

GSD Holding
Anonim Őirketi

Consolidated Financial Statements
Together With
Report of Independent Auditors
December 31, 2006

Akis Bađımsız Denetim ve Serbest Muhasebeci Mali
Müşavirlik Anonim Őirketi

30 April 2007

*This report includes 2 pages of independent auditors'
report and 59 pages of financial statements together
with its explanatory notes.*

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Independent Auditors' Report

To the Board of Directors of
GSD Holding Anonim Şirketi:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of GSD Holding Anonim Şirketi (the Company) and its subsidiaries (collectively the "Group"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of the Company as of and for the year ended 31 December 2005 was audited by other auditors, which expressed an unqualified opinion in their report dated 28 April 2006.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2006, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

April 30, 2007
Istanbul, Turkey

GSD Holding Anonim Şirketi

CONSOLIDATED BALANCE SHEET

As at December 31, 2006

(Currency –Thousands of YTL)

	Notes	2006	2005
ASSETS			
Cash and balances with the Central Bank	4	119,615	108,025
Deposits with other banks and financial institutions	4	400,867	70,900
Other money market placements	4	-	52,039
Reserve deposits at the Central Bank	4	105,538	172,476
Trading securities	5	190,261	170,657
Available-for-sale securities	6	151,715	10,721
Unquoted equity instruments		609	621
Derivative financial instruments	22	1,144	1,859
Loans and advances, net	7	1,770,847	1,350,635
Factoring receivables, net	9	108,425	69,815
Minimum lease payments receivable, net	8	50,736	43,105
Trade receivables, net	14	179,306	161,861
Other receivables ,net	15	8,317	24,568
Inventories, net	13	-	686
Property held for sale	10	23,841	21,131
Property and equipment	11	72,484	74,041
Intangible assets	12	1,169	1,143
Deferred tax asset	21	3,820	13,392
Other assets	16	13,605	6,646
Total Assets		3,202,299	2,354,321
LIABILITIES			
Deposits from banks	17	132,303	44,257
Customers' deposits	17	1,337,733	1,115,223
Other money market deposits	17	282,638	171,425
Funds borrowed	18	762,015	480,904
Derivative financial instruments	22	8,648	1,773
Factoring payables	9	1,977	741
Trade payables (net)	19	192,571	187,354
Advances taken		815	1,179
Income taxes payable	21	1,101	467
Provisions	20	6,296	5,320
Other liabilities	20	40,526	55,397
Total liabilities		2,766,623	2,064,040
Equity			
Share capital	24	290,386	210,386
Treasury shares	24	(7,675)	(3,968)
Share premium		4,599	4,634
Fair value reserve		626	145
Translation reserve		(100)	(222)
Retained earnings	25	24,933	8,309
Net profit for the period		24,257	16,624
Equity attributable to equity holders of the parent		337,026	235,908
Minority interest		98,650	54,373
Total equity		435,676	290,281
Total liabilities and equity		3,202,299	2,354,321

The accompanying policies and explanatory notes on pages 7 through 61 form an integral part of these consolidated financial statements.

GSD Holding Anonim Şirketi**CONSOLIDATED INCOME STATEMENT****For the year ended December 31, 2006**

(Currency –Thousands of YTL)

	Notes	2006	2005
Sales (net)		1,054,312	1,124,173
Cost of sales (-)		(1,054,463)	(1,124,145)
Service income	27	33,861	27,793
Cost of service (-)	27	(3,492)	(3,328)
Interest income	27	298,869	201,018
Interest expense (-)	27	(182,844)	(111,205)
Provision for impairment of loans and advances, factoring receivables and minimum lease payments receivables	27	(18,866)	(9,422)
Foreign exchange gains/(losses), net		6,273	3,935
Trading income, net		7,405	5,374
Other operating (expense) / income, net		2,698	(580)
Gross Operating Income		143,753	113,613
Operating expenses	28	(99,335)	(83,075)
Net Operating Income		44,418	30,538
Other income	29	16	3,124
Other expense	29	(1,531)	(1,787)
Profit before income tax and monetary loss		42,903	31,875
Loss on net monetary position		-	(3,733)
Income tax expense	21	(12,450)	(8,052)
Net profit before minority interest		30,453	20,090
Net profit attributable to minority interest		6,196	3,466
Net profit attributable to equity holders of the parent		24,257	16,624
Earnings per share (in full YTL per share with a nominal value of full YTL 1)	30	0.141	0.207

The accompanying policies and explanatory notes on pages 7 through 61 form an integral part of these consolidated financial statements.

GSD Holding Anonim Şirketi
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2006
(Currency -Thousands of YTL)

Attributable to equity holders of the parent											
	Notes	Share Capital	Treasury Shares	Adjustment to share capital due to inflation accounting	Share premium	Fair value reserve	Translation Reserve	Retained earnings	Total	Minority Interests	Total equity
At January 1, 2005		80,000	-	90,403	4,401	16	(244)	9,423	183,999	46,635	230,634
Treasury shares	24	-	(3,968)	-	-	-	-	-	(3,968)	-	(3,968)
Share capital increase		40,000	-	(17)	233	-	-	-	40,216	-	40,216
Unrealized gain on available for sale securities		-	-	-	-	129	-	-	129	42	171
Contributions of the minority to the share capital increases of subsidiaries		-	-	-	-	-	-	-	-	4,285	4,285
Effect of the changes in minority's share percentages in subsidiaries		-	-	-	-	-	-	-	-	(65)	(65)
- in income statement		-	-	-	-	-	(2)	-	(2)	2	-
- in changes in equity		-	-	-	-	-	24	-	24	8	32
Currency translation differences		-	-	-	-	-	-	(1,114)	(1,114)	-	(1,114)
Dividends paid		-	-	-	-	-	-	16,624	16,624	3,466	20,090
Net profit for the year		-	-	-	-	-	-	-	-	-	-
At December 31, 2005		120,000	(3,968)	90,386	4,634	145	(222)	24,933	235,908	54,373	290,281
At January 1, 2006		120,000	(3,968)	90,386	4,634	145	(222)	24,933	235,908	54,373	290,281
Treasury shares	24	-	(3,707)	-	-	-	-	-	(3,707)	-	(3,707)
Share capital increase		80,000	-	-	(35)	-	-	-	79,965	-	79,965
Unrealized gain on available for sale securities		-	-	-	-	481	-	-	481	156	637
Contributions of the minority to the share capital increases of subsidiaries		-	-	-	-	-	-	-	-	37,880	37,880
Effect of the changes in minority's share percentages in subsidiaries		-	-	-	-	-	-	-	-	6	6
- in income statement		-	-	-	-	-	-	-	-	-	-
- in changes in equity		-	-	-	-	-	-	-	-	-	-
Currency translation differences		-	-	-	-	-	122	-	122	39	161
Net profit for the year		-	-	-	-	-	-	24,257	24,257	6,196	30,453
At December 31, 2006		200,000	(7,675)	90,386	4,599	626	(100)	49,190	337,026	98,650	435,676

The accompanying policies and explanatory notes on pages 7 through 61 form an integral part of these consolidated financial statements.

GSD Holding Anonim Şirketi

CONSOLIDATED CASH FLOW STATEMENT
For the year ended December 31, 2006
(Currency – Thousands of YTL)

	Notes	2006	2005
Cash flows from operating activities			
Interest received		283,595	195,046
Interest paid		(172,286)	(102,081)
Income from service rendered		33,861	27,793
Cost of service rendered		(3,492)	(3,328)
Trading income		7,466	5,222
Recoveries of loans previously written off in prior years		3,705	766
Cash payments related to employee benefits and similar items		(92,770)	(74,295)
Cash received from other operating activities		948	1,388
Cash paid for other operating activities		(1,996)	(2,158)
Income taxes paid		(1,909)	(3,637)
Cash flows from operating activities before changes in operating assets and liabilities		57,122	44,716
Changes in operating assets and liabilities			
Net increase in trading securities		(21,090)	(59,827)
Net decrease in banks and other financial institutions		-	6,820
Net (increase) / decrease in reserve deposits at Central Bank		67,617	(101,103)
Net (increase) in loans and advances		(431,140)	(459,276)
Net (increase) / decrease in factoring receivables		(38,669)	2,038
Net (increase) in minimum lease payments receivable		(7,807)	(10,471)
Net (increase) / decrease in other assets and trade receivables		(7,179)	1,162
Net increase in deposits from other banks		88,046	22,113
Net increase in customers' deposits		222,159	284,413
Net increase in payables due to money market transactions		111,213	38,170
Net increase in factoring payables		1,236	139
Net increase / (decrease) in other liabilities		(10,134)	26,701
Net cash provided by/ (used in) operating activities		31,374	(204,405)
Cash flows from investing activities			
Purchases of available for sale securities	6	(145,114)	(11,227)
Proceeds from sale and redemption of available for sale securities	6	10,937	283
Purchases of property held for sale	10	(7,334)	(674)
Proceeds from sale of property held for sale		3,279	744
Purchases of property and equipment	11	(3,603)	(2,298)
Proceeds from the sale of property and equipment		172	1,825
Purchases of intangible assets	12	(727)	(172)
Net cash used in investing activities		(142,390)	(11,519)
Cash flows from financing activities			
Proceeds from funds borrowed		723,600	470,573
Repayments of funds borrowed		(452,696)	(327,799)
Share capital increase		79,965	40,216
Dividends paid to minority shareholders by subsidiaries		-	-
Dividends paid to shareholders		-	(1,114)
Contribution to share capital increase of subsidiaries by minority shareholders		37,880	4,285
Net cash provided by financing activities		388,749	186,161
Foreign exchange gain / (loss) and monetary loss on cash and cash equivalents		11,835	1,394
Net increase in cash and cash equivalents		289,568	(28,369)
Cash and cash equivalents at beginning of year		230,791	259,160
Cash and cash equivalents at end of year		520,359	230,791

The accompanying policies and explanatory notes on pages 7 through 61 form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

General

GSD Holding Anonim Şirketi (“the Company”) was established in Istanbul in 1986. The Company is a holding entity; investing in companies in different sectors, realizing the establishment and participating in the management of those companies.

The registered office address of the Company is Aydınevler Mah. İnönü Cad. Gökçe Sok. GSD Binası No: 14, 34854 Maltepe, İstanbul, Turkey. The Company’s shares are quoted on the Istanbul Stock Exchange since November 11, 1999.

The consolidated financial statements of the Company are authorized for issue by the management on April 27, 2007. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

Shares of two consolidated subsidiaries, namely Tekstil Bankası A.Ş. and Tekstil Finansal Kiralama A.Ş. are quoted on the Istanbul Stock Exchange with public ownership of 24.50% (2005- 24.57%) and 45,54% (2005-45,54%), respectively.

As of December 31, 2006 and 2005, the composition of shareholders and their respective % of ownership can be summarized as follows:

	2006		2005	
	YTL	Percentage of ownership (%)	YTL	Percentage of ownership (%)
Publicly owned	160,202	80.100	97,748	81.457
M. Turgut Yılmaz	30,475	15.238	16,658	13.882
GSD Yatırım Bankası A.Ş. (GSD Bank)	6,735	3.367	4,041	3.367
GSD Dış Ticaret A.Ş. (GSD Dış Ticaret)	1,889	0.945	1,005	0.837
GSD Eğitim Vakfı (GSD Vakfı)	699	0.350	548	0.457
Total (nominal)	200,000	100.000	120,000	100.000
Restatement effect of inflation accounting	90,386		90,386	
Total (nominal plus restatement effect)	290,386		210,386	

1. CORPORATE INFORMATION (continued)

Nature of Activities of the Company and the Consolidated Group Companies

For the purposes of the consolidated financial statements, the Company and its consolidated subsidiaries are referred to as “the Group”.

The subsidiaries included in consolidation and effective ownership percentages of the Group at December 31, 2006 and 2005 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding and Voting Rights (%)	
			2006	2005
Tekstil Bankası A.Ş. (*)	Turkey	Banking	75.50	75.43
GSD Yatırım Bankası A.Ş. (**)	Turkey	Banking	100.00	100.00
GSD Dış Ticaret A.Ş.	Turkey	Intermediary Foreign Trade	100.00	100.00
Tekstil Finansal Kiralama A.Ş. The Euro Textile Bank Offshore Limited (ETB)	Turkey	Financial Leasing	54.45	54.45
(*)	Cyprus	Banking	75.50	75.43
Tekstil Menkul Değerler A.Ş. (*)	Turkey	Brokerage Firm	75.48	75.42
GSD International Limited	Isle of Man/England	Investment	100.00	100.00
Tekstil Factoring Hizmetleri A.Ş.	Turkey	Factoring	89.08	89.08

(*) As a result of the contribution of the Company to the share capital increase of Tekstil Bankası A.Ş at more than the existing share percentage of the Company in 2006, the Company’s direct and indirect shareholding percentages in Tekstil Bankası A.Ş, ETB and Tekstil Menkul Değerler A.Ş have increased. The paid-in capital of Tekstil Bankası A.Ş. has been increased through cash injection by a nominal amount of YTL 155,000 from YTL 145,000 to YTL 300,000 with a share premium of YTL 83 between May 3, 2006 and May 26, 2006 based on the decision dated on February 27, 2006 of the General Assembly of Tekstil Bankası A.Ş.

(**) The paid-in capital of GSD Yatırım Bankası A.Ş. has been increased from YTL 15,000 to YTL 25,000 by a nominal amount of YTL 10,000, YTL 950 of which was through cash injection and YTL 4,050 and YTL 5,000 of which was through the addition of undistributed profits and share capital inflation adjustments, respectively, to share capital by means of free shares, based on the decision dated on October 27, 2006 of the General Assembly of GSD Yatırım Bankası A.Ş.

1. CORPORATE INFORMATION (continued)

The subsidiaries which are not included in consolidation and the ownership percentages of the Group in those subsidiaries as of December 31, 2006 and 2005 are as follows:

Subsidiaries	Place of Incorporation	Principal Activities	Effective Shareholding and Voting Rights (%)	
			2006	2005
Tekstil Bilişim Hizmetleri A.Ş. (*)	Turkey	IT	75.48	75.42
GSD Eğitim Vakfı	Turkey	Foundation	100.00	100.00
GSD Sigorta Aracılık Hizmetleri A.Ş.	Turkey	Insurance	90.89	90.89

(*) As a result of the contribution of the Company to the share capital increase of Tekstil Bankası A.Ş at more than the existing share percentage of the Company in 2006, the Company's indirect shareholding percentage in Tekstil Bilişim Hizmetleri A.Ş. have increased.

The Company owns more than 50% of the voting rights of above subsidiaries. These subsidiaries are not consolidated and carried at cost net of provision for impairment, if any, and classified in the "unquoted equity instruments" caption in the consolidated financial statements since the volume of transactions of the companies are limited and total asset, revenue and off balance sheet items of those subsidiaries are immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standard Board (IASB). The consolidated financial statements have been prepared on an historical cost convention except for the measurement at fair value of derivative financial instruments, trading securities, available-for-sale financial assets and financial assets at fair value through profit or loss.

The Company and its subsidiaries which were incorporated in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Banking Law, Financial Leasing Law, Turkish Commercial Code and Tax Legislation. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their functional currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements are based on statutory financial statements of the Company and its subsidiaries and presented in accordance with IFRS in YTL with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise effects of restatement for the changes in the general purchasing power of YTL, accounting for deferred taxation and employee benefits obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies

Comparative Financial Information

The Group has made certain reclassifications in the consolidated financial statements as of December 31, 2005 to be consistent with the current year presentation. Major reclassifications as at 31 December 2005 are as follows:

Domestic factoring payables amounting to YTL 7,614 has been netted off against factoring receivables.

YTL 396 representing invoiced lease receivables, net has been reclassified from trade receivables, net to minimum lease payments receivable, net.

YTL 21,131 representing investment property has been reclassified as property held for sale.

YTL 903 representing provision for the impairment of property held for sale (previously classified as investment property) and YTL 152 representing loss on sale of property held for sale (previously classified as investment property) has been reclassified from operating expenses at the amount of YTL 754 and monetary loss, net at the amount of YTL 301 to other expense.

2.3 Functional and Presentation Currency

Functional Currency for the Company and Its Subsidiaries Incorporated in Turkey:

As a result of a long period of high inflation, the Turkish Lira (TL) has ended up in large denominations, creating difficulty in expressing and recording transactions. A new law was enacted in January 31, 2004 to introduce Yeni Türk Lirası (New Turkish Lira, YTL), as the new currency unit for the Republic of Turkey effective January 1, 2005. The conversion rate for TL against YTL is fixed at YTL 1 to TL 1,000,000 (full) through out the period of one year until complete phase-out of TL. Effective from January 1, 2005, the Group's functional and presentation currency is YTL and consolidated financial statements including comparative figures for the prior periods are presented in thousands of YTL.

The restatement for the changes in the general purchasing power of YTL as of December 31, 2005 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms.

Determining whether an economy is hyperinflationary in accordance with IAS 29 requires judgment as the standard does not establish an absolute rate, instead it considers the following characteristics of the economic environment of a country to be the strong indicators of the existence of hyperinflation: (a) the general population prefers to keep its wealth in non monetary assets or in a relatively stable currency; amounts of local currency held are immediately invested to maintain purchasing power, (b) the general population regards monetary amounts not in terms of local currency but in terms of a relatively stable currency; prices may be quoted in that currency, (c) sales and purchases on credit

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short, (d) interest rates, wages and prices are linked to a price index and (e) the cumulative inflation rate over three years is approaching, or exceeds 100%.

IAS 29 describes characteristics that may indicate that an economy is hyperinflationary. However, it concludes that it is a matter of judgment when restatement of financial statements becomes necessary. After experiencing hyperinflation in Turkey for many years, as a result of the new economic program, which was launched in late 2001, the three-year cumulative inflation rate dropped below 100% in October 2004. As at 31 December 2006, the three-year cumulative rate has been 32.8% (2005 - 35.6%) based on the Wholesale Price Index published by the Turkish Statistical Institution (previously, State Institute of Statistics (SIS)). Based on these considerations, restatement pursuant to IAS 29 has been applied until 31 December 2005 and Turkey ceased to be hyperinflationary effective from 1 January 2006.

Index and conversion factors as of the end of the three year period ended December 31, 2005 are given below:

<i>Dates</i>	<i>Index</i>	<i>Conversion Factors</i>
December 31, 2002	6,478.8	1.3316
December 31, 2003	7,382.1	1.1687
December 31, 2004	8,403.8	1.0266
December 31, 2005	8,627.3	1.0000

The main guidelines for the above mentioned restatement as of December 31, 2005 are as follows:

- the figures in the consolidated statement of changes in equity as of January 1, 2005 which were previously reported in terms of the measuring unit current at December 31, 2004 are restated to the measuring unit current at December 31, 2005.
- monetary assets and liabilities reported in the consolidated balance sheet as of December 31, 2005 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.
- the inflation adjusted share capital was derived by indexing cash contributions, dividends reinvested, transfers from statutory retained earnings and income from sale of equity investments and property transferred to share capital from the date they were contributed.
- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity are restated by applying the relevant conversion factors.
- the effect of general inflation on the net monetary position is included in the consolidated income statement as loss on net monetary position.
- all items in the consolidated income statement are restated by applying appropriate average conversion factors with the exception of depreciation, amortization, gain or loss on disposal of non-monetary assets, which have been calculated based on the restated gross book values and accumulated depreciation/amortization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Group could realize or settle the same values of assets and liabilities as indicated in the consolidated balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

The key assumptions concerning the future and other key sources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the financial statements are discussed in the relevant sections of this note below.

Functional Currencies of Foreign Subsidiaries

	Local Currency	Functional Currency
GSD International Ltd.	GBP	YTL
The Euro Textile Bank Offshore Ltd. (ETB)	YTL	US Dollar

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, as at December 31 each year.

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies so as to benefit from its activities. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, and unrealized gains on intra-group transactions are eliminated; unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively, except where the minority shareholders, who are nominee shareholders, do not exercise their minority rights.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Foreign currency translation rates used by the Group as of respective year-ends are as follows:

Date	YTL/ EURO (full)	YTL/ US DOLLAR (full)
December 31, 2004	1.8268	1.3421
December 31, 2005	1.5478	1.3083
December 31, 2006	1.8515	1.4056

The assets and liabilities of foreign subsidiary, ETB, are translated at the rate of exchange ruling at the balance sheet date. The income statement items are translated at the year-end exchange rates, which are considered as a proxy to translate such income statement amounts at average exchange rates for the year. Differences resulting from the translation of equity accounts of ETB from USD to YTL after removing the inflation effect during the years of inflation adjustment are taken to equity as a translation gain/ (loss).

On disposal of a foreign entity, accumulated exchange differences kept in equity are recognized in the income statement as a component of the gain or loss on disposal.

Offsetting Financial Instruments

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

Inventories

Inventories are carried from the lower of the cost and net realizable value, less provision for obsolete items.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows

	<i>Years</i>
Buildings	50
Office equipment, furniture and fixtures	3- 10
Motor vehicles	5
Leasehold improvements	Lease term, not less than 5 years

Expenses for repairs and maintenance are charged to expenses as incurred.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of the fair value less costs to sell and value in use. Impairment losses are recognized in the consolidated income statement.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognized.

Intangible Assets

Intangible assets acquired separately from a business are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The Group amortizes intangible assets with a finite life on a straight-line basis over the estimated useful life of 3-15 years. There are no intangible assets with indefinite useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property held for sale

A property is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A property is not depreciated and stated at the lower of its carrying amount and fair value less costs to sell while it is classified as held for sale or while it is a part of a disposal group classified as held for sale.

A property that ceases to be classified as held for sale or ceases to be included in a disposal group classified as held for sale is measured at the lower of its carrying amount before the property or disposal group was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the property or disposal group not been classified as held for sale, and its recoverable amount at the date of subsequent decision not to sell.

Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset , but has assumed an obligation to pay them in full without material delay to a third party under a ‘ pass-through’ arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group does not have any assets where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognized to the extent of the Group’s continuing involvement in the asset.

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Investments and Other Financial Assets

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments, not at fair value through profit or loss, directly attributable transaction costs except unquoted equity instruments which are carried at cost and unquoted borrowing securities which are carried at amortized cost. The Group determines the classification of its financial assets at initial recognition.

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 Group. 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 i.e. for assets carried at cost or amortized cost, change in value is not recognized; for assets classified as trading or as available for sale, the change in value is recognized through profit or loss and in equity, respectively.

The Group classifies its financial assets in the following categories:

(i) *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in this category. 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 in which a pattern of short term profit taking exists. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All trading securities are initially recognized at their fair values at the acquisition date

After initial recognition, trading securities are re-measured at fair value based on quoted bid prices. All related income and loss for fair value accounting is recognized in the consolidated income statement.

Interest earned on trading securities is recorded as interest income. Dividends received are included in dividend income.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned on such loans and receivables is reported as interest income.

(iii) Available for sale financial assets

Available for sale financial assets are those which are not classified in any of the two categories mentioned above. All available for sale securities are initially recognized at cost at the acquisition date, being the fair value of the consideration given and including acquisition charges associated with the available for sale securities and subsequently they are measured at fair value. For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment, if any.

Gains or losses on re-measurement to fair value are recognized in equity until it is sold.

Interest earned on available for sale investments is recorded as interest income. Dividends received and foreign exchange gains / (losses) are included in dividend income and foreign exchange gain/ (loss) accounts in the income statement.

Repurchase and Resale Transactions

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in other money market placements. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for either financial assets at fair value through profit or loss or financial assets available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The difference between the sale and repurchase considerations is recognized on an accrual basis using effective interest rate over the period of the transaction and is included in interest income.

Impairment of Financial Assets

a) Assets carried at amortized cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- (c) the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties;
or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - (i) adverse changes in the payment status of borrowers; or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated income statement. Impairment and uncollectibility are measured and recognized individually for receivables that are individually significant and on a portfolio basis for a group of similar receivables that are not individually identified as impaired.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A write off is made when all or part of a receivable is deemed uncollectible or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the principle amount of a receivable. Recoveries of receivables written off in earlier period are included in income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The amount of the reversal should not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

c) Available-for-sale financial assets

If an available- for- sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Finance leases (the Group as lessor)

The Group presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

Finance leases (the Group as lessee)

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Operating leases (the Group as lessee)

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental expense over the lease term on a straight-line basis. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Income Taxes

Tax expense (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by at the balance sheet date.

Deferred Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized at fair value on the date which a derivative contract is entered into and subsequently re-measured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in the consolidated income statement.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Fiduciary Assets

Assets held by the Group in a fiduciary agency or custodian capacity for its customers are not included in the balance sheet, since such items are not treated as assets of the Group.

Trade Receivables

Trade receivables are recognized at original invoice amount and carried at amortized cost less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the full amount is no longer probable. Bad debts are written off when judicial decisions or insolvency documents regarding the default of the customer have been obtained.

Interest-bearing Deposits and Funds Borrowed

All deposits and borrowings are initially recognized at fair value of consideration received less directly attributable transaction costs. After initial recognition, all interest bearing deposits and borrowings are subsequently measured at amortized cost using effective yield method. Amortized cost is calculated by taking into account any discount or premium on settlement. Gain or loss is recognized in the consolidated income statement when the liability is derecognized as well as through amortization process.

Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred.

Treasury Shares

Own equity instruments which are owned by the subsidiaries are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, issue, sale or cancellation of the Company's own equity instruments.

Employee Benefits

The Group has both defined benefit and defined contribution plans as described below:

(a) *Defined Benefit Plans:*

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

In the accompanying consolidated financial statements, the Group has reflected a liability calculated using actuarial method and discounted by using the current market yield at the balance sheet date on government bonds, in accordance with IAS 19- revised "*Employee Benefits*".

The principal actuarial assumptions used at 31 December are as follows;

	<u>2006</u>	<u>2005</u>
	<u>%</u>	<u>%</u>
Discount rate	11	12
Expected rate of salary/limit increase	5	6.2

Actuarial gains and losses are recognized in the consolidated income statement in the period they occur.

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. The ceiling amount at 31 December 2006 is YTL 1.857; (2005: YTL 1.727.) The liability is not funded, as there is no funding requirement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Defined Contribution Plans:*

For defined contribution plans the Group pays contributions to publicly administered social security Funds on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Provisions, Contingent Liabilities and Assets

(i) *Provisions*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

(ii) *Contingent Liabilities and Assets*

Contingent liabilities are not recognized in the financial statements but disclosed in the notes if the possibility of any outflow is low. Contingent assets are not included in financial statements but explained in notes if an inflow of economic benefits is probable.

Income and Expense Recognition

Interest income and expense are recognized in the consolidated income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income recognition is suspended when loans are overdue by more than 90 days and is excluded from interest income until received at group banks.

Fee and commission income arising on financial services provided, including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services is recognized when the corresponding service is provided. Certain commissions, such as those deriving from letters of guarantee and other banking services are also usually recognized as income when received.

Net gain on trading and investment securities includes gains and losses arising from disposals and changes in the fair value of financial assets at fair value through profit or loss and financial assets available-for-sale.

Financial leases consist of leases of vehicles and various equipments, including industrial machinery and office equipment. The excess of aggregate lease rentals plus the residual value over the cost of the leased asset constitutes the unearned lease income to be taken into income over the term of the lease and produce a constant periodic rate of return on the net cash investment remaining in each lease.

The Group restructures the payment terms on some of the lease contracts cancelled due to customers' inability to repay on a timely basis. Interest income from revision of lease contracts reflects the additional fees and charges arising from delayed payments of the customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Factoring commission income represents the upfront charge to the customer to cover the service given and the collection expenses incurred. Factoring commission is accounted for on accrual basis.

Sales revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue from rendering services is recognized by reference to the stage of completion when it can be measured reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Earnings per Share

Basic earnings per share (EPS) amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Increase of the number of shares due to share capital increase made from internal resources in the period or at the end of the period is taking into consideration of the calculation of weighted average number of the shares from the beginning of the period.

Subsequent Events

Subsequent events (retrospective restatement to correct an error) which have material effect on the financial statements of the Group are reflected on the consolidated financial statements. Other subsequent events are explained in the notes if material.

Related Party

A party is related to an entity if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the entity that gives it significant influence over the entity; or
 - (iii) has joint control over the entity;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venturer
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these financial statements:

- *IFRS 7 Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements*: Capital Disclosures require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Company's 2007 financial statements, will require additional disclosures with respect to Company's financial instruments and share capital.
- *IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Company's 2007 financial statements, is not expected to have any impact on the financial statements.
- *IFRIC 8 Scope of IFRS 2 Share-based Payment* addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Company's 2007 financial statements, with retrospective application required. IFRIC 8 is not expected to have any impact on the financial statements.
- *IFRIC 9 Reassessment of Embedded Derivatives* requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Company's 2007 financial statements, is not expected to have any impact on the financial statements.
- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Company's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Company first applied the measurement criteria of IAS 36 and IAS 39 respectively (i.e., 1 January 2004). The adoption of IFRIC 10 will not have any impact on the financial statements.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. The Group made segment reporting according to business segments.

3. SEGMENT INFORMATION

The Group conducts the majority of its business activities in the following business segments. As the Group conducts the majority of its business activities in Turkey, no geographical segment report is prepared.

Year ended December 31, 2006:

	Banking	Leasing	Factoring	Foreign Trade	Holding	Eliminations	Group
Sales (net)	-	-	-	1,054,312	-	-	1,054,312
Cost of sales (-)	-	-	-	(1,054,463)	-	-	(1,054,463)
Service income less cost of service	29,604	-	-	943	-	(178)	30,369
Interest income/expense, net	92,513	5,077	12,328	5,231	876	-	116,025
Provision for impairment of loans and advances, factoring receivables and minimum lease payments	(18,631)	(176)	(59)	-	-	-	(18,866)
Foreign exchange gain/(loss), net	6,105	2,255	(747)	2	(1,825)	483	6,273
Trading income, net	7,466	-	-	(61)	-	-	7,405
Other operating (expense)/income, net	2,716	108	414	(451)	1,261	(1,350)	2,698
Gross operating income	119,773	7,264	11,936	5,513	312	(1,045)	143,753
Operating expenses (-)	(87,246)	(3,271)	(4,150)	(3,172)	(3,024)	1,528	(99,335)
Net operating income	32,527	3,993	7,786	2,341	(2,712)	483	44,418
Other income	-	-	-	7	9	-	16
Other expense	(1,446)	(79)	-	(1)	(5)	-	(1,531)
Net profit before income tax and monetary loss	31,081	3,914	7,786	2,347	(2,708)	483	42,903
Monetary loss, net	-	-	-	-	-	-	-
Income tax	(10,658)	-	(1,792)	-	-	-	(12,450)
Minority interest	(3,815)	(1,776)	(655)	-	-	50	(6,196)
Net profit	16,608	2,138	5,339	2,347	(2,708)	533	24,257
Total assets	2,891,618	51,180	109,030	217,923	2,100	(69,552)	3,202,299
Total liabilities	2,511,493	24,255	77,696	204,854	18,439	(70,114)	2,766,623
Other segment information							
Capital expenditures	4,315	5	31	17	7	-	4,375
Depreciation	(4,511)	(70)	(118)	(139)	(93)	-	(4,931)
Amortization	(617)	(23)	(15)	-	(3)	-	(658)
Impairment (losses)/reversals recognized in income statement	(18,631)	(176)	(59)	(104)	-	-	(18,970)

3. SEGMENT INFORMATION (continued)

Year ended December 31, 2005:

	Banking	Leasing	Factoring	Foreign Trade	Holding	Eliminations	Group
Sales (net)	-	-	-	1,124,173	-	-	1,124,173
Cost of sales (-)	-	-	-	(1,124,145)	-	-	(1,124,145)
Service income less cost of service	22,846	-	-	1,676	-	(57)	24,465
Interest income/expense, net	70,823	4,506	9,946	5,214	(676)	-	89,813
Provision for impairment of loans and advances, factoring receivables and minimum lease payments	(9,352)	64	(134)	-	-	-	(9,422)
Foreign exchange gain/(loss), net	4,515	(264)	241	-	(466)	(91)	3,935
Trading income, net	5,222	-	-	152	-	-	5,374
Other operating (expense)/income, net	200	(197)	(184)	(108)	1,991	(2,282)	(580)
Gross operating income	94,254	4,109	9,869	6,962	849	(2,430)	113,613
Operating expenses (-)	(72,120)	(3,052)	(3,615)	(3,169)	(3,458)	2,339	(83,075)
Net operating income	22,134	1,057	6,254	3,793	(2,609)	(91)	30,538
Other income	2,152	488	430	37	17	-	3,124
Other expense	(1,514)	-	(273)	-	-	-	(1,787)
Net profit before income tax and monetary loss	22,772	1,545	6,411	3,830	(2,592)	(91)	31,875
Monetary loss, net	(3,014)	(474)	(597)	(864)	1,162	54	(3,733)
Income tax	(5,905)	-	(2,059)	(88)	-	-	(8,052)
Minority interest	(2,548)	(495)	(410)	-	-	(13)	(3,466)
Net profit	11,305	576	3,345	2,878	(1,430)	(50)	16,624
Total assets	2,076,587	42,444	77,220	222,752	40,691	(105,373)	2,354,321
Total liabilities	1,871,022	19,433	51,880	211,017	16,140	(105,452)	2,064,040
Other segment information							
Capital expenditures	2,619	29	294	84	118	-	3,144
Depreciation	(4,740)	(62)	(197)	(162)	(107)	-	(5,268)
Amortisation	(1,317)	(34)	(29)	(57)	(4)	-	(1,441)
Impairment (losses)/reversals recognized in income statement	(8,267)	64	(134)	-	-	-	(8,337)

4. CASH AND CASH EQUIVALENTS AND RESERVE DEPOSITS

	2006	2005
Cash on hand	14,323	12,273
Balances with the Central Bank	105,292	95,752
Cash and balances with the Central Bank	119,615	108,025
Deposits with other banks and financial institutions	400,867	70,900
Other money market placements	-	52,039
Cash and cash equivalents in the balance sheet	520,482	230,964
Less: Time deposits with original maturities of more than three months	-	-
Less: Income accrual	(123)	(173)
Cash and cash equivalents in the cash flow statement	520,359	230,791

As of December 31, 2006 and 2005, the amounts and interest range of deposits and placements are as follows:

	Amount		Effective Interest rate (%)		Amount		Effective Interest rate (%)	
	YTL	FC	YTL	FC	YTL	FC	YTL	FC
Cash on hand	5,6	8,6	-	-	5,678	6,595	-	-
Balances with the Central Bank	51,70	53,58	14.02	1.20-2.42	74	95,678	10.25	1.09 - 2.03
Deposits with other banks and financial institutions	12,59	388,27	18.00-20.50	1.62-5.45	2,583	68,317	17.5-14.25	2.53 - 4.65
Interbank placements	-	-	-	-	52,039	-	14.45	-
Cash and Cash Equivalents	69,9	450,52	-	-	60,374	170,590	-	-
Reserve Deposits	52	105,486	13.12-14.02	1.46-2.52	103,851	68,625	10.25	1.09 - 2.03

Reserve deposits represent the minimum cash reserve maintained with the Central Bank of Turkey (the Central Bank), as required by the Turkish Banking Law, calculated on the basis of customer deposits taken at the rates determined by the Central Bank. At 31 December 2006, reserve deposit rates for YTL and foreign currency deposits are 6% and 11% (2005: 6% and 11%), respectively. These reserve deposit rates are applicable to both time and demand deposits.

5. TRADING SECURITIES

	2006		2005	
	Amount	Effective interest rate (%)	Amount	Effective interest rate (%)
Debt instruments				
Turkish government bonds (YTL)	152,350	17.23-23.48	134,725	13.61- 19.79
Turkish treasury bills (YTL)	5,003	20.50-22.16	5,705	14.48 - 17.76
Eurobonds issued by Turkish government (FC)	3,498	4.44-7.36	3,050	3.28 - 7.28
Turkish government bonds (FC)	29,099	6.20-6.21	26,805	5.29 - 6.25
	189,950		170,285	
Other				
Common stocks	311	-	372	-
Investment funds	-	-	-	-
	311		372	
Total	190,261		170,657	

YTL 104,233 (2005: YTL 84,554) of trading securities have floating interest rates and the rest have fixed rates.

Market value of trading securities pledged under repurchase agreements and related liabilities are as follows:

	2006	2005
Debt securities subject to repurchase transactions	153,871	96,229
Related liability - other money market deposits	141,987	87,401

Repurchase agreements mature within one month.

6. AVAILABLE FOR SALE SECURITIES

	2006		2005	
	Amount	Effective interest rate (%)	Amount	Effective interest rate (%)
Debt instruments				
Turkish government bonds (YTL)	110,561	20.94-23.48	10,465	14.79
Turkish treasury bills (YTL)	11,561	20.50	-	-
Eurobonds issued by Turkish government (FC)	273	7.35	256	7.28
Turkish corporate bonds (FC)	29,320	8.08-11.37	-	-
Total	151,715		10,721	

6. AVAILABLE FOR SALE SECURITIES (continued)

YTL 139,881 (2005: YTL 10,465) of available for sale debt securities have floating interest rates and the rest have fixed rates.

Carrying value of available for sale debt securities pledged under repurchase agreements and related liabilities are:

	2006	2005
Available for sale debt securities subject to repo transactions	99,407	10,465
Related liability - other money market deposits	88,423	9,612

Repurchase agreements mature within one month.

The movement in debt instruments of available for sale securities (including loaned securities) is summarized as follows:

	2006	2005
At January 1	10,721	547
Additions	145,114	11,227
Disposals (sale and redemption)	(14,550)	(283)
Gain/(loss)	10,430	(471)
Monetary gain/(loss)	-	(299)
At December 31	151,715	10,721

As of December 31, 2006, the carrying value and the nominal amounts of the government securities comprising some trading and available for sale securities including securities subject to repo transactions kept at the Central Bank and at Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Istanbul Stock Exchange Clearing and Custody Incorporation) for legal requirements and as a guarantee for stock exchange and money market operations are YTL 54,247 and YTL 53,855 respectively. (2005 – YTL 70,280 and YTL 69,541).

7. LOANS AND ADVANCES

	2006					
	Amount			Effective interest rate (%)		
	New Turkish Lira	Foreign Currency	Foreign Currency Indexed	New Turkish Lira	Foreign Currency	Foreign Currency Indexed
Corporate loans	865,578	366,610	456,067	14.10-37.50	4.06-10.30	4.04-10.69
Consumer loans	46,013	-	2,429	13.35-31.37	-	5.15-9.90
Credit cards	32,271	404	-	67.56	29.76	-
Total	943,862	367,014	458,496			
Loans in arrears	21,381	1,195				
Less: Allowance for Impairment on loans and advances	(20,102)	(999)				
Total, net	945,141	367,210	458,496			

7. LOANS AND ADVANCES (continued)

	2005					
	Amount			Effective interest rate (%)		
	New Turkish Lira	Foreign Currency	Foreign Currency Indexed	New Turkish Lira	Foreign Currency	Foreign Currency Indexed
Corporate loans	550,844	367,525	341,082	14.70- 31.10	4.00 – 9.03	5.00 - 9.00
Loans to Turkish Treasury	-	-	39,200	-	-	13.98
Consumer loans	8,112	-	1,425	12.84 - 27.60	-	7.20 - 9.48
Credit cards	31,141	308	-	63.00	30.00	-
Total	590,097	367,833	381,707			
Loans in arrears	24,699	-				
Less: Allowance for impairment on loans and advances	(13,701)	-				
Total, net	601,095	367,833	381,707			

Loans and advances with variable interest rates amount to YTL 633.819 (2005: YTL 309,001) and the rest have fixed rates.

As of 31 December 2005, loans to Turkish Treasury include floating rate foreign currency indexed bonds directly purchased from Turkish Treasury amounting to YTL 39,200 that are not quoted in an active market and with maturities up to one year.

Carrying value of debt instruments pledged under repurchase agreements and related liabilities are:

	2006	2005
Debt securities subject to repurchase transactions	-	37,210
Related liability - other money market deposits	-	36,903

As of December 31, 2006, the collaterals obtained by the Group from certain of its credit customers for cash and non-cash credits amount to YTL 858,915 (2005: YTL 406,850) which consist of mortgages, letters of guarantee, guarantee notes and checks.

Movements in allowance for impairment:

	2006	2005
Allowance at beginning of year	13,701	7,905
Recoveries	(1,200)	(401)
Impairment allowance	19,831	9,753
Provision net of recoveries	18,631	9,352
Loans written off during the year	(11,231)	(3,351)
Monetary gain	-	(205)

Allowance at end of year	21,101	13,701
7. LOANS AND ADVANCES (continued)		

As of December 31, 2006, non-performing loans and advances on which interest is not being accrued, or where interest is suspended amounted to YTL 22,576 (2005: YTL 24,699).

The portfolio reserve amounting to YTL 8,473 (2005: YTL 5,706) for impairment is provided based on past experience, management's assessments of the current economic conditions, the quality and inherent risk in the credit portfolio of the Group. It is included in the total allowance presented in table above.

8. MINIMUM LEASE PAYMENTS RECEIVABLE, NET

	2006	2005
Invoiced lease receivables	1,472	943
Not later than 1 year	34,130	28,383
Later than 1 year but not later than 5 years	24,626	21,927
Minimum lease payments receivable (MLPR), gross	60,228	51,253
Less: Unearned interest income	(7,437)	(6,269)
Less: Allowance for doubtful MLPR	(1,290)	(1,332)
Less: Allowance for doubtful invoiced lease receivables	(765)	(547)
Minimum lease payments receivable, net	50,736	43,105

Net investment in finance leases are analyzed as follows:

	2006	2005
Invoiced lease receivables	707	396
Not later than 1 year	27,784	23,018
Later than 1 year but not later than 5 years	22,245	19,691
Minimum lease payments receivable, net	50,736	43,105

As of December 31, 2006 and 2005, financial lease contracts have fixed interest rates. As of December 2006 the average effective interest rates are 10.27% for US\$, 8.76% for Euro and 23.20% for YTL denominated lease receivables (2005: 10.23% for US\$, 8.50% for Euro and 22.45% for YTL).

8. MINIMUM LEASE PAYMENTS RECEIVABLE (continued)

Movement in the allowance for doubtful MLPR is as follows:

	2006	2005
Provision at the beginning of year	1,332	1,433
Allowance for doubtful lease receivables	211	15
Recoveries	(253)	(79)
Provision net of recoveries	(42)	(64)
Monetary gain	-	(37)
Provision at the end of year	1,290	1,332

Movement in the allowance for doubtful invoiced lease receivables is as follows:

	2006	2005
Provision at the beginning of year	547	562
Allowance for doubtful lease receivables	224	-
Recoveries	(6)	-
Provision net of recoveries	218	-
Monetary gain	-	(15)
Provision at the end of year	765	547

As of December 31, 2006, the collaterals obtained by the Group from certain lease customers in relation to minimum lease payments receivable amount to YTL 219,080 (2005: YTL 163,354) which consist of mortgages, letters of guarantee, guarantee notes and checks.

9. FACTORING RECEIVABLES AND PAYABLES

	2006			
	Amount		Effective interest rate (%)	
	YTL	Foreign Currency	YTL	Foreign Currency
Factoring receivables	99,842	8,583	18.00-35.00	6.00-10.00
Doubtful factoring receivables	1,262	-		
Total factoring receivables	101,104	8,583		
Less: Provision for doubtful factoring receivables	(1,262)	-		
Factoring receivables, net	99,842	8,583		
Factoring payables	-	(1,977)	-	-
Funds in use, net	99,842	6,606		

9. FACTORING RECEIVABLES AND PAYABLES (continued)

	2005			
	Amount		Effective interest rate (%)	
	YTL	Foreign Currency	YTL	Foreign Currency
Factoring receivables	67,527	2,288	16.45 - 32.00	6.00 - 7.50
Doubtful factoring receivables	1,215	-		
Total factoring receivables	68,742	2,288		
Less: Reserve for doubtful factoring receivables	(1,215)	-		
Factoring receivables, net	67,527	2,288		
Factoring payables	-	(741)	-	-
Funds in use, net	67,527	1,547		

Movement in the reserve for doubtful factoring receivables:

	2006	2005
Reserve at the beginning of year	1,215	1,110
Recoveries	(131)	(146)
Provision for doubtful factoring receivables	190	280
Provision net of recoveries	59	134
Factoring receivables written off during the year	(12)	-
Monetary gain	-	(29)
Reserve at the end of year	1,262	1,215

10. PROPERTY HELD FOR SALE

	2006	2005
Cost	27,191	28,859
Accumulated depreciation	-	-
Impairment	(3,350)	(7,728)
	23,841	21,131

The impairment amounting YTL 3,350 (2005: YTL 7,728) represents the difference between the unamortized cost and the fair value less costs to sell based on an independent expertise report.

Properties held for sale comprise property that are acquired from defaulted loan customers and will be mainly realized through sale rather than through continuing use.

	2006	2005
Opening balance at January 1	21,131	22,715
Additions	7,334	674
Disposals	(4,624)	(1,191)
Depreciation charge for the year	-	-
Provision for impairment	-	(1,067)
Closing balance at December 31	23,841	21,131

As of December 31, 2006 YTL 16,570 of the properties held for sale is carried at their fair values based on an independent expertise report (2005: YTL 16,570).

11. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Office Equipment	Leasehold Improvements	Motor Vehicles	Total
At January 1, 2006, net of accumulated depreciation and impairment	66,809	3,227	2,446	1,559	74,041
Additions	194	2,309	714	386	3,603
Disposals, net	-	(64)	-	(208)	(272)
Transfers from intangibles	-	(6)	43	6	43
Reversal of impairment	-	-	-	-	-
Depreciation charge for the year	(1,482)	(1,748)	(1,328)	(373)	(4,931)
At December 31, 2006, net of accumulated depreciation and impairment	65,521	3,718	1,875	1,370	72,484
At December 31, 2006					
Cost	75,995	54,718	7,115	3,011	140,839
Accumulated depreciation	(10,474)	(51,000)	(5,240)	(1,641)	(68,355)
Net carrying amount	65,521	3,718	1,875	1,370	72,484

11. PROPERTY AND EQUIPMENT (continued)

	Land and Buildings	Furniture and Office Equipment	Leasehold Improvements	Motor Vehicles	Total
At January 1, 2005, net of accumulated depreciation and impairment	66,272	4,263	3,201	2,770	76,506
Additions	-	1,109	485	704	2,298
Disposals, net	-	(24)	(74)	(1,594)	(1,692)
Transfers from intangibles	-	-	45	-	45
Reversal of impairment	2,152	-	-	-	2,152
Depreciation charge for the year	(1,615)	(2,121)	(1,211)	(321)	(5,268)
At December 31, 2005, net of accumulated depreciation and impairment	66,809	3,227	2,446	1,559	74,041
At December 31, 2005					
Cost	75,800	52,658	6,130	2,741	137,329
Accumulated depreciation	(8,991)	(49,431)	(3,684)	(1,182)	(63,288)
		-			
Net carrying amount	66,809	3,227	2,446	1,559	74,041

The Group reversed the impairment amount of the head office building of the Tekstilbank during the year 2005, taking consideration of the asset's value in use and the expected cash inflows that are largely independent of the cash inflows from other assets

The movement in the impairment provision is as follows:

	2006	2005
At January 1	-	2,152
(Reversal of) / Provision for impairment	-	(2,152)
At December 31	-	-

12. INTANGIBLE ASSETS

December 31, 2006	Patents and Licenses
At January 1, 2006 net of accumulated amortization	1,143
Additions	727
Disposals	-
Transfers to property and equipment	(43)
Amortization charge for the year	(658)
At December 31, 2006 net of accumulated amortization	1,169
At December 31, 2006	
Cost	16,696
Accumulated amortization	(15,527)
Net carrying amount	1,169

Software and licenses are being amortized over their economic useful lives of 5 years.

December 31, 2005	Patents and Licenses
At January 1, 2005 net of accumulated amortization	2,457
Additions	172
Disposals	-
Transfers to property and equipment	(45)
Amortization charge for the year	(1,441)
At December 31, 2005 net of accumulated amortization	1,143
At December 31, 2005	
Cost	16,267
Accumulated amortization	(15,124)
Net carrying amount	1,143

13. INVENTORIES

As of December 31, 2005, the inventory amounts consist of the fabric stocks of GSD Diş Ticaret A.Ş.

14. TRADE RECEIVABLES, NET

	2006	2005
Export good receivables	180,183	162,558
Other	142	219
Less: Provision for doubtful trade receivables	(1,019)	(916)
Total, net	179,306	161,861

Movement in the provision for doubtful trade receivables:

	2006	2005
Reserve at the beginning of year	916	940
Provision for doubtful receivables	121	-
Recoveries	(17)	-
Provision net of recoveries	104	-
Trade receivables written off during the year	(1)	-
Monetary gain	-	(24)
Reserve at the end of year	1,019	916

15. OTHER RECEIVABLES

	2006	2005
Value added tax receivable	8,317	24,557
Other	-	11
Total	8,317	24,568

16. OTHER ASSETS

	2006	2005
Collaterals given	8,174	113
Value added tax deductible	1,283	1,165
Prepaid expenses	1,078	584
Advances given	763	1,193
Office supply inventory	476	572
Payments to member companies for credit cards	159	176
Payments on behalf of investment funds	152	1,004
Prepaid income tax	46	381
Assets to be leased	-	332
Other	1,474	1,126
Total	13,605	6,646

17. DEPOSITS

a) Deposits from other banks

	2006				2005			
	Amount		Effective Interest rate (%)		Amount		Effective Interest rate (%)	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
Demand	7	3	-	-	116	-	-	-
Time	111,018	21,275	19.82-21.08	5.70	15,840	28,301	15.94-17.81	4.03
Total	111,025	21,278			15,956	28,301		

b) Customers' deposits

	2006				2005			
	Amount		Effective interest rate		Amount		Effective interest rate	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
Saving								
Demand	10,708	29,547	-	-	14,309	45,007	-	-
Time	330,773	404,813	19.68-20.88	2.02-6.69	220,650	307,521	12.18-20.30	1.51-5.52
Total	341,481	434,360			234,959	352,528		
Commercial and other								
Demand	55,295	61,619	-	-	68,229	76,857	-	-
Time	91,867	353,111	14.36-23.62	3.29-6.22	216,730	165,920	12.18-20.30	1.51-5.52
Total	147,162	414,730			284,959	242,777		
Total	488,643	849,090			519,918	595,305		

Included in customer accounts were deposits of YTL 104,601 (2005: YTL 73,808) held as collateral for cash and non-cash loans.

17. DEPOSITS (continued)

c) Other money market deposits

	2006				2005			
	Amount		Effective interest rate		Amount		Effective interest rate	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
Obligations under repurchase agreements:								
- Due to customers	3,937	-	19.09-20.28	-	3,806	-	13.75-14.75	-
- Due to banks	226,473	-	17.96-20.28	-	130,110	-	14.25-15.65	-
Total	230,410	-	-	-	133,916	-	-	-
Interbank deposits	52,228	-	17.28-20.47	-	37,509	-	15.94-17.30	-
Total	52,228	-	-	-	37,509	-	-	-
Total	282,638	-	-	-	171,425	-	-	-

Deposits have fixed interest rates.

18. FUNDS BORROWED

	2006				2005			
	Amount		Effective interest rate		Amount		Effective interest rate	
	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency
Short term								
Fixed interest	88,211	155,453	10.25-19.75	3.77- 7.05	82,279	112,086	5.8-20.00	2.97-6.51
Floating interest	-	202,881	-	5.96	-	240,491	-	4.38
Medium/long term								
Fixed interest	-	87,219	-	3.68-7.70	-	45,572	-	3.7- 6.75
Floating interest	-	228,251	-	3.38-6.16	-	476	-	2.72-2.80
Total	88,211	673,804			82,279	398,625		

Repayment schedule of medium/long term borrowings are as follows:

	2006		2005	
	Fixed rate	Floating rate	Fixed rate	Floating rate
Less than 1 year	44,113	320	17,840	-
Less than 2 year	42,684	227,853	27,732	273
Less than 3 year	422	78	-	136
Less than 4 year	-	-	-	67
	87,219	228,251	45,572	476

19. TRADE PAYABLES

	2006	2005
Export trade payables	189,059	184,199
Payables to leased asset suppliers	3,057	2,490
Other trade payables	455	665
Total	192,571	187,354

Long term Euro denominated payables to leased asset suppliers have an effective interest rate of 4.96% p.a. (2005: effective interest rates varying between 4.96% and 8.87 p.a.)

20. OTHER LIABILITIES AND PROVISIONS

	2006	2005
Other Liabilities		
Transfer orders	26,488	46,093
Taxes and funds payable other than on income	7,596	5,034
Letter of credit payables	431	264
Other payables and accrued expenses	2,278	971
Other	3,733	3,035
Total	40,526	55,397

	2006	2005
Provisions		
Employee benefits obligation	3,827	3,746
Employee unused paid vacation obligation	2,469	1,574
Total	6,296	5,320

Employee Benefits Obligation

In accordance with existing social legislation, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of YTL 1,857 (full) and YTL 1,727 (full) at December 31, 2006 and 2005, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination.

20. OTHER LIABILITIES AND PROVISIONS (continued)

The annual ceiling has been increased to YTL 1,961 (full) effective from January 1, 2007.

The movement in provision for employee termination benefits obligation is as follows:

	2006	2005
At January 1	3,746	3,335
Interest cost	412	250
Paid during the year	(482)	(471)
Increase during the year	151	718
Monetary gain	-	(86)
At December 31	3,827	3,746

The movement in provision for employee unused paid vacation obligation is as follows:

	2006	2005
At January 1	1,574	-
Increase during the year	895	1,574
Monetary gain	-	-
At December 31	2,469	1,574

International Accounting Standard No 19 (IAS 19) requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. Accordingly, the following actuarial assumptions were used in the calculation of the following liability:

	2006	2005
Discount rate	11	12
Expected rates of salary/limit increases	5	6.175

Actuarial gains / losses arising from changes in discount rates and expected rates of salary / limit increases and other demographic assumptions are recognized in the income statement in the period they occur.

21. INCOME TAXES

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey and other countries in which the Group operate. In Turkey, the corporation tax rate for the fiscal year ended December 31, 2006 is 20% (2005: 30%). Corporate tax returns are required to be filed within the first twenty-five days of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2005 - 30%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

As of December 31, 2006, the breakdown of the corporate tax losses in terms of their final years of utilization is as follows.

Expiry years of the tax losses carried forward	2006	2005
2006	-	73,933
2007	5,751	5,751
2008	981	981
2009	8,860	8,860
2010	9,920	12,677
2011	4,137	-
	29,649	102,202

Effective from April 24, 2003, investment allowances provide a deduction from the corporate tax base of 40% of the cost of the purchases or production of the new fixed assets subject to depreciation and exceeding YTL 10,000 (2005: YTL 10,000) and directly related with the production of goods and services. Investment allowance that arose prior to April 24, 2003 is subject to 19.8% withholding tax unless they are converted to the new application at the will of companies. All investment allowances can be carried forward with indexed amounts.

As of December 31, 2006 and 2005 the Group has following unused investment allowances:

Expiry years of investment allowances	2006		2005	
	19.8% withholding tax	0% withholding tax	19.8% withholding tax	0% withholding tax
2008	57,375	25,381	53,352	24,498
Total	57,375	25,381	53,352	24,498

With respect to the new legislation effective from January 1, 2006, these unused investment allowances can be used until December 31, 2008 and investment allowances ceased to apply to the new investments to be made beginning from January 1, 2006, but continued to apply to the investments started before January 1, 2006. The Group has not recognized any deferred tax asset on those investment allowances.

21. INCOME TAXES (continued)

15% withholding tax applies to dividends distributed by resident corporations to resident or non-resident real persons, those who are not liable to or exempt from income and corporation tax, non-resident corporations (excluding those that acquire dividend through a registered office or permanent representative in Turkey) Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Major components of income tax expense for the years ended December 31, 2006 and 2005 are:

	2006	2005
Consolidated income statement		
Current income tax		
Current income tax charge	2,878	2,751
Deferred income tax		
Relating to origination and reversal of temporary differences	9,572	5,301
Income tax expense per consolidated income statement	12,450	8,052

Deferred income tax as of December 31, 2006 and 2005 is as follows:

	2006	2005
Deferred tax liabilities		
Valuation and depreciation differences of premises and equipment and restatement effect	-	436
Other	-	512
Gross deferred income tax liabilities	-	948
Deferred income tax assets		
Deferred tax on tax loss carry forward	-	10,900
Reserve for loan losses	1,096	1,901
Unused paid vacation liability	452	472
Retirement pay liability	696	1,054
Credit card bonus liability	73	-
Derivative financial instruments	1,503	-
Other	-	13
Gross deferred income tax assets	3,820	14,340
Deferred income tax asset / (liability), net	3,820	13,392

21. INCOME TAXES (continued)

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

	2006	2005
Deferred tax asset, net at January 1	13,392	19,189
Deferred income tax recognized in income statement	(9,572)	(5,301)
Monetary loss	-	(496)
Deferred tax asset, net at December 31	3,820	13,392

A reconciliation between income tax expense calculated by multiplying the net profit/(loss) from operating activities before income tax and minority interest and after monetary loss with the applicable income tax rate and the income tax expense in the consolidated income statement of the Group is as follows.

	2006	2005
Profit before income tax and minority interest and after monetary loss	42,903	28,142
Corporate tax at applicable rate of 20% (2005: 30%)	(8,581)	(8,442)
Effect of reduction in tax rate	(1,005)	(94)
Effect of different corporate tax rates	45	(615)
Effect of non-deductible expenses	(709)	(605)
Effect of non-taxable income	136	440
Effect of share capital increase expenses recognised in equity	102	58
Effect of loss on sale of subsidiary	-	2,823
Effect of profit/(loss) on sale of property held for sale	751	131
Effect of reversal of impairment on buildings	-	629
Effect of provision for impairment on property held for sale	-	(320)
Effect of utilization of investment allowances	-	764
Reversal of tax asset on tax loss carry forwards	(10,900)	(5,900)
Effect of utilization of tax loss carry forwards on which no deferred tax asset was recognized previously	7,121	5,951
Effect of reversal of opening deferred tax (asset)/liability, net	888	-
Effect of recognition of deferred tax asset/(liability) on opening tax base, net	37	-
Effect of unrecognized deferred tax asset over the current year tax loss	(827)	(3,803)
Effect of unrecognized deferred tax (asset)/liability on some income or expense items and other	492	931
Income tax expense in the consolidated income statement	(12,450)	(8,052)

Prepaid income taxes are netted off against the corporate income taxes payable as follows:

	2006	2005
Corporate income taxes payable	2,878	2,751
Prepaid income taxes	(1,777)	(2,284)
Income taxes payable, net	1,101	467

22. DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures and options.

The table below shows the favorable (assets) and unfavorable (liabilities) fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk. For all the derivatives mentioned below the underlying is foreign currency.

2006								
	Fair value assets	Fair value liabilities	Notional amount in YTL equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years
Derivatives held for trading								
Forward purchase contract	127	8,438	176,283	46,851	98,055	26,919	4,458	-
Forward sale contract	1,009	35	(185,867)	(46,721)	(107,740)	(26,657)	(4,749)	-
Currency swap purchase	2	-	121,688	121,688	-	-	-	-
Currency swap sale	6	175	(121,917)	(121,917)	-	-	-	-
Options purchase contract	-	-	-	-	-	-	-	-
Options sale contract	-	-	-	-	-	-	-	-
	1,144	8,648	(9,813)	(99)	(9,685)	262	(291)	-
2005								
	Fair value assets	Fair value liabilities	Notional amount in YTL equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years
Derivatives held for trading								
Forward purchase contract	19	1,502	126,323	69,776	23,622	-	32,925	-
Forward sale contract	1,133	60	(123,497)	(65,876)	(24,491)	-	(33,130)	-
Currency swap purchase	30	28	132,167	132,167	-	-	-	-
Currency swap sale	673	51	(130,986)	(130,986)	-	-	-	-
Options purchase contract	-	132	35,653	33,056	2,597	-	-	-
Options sale contract	4	-	(35,653)	(33,056)	(2,597)	-	-	-
	1,859	1,773	4,007	5,081	(869)	-	(205)	-

23. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these consolidated financial statements, unconsolidated subsidiaries and other companies of the shareholders are referred to as related parties. Related parties also include individuals that are principle owners, management and members of the Board of Directors and their families.

In the course of conducting its business, the Group conducted various business transactions with related parties on commercial terms and at rates which approximate market rates:

	2006			2005		
	Other related parties	Shareholders	Directors' interests	Other related parties	Shareholders	Directors' interests
Cash loans	-	15	4	8,084	33	306
Non-cash loans	3,147	101	73	3,308	82	-
Finance lease receivables	-	-	-	280	-	76
Deposits	348	4,047	-	202	18,727	-
Interest income	185	-	-	514	6	-
Interest expense	66	-	1	338	94	-
Other income	47	-	-	113	1	-
Other expense	139	940	-	760	-	-

In the year 2006, the executive and non-executive members of the Board of Directors and management received remuneration and fees totaling YTL 6,380 (2005: 5,066 YTL).

24. SHARE CAPITAL / TREASURY SHARES

The issued capital of the Company has been increased by means of a rights issue with a nominal amount of YTL 80,000 from YTL 120,000 to YTL 200,000 and a share premium of YTL 478 between March 21, 2006 and April 20, 2006 based on the decision dated January 20, 2006 of the Board of Directors of the Company.

As of December 31, 2006 and 2005, the nominal values and number of shares of the issued capital of the Company are as follows in terms of share groups:

Share group	2006			2005		
	Total number of shares	Nominal value per share (full YTL)	Total nominal value (full YTL)	Total number of shares	Nominal value per share (full YTL)	Total nominal value (full YTL)
A (registered shares)	31,424	0.01	314.24	18,854	0.01	188.54
B (registered shares)	31,424	0.01	314.24	18,854	0.01	188.54
C (registered shares)	31,424	0.01	314.24	18,854	0.01	188.54
D (bearer shares)	19,999,905,728	0.01	199,999,057.28	11,999,943,438	0.01	119,999,434.38
Total	20,000,000,000		200,000,000.00	12,000,000,000		120,000,000.00

24. SHARE CAPITAL / TREASURY SHARES (continued)

As of December 31, 2006 and 2005, the carrying and nominal values and ownership percentages of the treasury shares, which consist of the shares of Company that are owned by GSD Dış Ticaret A.Ş and GSD Yatırım Bankası A.Ş., are as follows:

The owner of the treasury shares	2006			2005		
	Carrying value	Nominal value	Percentage of ownership	Carrying value	Nominal value	Percentage of ownership
GSD Yatırım Bankası A.Ş.	5,880	6,735	%3.367	3,186	4,041	%3.367
GSD Dış Ticaret A.Ş.	1,795	1,889	%0.945	782	1,005	%0.837
Total	7,675	8,624	%4.312	3,968	5,046	%4.204

Privileges

(A) group shares can only be transferred to (B) group shares and (B) group shares can only be transferred to (A) group shares.

(A) and (B) group shares cannot be transferred to the same group, neither to (C) & (D) group nor to the third parties.

The Company's board of directors consist of 9 members which are selected by the general assembly according to Turkish Commercial Code. 5 members of the board of directors are selected from the candidates of (A) group shareholders, 2 members from the candidates of (B) group shareholders and 2 members from the candidates of (C) group shareholders by the general assembly.

Auditors are selected from the candidates proposed by (A) group shareholders. The re-election of the auditors is possible.

The cancellation of privileges given to (A) group shareholders is possible only with a quorum for meeting and decision of 51% of the (A) group shareholders, the quorum for decision being independent from the numbers of shareholders who attend to assembly.

The cancellation of privileges given to (B) group shareholders is possible only with a quorum for meeting and decision of 51% of the (B) group shareholders, the quorum for decision being independent of the numbers of shareholders who attend to assembly.

The cancellation of privileges given to (C) group shareholders is possible only with a quorum for meeting and decision of 51% of the (C) group shareholders, the quorum for decision being independent of the numbers of shareholders who attend to assembly.

25. LEGAL AND OTHER RESERVES AND RETAINED EARNINGS

The Company's statutory retained earnings consist of the ordinary reserves and the first and second legal reserves.

Publicly held companies make their dividend appropriation in accordance with CMB regulations and Turkish Commercial code as follows:

The legal reserves consist of the first and the second legal reserves in accordance with the Turkish Commercial Code. 5% of statutory profits are appropriated as the first legal reserve until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

26. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including:

	2006	2005
Letters of Guarantee	1,137,524	1,003,016
Letters of Credit	279,778	235,749
Acceptance Credits	20,313	34,254
Pre-financing given as Guarantee	1,679	3,742
Other Guarantees	64,180	51,065
Total Non Cash Loans	1,503,474	1,327,826
Other Commitments	71,266	63,045
Credit Card Limit Commitments	161,715	128,972
	1,736,455	1,519,843

Litigation

A customer has sued Tekstil Bankası A.Ş in 1998 with the claim that his deposit has been withdrawn from his account with false documents. The amount is 1,299,213 Australian Dollars (equivalent to YTL 1,244). The trial is still in progress and no provision has been made, as professional advice indicates that it is unlikely that any loss will arise.

A lawsuit was filed against the Company and a third party, by Hit Hazır Giyim İmalat ve Ticaret A.Ş. to determine that some D group shares of GSD Holding A.Ş. with a nominal value of YTL 14, claimed to be belonging to a third party, were actually belonging to Hit Hazır Giyim İmalat ve Ticaret A.Ş., the plaintiff demanded from the Company to prevent the conflict between the two parties and to ensure the delivery to the claimant of the shares which are under the custody of Takasbank. The case is rejected and the Group is waiting for the court decision to become definite.

26. COMMITMENTS AND CONTINGENCIES (continued)

Fiduciary Activities

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements.

The Group manages 4 investment funds (2005-4) which were established under the regulations of the Turkish Capital Market Board. In accordance with these regulations and the charters of the funds, the Group purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

As of December 31, 2006, the Group had investment custody accounts amounting to YTL 90,739 (2005: YTL 79,014)

27. OPERATING INCOME

Sales and cost of sales included in operating income consist of the intermediary export sales and domestic fabric sales and cost of these sales.

a) Service Income and Cost of Service

	2006	2005
Fees and commission income	19,460	18,962
Income from banking services	10,127	6,702
Fund management fee	1,294	1,040
Swift income	902	864
Other	2,078	225
Service income	33,861	27,793
Fees and commission expense	(3,079)	(3,182)
Swift expense	(413)	(146)
Cost of service	(3,492)	(3,328)
Service income less cost of service	30,369	24,465

27. OPERATING INCOME (continued)

b) Interest Income/ (Expense)

	2006	2005
Interest Income		
Interest on loans and advances	229,455	146,132
Factoring interest income	23,149	14,582
Interest on securities	22,136	25,024
Interest on deposits with other banks and financial institutions	9,653	4,953
Interest income on lease contracts	6,459	5,062
Interest on other money market placements	577	-
Other interest income	7,440	5,265
Interest Income	298,869	201,018
Interest Expense		
Interest on deposits	(111,942)	(65,383)
Interest on funds borrowed	(47,737)	(26,923)
Interest on other money market deposits	(23,110)	(18,824)
Other interest expense	(55)	(75)
Interest Expense	(182,844)	(111,205)
Net Interest income	116,025	89,813

c) Provision for impairment of loans and advances, factoring receivables and minimum lease payments receivable (MLPR)

	2006	2005
(Reversal of) / Provision for loans and advances	18,631	9,352
(Reversal of) / Provision for MLPR	176	(64)
(Reversal of) / Provision for factoring receivables	59	134
Total	18,866	9,422

d) Other operating (expense) / income, net

	2006	2005
Recoveries of loans previously written off in prior years	3,705	766
Saving Deposit Insurance Fund premium expense	(1,547)	(1,229)
Finance expense other than interest expense and exchange gain/(loss) on borrowings	(440)	(402)
Reversal of provision for employee termination benefits obligation	466	-
Reversal of / (provision) for doubtful trade receivables	(104)	-
Other income/(expense), net	618	285
Total	2,698	(580)

28. OPERATING EXPENSES

	2006	2005
Personnel expenses	58,683	47,605
Communication, electricity and maintenance expense	9,039	8,310
Rent expense	7,971	5,544
Amortization and depreciation	5,589	7,164
Taxes paid other than on income	2,636	1,781
Advertising expense	2,280	2,394
Subsidiary's share capital increase expenses	791	143
Other expenses	12,346	10,134
Total	99,335	83,075

Staff Costs

	2006	2005
Wages and salaries	44,035	35,278
Other fringe benefits	2,020	3,824
Unused paid vacation liability	895	1,574
Retirement pay liability	547	497
Bonuses	1,566	942
Cost of defined contribution plan	6,586	5,161
Other	3,034	329
Total	58,683	47,605

29. OTHER INCOME/ (EXPENSE)

Other Income

	2006	2005
Gain on sale other fixed assets	7	179
Reversal of provisions	-	184
Recovery of impairment of property and equipment	-	2,152
Other income	9	609
Total	16	3,124

Other Expense

	2006	2005
Loss on sale of fixed assets	1,452	447
Other	79	273
Provision for impairment of investment property	-	1,067
Total	1,531	1,787

30. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year adjusted, for “Bonus Shares” when they are issued to shareholders without any consideration as explained below, subsequent to the date of financial statements, but before their authorization.

In Turkey, companies can increase their share capital by making a prorata distribution of shares (“Bonus Shares”) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and restatement differences. For the purpose of the EPS calculation such Bonus Shares are regarded as stock dividends. Dividend payments made in the form of free shares are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares.

The following reflects the data used in the basic earnings per share computations:

	2006	2005
Net income	24,257	16,624
The weighted average number of shares with a nominal value of full YTL 1	172,416,329	80,468,074
Basic earnings per share with a nominal value of full YTL 1 (full YTL)	0.141	0.207

31. FINANCIAL RISK MANAGEMENT

Credit Risk

Financial instruments contain an element of risk that the counter parties of the Group may be unable to meet the terms of the agreements, totally or partially.

The Credit Evaluation and Monitoring Departments in the Group’s banks are responsible to manage the credit risk. The leasing company of the Group has a department which follows up the risk of the leasing receivables besides the credit risk monitoring department.

In Group banks, a rating system related with the follow-up of the credit risk on company and group basis has been initiated, and the top management is informed regularly about the company and group risks.

The credibility of the debtors of the Group Banks is assessed periodically 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”.

There are control limits on forward transaction agreements and for those instruments the credit risk is assessed together with the other potential risks derived from the market fluctuations.

In forward transactions, the fulfillment of rights and acts materialize at maturity. However, in order to minimize the risk, the risk is closed by purchasing the reverse position from the market if necessary. For credit transactions carried out abroad, a structure considering the country risk and market conditions of the related countries exists; nevertheless, such risks do not exist in the portfolio. When the activities of the Group in the international banking market are assessed, the concentration of the international credit risk is considered to be low.

31. FINANCIAL RISK MANAGEMENT (continued)

The breakdown of cash and non-cash loans as to industrial groups is as follows

	2006		2005	
	Cash	Non-Cash	Cash	Non-Cash
Textile	186,441	93,973	154,919	121,549
Loans granted to Treasury	-	-	34,274	-
Finance	165,879	179,306	164,189	132,265
Construction	218,676	442,784	134,288	383,049
Food and Beverage	172,312	109,534	100,750	92,319
Foreign trade	52,090	52,011	36,153	52,047
Tourism	32,435	14,351	35,641	20,765
Service	78,733	37,467	74,251	53,147
Electronics	77,384	55,006	62,190	56,421
Main metal products and processed materials	41,105	15,751	34,791	7,179
Energy	76,730	69,754	79,147	76,770
Agriculture	27,410	33,185	41,962	24,801
Chemical Industry	68,000	26,366	60,138	30,557
Iron and steel industry	59,299	75,990	59,279	93,191
Automotive Industry	110,467	49,857	44,507	51,784
Production	81,111	89,873	58,873	64,986
Paper Production and Publishing	24,911	21,711	10,305	13,611
Other	187,735	136,555	95,074	47,077
Corporate loans	1,660,718	1,503,474	1,280,731	1,321,518
Consumer loans	81,117	-	40,460	6,308
Interest accruals (*)	27,537	-	18,446	-
Loans in arrears	22,576	-	24,699	-
Provision for possible loan losses	(21,101)	-	(13,701)	-
Total	1,770,847	1,503,474	1,350,635	1,327,826

(*) Including accumulated foreign exchange gain / (loss) on loans indexed to a foreign currency.

Liquidity Risk

Liquidity risk occurs when there is an insufficient amount of cash or cash inflows to meet the cash outflows in full and on time, resulting from the unstable cash inflows.

Liquidity risk may occur when positions cannot be closed on a timely basis with an appropriate price and sufficient amount due to unfavorable market conditions. In factoring companies, in order to mitigate the liquidity risk from the checks received, the Group attaches importance to the collectibility of checks.

In the Group banks, the liquidity position is evaluated on a daily basis. In weekly meetings of the Asset-Liability Committee, three month-period cash flow projections are reviewed and the extent of positions to be taken is decided accordingly. Alternative strategies that will be taken in case of lack of liquidity are assessed. The existing limits and limit gaps of the Group within Interbank, Istanbul Stock Exchange, Money Market and secondary markets are followed instantly. The maximum limits in the balance sheet of the Group related with the maturity risk are determined by the Board of Directors.

31. FINANCIAL RISK MANAGEMENT (continued)

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

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
As at December 31, 2006						
Assets						
Cash and balances with the Central Bank	119,615	-	-	-	-	119,615
Deposits with banks and other financial institutions	400,837	-	30	-	-	400,867
Other money market placements	-	-	-	-	-	-
Reserve deposits at the Central Bank	105,538	-	-	-	-	105,538
Trading securities	7,529	5,102	31,618	25,129	120,883	190,261
Available for sale securities	-	11,560	-	-	140,155	151,715
Originated loans and advances	358,219	458,795	487,433	319,519	146,881	1,770,847
Factoring receivables, net	43,647	54,446	10,332	-	-	108,425
Minimum lease payments receivable, net	3,301	5,920	6,914	12,356	22,245	50,736
Derivative financial instruments	245	318	479	102	-	1,144
Unquoted equity instruments	-	-	-	-	609	609
Property held for sale	-	-	-	-	23,841	23,841
Property and equipment, net	-	-	-	-	72,484	72,484
Intangible assets, net	-	-	-	-	1,169	1,169
Deferred tax asset	-	-	-	-	3,820	3,820
Other assets and trade receivables	13,856	185,490	137	1,681	64	201,228
Total assets	1,052,787	721,631	536,943	358,787	532,151	3,202,299
Liabilities						
Deposits from other banks	132,168	135	-	-	-	132,303
Customers' deposits	1,152,317	144,865	24,475	16,045	31	1,337,733
Other money market deposits	282,638	-	-	-	-	282,638
Funds borrowed	64,971	71,979	63,370	290,658	271,037	762,015
Factoring payables	1,140	837	-	-	-	1,977
Derivative financial instruments	365	7,645	411	227	-	8,648
Income taxes payable	-	1,101	-	-	6,296	7,397
Other liabilities, trade payables and provisions	40,886	190,020	666	1,820	520	233,912
Total liabilities	1,674,485	416,582	88,922	308,750	277,884	2,766,623
Net liquidity gap	(621,698)	305,049	448,021	50,037	254,267	435,676
As at December 31, 2005						
Total assets	786,966	582,903	416,051	232,320	336,081	2,354,321
Total liabilities	1,311,805	309,813	100,553	306,923	34,946	2,064,040
Net liquidity gap	(524,839)	273,090	315,498	(74,603)	301,135	290,281

31. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk

Foreign currency risk, which indicates the possibility that the Group will incur losses due to adverse movements between currencies, is managed by close monitoring of the top management and taking positions in accordance with approved limits.

Currency risk is followed on foreign currency/YTL and foreign currency/ foreign currency basis and different risk techniques, methods and instruments are used for each of them. The Group hedges the risk in foreign currency/ foreign currency position with spot/forward arbitrage and future transactions.

In the Group banks the share capital liability arising from foreign currency risk is calculated by considering all foreign currency assets and liabilities and derivative financial instruments of the Group. The net short and long positions in terms of YTL of each foreign currency are computed. The position with the greater absolute value is determined as the basis for share capital adequacy computation.

31. FINANCIAL RISK MANAGEMENT (continued)

The concentrations of assets, liabilities and off balance sheet items:

	YTL	US Dollars	Euro	Others	Total
As at December 31, 2006					
Assets					
Cash and balances with the Central Bank	57,360	57,507	4,488	260	119,615
Deposits with banks and other financial institutions	12,593	342,614	40,018	5,642	400,867
Other money market placements	-	-	-	-	-
Reserve deposits at the Central Bank	52	1,271	104,215	-	105,538
Trading securities	157,664	31,904	693	-	190,261
Available for sale securities	122,122	29,593	-	-	151,715
Loans and advances, net	945,141	544,248	274,617	6,841	1,770,847
Factoring receivables, net	99,842	1,136	4,239	3,208	108,425
Minimum lease payments receivable, net	8,359	18,839	23,538	-	50,736
Derivative financial instruments	1,134	10	-	-	1,144
Unquoted equity instruments	609	-	-	-	609
Property held for sale	23,841	-	-	-	23,841
Property and equipment, net	72,484	-	-	-	72,484
Intangible assets, net	1,169	-	-	-	1,169
Deferred tax asset	3,820	-	-	-	3,820
Other assets and trade receivables	192,293	2,860	5,792	283	201,228
Total assets	1,698,483	1,029,982	457,600	16,234	3,202,299
Liabilities					
Deposits from other banks	111,025	21,037	241	-	132,303
Customers' deposits	488,643	594,891	249,936	4,263	1,337,733
Other money market deposits	282,638	-	-	-	282,638
Funds borrowed	88,211	611,760	58,391	3,653	762,015
Factoring payables	-	-	837	1,140	1,977
Derivative financial instruments	8,648	-	-	-	8,648
Income taxes payable	7,397	-	-	-	7,397
Other liabilities, trade payables and provisions	209,792	7,454	15,988	678	233,912
Total liability	1,196,354	1,235,142	325,393	9,734	2,766,623
Net balance sheet position	502,129	(205,160)	132,207	6,500	435,676
Net off-balance sheet position	(78,481)	212,944	(138,331)	(5,945)	(9,813)
Net notional amount of derivatives	(78,481)	212,944	(138,331)	(5,945)	(9,813)
At December 31, 2005					
Total assets	1,291,886	678,102	381,818	2,515	2,354,321
Total liabilities	999,820	802,277	256,407	5,536	2,064,040
Net balance sheet position	292,066	(124,175)	125,411	(3,021)	290,281
Net off-balance sheet position	1,154	117,161	(118,005)	3,697	4,007

31. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the probability of loss due to changes in interest rates depending on the Group's position regarding the interest bearing financial instruments

Interest rate risk arises as a result of maturity mismatch on re-pricing of assets and liabilities, changes in the correlation between interest rates of different financial instruments and unexpected changes in the shape and slope of yield curves. Exposure to interest rate risk arises when there is a mismatch between rate sensitive assets and liabilities.

The Group handles the interest rate risk within the context of market risk and asset-liability management. The Group monitors the interest rates in the market on a daily basis and updates its interest rates when necessary.

31. FINANCIAL RISK MANAGEMENT (continued)

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the re-pricing date.

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Non interest bearing	Total
As at December 31, 2006							
Assets							
Cash and balances with the Central Bank	104,714	-	-	-	-	14,901	119,615
Deposits with banks and other financial institutions	394,702	-	30	-	-	6,135	400,867
Other money market placements	-	-	-	-	-	-	-
Reserve deposits at the Central Bank	105,538	-	-	-	-	-	105,538
Trading securities	56,488	45,663	46,018	25,129	16,652	311	190,261
Available for sale securities	56,405	95,035	-	-	275	-	151,715
Loans and advances, net	870,985	258,670	270,594	220,822	148,301	1,475	1,770,847
Factoring receivables, net	43,647	54,446	10,332	-	-	-	108,425
Minimum lease payments receivable, net	3,301	5,920	6,914	12,356	22,245	-	50,736
Derivative financial instruments	-	-	-	-	-	1,144	1,144
Unquoted equity instruments	-	-	-	-	-	609	609
Property held for sale	-	-	-	-	-	23,841	23,841
Property and equipment, net	-	-	-	-	-	72,484	72,484
Intangible assets, net	-	-	-	-	-	1,169	1,169
Deferred tax asset	-	-	-	-	-	3,820	3,820
Other assets and trade receivables	-	-	-	-	-	201,228	201,228
Total assets	1,635,780	459,734	333,888	258,307	187,473	327,117	3,202,299
Liabilities							
Deposits from other banks	132,292	-	-	-	-	11	132,303
Customers' deposits	995,148	144,865	24,475	16,045	31	157,169	1,337,733
Other money market deposits	282,638	-	-	-	-	-	282,638
Funds borrowed	486,652	71,979	63,370	93,171	46,843	-	762,015
Factoring payables	1,140	837	-	-	-	-	1,977
Derivative financial instruments	-	-	-	-	-	8,648	8,648
Income taxes payable	-	-	-	-	-	7,397	7,397
Other liabilities, trade payables and provisions	-	-	-	-	-	233,912	233,912
Total liability	1,897,870	217,681	87,845	109,216	46,874	407,137	2,766,623
Total interest sensitivity gap	(262,090)	242,053	246,043	149,091	140,599	(80,020)	435,676
At December 31, 2005							
Total assets	1,028,761	338,262	254,177	231,521	167,852	333,748	2,354,321
Total liabilities	1,292,481	126,684	103,473	62,077	28,155	451,170	2,064,040
Total interest sensitivity gap	(263,720)	211,578	150,704	169,444	139,697	(117,422)	290,281

31. FINANCIAL RISK MANAGEMENT (continued)

Market Risk

Market risk is the risk of loss from Group's on-off balance sheet items, caused by the volatility in interest rates, stock prices and foreign currency exchange rates.

The top management closely monitors the amount of market risk, to which the Group has been exposed or can be exposed with regards to its position. Therefore, Market Risk Committees are constituted in the Group's banks and the market risks are measured by employing the measurement models in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy of Banks " and reported to the top management.

Furthermore, the market risk is mitigated by determining the scope of buy/sell transactions, the instruments used in buy/sell transactions, the markets that buy/sell transactions are realized and the limits regarding the buy/sell transactions that can generate market risk in the Group's banks.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Below table gives a comparison of the Group's financial instruments that are not carried at fair values in the consolidated financial statements.

	Carrying amount		Fair value	
	2006	2005	2006	2005
Financial assets				
Loans and advances	1,770,847	1,350,635	1,766,195	1,351,709
MLPR	50,736	43,105	50,139	43,370
	1,821,583	1,393,740	1,816,334	1,395,079
Financial liabilities				
Customers' deposits	1,337,733	1,115,223	1,336,621	1,115,369
Funds borrowed	762,015	480,904	763,918	480,988
	2,099,748	1,596,127	2,100,539	1,596,357

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair values of the financial instruments:

- Fair values of certain financial assets and liabilities carried at cost or amortized cost, including cash and cash equivalents, balances with the Central Bank, deposits with banks and other financial institutions, other money market placements, factoring receivables and payables, demand deposits, and reserve deposits at the central bank, are considered to approximate their respective carrying values due to their short-term nature.
- Fair values of other financial instruments are determined by using estimation techniques that include taking reference to the current market value of another instrument with similar characteristics or by discounting the expected future cash flows at prevailing interest rates.

33. SUBSEQUENT EVENTS

On April 30, 2007 the Board of Directors of the Company resolved to offer to the General Assembly to be held on May 16, 2007 not to make any distribution from the net income for the year 2006 since as the net distributable profit of the Company does not exceed the %5 of the issued capital of the Company it has no requirement to make any profit distribution with regard to the regulations of Capital Markets Board of Turkey regarding profit distribution and the announced profit distribution policy of the Company is to capitalize the profits accumulated in retained reserves by means of share capital increases through bonus issues. According to the regulations of Capital Markets Board of Turkey, the net distributable profits of the companies preparing consolidated financial statements are calculated by taking into regard the amount of the current year net profit of a consolidated subsidiary included in the consolidation as much as the dividend decided to be distributed from its current year statutory net profit by its annual general assembly and shall not exceed the net distributable statutory profits of those companies arising from their separate financial statements prepared in accordance with Uniform Accounting System, Turkish Commercial Code and Tax Procedural Law.

On February 12, 2007 the Board of Directors of the Company resolved to make the necessary amendments to the articles of association of the Company regarding the YTL conversion, the dematerialization of the stock securities, entering into the status of financial holding company, those articles to be amended being the Article 4/final paragraph. the Objective and Subject, the Article 7. Authorized Capital, the Article 8. the Stock Securities, the Article 9. the Transfer of the Stock Securities, the Article 10. Issuing the Bonds and the Other Securities, the Article 11. the Board of Directors, the Article 12. the Duty Period of the Board of Directors, the Article 16. the Quorum for Meetings and Resolutions of the Board of Directors, the Article 18. the Statutory Auditors and Their Duties, the Article 20. the General Assembly and the Article 29. the Cancellation and Expiration of the Privileges.

On April 6, 2007 the Board of Directors of the Company decided the participation of the Company into each of the two corporate companies to be established under the titles of GSD Yatırım A.Ş. (whose title being changed later as GSD Plan Proje Etüd A.Ş.) and GSD Gayrimenkul Yatırım ve Geliştirme A.Ş. with share capitals of full YTL 50,000 each, the Company's shares in each of them being full YTL 49,000.