets at Fair Value Through Profit and Loss | - | 10,309 | 4,517 | 1,502 | 4,528 | 46,502 | - | **67,358** |
| Money Market Placements | - | 260,253 | - | - | - | - | - | **260,253** |
| Available-For-Sale Financial Assets | 67 | - | - | 65,035 | 160,592 | 1,249,902 | - | **1,475,596** |
| Loans | - | 2,723,657 | 369,373 | 450,517 | 551,944 | 1,361,951 | - | **5,457,442** |
| Held-To-Maturity Investments | - | - | - | - | - | - | - | **-** |
| Other Assets | - | 131,611 | - | - | - | - | 311,191 | **442,802** |
|  |  |  |  |  |  |  |  |  |
| Total Assets | **445,842** | **4,031,507** | **383,264** | **528,670** | **723,064** | **2,658,355** | **311,191** | **9,081,893** |
|  |  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |  |
| Bank Deposits | 53,159 | 61,653 | 7,369 | 57 | - | - | - | **122,238** |
| Other Deposits | 901,885 | 4,645,887 | 213,562 | 41,519 | 8,511 | 330 | - | **5,811,694** |
| Funds Provided From Other Financial Institutions | - | 90,434 | 191,502 | 44,455 | 495,638 | 435,807 | - | **1,257,836** |
| Money Market Borrowings | - | 804,110 | - | - | - | - | - | **804,110** |
| Marketable Securities Issued | - | - | - | - | - | - | - | - |
| Sundry Creditors | 118,719 | - | - | - | - | - | - | **118,719** |
| Other Liabilities | - | 246,018 | 3,808 | 18,841 | 14,234 | 35,566 | 648,829 | **967,296** |
|  |  |  |  |  |  |  |  |  |
| Total Liabilities | **1,073,763** | **5,848,102** | **416,241** | **104,872** | **518,383** | **471,703** | **648,829** | **9,081,893** |
|  |  |  |  |  |  |  |  |  |
| Liquidity Gap | **(627,921)** | **(1,816,595)** | **(32,977)** | **423,798** | **204,681** | **2,186,652** | **(337,638)** | **-** |
|  |  |  |  |  |  |  |  |  |
| Prior Period |  |  |  |  |  |  |  |  |
| Total Assets | 672,965 | 2,801,916 | 543,703 | 643,210 | 568,446 | 2,772,168 | 279,249 | 8,281,657 |
| Total Liabilities | 1,114,829 | 5,002,969 | 490,062 | 106,900 | 498,360 | 470,245 | 598,292 | 8,281,657 |
| Liquidity Gap | **(441,864)** | **(2,201,053)** | **53,641** | **536,310** | **70,086** | **2,301,923** | **(319,043)** | **-** |

(\*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and non-performing loans, are classified as under undistributed.

**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON**

**UNCONSOLIDATED FINANCIAL STATEMENTS**

I. Explanations Related to the Assets

**1. a) Information on Cash and Balances with the Central Bank of Turkey:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Cash in TRY/Foreign Currency | 53,674 | 82,727 | 50,157 | 75,313 |
| Balances with the Central Bank of Turkey | 170,382 | 884,965 | 200,718 | 635,346 |
| Other | 608 | 3,638 | 1,033 | 2,843 |
| **Total** | **224,664** | **971,330** | **251,908** | **713,502** |

**b) Information related to the account of the Central Bank of Turkey:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Unrestricted demand deposit (\*) | 170,382 | 311,729 | 200,718 | 281,142 |
| Unrestricted time deposit | - | 573,236 | - | 354,204 |
| Restricted time deposit | - | - | - | - |
| **Total** | **170,382** | **884,965** | **200,718** | **635,346** |

(\*) TRY 311,729 (December 31, 2006 – TRY 281,142) foreign currency unrestricted demand deposit balance comprises of reserve deposits. Unrestricted demand deposit in TRY includes average reserve deposit held in Central Bank amounting to TRY 116,105 (December 31, 2006 – TRY 162,087). The interest rates applied for reserve deposits are 13.12% for TRY deposits and 1.84% - 2.53% for foreign currency deposits (December 31, 2006 – TRY 13.12% and 1.73%-2.52% for foreign currency).

**2. Information on financial assets at fair value through profit and loss (net):**

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Share certificates | - | - | - | - |
| Bond, Treasury bill and similar securities | - | - | 542 | - |
| Other | - | - | - | - |
| **Total** | - | - | **542** | **-** |

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Government bonds | - | - | 4,223 | - |
| Treasury bills | - | - | 642 | - |
| Other public sector debt securities | - | - | - | - |
| Bank bonds and bank guaranteed bonds | - | - | - | - |
| Asset backed securities | - | - | - | - |
| Other | - | - | - | - |
| **Total** | **-** | **-** | **4,865** | **-** |

Net book value of unrestricted financial assets at fair value through profit and loss is TRY 44,892 (December 31, 2006 – TRY 76,234).

**I. Explanations Related to the Assets (continued)**

a.3) Positive differences related to derivative financial assets held-for-trading:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Forward Transactions | 5,788 | 778 | 8,659 | 562 |
| Swap Transactions | 9,642 | 4,276 | 8,072 | 3,302 |
| Futures Transactions | - | - | - | - |
| Options | 1,663 | 267 | 713 | 148 |
| Other | - | 52 | - | 53 |
| **Total** | **17,093** | **5,373** | **17,444** | **4,065** |

**3.a) Information on banks and other financial institutions:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Banks |  |  |  |  |
| Domestic | 27,251 | 13,828 | 4,324 | 21,109 |
| Foreign | - | 141,369 | - | 412,255 |
| Branches and head office abroad | - | - | - | - |
| Other Financial Institutions | - | - | - | - |
| **Total** | **27,251** | **155,197** | **4,324** | **433,364** |

**b) Information on Foreign Bank Accounts:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Unrestricted Amount | | Restricted Amount | |
|  | Current Period | Prior Period | Current Period | Prior Period |
| European Union Countries | 96,236 | 167,666 | - | - |
| USA and Canada | 41,419 | 239,096 | - | - |
| OECD Countries\* | 3,642 | 5,362 | - | - |
| Off-shore banking regions | 10 | 47 | - | - |
| Other | 62 | 84 | - | - |
| **Total** | **141,369** | **412,255** | **-** | **-** |

(\*) OECD countries other than European Union countries, USA and Canada.

I. Explanations Related to the Assets (continued)

**4. Information on financial assets available-for-sale:**

a.1) Information on financial assets available-for-sale given as collateral or blocked:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Share certificates | - | - | - | - |
| Bond, Treasury bill and similar investment securities | 2,062 | 183,349 | - | 188,531 |
| Other | - | - | - | - |
| **Total** | **2,062** | **183,349** | **-** | **188,531** |

a.2) Financial assets available-for-sale subject to repurchase agreements:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Government bonds | 890,186 | - | 856,760 | - |
| Treasury bills | - | - | - | - |
| Other public sector debt securities | - | - | - | - |
| Bank bonds and bank guaranteed bonds | - | - | - | - |
| Asset backed securities | - | - | - | - |
| Other | - | - | - | - |
| **Total** | **890,186** | **-** | **856,760** | **-** |

Net book value of unrestricted financial assets available-for-sale is TRY 399,999 (December 31,2006 – TRY 485,849).

b) Information on financial assets available for sale portfolio:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Debt securities | 1,496,916 | 1,544,514 |
| Quoted on a stock exchange | 1,311,451 | 1,355,983 |
| Not quoted | 185,465 | 188,531 |
| Share certificates | 67 | 68 |
| Quoted on a stock exchange | - | - |
| Not quoted | 67 | 68 |
| Impairment provision(-) | (21,387) | (13,442) |
| **Total** | **1,475,596** | **1,531,140** |

**5. Information on loans:**

a) Information on all types of loans and advances given to shareholders and employees of the Bank:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | Current Period | | Prior Period | |
|  | | Cash  Loans | Non-Cash  Loans | Cash  Loans | Non-Cash  Loans |
| Direct loans granted to shareholders | | 324 | 16,199 | 1,384 | 2,768 |
| Corporate shareholders | | 324 | 16,199 | 1,384 | 2,768 |
| Real person shareholders | | - | - | - | - |
| Indirect loans granted to shareholders | | - | - | - | - |
| Loans granted to employees | | 5,216 | - | 4,513 | - |
| **Total** | | **5,540** | **16,199** | **5,897** | **2,768** |
|  |

**I. Explanations Related to the Assets (continued)**

**5. Information on loans: (continued)**

b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Standard Loans and  Other Receivables | | Loans and Other Receivables  Under Close Monitoring | |
| Cash Loans | Loans and Other Receivables | Restructured or Rescheduled | Loans and Other Receivables | Restructured or Rescheduled |
| Non-specialized loans | 5,452,993 | - | - | 4,449 |
| Discount notes | 100,751 | - | - | - |
| Export loans | 1,016,402 | - | - | - |
| Import loans | - | - | - | - |
| Loans given to financial sector | 88,886 | - | - | - |
| Foreign loans | 135,895 | - | - | - |
| Consumer loans | 718,874 | - | - | - |
| Credit cards | 105,785 | - | - | - |
| Precious metals loans | 103,373 | - | - | - |
| Other | 3,183,027 | - | - | 4,449 |
| Specialized loans | - | - | - | - |
| Other receivables | - | - | - | - |
| **Total** | **5,452,993** | **-** | **-** | **4,449** |

c) Loans according to their maturity structure:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Standard Loans and  Other Receivables | | Loans and Other Receivables  Under Close Monitoring | |
| Cash Loans | Loans and Other Receivables | Restructured or Rescheduled | Loans and Other Receivables | Restructured or Rescheduled |
| Short-term loans and other receivables | 3,734,408 | - | - | 438 |
| Non-specialized loans | 3,734,408 | - | - | 438 |
| Specialized loans | - | - | - | - |
| Other receivables | - | - | - | - |
| Medium and Long-term loans | 1,718,585 | - | - | 4,011 |
| Non-specialized loans | 1,718,585 | - | - | 4,011 |
| Specialized loans | - | - | - | - |
| Other receivables | - | - | - | - |
| **Total** | **5,452,993** | **-** | **-** | **4,449** |

**I. Explanations Related to the Assets (continued)**

**5. Information on loans: (continued)**

1. Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Short Term | Medium and  Long Term | Total |
| **Consumer Loans-TRY** | **29,838** | **619,230** | **649,068** |
| Housing Loans | 730 | 290,761 | 291,491 |
| Car Loans | 5,047 | 175,900 | 180,947 |
| General Purpose Loans | 23,753 | 147,401 | 171,154 |
| Other | 308 | 5,168 | 5,476 |
| **Consumer Loans –Indexed to FC** | **857** | **53,536** | **54,393** |
| Housing Loans | 419 | 28,327 | 28,746 |
| Car Loans | 269 | 22,111 | 22,380 |
| General Purpose Loans | 169 | 3,098 | 3,267 |
| Other | - | - | - |
| **Consumer Loans-FC** | - | - | - |
| Housing Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| **Individual Credit Cards-TRY** | **98,226** | **-** | **98,226** |
| With Installments | 22,951 | - | 22,951 |
| Without Installments | 75,275 | - | 75,275 |
| **Individual Credit Cards-FC** | **1,475** | **-** | **1,475** |
| With Installments | - | - | - |
| Without Installments | 1,475 | - | 1,475 |
| **Personnel Loans-TRY** | **896** | **2,126** | **3,022** |
| Housing Loans |  | 25 | 25 |
| Car Loans | 1 | 19 | 20 |
| General Purpose Loans | 895 | 2,082 | 2,977 |
| Other | - | - | - |
| **Personnel Loans- Indexed to FC** | - | - | - |
| Housing Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| **Personnel Loans-FC** | - | - | - |
| Housing Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| **Personnel Credit Cards-TRY** | **1,895** | - | **1,895** |
| With Installments | 115 | - | 115 |
| Without Installments | 1,780 | - | 1,780 |
| **Personnel Credit Cards-FC** | **35** | **-** | **35** |
| With Installments | - | - | - |
| Without Installments | 35 | - | 35 |
| **Overdraft Accounts-TRY(Real Persons) (\*)** | **12,391** | - | **12,391** |
| **Overdraft Accounts-FC(Real Persons)** | - | - | - |
| **Total** | **145,613** | **674,892** | **820,505** |

(\*) Overdraft Account includes TRY 264 of personnel loans.

**I. Explanations Related to the Assets (continued)**

**5. Information on loans: (continued)**

e) Information on commercial loans with installments and corporate credit cards:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Short Term | Medium and  Long Term | Total |
| **Commercial loans with installment facility-TRY** | **59,854** | **403,899** | **463,753** |
| Business Loans | 50 | 11,980 | 12,030 |
| Car Loans | 11,171 | 163,158 | 174,329 |
| General Purpose Loans | 48,633 | 227,759 | 276,392 |
| Other | - | 1,002 | 1,002 |
| **Commercial loans with installment facility - Indexed to FC** | **13,804** | **142,109** | **155,913** |
| Business Loans | - | 1,420 | 1,420 |
| Car Loans | 2,514 | 78,946 | 81,460 |
| General Purpose Loans | 11,290 | 58,823 | 70,113 |
| Other | - | 2,920 | 2,920 |
| **Commercial loans with installment facility –FC** | - | - | - |
| Business Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| **Corporate Credit Cards-TRY** | **3,760** | **-** | **3,760** |
| With Installments | - | - | - |
| Without Installments | 3,760 |  | 3,760 |
| **Corporate Credit Cards-FC** | **394** | **-** | **394** |
| With Installments | - | - | - |
| Without Installments | 394 | - | 394 |
| **Overdraft Accounts-TRY(Legal Entities)** | - | - | - |
| **Overdraft Accounts-FC(Legal Entities)** | - | - | - |
| **Total** | **77,812** | **546,008** | **623,820** |

f) Loans according to borrowers:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Public | - | - |
| Private | 5,457,442 | 4,936,892 |
| **Total** | **5,457,442** | **4,936,892** |

g) Domestic and foreign loans:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Domestic loans | 5,321,547 | 4,818,168 |
| Foreign loans | 135,895 | 118,724 |
| **Total** | **5,457,442** | **4,936,892** |

h) Loans granted to subsidiaries and associates:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Direct loans granted to subsidiaries and associates | 1,315 | 210 |
| Indirect loans granted to subsidiaries and associates | - | - |
| **Total** | **1,315** | **210** |

i) Specific provisions provided against loans:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Specific provisions |  |  |
| Loans and receivables with limited collectibility | 2,393 | 1,270 |
| Loans and receivables with doubtful collectibility | 3,227 | 1,778 |
| Uncollectible loans and receivables | 28,147 | 27,200 |
| **Total** | **33,767** | **30,248** |

**I. Explanations Related to the Assets (continued)**

**5. Information on loans: (continued)**

j) Information on non-performing loans: (Net):

j.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled: None.

j.2) The movement of non-performing loans:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | III. Group | IV. Group | V. Group |
|  | | Loans and  receivables with limited collectibility | Loans and receivables with doubtful collectibility | Uncollectible  loans and receivables |
|  |  | |  |  |
| Prior period end balance | 9,329 | | 3,676 | 31,787 |
| Additions (+) | 18,005 | | 5,408 | 1,308 |
| Transfers from other categories of non-performing loans (+) | - | | 1,919 | 339 |
| Transfers to other categories of non-performing loans (-) | 1,919 | | 339 | - |
| Collections (-) | 7,733 | | 1,692 | 787 |
| Write-offs (-) | - | | - | - |
| Effect of Inflation (-) | - | | - | - |
| Current period end balance | 17,682 | | 8,972 | 32,647 |
| Specific provision (-) | 2,393 | | 3,227 | 28,147 |
| **Net Balances on Balance Sheet** | **15,289** | | **5,745** | **4,500** |

j.3) Information on foreign currency non-performing loans and other receivables: None.

k) Main principles of liquidating loans and receivables:

According to the “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published on Official Gazette No. 26333 dated November 1, 2006; loans and other receivables for which the collection is believed to be impossible are written off by complying with the requirements of the Tax Procedural Law in accordance with the decision of the upper management of the Bank.

**6. Information on held-to-maturity investments (Net):**

a.1) Information on held-to-maturity investments given as collateral or blocked: None (December 31, 2006 – None).

a.2) Held-to-maturity investments subject to repurchase agreements: None (December 31, 2006 – None).

**I.** **Explanations Related to the Assets (continued)**

**6. Information on held-to-maturity investments (Net): (continued)**

b) Information on public sector debt investments held-to-maturity: None (December 31, 2006 – None).

c) Information on held-to-maturity investments: None (December 31, 2006 – None).

d) Movement of held-to-maturity investments:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Beginning balance | - | 101 |
| Indexation difference (-) | - | - |
| Foreign currency differences on monetary assets | - | - |
| Purchases during year | - | - |
| Disposals through sales and redemptions | - | (101) |
| Impairment provision (-) | - | - |
| **Closing Balance** | - | - |

**7. Information on associates (Net):**

a.1) Information on the unconsolidated associates: None.

b.1) Information on the consolidated associates: None.

b.2) Valuation of consolidated associates: None.

b.3) Consolidated associates which are quoted on the stock exchange: None.

**I.** **Explanations Related to the Assets (continued)**

**8. Information on subsidiaries (Net):**

1. Information on the unconsolidated subsidiaries: None.

b) Information on the consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries:

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Address  (City/ Country) | Bank’s share percentage-If different voting percentage(%) | Bank’s risk group share percentage (%) |
|  |  |  |  |
| The Economy Bank N.V. | Netherlands | 100.00 | 100.00 |
| TEB Finansal Kiralama A.Ş. | İstanbul/Turkey | 100.00 | 100.00 |
| TEB Factoring A.Ş. | İstanbul/Turkey | 100.00 | 100.00 |
| TEB Yatırım Menkul Değerler A.Ş. | İstanbul/Turkey | 74.94 | 100.00 |
| TEB Portföy Yönetimi A.Ş. | İstanbul/Turkey | 46.77 | 100.00 |

Information on the consolidated subsidiaries with the order as presented in the table above:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Total Assets | Shareholders’ Equity | Total Fixed Assets | Interest Income | Income from Marketable Securities Portfolio | Current Period Profit / Loss | Prior Period  Profit / Loss  (\*) | Fair Value |
| (i) 1,440,216 | 118,472 | 7,451 | 23,865 | 377 | 2,943 | 9,708 | - |
| (ii) 473,740 | 64,580 | 73,295 | 8,700 | - | (276) | (18,303) | - |
| (ii) 285,680 | 15,361 | 213 | 9,044 | - | 2,323 | 7,444 | - |
| (iii) 70,680 | 35,895 | 1,401 | 8,815 | (42) | 9,836 | 8,376 | - |
| (iv) 9,128 | 8,367 | 616 | 450 | 117 | 986 | 4,713 | - |

(\*) Represents the amounts in the financial statements as of December 31, 2006.

1. Represents financial figures of foreign currency subsidiaries translated at period end foreign exchange rates for balance sheet and monthly average rates for profit and loss as of March 31, 2007.
2. Represents statutory financial figures based on tax procedural law as of March 31, 2007.
3. Represents consolidated financial figures of TEB Yatırım and TEB Portföy based on Capital Markets Board regulations as of December 31, 2006.
4. Represents financial figures based on Capital Markets Board regulations as of March 31, 2007.

b.2) Information on consolidated subsidiaries:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Balance at the beginning of the period | 146,499 | 139,230 |
| Movements during the period | (396) | 7,269 |
| Purchases | - | - |
| Bonus shares obtained | - | - |
| Share in current year income | - | - |
| Sales (\*) | - | (651) |
| Revaluation increase (\*\*) | (396) | 7,920 |
| Provision for impairment | - | - |
| **Balance at the end of the period** | **146,103** | **146,499** |
| Capital commitments | - | - |
| Share percentage at the end of the period (%) | - | - |

(\*) The Board of Directors of Petek International Holdings B.V. passed a resolution on October 26, 2004 to liquidate the company.

(\*\*) Bank hedged its net investment risk in TEB NV, its subsidiary operating in Netherlands with capital of EUR 30 million. Bank has classified fair value differences arising from this investment in other profit reserves under shareholders’ equity, and fair value differences arising from hedging instrument in “other profit reserves” under shareholders’ equity, in accordance with the Turkish Accounting Standards.

**I. Explanations Related to the Assets (continued)**

**8. Information on subsidiaries (Net) (continued):**

b.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Banks / The Economy Bank N.V. | 55,149 | 55,545 |
| Leasing Companies / TEB Finansal Kiralama A.Ş | 40,190 | 40,190 |
| Factoring Companies / TEB Factoring A.Ş. | 22,324 | 22,324 |
| Other Financial Subs / TEB Yatırım Menkul Değerler A.Ş. | 26,382 | 26,382 |
| TEB Portföy Yönetimi A.Ş. | 2,058 | 2,058 |
|  |  |  |
| **Total** | **146,103** | **146,499** |

b.4) Consolidated subsidiaries quoted in the stock exchange: None.

**9. Information on entities under common control:** None.

1. **Information on finance lease receivables (Net):** None.
2. **Information on derivative financial assets for hedging purposes:** None.

**12. Information on tangible assets (Net) :**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Opening balance  December 31, 2006 | Additions | Disposals | Other | Ending balance  March 31, 2007 |
| Cost: |  |  |  |  |  |
| Land and buildings | 9,637 | - | - | - | 9,637 |
| Leased tangible assets | 43,242 | 4,008 | - | - | 47,250 |
| Vehicles | 378 | - | (44) | - | 334 |
| Other | 79,315 | 4,504 | (12) | - | 83,807 |
| **Total Cost** | **132,572** | **8,512** | **(56)** | **-** | **141,028** |
|  |  |  |  |  |  |
| Accumulated Depreciation: |  |  |  |  |  |
| Land and buildings | (2,937) | (50) | - | - | (2,987) |
| Leased tangible assets | (30,628) | (620) | - | - | (31,248) |
| Vehicles | (289) | (9) | 28 | - | (270) |
| Other | (42,600) | (2,872) | 10 | - | (45,462) |
| **Total Accumulated Depreciation** | **(76,454)** | **(3,551)** | **38** | **-** | **(79,967)** |
|  |  |  |  |  |  |
| **Net Book Value** | **56,118** | **4,961** | **(18)** | **-** | **61,061** |

1. If impairment amount on individual asset recorded or reversed in the current period is material for the overall financial statements:

a.1) Events and conditions for recording or reversing impairment: None.

a.2) Amount of recorded or reversed impairment in the financial statements: None.

1. The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting the overall financial statements, and the reason and conditions for this: None.
2. Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

**I. Explanations Related to the Assets (continued)**

13. Information on intangible assets:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Opening balance  December 31, 2006 | Additions | Disposals | Other | Ending balance  March 31, 2007 |
| Cost: |  |  |  |  |  |
| Leasehold improvements | 52,455 | 1,431 | - | - | 53,886 |
| Other intangible assets | 17,102 | 445 | - | - | 17,547 |
| **Total Cost** | **69,557** | **1,876** | **-** | **-** | **71,433** |
|  |  |  |  |  |  |
| Accumulated Depreciation: |  |  |  |  |  |
| Leasehold improvements | (19,418) | (1,809) | - | - | (21,227) |
| Other intangible assets | (11,204) | (785) | - | - | (11,989) |
| **Total Accumulated Depreciation** | **(30,622)** | **(2,594)** | **-** | **-** | **(33,216)** |
|  |  |  |  |  |  |
| **Net Book Value** | **38,935** | **(718)** | **-** | **-** | **38,217** |

1. Disclosures for book value, description and remaining depreciation time for a specific intangible fixed asset that is material to the financial statements: None.
2. Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
3. The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair vale at the initial recognition : None.
4. The book value of intangible fixed assets that are pledged or restricted for use: None.

e) Amount of purchase commitments for intangible fixed assets: None.

f) Information on revalued intangible assets according to their types: None.

g) Amount of total research and development expenses recorded in income statement within the period if

any: None.

h) Positive or negative consolidation goodwill on entity basis arising from consolidated entities: Not applicable.

1. Information on goodwill: None.
2. Reconciliation of movements on goodwill in the current period: None.

**I. Explanations Related to the Assets (continued)**

**14. Explanations on deferred tax asset:**

a) As of March 31, 2007, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TRY 20,462 (December 31, 2006 – TRY 12,375). There are no carried forward tax losses or tax exemptions or deductions over which deferred tax asset is computed.

b) Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods: None.

c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

1. Movement of deferred tax:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| **At January 1, 2007** | **12,375** | **8,072** |
| Effect of change in tax rate | - | (807) |
| Deferred tax (charge)/benefit | 7,981 | (1,313) |
| **Deferred tax (charge)/benefit (Net)** | **7,981** | **(2,120)** |
| Deferred tax journalized in Shareholders’ Equity | 106 | 6,423 |
| **Deferred Tax Asset** | **20,462** | **12,375** |

**15. Information on assets held for sale:** None.

**16. Information on other assets:**

1. Breakdown of other assets

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Clearing Account(\*) | 72,221 | - |
| Colleteral Given for Derivative Financial Assets | 10,532 | 7,965 |
| Transaction Cost Related to Financial Liabilities | 3,666 | 2,786 |
| Prepaid Rent Expenses | 3,313 | 3,275 |
| Prepaid Insurance Premiums | 2,333 | 147 |
| Advances Given | 604 | 360 |
| Others | 31,945 | 16,562 |
| **Total** | **124,614** | **31,095** |

(\*) In prior periods, other banks’ cheques sent to the other banks for clearing purposes, have been recorded in off-balance sheet from sending to collection; and after cash collection they were being taken out from these accounts and recorded to the customers’ deposit accounts. Starting from this period, upon the announcement that was sent to all banks by BRSA, they are recorded to related clearing accounts in the balance sheet after the approval of the related clearing office for such cheques.

b) Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None.

**SECTION FIVE**

**II. Explanations Related to the Liabilities**

**1.** a)Information on maturity structure of deposits:

a.1) Current period:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Demand | 7 Day Call Accounts | Up to 1  Month | 1-3  Month | 3-6  Month | 6 Month-1 Year | 1 Year  And Over | Accumulated Deposits | Total |
| Saving deposits | 79,923 | - | 950,217 | 534,861 | 8,376 | 5,730 | 235 | - | 1,579,342 |
| Foreign currency deposits | 579,843 | - | 1,505,311 | 1,167,191 | 114,564 | 30,044 | 987 | - | 3,397,940 |
| Residents in Turkey | 548,136 | - | 1,483,390 | 1,148,204 | 109,865 | 28,174 | 987 | - | 3,318,756 |
| Residents abroad | 31,707 | - | 21,921 | 18,987 | 4,699 | 1,870 | - | - | 79,184 |
| Public sector deposits | 10,315 | - | 350 | 46 | - | - | - | - | 10,711 |
| Commercial deposits | 208,806 | - | 486,123 | 48,663 | 2,931 | 47 | - | - | 746,570 |
| Other institutions deposits | 13,109 | - | 23,523 | 27,999 | 29 | 11 | - | - | 64,671 |
| Precious metals deposits | 9,889 | - | - | - | 2,422 | 149 | - | - | 12,460 |
| Interbank deposits | 53,159 | - | 46,335 | 14,816 | 7,928 | - | - | - | 122,238 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 47 | - | 1,039 | - | 4,052 | - | - | - | 5,138 |
| Foreign Banks | 10,323 | - | 45,296 | 14,816 | 3,876 | - | - | - | 74,311 |
| Special finance houses | 42,789 | - | - | - | - | - | - | - | 42,789 |
| Other | - | - | - | - | - | - | - | - | - |
| **Total** | **955,044** | **-** | **3,011,859** | **1,793,576** | **136,250** | **35,981** | **1,222** | **-** | **5,933,932** |

a.2) Prior period:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Demand | 7 Day Call Accounts | Up to 1  Month | 1-3  Month | 3-6  Month | 6 Month-1 Year | 1 Year  And over | Accumulated Deposits | Total |
| Saving deposits | 78,146 | - | 544,406 | 939,730 | 5,135 | 4,374 | 243 | - | 1,572,034 |
| Foreign currency deposits | 615,465 | - | 1,530,759 | 647,230 | 90,690 | 52,744 | 2,053 | - | 2,938,941 |
| Residents in Turkey | 573,219 | - | 1,474,744 | 639,698 | 76,623 | 50,598 | 2,053 | - | 2,816,935 |
| Residents abroad | 42,246 | - | 56,015 | 7,532 | 14,067 | 2,146 | - | - | 122,006 |
| Public sector deposits | 725 | - | 2,794 | - | - | - | - | - | 3,519 |
| Commercial deposits | 242,203 | - | 361,184 | 101,654 | 791 | 148 | - | - | 705,980 |
| Other institutions deposits | 13,009 | - | 16,241 | 36,902 | 20 | 9 | - | - | 66,181 |
| Precious metals deposits | 14,930 | - | - | 115 | 57 | 145 | - | - | 15,247 |
| Interbank deposits | 47,875 | - | 51,760 | 23,335 | 1,035 | - | - | - | 124,005 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 69 | - | 40 | 1,011 | 1,035 | - | - | - | 2,155 |
| Foreign Banks | 13,044 | - | 51,720 | 22,324 | - | - | - | - | 87,088 |
| Special finance houses | 34,762 | - | - | - | - | - | - | - | 34,762 |
| Other |  | - | - | - | - | - | - | - | - |
| **Total** | **1,012,353** | **-** | **2,507,144** | **1,748,966** | **97,728** | **57,420** | **2,296** | **-** | **5,425,907** |

b.1) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Saving Deposits | Under the guarantee of saving deposit insurance | Under the guarantee of saving deposit insurance | Exceeding  the limit of  saving deposit | Exceeding  the limit of saving deposit |
|  | Current Period(\*) | Prior Period | Current Period(\*) | Prior Period |
| Saving deposits | 571,175 | 516,610 | 984,214 | 1,043,618 |
| Foreign currency saving deposits | 339,454 | 310,722 | 1,111,234 | 1,076,286 |
| Other deposits in the form of saving deposits | 725 | 1,113 | 4,295 | 5,008 |
| Foreign branches’ deposits under foreign  authorities' insurance | - | - | - | - |
| Off-shore banking regions’ deposits under  foreign authorities' insurance | - | - | - | - |
| **Total** | **911,354** | **828,445** | **2,099,743** | **2,124,912** |

(\*) According to the BRSA’s circular no 1584 dated on February 23, 2005, accruals are included in the saving deposit amounts.

**II. Explanations Related to the Liabilities** **(continued)**

b.2)Saving deposits which are not under the guarantee of deposit insurance fund:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Foreign branches’ saving deposits | 2,437 | 8,124 |
| Off-shore banking regions’ saving deposits | - | - |
| **Total** | **2,437** | **8,124** |

**2. Information on derivative financial liabilities:**

a) Negative differences table related to derivative financial liabilities held-for-trading:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Forward Transactions | 2,496 | 630 | 8,989 | 302 |
| Swap Transactions | 100,191 | 1,074 | 58,079 | 834 |
| Futures Transactions | - | - | - | - |
| Options | 1,671 | 305 | 288 | 168 |
| Other | - | 24 | - | 227 |
| **Total** | **104,358** | **2,033** | **67,356** | **1,531** |

**3.** a) Information on banks and other financial institutions:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Loans from Central Bank of Turkey | - | - | - | - |
| From Domestic Banks and Institutions | 68,423 | 111,359 | 56,560 | 109,213 |
| From Foreign Banks, Institutiıons and Funds | 306,625 | 473,408 | 209,518 | 543,703 |
| **Total** | **375,048** | **584,767** | **266,078** | **652,916** |

b) Maturity analysis of borrowings:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Short-term | 260,191 | 445,173 | 204,492 | 509,116 |
| Medium and long-term | 114,857 | 139,594 | 61,586 | 143,800 |
| **Total** | **375,048** | **584,767** | **266,078** | **652,916** |

c) Additional explanation related to the concentrations of the Bank’s major liabilities:

Bank diversifies its funding resources by the customer deposits and by the foreign borrowings. As of March 31, 2007, the Bank has replaced its EUR 210,000,000 syndication loan under foreign borrowings, which has a extension option, with maturity of one year contracted on November 18, 2005 with the loan of EUR 205,000,000 maturing on November 13, 2007 for two years.

Bank makes analysis of its customers that provide the maximum amount of funds within the branches and throughout the Bank, in consideration of profitability. Bank takes short and long term preventive measures to spread its customers on a wider spectrum on the basis of customer concentration in the branches.

The Group’s 55.54% of the interbank deposits and 58.68% of other deposits consist of foreign currency deposits.

**II. Explanations Related to the Liabilities** **(continued)**

**4. Information on funds provided from repurchase agreement transactions:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| **From domestic transactions** | **804,087** | **-** | **770,983** | **-** |
| Financial institutions and organizations | 795,762 | - | 765,830 | - |
| Other institutions and organizations | 1,076 | - | 584 | - |
| Real persons | 7,249 | - | 4,569 | - |
| **From foreign transactions** | **23** | **-** | **21** | **-** |
| Financial institutions and organizations | **-** | - | - | - |
| Other institutions and organizations | - | - | - | - |
| Real persons | 23 | - | 21 | - |
| **Total** | **804,110** | **-** | **771,004** | **-** |

**5.** **Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total**: None.

**6. Explanations on financial lease obligations (Net):**

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Code.

b) The explanation on modifications in agreements and new obligations resulting from such modifications: None.

c) Explanation on finance lease payables:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | Gross | Net | Gross | Net |
| Less than 1 Year | 10,184 | 7,918 | 7,036 | 5,213 |
| Between 1-4 Years | 4,527 | 3,859 | 5,789 | 4,689 |
| More than 4 Years | - | - | - | - |
| **Total** | **14,711** | **11,777** | **12,825** | **9,902** |

d) Explanations regarding operational leases:

Except for the Head-Office-Istanbul and Izmir-Ege Kurumsal Branch buildings, all branch premises of TEB are leased under operational leases. During the period ended March 31, 2007, operational lease expenses amounting to TRY 9,988 have been recorded in the profit and loss accounts. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a certain period of notice.

e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

**7. Information on derivative financial liabilities for hedging purposes:** None.

**II. Explanations Related to the Liabilities** **(continued)**

**8. Information on provisions:**

a) Information on general provisions:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| General Provisions |  |  |
| Provisions for First Group Loans and Receivables | 30,772 | 25,649 |
| Provisions for Second Group Loans and Receivables | - | - |
| Provisions for non-Cash Loans | 5,337 | 3,958 |
| Other | 1,779 | 2,898 |
| **Total** | **37,888** | **32,505** |

1. Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses on the foreign currency indexed loans amounting to TRY 15,854 (December 31, 2006 - TRY 12,108) is netted of from loans on the balance sheet.

c) The specific provisions provided for unindemnified non cash loans amount to TRY 250 (December 31,

2006 - TRY 207).

d) Information on employee termination benefits and unpaid vacation accrual:

Bank has calculated reserve for employee termination benefits by using actuarial valuations as determined in the TAS No:19 and reflected this in the financial statements.

As of March 31, 2007, TRY 7,658 (December 31, 2006 - TRY 7,033) reserve for employee termination benefits was provided against a total liability of TRY 21,272 (December 31, 2006 – TRY 19,506). The ratio of provision of this benefit to undiscounted total liabilities is 36% (December 31, 2006 - 36%).

As of March 31, 2007, the Bank provided a reserve of TRY 6,265 (December 31,2006 - TRY 5,770) for the unused vacations and it is presented in other provisions in the financial statements.

d.1) Movement of employee termination benefits

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| As of January 1 | 7,033 | 6,044 |
| Utilized / Paid | 755 | 1,800 |
| Arising during the year | (130) | (811) |
| **Total** | **7,658** | **7,033** |

e) Information on other provisions:

e.1) Provisions for possible losses: None.

e.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Provision for employee benefits | 6,265 | 5,770 |
| Provision for promotion of credit cards and banking services | 1,274 | 812 |
| Other | 250 | 207 |
| **Total** | **7,789** | **6,789** |

**II. Explanations Related to the Liabilities** **(continued)**

**8. Information on provisions (continued)**

f) Liabilities on pension rights: None.

f.1) Liabilities for pension funds established in accordance with “Social Security Institution": None.

f.2) Liabilities resulting from all kinds of pension funds, foundations etc, which provide post retirement benefits for the employees: None.

**9. Explanations on taxes payable:**

a)Information on current tax liability:

a.1) Corporate taxes:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Provision for corporate taxes | 43,558 | 26,807 |

a.2) Information on taxes payable:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Taxation on Securities | 9,601 | 5,909 |
| Property Tax | 513 | 517 |
| Banking Insurance Transaction Tax (BITT) | 7,674 | 6,517 |
| Foreign Exchange Transaction Tax | 1,410 | 1,071 |
| Value Added Tax Payable | 201 | 543 |
| Other (\*) | 1,845 | 3,062 |
| **Total** | **21,244** | **17,619** |

(\*) Others include stamp taxes payable amounting to TRY 419 (December 31,2006 - TRY 300).

b) Information on premiums:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Social Security Premiums-Employee | 2,486 | 2,174 |
| Social Security Premiums-Employer | 3,510 | 3,070 |
| Bank Social Aid Pension Fund Premium-Employee | - | - |
| Bank Social Aid Pension Fund Premium-Employer | - | - |
| Pension Fund Membership Fees and Provisions-Employee | - | - |
| Pension Fund Membership Fees and Provisions-Employer | - | - |
| Unemployment Insurance-Employee | 175 | 153 |
| Unemployment Insurance-Employer | 352 | 308 |
| Other | - | - |
| **Total** | **6,523** | **5,705** |

1. Explanations on deferred tax liabilities, if any: None.

**10. Information on liabilities regarding assets held for sale:** None.

**II. Explanations Related to the Liabilities** **(continued)**

**11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any: (continued)**

The Bank has signed an agreement with the International Finance Corporation (IFC) on July 17, 2002, for a subordinated loan of USD 15 million. The maturity of the loan is October 14, 2011 and interest rate is LIBOR+2.85%.

The Bank has signed another agreement with the IFC on June 27, 2005, for a subordinated loan. The facility is a USD 50 million, subordinated loan, with a maturity of June 29, 2015 and with an interest rate of LIBOR+3.18%.

The Bank has signed an agreement with the Economy Luxembourg S.A on October 31, 2006 for a subordinated loan. The facility is a EUR 110 million subordinated loan, with a maturity of October 31, 2016, and with an interest rate of 6.10%.

Each of the three of the above facilities match BRSA’s subordinated loan-capital definitions and contribute the Bank’s capital adequacy ratio in a positive manner, as well as creating long term financing.

a) Information on subordinated loans:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | TRY | TRY | FC |
| From Domestic Banks | - | - | - | - |
| From Other Domestic Institutions | - | - | - | - |
| From Foriegn Banks | - | - | - | - |
| From Other Foreign Institutions | - | 298,021 | - | 299,912 |
| **Total** | **-** | **298,021** | **-** | **299,912** |

**12. Information on Shareholders’ Equity:**

a) Presentation of Paid-in capital:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Common stock | 76,500 | 76,500 |
| Preferred stock | - | - |

b) Paid-in capital amount, explanation as to whether the registered share capital system is ceiling applicable at bank if so amount of registered share capital:

|  |  |  |
| --- | --- | --- |
| Capital System | Paid-in capital | Ceiling |
| Registered Capital System | 76,500 | 100,000 |

**II. Explanations Related to the Liabilities** **(continued)**

**12. Information on Shareholders’ Equity: (continued)**

c) Information on share capital increases and their sources; other information on increased capital shares in current period:

Based on the meeting of the General Assembly on March 27, 2007, after completing all of the legal procedures , it was decided to increase the paid-in capital of the Bank to TRY 100,000 by TRY 23,500 within the registered capital ceiling and decided to incorporate TRY 11,750 of TRY 23,500 increase from the extraordinary reserves, and the remaining TRY 11,750 from the inflation accounting differences on share capital and in exchange distribute the investors as bonus shares as per their proportionate shares.

1. Information on share capital increases from revaluation funds: None.
2. Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.
3. Indicators of the Bank’s income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank’s equity due to the uncertainty of these indicators:

Prior year income, profitability and liquidity of the Bank is closely monitored and reported to Board of Directors, Asset and Liability Committee, and Risk Management by the Budget and Financial Control Group. This group tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for Bank’s future interest income via simulations of net interest income and scenario analysis.

1. Information on preferred shares:

7% of the Bank’s remaining net income after tax subsequent to deducting legal reserves and first dividends, corresponding to the Bank’s 60,000 shares of YTL 30 (in full TRY) is distributed to the founder shares. In the Board of Directors meeting dated February 10, 2005 numbered 3702/11, it is decided to transfer 6 founder shares to the Bank’s parent company, TEB Mali Yatırımlar.

**II. Explanations Related to the Liabilities** **(continued)**

**12. Information on Shareholders’ Equity: (continued)**

1. Information on marketable securities value increase fund:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| From Associates, Subsidiaries, and Entities Under Common Control | - | - | - | - |
| Valuation Difference | (12,118) | 1,688 | (12,231) | 2,220 |
| Foreign Exchange Difference | - | - | - | - |
| **Total** | **(12,118)** | **1,688** | **(12,231)** | **2,220** |

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Foreign currency marketable securities value increase fund | 1,688 | 2,220 |
| Foreign exchange gains resulting from foreign currency associates, subsidiaries, and securities available for sale related to the above amount | - | - |
| **Total** | **1,688** | **2,220** |

**13. Information on legal reserves:**

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| First legal reserves | 14,699 | 9,414 |
| Second legal reserves | 5,536 | 5,536 |
| Other legal reserves appropriated in accordance with special legislation | - | - |
| **Total** | **20,235** | **14,950** |

**14. Information on extraordinary reserves:**

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Reserves appropriated by the General Assembly | 224,603 | 124,188 |
| Retained earnings | - | - |
| Accumulated losses | - | - |
| Foreign currency share capital exchange difference | - | - |
| **Total** | **224,603** | **124,188** |

**15. Other Information on Shareholders’ Equity:** Bank hedged its net investment risk in TEB NV, its subsidiary operating in Netherlands with capital of EUR 30 million. Bank has classified fair value differences arising from this investment in other profit reserves under shareholders’ equity, and fair value differences arising from hedging instrument in “other profit reserves” under shareholders’ equity, in accordance with the Turkish Accounting Standards.

**16. Information on minority shares:** None.

**SECTION FIVE**

# III. Explanations Related to the Off-Balance Sheet Contingencies and Commitments

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments: Credit card expenditure limit commitments are   
TRY 476,066 and TRY 263,871; payment commitments for checks are TRY 337,514 and TRY 259,573 as of March 31, 2007 and December 31, 2006 respectively.

1. Possible losses and commitments related to off-balance sheet items including items listed below:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:

As of March 31, 2007 total guarantees and commitments consist of letters of guarantee amounting to TRY 1,939,774, (December 31, 2006 - TRY 1,725,619) acceptances amounting to TRY 48,964 (December 31, 2006 - TRY 50,146) and letters of credit amounting to TRY 767,536 (December 31, 2006 -TRY 652,101).

b.2) Guarantees, suretyships, and similar transactions: The Bank has other guarantees and suretyships amounting to TRY 188,375 as of March 31, 2007 (December 31, 2006 – TRY 202,095).

c) c.1) Total amount of non-cash loans:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Non-cash loans given against achieving cash loans | 202,797 | 208,044 |
| With maturity of 1 year or less than 1 year | 39,765 | 38,436 |
| With maturity of more than 1 year | 163,032 | 169,608 |
| Other non-cash loans | 2,741,852 | 2,421,917 |
| **Total** | **2,944,649** | **2,629,961** |

c.2) Information on sectoral risk breakdown of non-cash loans:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Current Period | | | | Prior Period | | | |
|  | TRY | (%) | FC | (%) | TRY | (%) | FC | (%) |
| Agricultural | 15,221 | 1.49 | 11,459 | 0.60 | 13,872 | 1.51 | 12,737 | 0.74 |
| Farming and Raising livestock | 12,324 | 1.20 | 11,035 | 0.58 | 10,702 | 1.17 | 12,652 | 0.74 |
| Forestry | 2,631 | 0.26 | 424 | 0.02 | 2,953 | 0.32 | 85 | - |
| Fishery | 266 | 0.03 | - | - | 217 | 0.02 | - | - |
| Manufacturing | 550,834 | 53.79 | 1,056,442 | 55.01 | 502,475 | 54.63 | 958,657 | 56.06 |
| Mining | 35,797 | 3.50 | 27,074 | 1.41 | 33,412 | 3.63 | 24,756 | 1.45 |
| Production | 508,781 | 49.69 | 1,012,785 | 52.74 | 465,769 | 50.64 | 911,627 | 53.31 |
| Electric, gas and water | 6,256 | 0.60 | 16,583 | 0.86 | 3,294 | 0.36 | 22,274 | 1.30 |
| Construction | 175,143 | 17.10 | 293,732 | 15.29 | 142,803 | 15.53 | 268,917 | 15.72 |
| Services | 268,494 | 26.22 | 225,724 | 11.75 | 247,371 | 26.89 | 243,073 | 14.21 |
| Wholesale and retail trade | 131,575 | 12.85 | 64,014 | 3.33 | 115,931 | 12.61 | 56,811 | 3.32 |
| Hotel, food and beverage services | 3,866 | 0.38 | 9,604 | 0.50 | 4,186 | 0.46 | 9,698 | 0.57 |
| Transportation and telecommunication | 39,768 | 3.88 | 54,991 | 2.86 | 33,878 | 3.68 | 53,278 | 3.12 |
| Financial institutions | 30,501 | 2.98 | 66,919 | 3.48 | 32,141 | 3.49 | 86,573 | 5.06 |
| Real estate and renting services | 12,325 | 1.20 | 21,090 | 1.10 | 12,224 | 1.33 | 29,839 | 1.74 |
| Self-employment services | 30,465 | 2.98 | 2,839 | 0.15 | 28,644 | 3.11 | 2,122 | 0.12 |
| Education services | 637 | 0.06 | - | - | 841 | 0.09 | - | - |
| Health and social services | 19,357 | 1.89 | 6,267 | 0.33 | 19,526 | 2.12 | 4,752 | 0.28 |
| Other | 14,292 | 1.40 | 333,308 | 17.35 | 13,286 | 1.44 | 226,770 | 13.27 |
|  |  |  |  |  |  |  |  |  |
| **Total** | **1,023,984** | **100.00** | **1,920,665** | **100.00** | **919,807** | **100.00** | **1,710,154** | **100.00** |

# III. Explanations Related to the Off-Balance Sheet Contingencies and Commitments (continued)

c.3) Information on Ist and IInd Group non-cash loans:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | I st Group - Standard loans and other receivables | | II nd Group – Loans and other receivables under close  follow-up | |
| Non-cash loans | TRY | FC | TRY | FC |
| Letters of guarantee | 963,153 | 976,621 | - | - |
| Bank acceptances | - | 48,964 | - | - |
| Letters of credit | 91 | 767,445 | - | - |
| Endorsements | - | - | - | - |
| Underwriting commitments | - | - | - | - |
| Other commitments and contingencies | 60,740 | 127,635 | - | - |
| **Total** | **1,023,984** | **1,920,665** | **-** | **-** |

The Bank provided reserve of TRY 250 for non-cash loans not yet indemnified amounting to TRY 1,261.

**2. Information related to derivative financial instruments:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Derivative transactions according to purposes | | | |
|  | Trading | | Hedging | |
|  | Current Period | Prior Period | Current Period | Prior Period |
| Types of trading transactions |  |  |  |  |
| Foreign currency related derivative transactions (I): | 4,342,275 | 3,031,241 | - | - |
| Forward transactions | 772,073 | 641,715 | - | - |
| Swap transactions | 2,218,302 | 1,608,036 | - | - |
| Futures transactions | 80,468 | 53,299 | - | - |
| Option transactions | 1,271,432 | 728,191 | - | - |
| Interest related derivative transactions (II) : | 25,538 | 16,919 | - | - |
| Forward rate transactions | - | - | - | - |
| Interest rate swap transactions | 25,538 | 16,919 | - | - |
| Interest option transactions | - | - | - | - |
| Futures interest transactions | - | - | - | - |
| Other trading derivative transactions (III) | 245,319 | 198,096 | - | - |
| A.Total trading derivative transactions (I+II+III) | 4,613,132 | 3,246,256 | - | - |
|  |  |  |  |  |
| **Types of hedging transactions** |  |  |  |  |
| Fair value hedges | - | - | - | - |
| Cash flow hedges | - | - | - | - |
| Net investment hedges | - | - | - | - |
| B.Total hedging related derivatives | - | - | - | - |
| **Total Derivative Transactions (A+B)** | **4,613,132** | **3,246,256** | - | - |

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the Bank’s financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the fiscal year because of the agreements:

The Bank’s forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value.

**III. Explanations Related to the Off-Balance Sheet Contingencies and Commitments (continued)**

**2. Information related to derivative financial instruments: (continued)**

As of March 31, 2007 breakdown of the Bank’s foreign currency forward and swap transactions based on currencies are disclosed below in their TRY equivalents:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Forward Buy | Forward Sell | Swap Buy | Swap Sell | Option Buy | Option Sell | Future Buy | Future Sell |
|  |  |  |  |  |  |  |  |  |
| Current Period |  |  |  |  |  |  |  |  |
| TRY | 179,010 | 82,072 | 55,028 | 980,308 | 242,907 | 254,224 | 2,714 | - |
| USD | 96,335 | 200,233 | 952,263 | 107,644 | 291,562 | 280,723 | 75,183 | 2,571 |
| EURO | 98,036 | 88,802 | 21,559 | 35,307 | 97,568 | 97,568 | - | - |
| Other | 15,753 | 11,832 | 54,353 | 37,378 | 3,440 | 3,440 | - | - |
| Total | **389,134** | **382,939** | **1,083,203** | **1,160,637** | **635,477** | **635,955** | **77,897** | **2,571** |
| Prior Period |  |  |  |  |  |  |  |  |
| TRY | 183,404 | 96,977 | 24,981 | 708,375 | 106,152 | 101,498 | - | - |
| USD | 32,804 | 172,927 | 724,655 | 61,164 | 161,294 | 165,514 | 53,299 | - |
| EURO | 82,374 | 48,321 | - | 28,698 | 96,867 | 96,866 | - | - |
| Other | 23,437 | 1,471 | 45,138 | 31,944 | - | - | - | - |
| Total | **322,019** | **319,696** | **794,774** | **830,181** | **364,313** | **363,878** | **53,299** | **-** |

3. Explanations on contingent liabilities and assets:

a.1) The Bank's share in contingent liabilities arising from entities under common control together with other venturer: None.

a.2) Share of entity under common control in its own contingent liabilities: None.

a.3) The Bank’s contingent liabilities resulting from liabilities of other venturers in entity under common control: None.

b) Accounting and presentation of contingent assets and liabilities in the financial statements:

b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes. As of March 31, 2007 there are no contingent assets that need to be explained. (December 31, 2006 - None)

b.2) A provision is made for contingent liabilities, if realization is probable and the amount can reliably be determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes: As of March 31, 2007 there are no contingent liabilities that need to be explained. (December 31, 2006 - None)

4. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of contingencies and commitments.

Investment securities held in custody includes investment fund participation certificates which are accounted for by their number of certificates. As of balance sheet date the total number of certificates is 19,239,904 thousand (December 31, 2006 - 18,779,675 thousand) and the total fair value is TRY 2,631,613 (December 31, 2006 – TRY 2,480,927).

# III. Explanations Related to the Off-Balance Sheet Contingencies and Commitments (continued)

**5. The information on the Bank’s rating by in the international rating introductions:**

The results of the rating performed by Moody’s Investor Services and Fitch Ratings are shown below:

**Moody’s Investor Services: June 2006**

**Bank Financial Strength**  D+

**Foreign Currency Deposits** B1

**Fitch Ratings: August 2006**

Foreign Currency Commitments

Long term BB

Short term B

View Positive

**New Turkish Lira Commitments**

Long term BB+

Short term B

View Positive

NationalAA (tur)

View Stable

**Individual Rating** C/D

**Support Points** 3

**SECTION FIVE**

**IV. Explanations Related to the Income Statement**

**1. a) Information on interest on loans:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Current Period** | Group I | | Group II | |
| Interest on loans | TRY | FC | TRY | FC |
| Short term loans | 142,210 | 17,876 | - | - |
| Medium and long term loans | 50,688 | 7,698 | - | - |
| Interest on non-performing loans | 248 | - | - | - |
| Premiums received from Resource Utilization Support Fund | - | - | - | - |
| **Total** | **193,146** | **25,574** | **-** | **-** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Prior Period** | Group I | | Group II | |
| Interest on loans | TRY | FC | TRY | FC |
| Short term loans | 57,074 | 12,899 | - | - |
| Medium and long term loans | 23,169 | 5,845 | - | - |
| Interest on non-performing loans | 280 | - | - | - |
| Premiums received from Resource Utilization Support Fund | - | - | - | - |
| **Total** | **80,523** | **18,744** | **-** | **-** |

**b) Information on interest received from banks:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| The Central Bank of Turkey | - | 705 | - | 648 |
| Domestic banks | 1,911 | 92 | 3,268 | 417 |
| Foreign banks | 1,586 | 8,351 | 3,115 | 2,182 |
| Branches and head office abroad | - | - | - | - |
| **Total** | **3,497** | **9,148** | **6,383** | **3,247** |

**c) Interest received from marketable securities portfolio:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Trading securities | 4,548 | 30 | 3,641 | 37 |
| Financial assets at fair value through profit and loss | - | - | - | - |
| Available-for-sale securities | 57,760 | 5,992 | 25,042 | 5,348 |
| Held-to-maturity securities | - | - | 4 | - |
| **Total** | **62,308** | **6,022** | **28,687** | **5,385** |

**d) Information on interest income received from associates and subsidiaries:**

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Interest received from associates and subsidiaries | 237 | - |

**IV. Explanations Related to the Income Statement (continued)**

**2. a) Information on interest on funds borrowed:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Current Period | | Prior Period | |
|  | TRY | FC | TRY | FC |
| Banks |  |  |  |  |
| The Central Bank of Turkey | - | - | - | - |
| Domestic banks | 2,287 | 1,790 | 1,215 | 1,241 |
| Foreign banks | 10,664 | 5,045 | 6,452 | 3,133 |
| Branches and head office abroad | - | - | - | - |
| Other financial institutions | - | 4,523 | - | 1,881 |
| **Total** | **12,951** | **11,358** | **7,667** | **6,255** |

**b) Information on interest expense to associates and subsidiaries**:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Interest expense to associates and subsidiaries | 366 | - |

**c) Information on interest expense to marketable securities issued:** None.

**d) Distribution of interest expense on deposits based on maturity of deposits:**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Time Deposits | | | | | |  | |
| Account name | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year | Accumulated Deposits | | Total |
| TRY |  |  |  |  |  |  |  | |  |
| Bank deposits | - | 1,065 | - | - | - | - | - | | 1,065 |
| Saving deposits | 2 | 38,486 | 36,620 | 268 | 207 | 9 | - | | 75,592 |
| Public sector deposits | - | 142 | 13 | - | - | - | - | | 155 |
| Commercial deposits | 4 | 19,972 | 7,329 | 60 | 3 | - | - | | 27,368 |
| Other deposits | 4 | 1,554 | 1,468 | 1 | - | - | - | | 3,027 |
| 7 days call accounts | - | - | - | - | - | - | - | | - |
| Precious metal deposits | - | - | - | - | - | - | - | | - |
| **Total** | 10 | 61,219 | 45,430 | 329 | 210 | 9 | - | | 107,207 |
| Foreign Currency |  |  |  |  |  |  | - | |  |
| Foreign currency deposits | 15 | 17,489 | 12,504 | 1,230 | 385 | 11 | - | | 31,634 |
| Bank deposits | - | 459 | - | - | - | - | - | | 459 |
| 7 days call accounts | - | - | - | - | - | - | - | | - |
| Precious metal deposits | - | - | - | 8 | 1 | - | - | | 9 |
| **Total** | 15 | 17,948 | 12,504 | 1,238 | 386 | 11 | - | | 32,102 |
| **Grand Total** | **25** | **79,167** | **57,934** | **1,567** | **596** | **20** | - | | **139,309** |

**IV. Explanations Related to the Income Statement (continued)**

**3. Information on dividend income:**

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Trading Securities | - | - |
| Financial assets at fair value through profit and loss | - | - |
| Available-for-sale securities | - | - |
| Other | 14,752 | 18,528 |
| **Total** | **14,752** | **18,528** |

1. **Information on net trading income:**

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| **Income** | **362,625** | **154,080** |
| Profit on capital market operations | 85,476 | 40,305 |
| Profit on derivative financial instruments | 78,039 | 22,309 |
| Other | 7,437 | 17,996 |
| Foreign exchange gains(\*) | 277,149 | 113,775 |
| **Losses (-)** | **367,066** | **139,277** |
| Losses on capital market operations | 89,224 | 30,154 |
| Losses on derivative financial instruments | 85,674 | 25,520 |
| Other | 3,550 | 4,634 |
| Foreign exchange losses(\*) | 277,842 | 109,123 |

(\*) As of March 31, 2007, the foreign exchange gain on the foreign currency indexed loans is TRY 1,477 (March 31, 2006 - TRY 5,291). As of March 31, 2007 the foreign exchange loss on the foreign currency indexed loans is TRY 9,323 (March 31, 2006 - TRY 862).

**5. Information on other operating income:**

The information on the factors effecting the Bank’s income including extraordinary items and new developments, and the explanation on nature and amount of income earned from extraordinary items: None.

6. Provision expenses of banks for loans and other receivables:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Specific provisions for loans and other receivables | 4,031 | 4,177 |
| III. Group Loans and Receivables | 1,567 | 628 |
| IV. Group Loans and Receivables | 1,444 | 2,671 |
| V. Group Loans and Receivables | 1,020 | 878 |
| General loan loss provision expenses | 5,642 | 1,825 |
| Provision expenses for possible losses | - | - |
| Marketable securities impairment losses | 1,800 | 1,721 |
| Financial assets at fair value through profit and loss | 21 | - |
| Investment securities available for sale | 1,779 | 1,721 |
| Impairment provision expense | - | - |
| Associates | - | - |
| Subsidiaries | - | - |
| Entities under common control | - | - |
| Investments held to maturity | - | - |
| Other | 495 | 36 |
| **Total** | **11,968** | **7,759** |

**IV. Explanations Related to the Income Statement (continued)**

**7. Information on other operating expenses:**

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Personnel expenses | 44,599 | 27,788 |
| Reserve for employee termination benefits | 755 | 1,961 |
| Bank social aid fund deficit provision | - | - |
| Impairment expenses of fixed assets | - | - |
| Depreciation expenses of fixed assets | 3,551 | 2,337 |
| Impairment expenses of intangible assets | - | - |
| Impairment expense of goodwill | - | - |
| Amortization expenses of intangible assets | 2,594 | 1,585 |
| Impairment for investments accounted for under equity method | - | - |
| Impairment expenses of assets held for resale | - | - |
| Depreciation expenses of assets held for resale | - | - |
| Impairment expenses of assets held for sale | - | - |
| Other operating expenses | 35,205 | 16,281 |
| Rent expenses | 9,988 | 5,049 |
| Maintenance expenses | 649 | 228 |
| Advertisement expenses | 10,725 | 3,270 |
| Other expenses | 13,843 | 7,734 |
| Loss on sales of assets | 3 | 171 |
| Other(\*) | 6,857 | 4,474 |
|  |  |  |
| **Total** | **93,564** | **54,597** |

(\*)Included in other item TRY 1,370 (March 31, 2006 – TRY 810) is for the premiums paid to Saving Deposit Insurance Fund.

**8. Information on profit or loss before tax:**

Profit before tax of the Bank has decreased by 8.7% for the period ended March 31, 2007 as compared to the revised prior year figure according to the decree issued on November 1, 2006. In comparison with prior year, The Bank’s net interest income, net fees and commissions income and provision and operating expenses increased by 75%, 75% and 69%, respectively.

**9. Information on tax provision:**

a) As of March 31, 2007, current tax change is TRY 16,751 (March 31, 2006 – TRY 7,806) and deferred tax benefit is TRY 7,981 (March 31, 2006 – TRY 5,046 deferred tax charge).

b) Deferred tax benefit on temporary differences is TRY 7,981 (March 31, 2006 – TRY 5,046 deferred tax charge).

c) Deferred tax benefit or charge for temporary differences, on carried forward tax losses or tax exemptions or deductions: None.

**IV. Explanations Related to the Income Statement (continued)**

**9. Information on tax provision (continued)**

1. Tax reconciliation:

|  |  |  |
| --- | --- | --- |
|  | Current  Period | Prior  Period |
|  |  |  |
| Profit before tax | 52,719 | 57,763 |
| Corporate tax rate | 20% | 30% |
| Tax calculated: | 10,544 | 17,329 |
|  |  |  |
| Tax effect of TAS adjustments | - | 929 |
| Tax effect of disallowables | 33,303 | 9,605 |
| Tax effect of income not taxable | (27,096) | (20,057) |
| Deferred tax (benefit) / charge | (7,981) | 5,046 |
|  |  |  |
| **Total** | **8,770** | **12,852** |

**10. Information on net operating income after taxes:**

The profit of the Bank decreased for the period ended March 31, 2007 by 2.1% as compared to the revised prior year profit according to the decree issued on November 1, 2006.

**11. The explanations on net income / loss for the period:**

a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period: None.

b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.

1. Profit or loss attributable to minority shares: None.

d) If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Other fees and commissions received |  |  |
| Credit cards commissions and fees | 7,640 | 2,115 |
| Import letters of credit commissions | 1,746 | 1,360 |
| Enquiry and company search fees and commissions | 3,817 | 1,291 |
| Settlement expense provision, eft, swift, agency commissions | 2,263 | 1,701 |
| Other | 6,878 | 4,113 |
| **Toplam** | **22,344** | **10,580** |

|  |  |  |
| --- | --- | --- |
|  | Current Period | Prior Period |
| Other fees and commissions given |  |  |
| Credit cards commissions and fees | 6,466 | 1,955 |
| Other | 2,189 | 1,470 |
| **Total** | **8,655** | **3,425** |

e) Nature and amount of changes in accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods: None.

**SECTION FIVE**

**V. Explanations on the Risk Group of the Bank**

**1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:**

a) Current Period:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Related Parties (\*) | Subsidiaries and associates | | Direct and indirect  shareholders of the Bank | | Other entities included  in the risk group | |
|  | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Loans and other receivables |  |  |  |  |  |  |
| Balance at beginning of period | 210 | 9,276 | 4,081 | 2,768 | 14,845 | 36,540 |
| Balance at end of period | 1,315 | 12,356 | 429 | 16,199 | 6,166 | 40,495 |
| Interest and commission income | 221 | 16 | 1,113 | - | 1,106 | 17 |

Included in the balances above, the Bank has foreign bank accounts amounting to TRY 105 with respect to direct and indirect corporate and real person shareholders and TRY 1,164 other entities included in the risk group.

b) Prior Period:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Related Parties (\*) | Subsidiaries and associates | | Direct and indirect  shareholders of the Bank | | Other entities included  in the risk group | |
|  | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Loans and other receivables |  |  |  |  |  |  |
| Balance at beginning of period | - | 4,349 | - | 16,179 | 10,091 | 3,075 |
| Balance at end of period | 210 | 9,276 | 4,081 | 2,768 | 14,845 | 36,540 |
| Interest and commission income received | 3 | 8 | 34 | 1 | 459 | 10 |

Included in the balances above, the Bank has foreign bank accounts amounting to TRY 2,697 with respect to direct and indirect corporate and real person shareholders and TRY 2,166 other entities included in the risk group.

c.1) Information on related party deposits balances:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Related parties (\*) | Subsidiaries and associates | | Direct and indirect shareholders of the Bank | | Other entities included  in the risk group | |
| Deposits | Current  Period | Prior  Period | Current  period | Prior  period | Current  period | Prior  period |
| Balance at beginning of period | 24,849 | 26,104 | 377,579 | 580,396 | 72,584 | 49,618 |
| Balance at end of period | 17,497 | 24,849 | 654,382 | 377,579 | 114,566 | 72,584 |
| Interest on deposits | 366 | 17 | 5,606 | 2,769 | 1,093 | 482 |

c.2) Information on forward and option agreements and other similar agreements made with related parties:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Related Parties (\*) | Subsidiaries and associates | | Direct and indirect shareholders of the Bank | | Other entities included  In the risk group | |
|  | Current  Period | Prior  Period | Current  period | Prior  period | Current  period | Prior  period |
| Trading transactions |  |  |  |  |  |  |
| Beginning of period | 707 | 13,983 | 169,091 | 177,256 | 11,768 | 2,867 |
| End of period | 10,028 | 707 | 416,975 | 169,091 | 2,960 | 11,768 |
| Total income/loss | - | 86 | (8,818) | 1,549 | (39) | - |
| Hedging transactions purposes |  |  |  |  |  |  |
| Beginning of period | - | - | - | - | - | - |
| End of period | - | - | - | - | - | - |

(\*) The scope of the related parties are defined in the Article 20-2 of the “Regulation on the Establishment and Operations of Banks”.

**V. Explanations on the Risk Group of the Bank (continued)**

**2. Disclosures for related parties:**

a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

|  |  |  |
| --- | --- | --- |
|  | Amount | % Compared to the Amounts in the Financial Statements |
| Cash loans | 7,910 | 0.14 |
| Non-cash loans | 69,050 | 2.34 |
| Deposits | 786,445 | 13.25 |
| Forward transactions and option agreements | 429,963 | 9.32 |
| Bank placements | 1,269 | 0.69 |

These transactions are priced in accordance with the general pricing policies of the Bank and are in line with market rates.

c) Except for cases whereby separate disclosure is necessary, the total of similar items in order to present the total impact on the financial statements: Explained in b).

d) Transactions accounted for under the equity method: None.

e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts:

The Bank enters into lease agreements with TEB Finansal Kiralama A.Ş. As of March 31, 2007 the total leasing obligations related to these agreements amounted to TRY 11,777. Additionally, the Bank provides agency services for TEB Yatırım Menkul Değerler A.Ş. and TEB Sigorta A.Ş via its branches.

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank’s total cash and non-cash loan portfolio is 0.91%. Details of these loans are explained in the Section V, Note V- 1a.

As of March 31, 2007 the Bank has no purchases and sale of real estate and other assets, transfer of information as a result of research and development and management contracts with the related parties.

**SECTION SIX**

**INDEPENDENT ACCOUNTANTS’ LIMITED REVIEW REPORT**

**I. Explanations on the Independent Accountants’ Limited Review Report:**

The unconsolidated interim financial statements of the Bank were reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu) and the independent accountants’ limited review report dated April 30, 2007 is presented preceding the financial statements.

**II. Other Footnotes and Explanations Prepared by Independent Auditors:** None.