

2006 ANNUAL REPORT



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CORPORATE PROFILE

COMMITTED TO ITS PRINCIPLE OF CUSTOMER SATISFACTION, HALKBANK IS A LEADING BANK WITH HIGH TRANSACTION VOLUMES THAT DELIVERS HIGH-QUALITY SERVICE TO A BROAD CUSTOMER BASE.

HALKBANK SUPPLIES BANKING SERVICES CONSISTING OF A RICH ARRAY OF PRODUCTS AND FLEXIBLE SOLUTIONS TO 6 MILLION CORPORATE, COMMERCIAL, ENTREPRENEUR, AND RETAIL CUSTOMERS. IN ADDITION TO 553 NATIONAL BRANCHES THAT PROVIDE THE FOUNDATION FOR ITS MODERN APPROACH TO BANKING COMMUNICATION, HALKBANK IS ALSO THE CENTER OF AN EXTENSIVE SERVICE NETWORK OF ATM, INTERNET, TELEPHONE, TV, AND SMS DELIVERY CHANNELS.

HALKBANK SHAPES ITS VISION OF BEING THE REGION'S LEADING SME BANK WITH ITS PHILOSOPHY OF SUPPORTING TRADESMEN AND ARTISANS, THE REASON FOR WHICH IT WAS ORIGINALLY FOUNDED NEARLY 70 YEARS AGO. CONTINUING TO PLAY THIS ROLE ON AN EVER-INCREASING BASIS IS ONE OF THE BANK'S BASIC BUSINESS STRATEGIES.

A COMPREHENSIVE RESTRUCTURING PROGRAM CARRIED OUT IN THE LAST FEW YEARS HAS MADE HALKBANK MUCH MORE EFFECTIVE, DYNAMIC, AND CUSTOMER-FOCUSED TODAY THAN EVER. THE BANK WILL CONTINUE TO SUPPORT ALL ENTREPRENEURS THAT CREATE VALUE FOR THE NATIONAL ECONOMY AND TO NOURISH THE BANKING INDUSTRY AND CAPITAL MARKETS WITH AN INNOVATIVE AND SOUND PERCEPTION OF BUSINESS.



**HALKBANK:
A PRODUCTIVE
TURKEY'S BANK**



Total assets TRY 34,425 million

The Bank's total assets were up 28.19% year-on-year and reached TRY 34,425 million. During 2006 importance was given to improving the quality of the Bank's assets and to their productivity. The most important changes among asset items were observed in the cash, available-for-sale securities, and loans categories.

Shareholders' equity TRY 3,780 million

Halkbank has a high capital adequacy ratio of 31.95%. Despite cash dividends that it paid out, Halkbank's shareholders' equity increased 15% in the year to end-2006.

Net profit TRY 863 million

As a result of the importance it gave to improving the quality of its assets and to their productivity, Halkbank booked a year-end profit of TRY 863 million in 2006, 56% higher than that of the previous year.

HALKBANK'S CAPITAL STRUCTURE

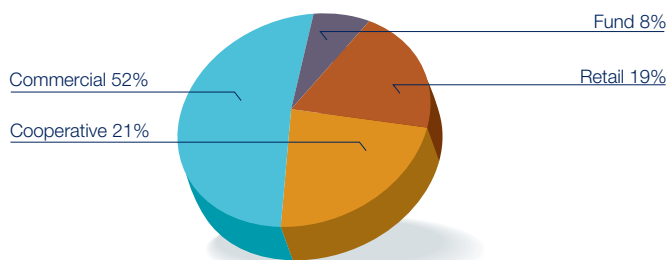
Halkbank's paid-in capital is TRY 1,250,000,000, 99.999996207% of originally belonged to the Undersecretariat of Treasury. Under Privatization High Council resolution 2007/8 dated 5 February 2007, which was passed after judgment 2006/4258 dated 29 November 2006 of the 13th chamber of the Council of State had countermanded Privatization High Council resolution 2006/69 dated 11 August 2006, the shares corresponding to the Treasury's stake were transferred to the Privatization Administration. The remaining 0.000003793 of the Bank's capital belongs to other shareholders.

The Bank's ultimate controlling shareholder is the Privatization Administration, Prime Ministry, Republic of Turkey.

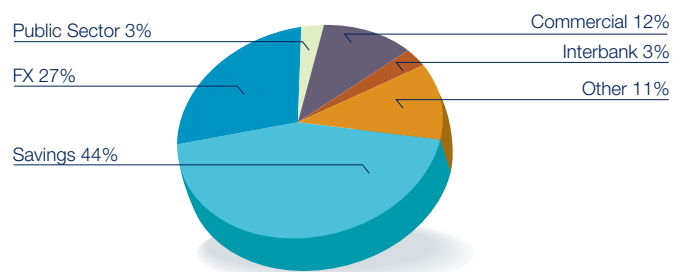
Neither the chairman nor any member of the Board of Directors, nor any statutory auditor, nor any deputy general manager is a shareholder in the Bank.

Shareholder	Number of Shares	Capital Commitment (TRY)	Share (%)	Paid-in Capital (TRY)	Unpaid Capital (TRY)
Privatization Administration	1	1,249,999,952.58	99.999996207	1,249,999,952.58	-
Banks	5	1.51	0.000000121	1.51	-
Chambers of Commerce	12	0.21	0.000000017	0.21	-
Cooperatives of Craftsmen	143	1.72	0.000000138	1.72	-
Local City Authorities	67	9.39	0.000000751	9.39	-
Municipalities	980	18.69	0.000001495	18.69	-
Individuals and Corporates	14,465	15.90	0.000001272	15.90	-
TOTAL	15,673	1,250,000,000.00	100.000000000	1,250,000,000.00	-

BREAKDOWN OF LOANS



BREAKDOWN OF DEPOSITS



FINANCIAL HIGHLIGHTS

KEY INDICATORS (TRY million)	2006	2005	Change %
Total Assets	34,425	26,854	28.2
Total Loans	11,646	6,330	84.0
Total Deposits	27,188	21,113	28.8
Shareholders' Equity	3,780	3,299	14.6
Pretax Profit	1,117	801	39.5
Net Profit	863	554	55.8

(USD million)

Total Assets	24,415	20,055	21.7
Total Loans	8,260	4,727	74.7
Total Deposits	19,282	15,768	22.2
Shareholders' Equity	2,681	2,464	8.8
Pretax Profit	792	598	32.4
Net Profit	612	414	47.8

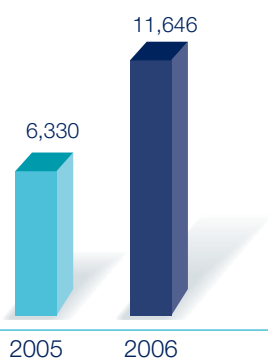
(%)

Interest Bearing Assets/Total Assets	96	96
Total Loans/Total Assets	34	24
NPL/Total Loans (Gross)	9	16
Total Loans/Total Deposits	43	30
Return on Average Assets	3	2
Return on Average Equity	24	18
Net Interest Margin	4	4

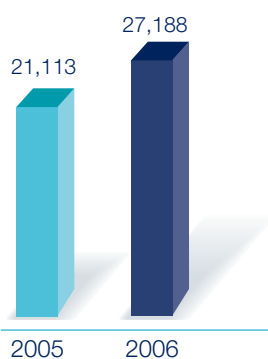
31.95%

HALKBANK HAS A HIGH CAPITAL
ADEQUACY RATIO OF 31.95%.

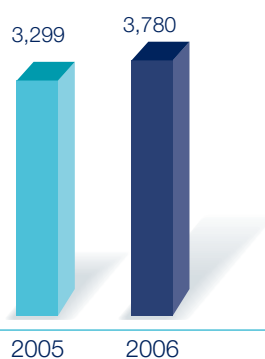
TOTAL LOANS
(TRY MILLION)



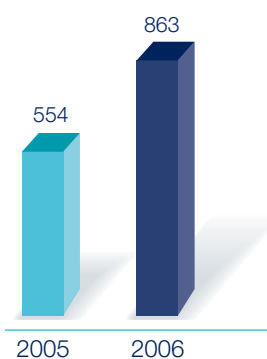
TOTAL DEPOSITS
(TRY MILLION)



SHAREHOLDERS' EQUITY
(TRY MILLION)



NET PROFIT
(TRY MILLION)



CREATING ADDED VALUE...

TO BE TURKEY'S LEADING SME BANK THAT FULFILLS ALL
THE REQUIREMENTS OF UNIVERSAL BANKING AND IS
STRONG IN RETAIL BANKING SERVICES...

HALKBANK'S FUNDAMENTAL OBJECTIVE

TO BE TURKEY'S LEADING SME BANK THAT FULFILLS ALL THE REQUIREMENTS OF UNIVERSAL BANKING AND IS STRONG IN RETAIL BANKING SERVICES AND THAT CONTINUOUSLY CREATES ADDED VALUE FOR CUSTOMERS, SHAREHOLDERS, AND EMPLOYEES BY EFFECTIVELY PROVIDING ALL BANKING SERVICES WITHIN THE OVERALL FRAMEWORK OF THE SOCIAL RESPONSIBILITY THAT IT COMMITS AND OF ITS HIGH MORAL SENSE OF DUTY.

HALKBANK'S STRATEGIES

- TO OFFER CUSTOMERS SPECIALLY DESIGNED PRODUCT AND SERVICE OPTIONS THROUGH EFFECTIVE MARKETING IN ADDITION TO ITS TRADITIONAL BANKING ACTIVITIES.
- TO FOCUS ON CUSTOMER SEGMENTATION AND DEVELOP AND OFFER HIGH QUALITY PRODUCTS AND SERVICES ADDRESSING THE PARTICULAR NEEDS OF SMES AS WELL AS OF RETAIL CUSTOMERS IN THE MIDDLE AND UPPER MIDDLE INCOME GROUPS.
- TO TAKE A CUSTOMER-FOCUSED APPROACH TO HIGH-QUALITY SERVICE IN ALL FIELDS OF BANKING.
- TO ENSURE THE EFFECTIVENESS OF ALL CRITICAL PROCESSES, ESPECIALLY IN CREDIT AND RISK MANAGEMENT.
- TO MAXIMIZE PRODUCTIVITY IN ALL BUSINESS PROCESSES BY MEANS OF A RICH PRODUCT DIVERSITY, TRANSACTION SYSTEM SECURITY, RAPID HIGH QUALITY SERVICE AND COMPETITIVE PRICING.
- TO ACHIEVE ONGOING DEVELOPMENT AND MOTIVATION AMONG EMPLOYEES THROUGH EFFECTIVE PERFORMANCE AND CAREER MANAGEMENT SYSTEMS.
- TO ENSURE THAT ALL INTERNAL AND EXTERNAL CUSTOMERS RECOGNIZE AND
- ACKNOWLEDGE THE BANK'S CORPORATE IDENTITY.
- TO PROVIDE THE HIGHEST-QUALITY AND MOST EFFECTIVE SERVICE IN THE BUSINESS OF INTERNATIONAL BANKING.
- TO MAINTAIN ITS POSITION AMONG THE SECTOR'S LEADING BANKS IN TERMS OF CUSTOMER NUMBERS, DEPOSIT AND LENDING VOLUMES, TOTAL ASSETS, AND PROFITABILITY.

STRONG



HALKBANK WILL CONTINUE TO CARRY OUT ITS MISSION AS A STRONG AND TRUSTED BANK THAT IS RECOGNIZED FOR ITS MODERN BANKING APPROACH TO SUPPORT ALL ENTREPRENEURS THAT CONTRIBUTE TOWARDS INCREASES IN OVERALL INVESTMENT, PRODUCTION, AND EMPLOYMENT.

HALKBANK'S HISTORICAL DEVELOPMENT

1918-1933: In the midst of war, economic crisis, and deprivation, the Republic of Turkey is born.

The first world war, the War of Independence, and the Great Depression plunged our country into the severest of economic conditions that were characterized by shortages of every kind, rampant inflation, and high interest rates. Recognizing the high-priority need for a balanced social structure, the new republic adopted goals aimed at supporting tradesmen and artisans and fostering the growth and development of popular banking. However economic difficulties experienced in the early years of the republic due to inadequate capital formation, lack of the means of production, and an impoverished private sector thwarted the emergence of credit institutions capable of catering to the needs of tradesmen, artisans, and ordinary professionals.

For the purposes of supplying tradesmen, artisans, and ordinary professionals with the suitably-priced resources needed to promote economic development, maintain social balance and peace, and jump-start capital formation, Türkiye Halk Bankası (known as Halkbank today) was founded under Statute 2284 in 1933. The Bank itself did not become operational until 1938.

Underlying the foundations of Halkbank were two principles laid down by Mustafa Kemal Atatürk: "It is essential to create an organization that will conveniently supply the low-cost credit that both small businesses and large industries need and to endeavor to make credit less expensive under normal conditions" and "The day I see you artisans' modest shops replaced by magnificent factories, my happiness will attain the highest level." These principles were crucial to Halkbank's formation and have served as its guide to this day.

1938-1950: Paralleling worldwide developments, people's banking gets under way in Turkey as well.

In many countries of the world, people's banking developed in parallel with cooperative movements. In our country, it got started with the establishment of Halkbank. Between 1938 and 1950, the Bank only lent money indirectly through the "People's Funds" that had also been set up along with the Bank under Statute 2284.

1950-1992: Halkbank becomes the first bank in the sector to cater to tradesmen, artisans, and small enterprises.

In 1950 Halkbank was authorized to open branches and lend money directly to borrowers. At the beginning of 1964, the Bank embarked upon an ambitious program in which its capitalization was increased and it became a more active player by opening up a national network of branches. The result was a strong rise in the Bank's deposit and lending volumes. Halkbank was the first member of the Turkish banking industry to focus on the needs of tradesmen and artisans and of the small businesses that are the representatives of the middle class and the backbone of the national economy. In formulating and implementing its lending policies, Halkbank's priority was to extend credit to this target audience under the most favorable conditions possible. In the years that followed, Halkbank grew and became a potent force in Turkey's banking sector.

1992-2006: The Turkish banking sector undergoes a metamorphosis.

In 1992, all the assets and liabilities of Türkiye Öğretmenler Bankası (Töbank) were transferred to Halkbank. This was followed by those of Sümerbank in 1993 and of Etibank in 1998. In 2000, there began a process of restructuring Turkey's publicly-owned banks to bring them into line with the requirements of modern banking and international competition so as to prepare them for privatization.

In 2001, a single board of governors was set up and given responsibility for all of the country's publicly-owned banks. Under the new system, Halkbank changed its organizational structure and began remaking itself into a productive and profitable institution capable of creating added value for the national economy within the framework of modern banking principles and the rules of commercial banking.

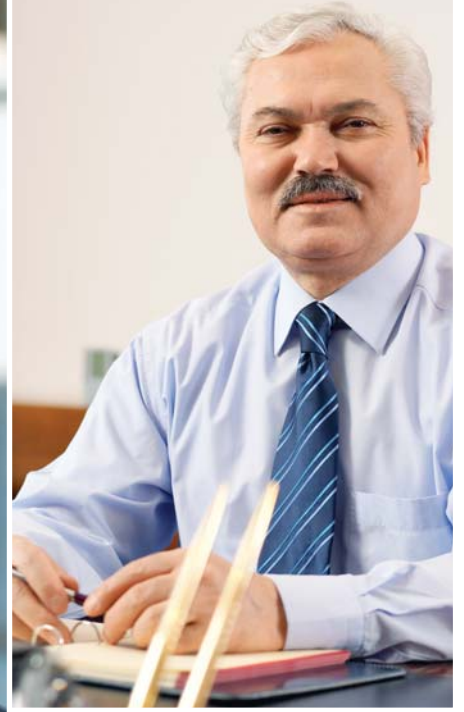
In keeping with this, Halkbank's organizational structure was completely made over to bring it into line with the requirements of modern banking and international competition. Customer-focused marketing was also added to Halkbank's operational approach to banking. In 2001, Halkbank took over 96 of the branches of insolvent Türkiye Emlak Bankası.

In the second half of 2004, all the assets and liabilities of Pamukbank were transferred to Halkbank. The integration of Pamukbank into Halkbank took place much faster and with far fewer difficulties than anybody had anticipated. So much so in fact, that the merger is now pointed to as a model in the banking industry. Newly constituted, Halkbank now focused on customer segmentation in which it became important to develop and offer high-quality products and services addressing the particular needs of SMEs as well as of retail customers in the middle and upper-middle income groups.

Meanwhile since the beginnings of the 2000s, the Turkish banking sector has been reshaped as a result of mergers and acquisitions and the arrival of foreign investors into the market.

Halkbank today...

Today Halkbank continues to deliver high-quality products and services through a national network of branches, offices, and special transaction centers as well as through its international representatives. Just as in the past so too in the future, Halkbank will continue to carry out its mission as a strong and trusted bank that is recognized for its modern banking approach to support the tradesmen, artisans, and small to medium-sized enterprises that make up the backbone of the national economy as well as all entrepreneurs that contribute towards increases in overall investment, production, and employment.



A handwritten signature of Hasan Cebeci in white ink on a blue background. The signature is stylized and cursive.

HASAN CEBECİ
Chairman

THE VERY BEST IN SERVICE...

WE ARE DEDICATED TO THE PRINCIPLE OF OFFERING OUR CUSTOMERS THE VERY BEST IN SERVICE, JUST AS WE HAVE ALWAYS DONE.

CHAIRMAN'S MESSAGE

2006 was a year in which global economic indicators rose strongly and developing economies and developed economies grew an average of 7% and 3% respectively.

The world's three biggest economies registered growth rates of 3.4% (USA), 2.8% (EU), and 2.7% (Japan). The biggest contributor to this growth was a 9% rise in the volume of world trade.

While this increase registered in the volume of world trade brought with it a rise in affluence, it also led to the emergence of a number of economic risk factors as well. Higher oil prices driven by the strong global propensity for growth had a cost-push effect and caused inflation rates to rise. In the second quarter of the year, the prospects of higher inflation prompted the monetary authorities of developed countries to tighten their monetary policy. That had a knock-on effect causing volatilities in commodity, equity, and money markets and led to some capital flight from developing countries, whose capital markets and exchange rates suffered to a perceptible degree. Nevertheless the undervalued national currency, trade surplus, and high USD reserve policies adhered to by the majority of developing countries managed to prevent these movements from turning into a full-fledged crisis.

The pressure of price increases worldwide prompted the European Central Bank and the Bank of England to raise their interest rates. The Bank of Japan followed a similar course and increased its basic lending rate, which had been zero, 25 basis points.

The Turkish economy is much more resilient to external shocks today than it was five years ago.

Strict adherence to the IMF-sanctioned economic program, tight monetary and fiscal policies, ongoing structural reforms, ongoing EU accession process, and successful management of the currency float regime all played an important role in achieving this result.

After several years of successful growth performance, GDP growth in the Turkish economy slipped in the third quarter of 2006 but recovered towards the end of the year and reached 6.1%. At the same time however, the country's current account deficit increased 39% in the 12 months to end-2006. The two most important reasons for this increase were the Turkish lira appreciating against other currencies combined with declines in the country's tourism earnings.

The same strong Turkish lira and resolute adherence to structural reforms however also brought the country's annual inflation rate into the single-digit range for the first time in decades. CPI inflation, which had been targeted at 5% in 2006, weighed in at nearly twice that (9.65%) at year-end, a result contributed to by short-lived volatilities in world markets at midyear and also by movements in food and oil prices.

2006 was a year during which foreign investors took an increasingly greater interest in our country. Markets witnessed to a large number of company mergers and acquisitions while the government's privatization program continued strongly. The acquisitions, partnerships, and privatizations taking place in 2006 are all evidence of the confidence that international capital has in Turkey's economy and institutions.

Reduced inflationary pressures and the launching of Turkey's EU accession process had a positive impact on expectations. At the same time, foreign direct investment inflows had an unmistakable impact on many sectors, including the financial services industry, and stiffened competition everywhere. For the banking sector, this competition has further increased the importance of customer focus and service quality.

Another important issue on Bank's agendas last year was Basel II. The Banking Regulation and Supervision Agency (BRSA) completed its work leading to the implementation of Basel II criteria which, according to the roadmap it has published, are to go into effect as of January 2008. Basel II will develop Banks' sensitivity to effective risk management and market discipline while also increasing the importance of capital adequacy quantification and contributing towards financial stability by bringing about a more efficient banking system.

In 2006 Halkbank continued to conduct its business without deviating from the profitability and productivity targets to which it has been adhering in recent years. In addition to supporting tradesmen, artisans, and small to medium-sized enterprises, which is the reason the Bank was originally founded, Halkbank also continued to register high transaction volumes in all other banking business lines and defend its position as one of the sector's strong contenders.

Customer-Focused Banking

Last year Halkbank adopted a "Customer-Focused Banking" approach in which it restructured all of its branches according to specific customer profiles and reorganized these branches so as to meet all of the needs of the customers in their profile. Taking advantage of the strength gained from having a branch network that is truly national in scope, the Bank's products were intensively promoted among customers and shown off to the general public.

Retail banking

In recent years the Turkish banking industry has been turning its attentions more to retail banking because of its relatively higher profitability and ability to spread one's risk exposure more broadly. Halkbank has been making important progress in this direction too. The Bank offers its retail banking customers a rich array of products and services that includes consumer loans, housing loans, installment loans, and credit cards. It also gives me pleasure to point out that Halkbank is one of Turkey's leading deposit banks and adheres to a policy of broad-based resource procurement.

In addition to its financial strength, Halkbank's technological infrastructure, alternative delivery channels, nationwide branch network, and number of ATM units rank it among the leaders of the Turkish banking industry. Our Bank serves 6 million customers located all over Turkey with 10,860 employees and 553 branches.

Halkbank is advantageously positioned in terms of both product diversity and its ability to reach every segment of society. With its effective and customer-focused marketing approach, the diversity of Halkbank's credit products enables it to maintain its existing customer portfolio while also enabling the Bank to continuously add new ones to it as well.

As members of the Halkbank family we all know that a difficult and demanding period lies ahead as our Bank moves towards its privatization. We are dedicated to the principle of offering our customers the very best in service, just as we have always done. In closing, I thank all the members of this great family, for it is their dedicated efforts that have made Halkbank what it is today, while also extending my appreciation to our customers and to our Turkish and international business partners on behalf of the Board of Directors.



HÜSEYİN AYDIN
General Manager

PRODUCTIVE AND PROFITABLE...

OUR AIM IS TO DELIVER THE VERY BEST IN SERVICE TO OUR CUSTOMERS AND CONTINUE TO GROW PRODUCTIVELY AND PROFITABLY WHILE CONTRIBUTING TOWARDS ECONOMIC GROWTH IN THE PERIOD AHEAD AS WELL.

GENERAL MANAGER'S ASSESSMENT OF 2006

In 2006 Türkiye Halk Bankası registered what is unquestionably one of the most brilliant performances it has achieved in recent years. Seeking to pursue growth while focusing on profitability and productivity, Halkbank successfully outdid sectoral averages on all three fronts.

Before presenting my assessment of our Bank's performance last year I want to touch briefly on the economic environment in 2006 and on some of the developments experienced in the Turkish banking sector. In 2006, there were record-breaking levels of foreign direct and portfolio investment in our country, which continues to advance sure-footedly towards full EU accession, knowing very well that the negotiations are going to take a long time.

Volatilities that swept through international markets in May and June last year unavoidably had an impact on our own country's economy as well and there were increases in interest rates and in inflation brought on by them. Nevertheless these volatilities did not spoil the improvements in macroeconomic data that we have become accustomed to seeing in the last few years and did not reverse that trend. The fundamental bedrock of this stability was our country's tight-money policies though it should also be pointed out that a smaller budget deficit and public sector borrowing requirement contributed favorably towards it too.

The current account deficit expanded in response particularly to higher energy prices and to demand nourished by a high rate of growth. Despite this however, there was a noticeable improvement in the quality of the deficit's financing due to record-breaking levels of foreign direct investment. The appetite of foreign investors for assets in Turkey showed itself in the country's banking industry too: continued economic growth, confidence in the country's and the sector's future, and other positive expectations resulted in a number of mergers and acquisitions. It is only natural to expect higher growth rates in the financial services industry of a healthy national economy.

Such developments influenced our sector and our Bank in a number of ways. In the first half of the year, the sector's growth was driven by a rapidly increasing demand for credit that palpably lost momentum in the second in response to events.

For Halkbank however, 2006 was a year of high profitability, productivity, and growth.

The slowdown witnessed in the growth of the banking sector's assets and lending volumes in the second half-year was experienced rather more modestly at our Bank. For this reason, Halkbank registered a balance sheet performance substantially above the sector's average in 2006, a year in which the Bank's total assets increased 28% year-on-year to TRY 34.4 billion and loans 84% to TRY 11.6 billion. A 29% rise in deposits was still more evidence of our customers' confidence in our Bank. Net profit was also up 56% year-to-year and reached TRY 863 million. As I noted at the beginning, these and similar figures signal what is one of the most brilliant performances Halkbank has achieved in recent years.

From many standpoints, 2006 will be remembered as a landmark year in Halkbank's corporate history. In addition to the quantitative growth and increases in balance sheet items, the qualitative improvement in the Bank's products and services was remarkable. Giving priority to quality development efforts in all its activities, Halkbank succeeded in reaching more customers with more products in 2006. Through its nationwide branch network, special transaction centers, bureaus, and international representatives, the Bank gave its attention to marketing activities that developed product and service quality and diversity and met the financial needs of its customers in the corporate, commercial, entrepreneur, and retail banking segments.

FROM MANY STANDPOINTS, 2006 WILL BE REMEMBERED AS A LANDMARK YEAR IN HALKBANK'S CORPORATE HISTORY. IN ADDITION TO THE QUANTITATIVE GROWTH AND INCREASES IN BALANCE SHEET ITEMS, THE QUALITATIVE IMPROVEMENT IN THE BANK'S PRODUCTS AND SERVICES WAS REMARKABLE.

GENERAL MANAGER'S ASSESSMENT OF 2006

Because the economic conjuncture was amenable last year, the share of investment securities in the Bank's balance sheet was reduced in favor of liquid assets and loans in order to better achieve the targets that had been set for 2006. For the first time since 2001, the share of such securities (excluding those intended for interest rate discounting) in the balance sheet fell below 50%. This also had the effect of further improving Halkbank's asset quality.

Halkbank last year adhered to lending policies that supported the broad-based structure of the Bank and it introduced a system that makes centralized control of lending activities possible. The credit evaluation process was formulated on the basis of this centralized system's technology and infrastructure and credit placements were segmented according to target group and intended use.

The branch revision project that was initiated in 2005 to provide customers with the best in high-quality service continued in 2006. In the period ahead, our Bank will be continuing its ongoing efforts to create more convenient, modern and pleasant settings for our customers.

Halkbank was originally founded to support our country's tradesmen, artisans, and small to medium-sized enterprises.

Originally founded to support tradesmen and artisans, Halkbank today pursues this mission with a sense of responsibility and awareness dictated by banking today. "A productive Turkey's first SME bank", Halkbank has nearly 50 credit products specially designed to meet the needs of its customer base.

Just a few of these that might be mentioned here are investment/working capital credit from domestic and international sources; loans specially designed for the tourism, agricultural, manufacturing, industry, and technology sectors with flexible repayment terms that can be adjusted according to the borrower's own cash flow; loans for tradesmen's cooperatives; and loans to finance the cost of having a transport vehicle registered or to pay for a franchising license.

Our Bank makes extensive use of funding provided by international sources such as the European Investment Bank, the World Bank, and the French Development Agency, particularly for use in our country's Priority Development Region provinces. Halkbank was the author of yet another first when it signed a EUR 50 million credit agreement with the French Development Agency for a six-year, subsidized-interest loan. We have begun lending one-half of these funds to qualifying borrowers in priority development regions in Central Anatolia, Southeast Anatolia, Eastern Anatolia, and the Eastern Black Sea and the remaining half to borrowers all over the country.

Halkbank's lending to SMEs accounts for about 54% of all its cash loans.

That is the highest percentage in the Turkish banking industry today. Within the framework of our Bank's SME program, specific sectoral needs are identified and product packages are developed in light of those needs. An "Agricultural Support Package" has been put together in order to provide comprehensive support to agriculture such as loans to finance purchases of tractors and farm machinery and the construction of greenhouses as

ORIGINALLY FOUNDED TO SUPPORT TRADESMEN AND ARTISANS, HALKBANK TODAY PURSUES THIS MISSION WITH A SENSE OF RESPONSIBILITY AND AWARENESS DICTATED BY BANKING TODAY.

well as general-purpose loans. The key feature of these loans is that their repayments are linked to harvest times. The “Sun Package” designed for the tourism industry comes with a moratory period on repayments and has increased the Bank's share of firms that are active in tourism.

Since the day it was founded, Halkbank has always stood by entrepreneurs.

While retooling our existing products to make them more competitive we are also introducing new ones such as our “Entrepreneur Loan” which is intended for the startup businesses that we believe play such a big role in the development of a national economy and whose purpose is to support entrepreneurship and job-creation. Our “Budget Loan”, another credit product that was redesigned in 2006, is designed to meet firms' short-term cash needs in parallel with economic and technological developments.

In 2006 our Bank continued to collaborate with sectoral organizations and it signed protocols with 216 chambers of industry and/or commerce around the country. The objective of this collaboration is to provide chamber members with financing on attractive terms and under these agreements, low-cost, long-term loans were made available to SMEs.

The series of “Producing Turkey” meetings which began in 2005 and which give manufacturers and producers in the country's leading industrial and tourism centers a chance to talk with Halkbank, continued in 2006. These meetings will continue to be held in the future in order to inform SMEs and contribute towards their development within the framework of the Bank's sense of its social responsibility.

Retail lending increased 155% and accounted for 19% of all loans.

In 2006 Halkbank made important progress in a number of business lines in which it had only a limited presence in the past. As a bank with a large number of branches and an extensive distribution network, the Bank set a goal of raising the share of its retail lending in the total in 2006. This goal was achieved: The Bank's retail loans increased 155% compared with 2005 to TRY 2.1 billion. In this business line last year, Halkbank launched its “Overdraft Account and Salary Advance” campaign, its “Smiling Pensioner Loan” campaign, and its “Warm Home” campaign as well as low-interest lending campaigns targeted at a number of professional groups. In all these efforts, the Bank focused on increasing the overall volume of its lending and enhance customer loyalty and profitability by supporting product cross-sales.

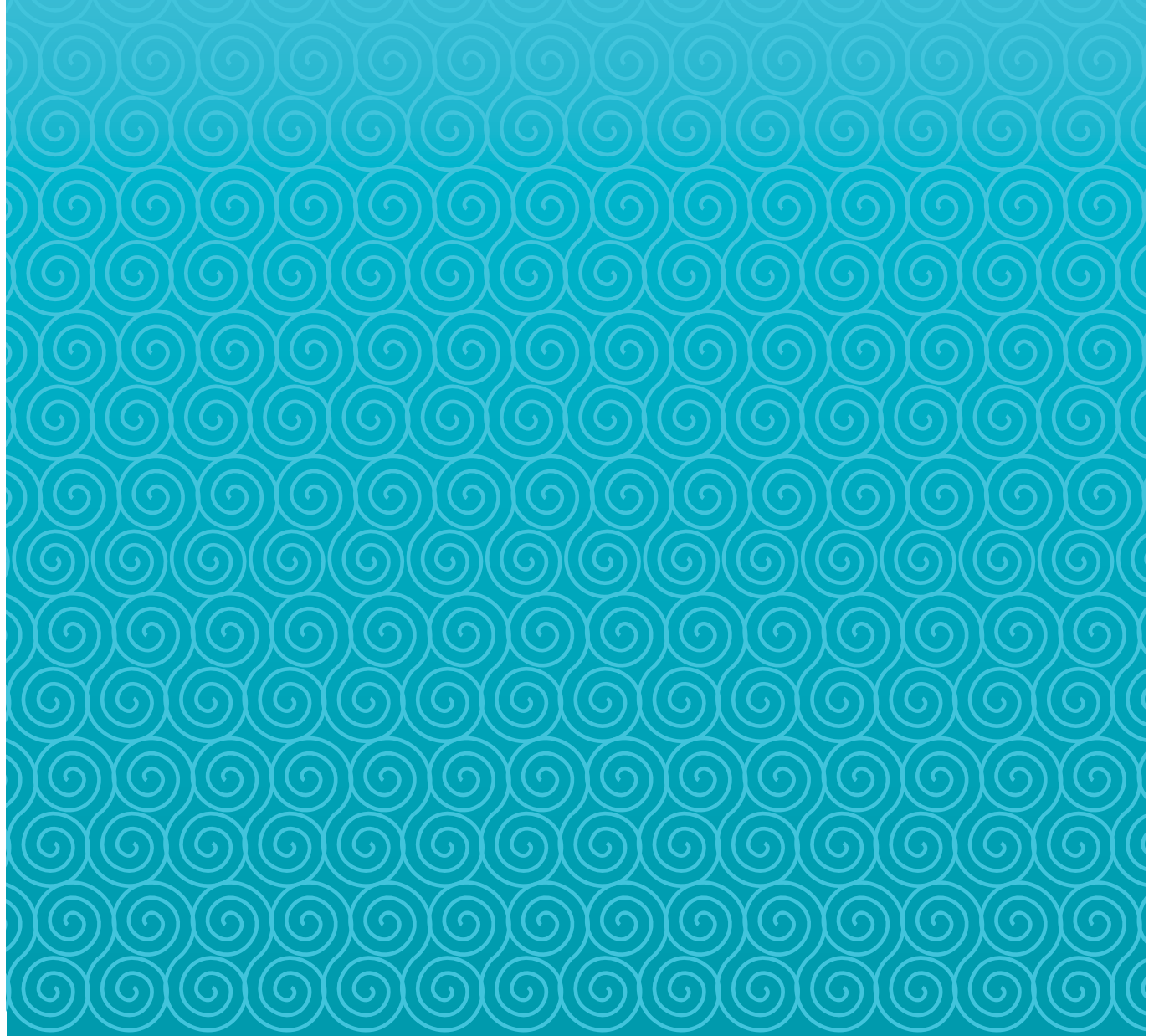
There has been a significant improvement in asset quality.

One of Halkbank's most important successes has been the reduction of the Bank's non-performing loans, which corresponded to nearly half of the total in 2002, to 16% in 2005 and to 9% in 2006. This improvement in asset quality can be attributed to NPL rates well below the sectoral average in the case of new loans even though there has been a significant increase in lending in recent years. This situation is an indication that our Bank has been acting very carefully with respect to its credit allocation and risk management policies. In addition, paralleling improvements in the economy in recent

years, we are seeing collections being made on a significant percentage of our old non-performing loans as well. In the collection of our loan receivables, attention continues to be given to the issue of making it possible for firms to keep on doing business.

After a very busy year, Halkbank closed its books for 2006 with a large profit and having achieved a significant amount of growth without deviating from its essential mission. In the years ahead, our goal will again be to provide our customers with the best in service and pursue profitable and productive growth while contributing even more to our country's economic development. As we advance all together towards that goal, it is my earnest wish that the collaboration we have created with our strongly team-spirited employees and with all the customers who have chosen Halkbank as a business partner will be the source of even greater successes for Halkbank and for our country. In closing I take this occasion to extend my grateful thanks to our business partners, my colleagues, and to everyone who has had a hand in our collective success.

CUSTOMER-FOCUSED



THE FUNDAMENTAL OBJECTIVE OF HALKBANK'S CUSTOMER-FOCUSED STRUCTURING IS TO RESPOND TO CUSTOMERS' DEMANDS IN THE BEST AND FASTEST WAY POSSIBLE.

ACTIVITIES IN 2006

CORPORATE AND COMMERCIAL MARKETING

A customer-focused structure

For Halkbank, corporate customers are firms whose annual turnovers are TRY 40 million or more while commercial customers are those with turnovers less than that but at least TRY 7.5 million.

Paralleling the customer segmentation that it has introduced, Halkbank has also organized the regular and specialist staffing of its branches according to marketing, foreign exchange, operations, and financial analysis functions. The fundamental objective of Halkbank's customer-focused structuring is to respond to customers' demands in the best and fastest way possible. The Bank's customer segmentation project has not only increased the quality of service being delivered but has also made it possible to serve increasingly more customers under better conditions. This strategy not only strengthens existing customers' ties to Halkbank but also enables new customers to take advantage of the Bank's products and services.

As a result of the growth witnessed in corporate and commercial products in 2006, there was a significant increase in the numbers of customers in these segments. Halkbank acts within the framework of a policy of market expansion and broadening its customer base through cross marketing/allied sales activities. Halkbank has successfully increased the use rates of all its products to a significant degree. All the transactions of customers being served by the Bank's 6 corporate and 29 commercial branches are performed with a high degree of customer satisfaction.

With an eye on both customer satisfaction and profitability, the underlying strategy of the Bank's corporate and commercial marketing activities in 2006 may be summed up as developing products and services specially designed for the customer group it is serving, actively marketing them by offering flexible price,

term, and guarantee options, and increasing the motivation of the members of its marketing team.

Greater competition and changing customer needs and sector conditions make it essential to develop new marketing strategies all the time. In line with this, Halkbank reviews and assesses customers' requests and investment needs and develops project-based products accordingly.

New cash management products

In 2006 Halkbank continued its activities in the business of cash management without letup and achieved significant business volumes by introducing products such as direct debiting, automatic check and note collections, batch/advance-dated EFT/remittances, tax and social security premium payments, and electronic account statements. These products are actively used by both public and private sector organizations and they contribute significantly to the Bank's commission income. Halkbank is determined to further diversify its cash management products and services and to deliver them to even more customers through its extensive branch network and alternative delivery channels.

Cash management products are used as a way of increasing the volume of the Bank's demand deposits, reducing the cost of its funding, deepening customer-bank relations, expanding its customer portfolio, creating cross-sale opportunities, contributing towards risk management, and lowering operational costs.

To offer SMEs even more

Halkbank is Turkey's most experienced bank in the business of serving SMEs.

Halkbank has further strengthened that position by means of the long-term projects that it develops and the alternative financing opportunities that it offers to become the benchmark among banks that cater to SMEs.

HALKBANK HAS FURTHER STRENGTHENED THAT POSITION BY MEANS OF THE LONG-TERM PROJECTS THAT IT DEVELOPS AND THE ALTERNATIVE FINANCING OPPORTUNITIES THAT IT OFFERS TO BECOME THE BENCHMARK AMONG BANKS THAT CATER TO SMES.

IN THE PERIOD AHEAD

HALKBANK WILL BE PURSUING MORE GROWTH IN CORPORATE AND COMMERCIAL BANKING.

Halkbank is skilled in transforming its own resources and those that it obtains from other organizations into a rich array of products.

In addition, active marketing efforts have enabled Halkbank to expand its corporate portfolio by reaching customers in that segment through its own SME customers that serve in the capacity of suppliers to bigger companies.

International funding for use in investment finance

Halkbank provides financial support for investments with long-term with attractive terms funding that it secures from abroad. Foremost among these resources are the financing facilities provided by the European Investment Bank to support new projects. These resources are secured under two loan program agreements known as "Global IV" and "Global V", by means of which Halkbank has already provided a large number of SMEs with financing for their investments with the terms and conditions that they required. In order to continue supplying investors with such resources, Halkbank plans to begin official discussions with EIB concerning its Global VI program in early 2007.

French Development Agency's first loan to Turkey

In April 2006 Halkbank signed an agreement with the French Development Agency to provide SMEs with financing that they need for their projects. Under this agreement, the first of its kind in Turkey, Halkbank secured a six-year, subsidized-interest loan in the amount of EUR 50 million. The Bank has begun lending one-half of these funds to qualifying borrowers in priority development regions in Central Anatolia, Southeast Anatolia, Eastern Anatolia, and the Eastern Black Sea and the remaining half to borrowers in other provinces all over the country.

In another development in the Bank's efforts to obtain international financing for the country's SMEs in 2006, a protocol agreement was signed with the World Bank for the provision of long-term resources to be used for investment financing. Halkbank plans to begin making its first loans under this program in the early part of 2007.

Halkbank continued to provide customers whose foreign trade transactions were conducted through the Bank with short, medium, and long-term financing in the form of such products as pre-financing, post-financing, and working capital financing. Facilities provided by export credit insurance agencies were also made available to customers in the form of buyer's credit.

Pursuing growth in corporate and commercial segment

In the period ahead, Halkbank will be pursuing more growth in corporate and commercial banking. This growth will be nourished by further developing relations with existing customers while undertaking projects and campaigns to take on new ones. The Bank also intends to move into new areas of project financing such as hydroelectric power stations and wind turbines.

RETAIL BANKING

Halkbank supplies retail banking products and services to individual customers and to businesses whose annual turnovers are less than TRY 7.5 million.

The banking products and services that Halkbank provides to its individual and entrepreneur customers consist of:

- Entrepreneur/SME marketing
- Tradesmen banking
- Specialized loans
- Consumer banking
- Card payment systems and alternative delivery channels
- Deposit and banking services.

ACTIVITIES IN 2006

SME banking: Halkbank's principal business activity for 68 years

SME banking is Halkbank's principal business activity and its area of expertise. For 68 years, Halkbank has been supporting SMEs as well as tradesmen and artisans with long-term working capital and investment credit at favorable interest rates and with products specially designed for different sectors.

Halkbank's lending to SMEs accounts for about 54% of all of its cash loans. This is the highest proportion of lending to this segment among all banks in Turkey.

A rich array of products

Halkbank has nearly 50 credit products specially designed to meet the needs of SMEs. These products include investment/working capital credit from domestic and international sources; loans specially designed for SMEs active in the tourism, agricultural, manufacturing, industry, and technology sectors with flexible repayment terms that can be adjusted according to the borrower's own cash flow; cooperative loans for tradesmen; support loans for freight companies and finance the cost of having vehicles registered; loans to pay for franchising licenses under the heading of Entrepreneur Support Credit.

Within the framework of its SME program;

- **Halkbank develops new products for different sectors.** The Bank put together an "Agricultural Support Package" in order to provide comprehensive support to agriculture. This package includes loans to finance purchases of tractors and farm machinery, general-purpose loans, and loans to finance the construction of greenhouses. The key feature of these loans is that their repayments are linked to harvest times. The "Sun Package" designed for the tourism industry comes with a grace period on repayments and has been instrumental in increasing Halkbank's share among firms that are active in tourism.

- **Existing products were retooled to expand the scope of their usefulness.** The "Entrepreneur Loan" that Halkbank developed to finance startup businesses helps create employment and contributes to the development of the Turkish economy by supporting entrepreneurship. Under the same heading, Halkbank is also the first bank in Turkey to provide microfinancing products. Its "Budget Loan", another credit product that was revised in 2006, is designed to meet firms' short-term cash needs in parallel with economic and technological developments.

- **Halkbank collaborates with sectoral organizations.** In 2006 the Bank signed protocol agreements with 216 chambers of industry and/or commerce around the country. The objective of these protocols is to provide chamber members with financing on attractive terms and under these agreements, low-cost, long-term loans were made available to SMEs.

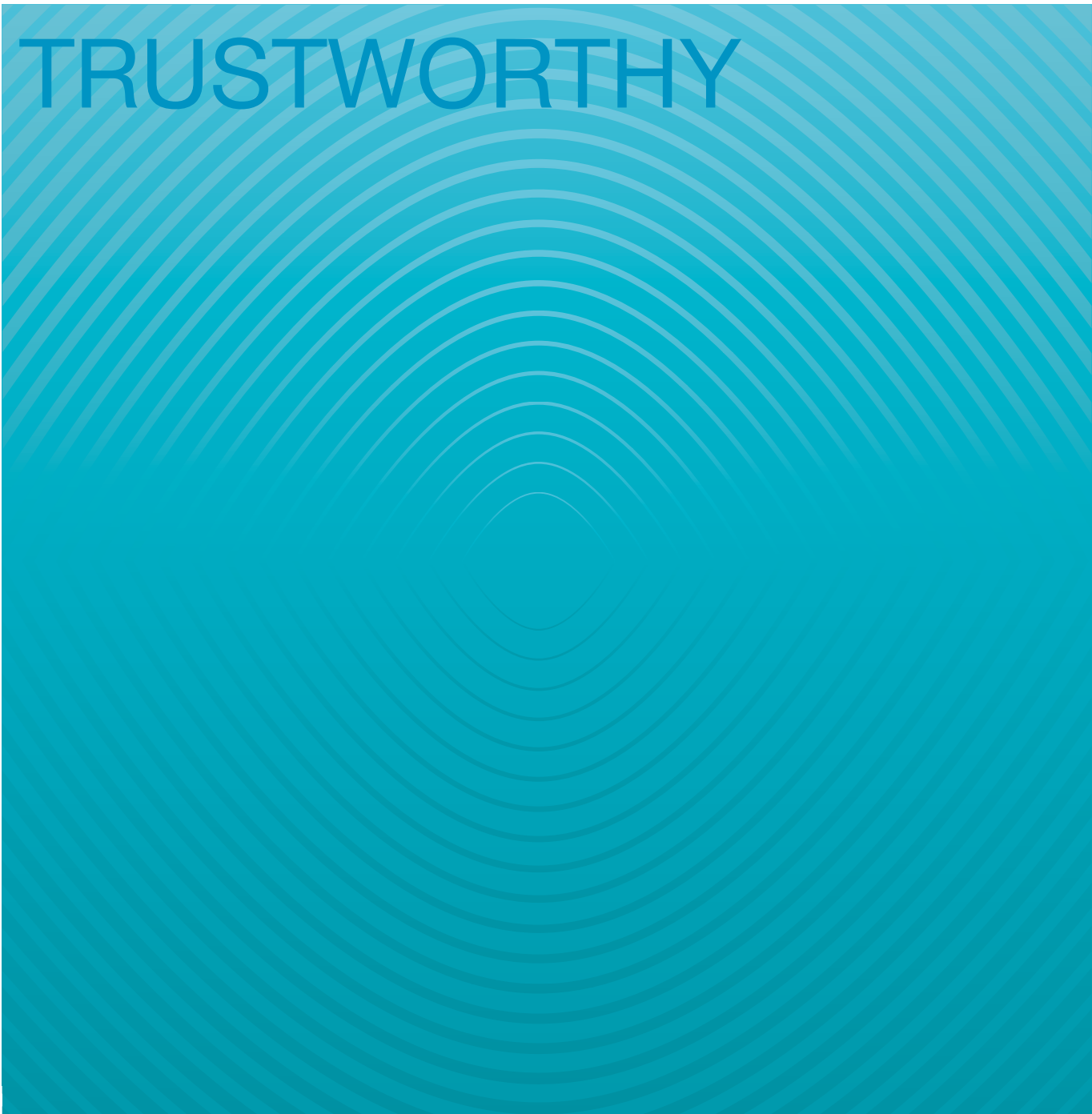
The series of "Producing Turkey" meetings which Halkbank inaugurated the year before in order to inform SMEs within the framework of the Bank's sense of its social responsibility continued in different cities around the country in 2006 during which entrepreneurs' needs were identified on location and solutions were developed.

Increasing activities in retail banking

As a result of the restructuring of its activities in recent years, Halkbank has significantly expanded its retail banking business.

Campaigns conducted during 2006 resulted in growth in the Bank's lending to the retail segment that was above the general increase in the sector: the year-on-year rise in this loan category was 155%. Consumer and housing loans accounted for a significant share of this increase in retail lending. Despite the intense competition in home-finance loans, Halkbank also succeeded in taking a bigger share of the sector total. Housing loans extended by Halkbank to its customers were up 329% year-on-year in 2006.

HALKBANK'S LENDING TO SMES ACCOUNTS FOR ABOUT 54% OF ALL OF ITS CASH LOANS. THIS IS THE HIGHEST PROPORTION OF LENDING TO THIS SEGMENT AMONG ALL BANKS IN TURKEY.



SINCE 1942,
HALKBANK HAS BEEN

PROVIDING CREDIT AND LOANS TO TRADESMEN AND ARTISANS
TO HELP THEM DEVELOP THEIR BUSINESS AND CREATE
EMPLOYMENT.

ACTIVITIES IN 2006

Retail banking activities were supported by campaigns.

During 2006, Halkbank organized a number of campaigns to support its retail banking activities.

The underlying objective of all these campaigns was to increase the overall volume of the Bank's lending and enhance customer loyalty and profitability by supporting product cross-sales.

- **“Bairam Comes Early Loan 1, 2, 3”:**

The “Bairam Comes Early Loan” campaign that was launched at the end of 2005 was repeated with the same name in 2006 before the Ramadan Bairam and before the Hajj Bairam, which also straddled New Year's. This campaign has served as a model for others in the sector.

- **“Overdraft Account and Salary Advance”:**

This campaign was conducted in 2006 to increase the number of customers making use of overdraft accounts and advances on salaries throughout the Bank.

- **“Smiling Pensioner Loan”:** This loan, which was developed to meet the short-term cash needs of retirees, who make up an important part of the Bank's retail customer portfolio, was introduced in 2006 and was an immediate success.

- **“Warm Home”:** In 2006 Halkbank signed protocols with natural gas distributors in 22 counties or provinces to provide loans to condominium owners who need money to finance the conversion of their heating systems to natural gas.

During 2006 Halkbank organized loan campaigns with advantageous terms for the personnel of a number of organizations.

Quality service for tradesmen and artisans

Since 1942, Halkbank has been providing credits to tradesmen and artisans to help them develop their business and create employment. As of end-2006, Halkbank had extended credits to 260 thousand of 730 thousand tradesmen and artisans who qualify for such loans. Jobs are being provided to about 1.5 million people as a

result of this lending. For the purpose of improving the quality of service provided to customers in this category, Halkbank has introduced yet another innovation that it calls “Tradesmen Banking”. This structuring makes it possible to better identify the needs of these customers and come up with solutions that address them.

Support for industrial zones

Resources supplied by the Ministry of Industry and Commerce continued to be channelled through Halkbank to finance infrastructure and construction in organized industrial zones. Last year, loans were extended to 126 industrial zones and 168 small industrial sites.

Support for housing projects

Credit products are developed to finance the large-scale mass housing and business property projects of construction companies and building cooperatives that Halkbank regards as falling within the scope of its mission and being worthy of its support.

Through such activities, Halkbank plays an important role in projects aimed at making low-income families homeowners.

Halkbank has extended:

- Disaster recovery credit from resources supplied by the Ministry of Public Works and Settlement to 44,019 people to build new houses or repair their existing ones or buy new houses.
- Housing Development Administration home financing to the families of 1,437 military personnel and police died in the line of duty.
- Home financing to 2,159 people from the resources of the European Settlement Fund and the Social Solidarity Fund.
- Home purchase financing to 13,293 people from resources supplied by the Housing Development Administration for municipal housing projects and housing cooperative projects.

In 2006 the Bank developed credit products from its own resources aimed at financing the completion of housing and business property construction projects that had already been started. Such loans were extended to 3,729 members of 33 housing construction cooperatives last year. A total of 496 business property construction loans were extended to 6 light-industry parks and to the members of a collective business property construction cooperative.

A protocol was signed last year with the Denizli municipality to provide financing for 2,580 dwellings. The Bank extended loans to beneficiaries purchasing homes from a 1,600-unit project that the municipality had undertaken.

Another important Halkbank goal in this business line is to be one of the market-making banks in the country's soon to be launched mortgage system.

Growth in credit cards

Halkbank's activities in the area of credit cards are gaining increasingly more momentum. A number of campaigns were undertaken during 2006 with the objective of making the Bank more active in the credit card market. The focus of these campaigns was on marketing in which specially-designed card services were offered to a number of professional groups.

Campaigns such as the Credit Card Activation Project and the “Smart-Buyer” Project increased credit card use and created cross-sale opportunities and pin activation. There was an increase in the number of the Bank's credit card customers while at the same time, Halkbank's other banking products and services were also intensively promoted. Investments in technology have completed the Bank's changeover to chip cards.

HALKBANK'S ALTERNATIVE DELIVERY CHANNELS

CONSISTING OF INTERNET, TELEPHONE, KIOSK, SMS, TV, AND WAP BANKING CHANNELS AND E-COMMERCE APPLICATIONS WERE USED EVEN MORE PRODUCTIVELY BY MORE CUSTOMERS LAST YEAR.

ADC used by more customers

Consisting of internet, telephone, kiosk, SMS, TV, and WAP banking channels and e-commerce applications, Halkbank's alternative delivery channels (ADC) were used even more productively by more customers last year.

Customers are able to complete all of their banking transactions from Halkbank's Dialog line on 444 0 400 and from its online branch on www.halkbank.com.tr. In 2006 the rate of ADC use among the Bank's customers reached about 55%, with the ATM network being the channel most frequently used.

All of the Bank's card operations (ATM and credit cards) and its POS applications that previously had been managed by Bileşim AŞ are now being conducted centrally within the Bank itself.

TREASURY MANAGEMENT

Proactive management

Despite the volatilities experienced in financial markets in the first half of 2006 and the ensuing exit of funds from developing markets, Halkbank succeeded in joining the ranks of its sector's best-performing banks through effective asset and liability management.

Continuing to be mindful of liquidity issues and of balancing risk versus return in line with its overall asset and liability management principles, the Bank increased its product diversity in its over-the-counter, organized, and customer transactions in financial markets and achieved high transaction volumes in them. Effective pricing mechanisms and insightful investment strategies contributed to the Bank's profitability.

The Bank continued to obtain suitably-priced long-term funding from abroad and to reduce its risk exposure and costs through derivative products. Good progress was also made in the direction of diversifying the Bank's sources of funding.

Consistent and prudent strategies

Taking a market-focused approach and playing an active role in markets, Halkbank continued to follow its strategy of consistent, competitive pricing to meet its customers' financial needs.

In 2006 the Bank registered a more than 100% year-on-year rise in FX transactions in terms of both volume and profitability. Similarly there was a nearly 100% year-on-year increase in the Bank's profits from trading in capital market instruments last year. The liquidity that was created by redeeming special-issue government

borrowing instruments and their coupons in the Bank's held-to-maturity securities portfolio was used first of all to finance the Bank's lending activities.

Halkbank is a market-maker of Turkish government bonds. Securities that it purchases in Treasury auctions are usually maintained in its marketable securities portfolio.

Last year the share of investment securities in the Bank's balance sheet was reduced from 63% to 50% while the share of special-issue securities was lowered from 50% to 31%. The existing investment securities portfolio was managed so as to have a positive impact on the Bank's liquidity.

New trading options...

With the completion of its technological infrastructure in 2006, Halkbank began offering its customers forward trading transactions for the first time.

Last year the Bank also made it possible for its customers to trade in coupon-bearing government papers (in both Turkish lira and foreign currencies) and in eurobonds with the addition of new modules to its online branch.

ACTIVITIES IN 2006

For effective risk management

Priority was given to effectively managing the risks to which Halkbank is exposed while also being mindful of the balance between profitability and liquidity. Market risks were reduced through the correct use of fund management instruments while operational risks were lowered to negligible levels by means of the Bank's effective automation system.

CORRESPONDENT AND INTERNATIONAL RELATIONS

International respect and trustworthiness

Combining a professional and modern approach to banking with an extensive service network and strong capital structure, Halkbank enjoys a high degree of national respect and trust that complements its deep-rooted national identity.

Halkbank has established relations with more than 1,000 correspondents in nearly 100 countries in order to better serve its customers in the conduct of their foreign trade transactions. The Bank has ample credit limits with its correspondents and makes use of these resources in the most advantageous way possible for its customers. In addition to classical foreign trade finance services, Halkbank also provides high value added solutions in the form of structured finance products as well. The Bank engages in close and multilevel cooperations with the export credit agencies of many countries that it can call on in the service of its customers to provide medium and long-term financing when they import capital goods.

Halkbank has one of the highest credit limits among Turkish banks within the framework of the US Department of Agriculture's GSM-102 export credit guarantee program.

Focused on coming up with solutions that best suit its customers' foreign trade finance needs, Halkbank also kept a close watch on market developments in 2006 and as a result of the proactive business

strategies that it adhered to, it doubled the volume of foreign trade that was handled last year.

HALKBANK'S INTERNATIONAL MEMBERSHIPS

International Confederation of Popular Banks

Halkbank has been an active member of the International Confederation of Popular Banks (Confédération Internationale des Banques Populaires/CIBP) since 1954.

Paralleling its own SME banking mission, this membership enables Halkbank to cooperate with banks similar to itself in other parts of the world and to keep a close watch on the products and services for SMEs that are developed and offered in international markets.

Institute of International Finance

Halkbank became a member of the Institute of International Finance (IIF) in 2004.

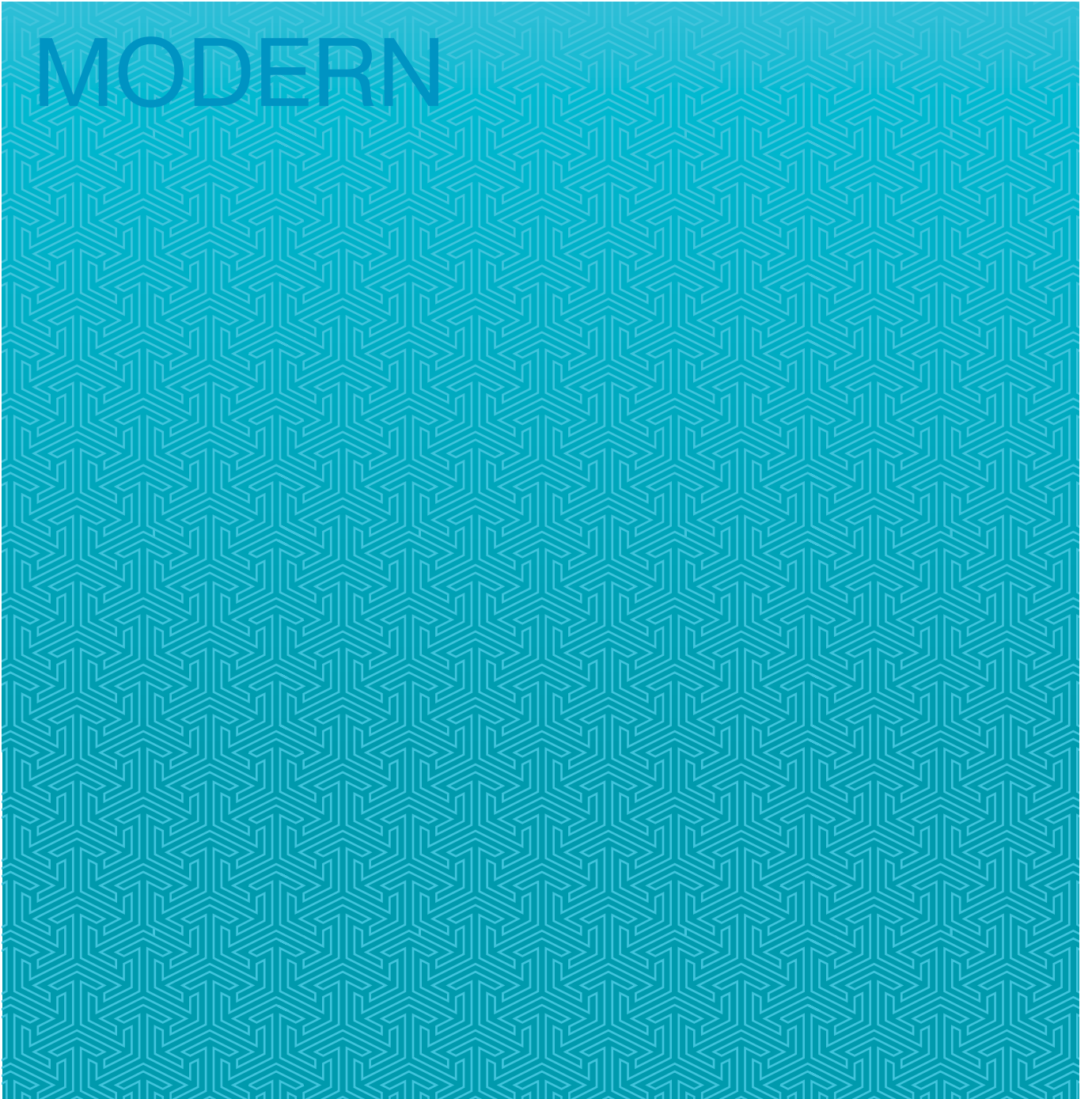
IIF is a global association of financial institutions whose members include international commercial banks and investment banks as well as many insurance companies, export credit agencies, and other financial institutions. With more than 320 members, membership in IIF enables Halkbank to keep a close eye on international and emerging markets and to develop new international collaborations.

European Association of Public Banks

The European Association of Public Banks (EAPB) was founded in May 2000. Halkbank initially took part in the association as an observer and subsequently became a full member.

EAPB's mission is to be a platform for cooperation and coordination among its members, contribute to the development of public-owned banks, and represent their interests collectively towards EU agencies and organizations. Halkbank is the only Turkish bank that is a member of EAPB.

COMBINING A PROFESSIONAL AND MODERN APPROACH TO BANKING WITH AN EXTENSIVE SERVICE NETWORK AND STRONG CAPITAL STRUCTURE, HALKBANK ENJOYS A HIGH DEGREE OF NATIONAL RESPECT AND TRUST THAT COMPLEMENTS ITS DEEP-ROOTED NATIONAL IDENTITY.



NEW IDENTITY

AS A RESULT OF THE DECOR CONCEPT THAT HALKBANK HAS IMPLEMENTED IN ITS BRANCHES, THE BANK HAS GAINED A NEW IDENTITY WHOSE SIMPLICITY, COLOR HARMONY, AND FURNITURE DESIGN HAS PROVEN TO BE POPULAR WITH CUSTOMERS.

ACTIVITIES IN 2006

Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank

Halkbank has been a member of the Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI) since 1995.

INTERNATIONAL BANKING AND STRUCTURED FINANCE

Rapid growth in structured finance activities

Providing its customers with flexible and transaction-based solutions in such areas as project finance, acquisition/privatization finance, and structured foreign trade deals, Halkbank is an important actor in the market for structured finance products and services.

Halkbank has also achieved rapid growth in credit syndications and has been taking part on a variety of levels in syndicated loans for some of our country's leading corporations as well as in privatization projects.

ORGANIZATIONAL STRUCTURE

A broad service structure

In 2006 Halkbank conducted its activities through a broad service structure consisting of:

- 553 branches (6 corporate, 7 retail, 29 commercial, 511 entrepreneur)
- 14 regional coordinator's offices
- 20 special transaction centers
- 13 bureaus
- 2 international branches
- 2 exchange offices
- 3 financial services branches
- 1 international representative office
- 1 offshore banking center.

Branches given a new look

The branch premises renovation project that Halkbank has been undertaking for several years continued in 2006 and 110

branches were renovated. Seeking to provide its customers with the full range of banking products and services in line with their needs and in keeping with its "unlimited banking" approach, Halkbank gave priority to the renovation of its branches in the country's eastern and southeastern provinces first and then turned its attentions to bringing all its branches into conformity with its new decor concept.

As a result of the decor concept that Halkbank has implemented in its branches, the Bank has gained a new identity whose simplicity, color harmony, and furniture design has proven to be popular with customers.

In surveys conducted by the most frequently visited banking sector internet portals, Halkbank branches were chosen as the "Best bank branch concept" in 2006.

HUMAN RESOURCES

Our employees' shared values

Commitment, tolerance, respect, trust, and sharing are the common denominators of Halkbank employees. Taking this fact as its point of departure, Halkbank gives importance to its employees' job satisfaction and provides them with ongoing training, dynamic career opportunities, and a modern working environment.

During 2006 the Bank again supported career progression projects organized around the country and it achieved high levels of participation in them by its employees.

As of end-2006, Halkbank had on its payroll 10,860 people who are adaptable to change, knowledgeable and competent in their subjects, committed to customer satisfaction, and dedicated to providing high-quality, fast service.

COMMITMENT, TOLERANCE, RESPECT, TRUST, AND SHARING ARE THE COMMON DENOMINATORS OF HALKBANK EMPLOYEES.

FOR NEW PRODUCTS AND SERVICES

135 IT PROJECTS CONCERNED WITH DEVELOPING APPLICATIONS FOR NEW PRODUCTS AND SERVICES, MODIFYING EXISTING APPLICATIONS IN LINE WITH BUSINESS REQUIREMENTS, AND STRENGTHENING THE BANK'S IT INFRASTRUCTURE WERE UNDERTAKEN AND COMPLETED IN 2006.

Career progression exams

Halkbank's career progression examinations have been conducted in electronic format since 2004. Last year 1,424 personnel took part in these exams to fill positions in the Bank's marketing, operations, and support groups.

Quality Suggestion System

An electronic platform-based "Quality Suggestion System" has been introduced to set up an effective quality management structure at Halkbank. By means of this system, the Bank's employees can suggest ways to reduce costs, increase productivity and benefit, save time, enhance customer and employee satisfaction, and improve the existing system's operation.

TRAINING

7.4 days training time per person

Halkbank gives great importance to the ongoing training of its employees. In 2006 the Bank continued to allocate a significant part of its resources for the training of its personnel.

Last year Halkbank launched an e-learning project that makes use of new and highly effective training methods. Called "Halk Academy", this system makes it possible for employees to access training materials and take part in training programs 7 days

a week 24 hours a day and without being subject to any constraints on time or location.

Under the heading of training activities in 2006:

- The year's training plan called for 1,206 group training programs on 20 different subjects.
- A total of 28,348 people took part in all these programs, which were completed in 1,212 sessions, of which 1,171 were conducted in classrooms and 41 via the e-learning system.
- In addition to classroom training, the e-learning system was used to provide 1,823 employees training in 41 groups to increase their personal and professional knowledge and skills.
- 68% of the classroom training sessions took place in-house with the remaining 32% being provided by outsourced training firms or trainers.

Average training time at the Bank in 2006 was 7.4 days per person.

Another issue to which the Bank gives great importance is the classroom, on-the-job, and corporate culture training that is provided to all newly-recruited personnel. During 2006 such training was given to 909 people hired to be tellers in branches,

53 assistant specialists, and 46 assistant inspectors.

INFORMATION SYSTEMS

153 new information technology projects

Halkbank has successfully integrated information technologies into its product and service delivery processes.

During 2006 the Bank undertook and completed 135 information technology projects concerned with developing applications for new products and services, modifying existing applications in line with business requirements, and strengthening the Bank's IT infrastructure.

One of the key items on the Halkbank information systems group's agenda in 2006 was the matter of Basel II compliance, an important milestone in the history of the Turkish banking sector. A significant number of Halkbank's Basel II compliance projects have been completed and the Bank is on schedule towards satisfying all the new risk management criteria that will come into effect in 2008 in Turkey.

Halkbank continues to further strengthen its technological infrastructure. In line with this, in 2006 the Bank renewed elements of its hardware and completed projects aimed at increasing the security of the

ACTIVITIES IN 2006

Bank's customer delivery channels. Infrastructure integration and product renovations have made it possible for the Bank's system and network security to be managed and monitored centrally.

Halkbank is engaged in preparations to create a new network structure. The Bank plans to replace all the elements of the Pamukbank and Halkbank networks that were originally set up in 1997-98 with a completely new structure during 2007.

The technological infrastructure of ADC continues to grow.

Halkbank's internet, telephone, kiosk, SMS, TV, and WAP banking channels and e-commerce applications continue to be developed in line with the Bank's business strategies and technological innovations.

A series of key projects completed in 2006 have made it possible to conduct banking activities more dynamically and to provide the greater transaction capacity the Bank needs. Halkbank's internet banking infrastructure, an important delivery channel, was renewed and its operations were made much more secure.

Halkbank is currently working on mobile ATM, mobile branch, "technology corner", and other projects that will further enhance its brand image.

ADVERTISING AND PUBLIC RELATIONS

Advertising and social support activities that contribute towards our brand value

In 2006 Halkbank again engaged in advertising and public relations activities to enhance its brand value, create brand awareness, entrench its corporate identity, and create a favorable image of itself in the public mind and it also sponsored social and cultural activities.

As a sponsor for projects undertaken by professional and social organizations, in 2006 the Bank supported the "World Businessmen's VI Congress", the "4th Education Congress" as part of the National

Education Support Campaign, the "IV SME Summit" whose subject was "Sustainable competitive strength and innovation through SMEs", the "71st Atatürk Marathon", "Forum İstanbul", the "14th National Management and Organization Congress", and the "SME Finance, Support, and Loan Meeting".

Halkbank also supports fairs and similar events that put entrepreneurs who can contribute to the national economy in touch with the resources and products they may need to do it. During 2006 the Bank took part in nearly 40 agriculture, tourism, and branded dealership fairs as well as in seminars, festivals, and similar activities and events during which all of its credit products were promoted by means of stands, printed matter, and personnel.

Halkbank also supports culture, the arts, and education.

- On the occasion of the 68th anniversary of its founding, Halkbank held an exhibition at the Ankara Museum of Painting and Sculpture in which chosen examples from its outstanding art collection were put on display.
- As part of its ongoing support for education, the Bank took part in two campaigns in the city of Sakarya to promote learning and literacy.

Halkbank Sports Club

The men's volleyball and handball teams of the Halkbank Sports Club performed successfully and defended their premier-league standings in the 2005-2006 season.

In 2006 the Halkbank Men's Volleyball Team made it into the European quarter-finals and qualified to play in the final rounds for the first time. This tremendous success attracted great interest among all sports fans. In the finals, the team placed third and returned home with a bronze medal. This fine performance is the greatest success achieved by a Turkish volleyball team in a decade.

IN 2006 THE HALKBANK MEN'S VOLLEYBALL TEAM MADE IT INTO THE EUROPEAN QUARTER-FINALS AND QUALIFIED TO PLAY IN THE FINAL ROUNDS FOR THE FIRST TIME. THIS TREMENDOUS SUCCESS ATTRACTED GREAT INTEREST AMONG ALL SPORTS FANS. IN THE FINALS, THE TEAM PLACED THIRD AND RETURNED HOME WITH A BRONZE MEDAL. THIS FINE PERFORMANCE IS THE GREATEST SUCCESS ACHIEVED BY A TURKISH VOLLEYBALL TEAM IN A DECADE.

AN EXTENSIVE PORTFOLIO



HALKBANK HAS AN EXTENSIVE SUBSIDIARIES PORTFOLIO CONSISTING OF 24 COMPANIES OF WHICH 3 ARE ENGAGED IN BANKING OUTSIDE TURKEY, 2 ARE IN INSURANCE, 13 ARE IN FINANCIAL SERVICES, AND 6 ARE INVOLVED IN TRADE AND SERVICES.

SUBSIDIARIES AND AFFILIATES

Halkbank has an extensive subsidiaries portfolio consisting of 24 companies of which 3 are engaged in banking outside Turkey, 2 are in insurance, 13 are in financial services, and 6 are involved in trade and services.

The Bank's basic objective is to structure this portfolio so that it consists of equity stakes that will create added value, contribute towards product diversity and the consolidation of marketing processes, enhance operational productivity, reduce service production costs, and have the potential to provide the services that the Bank's customers may need quickly, reliably, and satisfactorily.

In addition to the advanced banking services that the Bank provides, Halkbank customers are also able to conveniently and effectively take advantage of an extensive array of financial products and services in the areas of insurance, investment, and leasing.

The following is a brief summary of the companies in Turkey in which Halkbank controls a stake of 10% or more and also of the Bank's international shareholding interests.

DOMESTIC PARTICIPATIONS

Halk Yatırım Menkul Değerler

The company was founded in 1997 to engage in capital market brokerage activities. Halkbank controls a 99.94% stake in the company's capital, amounting TRY 17.5 million. The company's period profit in 2006 was TRY 2,537 thousand.

Birlik Hayat Sigorta

Birlik Hayat Sigorta is an insurance company established in 1998 to provide life insurance and reinsurance products and services both in Turkey and in other countries. Halkbank controls a 94.4% stake in the company's capital, which amounts to TRY 7 million. The company's period profit in 2006 was TRY 10,915 thousand.

Birlik Sigorta

Birlik Sigorta is a general insurance company originally founded in 1958. Halkbank controls a 78.32% stake in the company's capital, amounting to TRY 19,740 thousand. The company's period profit in 2006 was TRY 2,362 thousand.

Halk Finansal Kiralama

Halk Financial Leasing was founded in 1991 to provide financial leasing products and services in Turkey and abroad. Halkbank controls a 47.75% stake in the company's capital, amounting to TRY 52,850 thousand. The company's period profit in 2006 was TRY 2,626 thousand.

KOBİ Girişim Sermayesi Yatırım Ortaklığı

KOBİ Venture Capital Investment Trust was founded in 1999 to assist SMEs in their development and economic activities and to provide them with project development and training services. Halkbank controls a 31.47% stake in the company's capital, amounting to TRY 20 million. The company's period profit in 2006 was TRY 3,064 thousand.

Fintek - Finansal Teknoloji Hizmetleri

Fintek Financial Technology Services was founded in 2001 to provide information concerned to developing software programs and acquiring and leasing software licensing rights. Halkbank controls a 24% stake in the company's capital, amounting TRY 2 million. The company's period profit in 2006 was TRY 338 thousand.

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri

Bileşim Alternative Delivery Channels and Payment Systems was founded in 1995 to deal with payment cards business and to handle the operational aspects of POS, ATM, and credit card systems. Halkbank controls a 24% stake in the company's capital, amounting TRY 1 million. The company's period profit in 2006 was TRY 2,005 thousand.

Bankalararası Kart Merkezi

The Interbank Card Center was founded in 1990 for the purposes of finding solutions to common problems in card-based payment systems and to develop rules and standards governing bank in Turkey. Halkbank controls an 18.95% stake in the company's capital, amounting TRY 4,000,000. The company's period profit in 2006 was TRY 2,193 thousand.

KKB Kredi Kayıt Bürosu

KKB Credit Bureau of Turkey was founded in 1995 to share information among financial institutions engaged in the businesses of money capital markets and in insurance for the purposes of monitoring and risk controlling their consumer loans. Halkbank controls an 18.18% stake in the company's capital, amounting TRY 7,425 thousand.

INTERNATIONAL PARTICIPATIONS

Demir-Halkbank (Nederland) N.V.

Rotterdam-headquartered Demir-Halkbank (Nederland) NV was founded in 1992. Halkbank controls a 30% stake in the Bank's capital amounting EUR 113,445,054. The company's period profit in 2006 was EUR 15,011 thousand.

Macaristan Halk Bankası - Magyarorszagi Volksbank RT

Budapest-headquartered Magyarorszagi Volksbank RT (Volksbank Hungary) was founded in 1994. Halkbank controls a 5,41% stake in the Bank's capital amounting HUF 7.4 billion. The company's period profit in 2006 was HUF 2,111 thousand.

Uluslararası Garagum Ortaklar Bankası - International Joint Stock Bank (Garagum)

Ashgabat-headquartered International Joint-Stock Bank (Garagum) was established in Turkmenistan 1993. Halkbank controls a 6.57% stake in the Bank's capital amounting TMM 26 billion. The company's period profit in 2006 was TMM 5,150,664 thousand.

CHANGES MADE IN THE ARTICLES OF ASSOCIATION DURING THE YEAR

FORMER VERSION

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ ARTICLES OF ASSOCIATION

SECTION ONE INCORPORATION

Purpose and Scope:

Article 4- The purpose of the Bank is to carry out any and all kinds of activities including acceptance of deposits.

To achieve its purpose, the Bank may, provisions of the Banks Law and other applicable legislation being reserved, carry out all kinds of activities including but not limited to the following;

- extending all kinds of cash and non-cash credits in Turkish Lira and in foreign currencies, acting as an intermediary for the issuing, purchasing and selling of financial products used in domestic and international financial markets, carrying out investment banking transactions, purchasing, selling, transferring credits on wholesaling or retail basis, trading in domestic and international futures markets, securing funds from interbank money market, from Turkey and overseas, carrying out all kinds of capital market transactions, acting as an intermediary in export and import transactions, acting as the agent of insurance companies and other financial institutions, participating in all kinds of partnerships that can be founded or participated in by banks in or out of Turkey, or establishing new partnerships or departing from partnerships established within the framework of the provisions of applicable legislation;

- carrying out all kinds of dispositions such as acquiring all kinds of movable and immovable properties, industrial and intellectual rights, limited personal and real claims including rights of usufruct, easement and construction, and selling or transferring the properties and rights acquired, creating lien and mortgage thereon, and redeeming any mortgage and lien created, renting or letting movable and immovable goods, industrial and intellectual rights, having lease contracts and promise to sell agreements annotated at the land registry.

Acquisition of Movables and Immovables and Transactions on Immovables:

Article 5- The Bank may not be engaged in the purchasing and selling of immovables and commodities for commercial purposes. Save for real estate investment funds, it may not participate in companies dealing exclusively with immovable trading, and may not extend credit to real persons or legal entities engaged in these fields.

NEW VERSION

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ ARTICLES OF ASSOCIATION

SECTION ONE INCORPORATION

Purpose and Scope:

Article 4- The purpose of the Bank is to carry out any and all kinds of banking activities deposit banks are allowed to perform, provided that the obligations set forth in the Banking Law and other applicable legislation are fulfilled.

To achieve its purpose the Bank exercises all powers granted thereto by the Banking Law and the provisions of other applicable legislation.

It may also carry out all kinds of activities including but not limited to the following:

- extending all kinds of cash and non-cash credits in Turkish Lira and in foreign currencies, acting as an intermediary for the issuing, purchasing and selling of financial products used in domestic and international financial markets, carrying out investment banking transactions, purchasing, selling, transferring credits on wholesaling or retail basis, trading in domestic and international futures markets, securing funds from interbank money market, from Turkey and overseas, carrying out all kinds of capital market transactions, acting as an intermediary in export and import transactions, acting as the agent of insurance companies and other financial institutions, participating in all kinds of partnerships that can be founded or participated in by banks in or out of Turkey, or establishing new partnerships or departing from partnerships established within the framework of the provisions of applicable legislation.

Deleted.

Acquisition of Movables and Immovables and Transactions on Immovables:

Article 5- The Bank may not be engaged in the purchasing and selling of immovables and commodities for commercial purposes. save for mortgage lenders and real estate investment funds, it may not participate in companies dealing exclusively with immovable trading, and may not extend credit to real persons or legal entities engaged in these fields.

FORMER VERSION**SECTION TWO
SHARE CAPITAL****Share Capital:**

Article 6- The share capital of the Bank is 1,250,000,000,000,000.- Turkish Liras. Out of this capital, TL 24,208,500 consists of 242,085 registered shares each with a value of TL 100 that were issued prior to the enforcement of the Turkish Commercial Code and that are valid,

TL 3,042,500 of 6,085 registered shares each with a value of TL 500,

TL 972,749,000 of 972,749 registered shares each with a value of TL 1.000,

TL 499,000,000,000 of 49,900,000 shares each with a value of TL 10,000,

TL 1,000,000,000,000 of 10,000,000 registered shares each with a value of TL 100,000,

TL 3,500,000,000,000 of 35,000,000 registered shares each with a value of TL 100,000,

TL 10,000,000,000,000 of 100,000,000 registered shares each with a value of TL 100,000,

TL 60,000,000,000,000 of 60,000,000 registered shares each with a value of TL 1,000,000,

TL 175,000,000,000,000 of 175,000,000 registered shares each with a value of TL 1,000,000,

TL 1,000,000,000,000,000 of 1,000,000,000 registered shares each with a value of TL 1,000,000.

Out of this share capital, a portion of TL 1,150,000,000,000,000.- has been paid-up.

Of this capital;

Class A shares are held by the Treasury,

Class B shares are held by the Treasury, other public or private law legal entities and real persons.

Shares held by various public or private law legal entities and real persons prior to the effective date of the Law dated 15.11.2000 and no. 4603, as well as their rights arising from these shares continue in full force and effect exclusively for Class B shares.

NEW VERSION**SECTION TWO
SHARE CAPITAL****Share Capital:**

Article 6- The share capital of the Bank is 1,250,000,000,000,000.- Turkish Liras. Out of this capital, TL 24,208,500 consists of 242,085 registered shares each with a value of TL 100 that were issued prior to the enforcement of the Turkish Commercial Code and that are valid,

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TL 3,500,000,000,000 of 35,000,000 registered shares each with a value of TL 100,000,

TL 10,000,000,000,000 of 100,000,000 registered shares each with a value of TL 100,000,

TL 60,000,000,000,000 of 60,000,000 registered shares each with a value of TL 1,000,000,

TL 175,000,000,000,000 of 175,000,000 registered shares each with a value of TL 1,000,000,

TL 1,000,000,000,000,000 of 1,000,000,000 registered shares each with a value of TL 1,000,000.

This capital is fully paid-up.

Of this capital;

Class A shares are held by the Treasury,

Class B shares are held by the Treasury, other public or private law legal entities and real persons.

Shares held by various public or private law legal entities and real persons prior to the effective date of the Law dated 15.11.2000 and no. 4603, as well as their rights arising from these shares continue in full force and effect exclusively for Class B shares.

CHANGES MADE IN THE ARTICLES OF ASSOCIATION DURING THE YEAR

FORMER VERSION

SECTION THREE THE BODIES OF THE BANK

Duties and Powers of the General Assembly:

Article 9- In addition to the matters covered in these Articles of Association, the General Assembly shall fulfill the duties and exercise the powers granted by the Turkish Commercial Code, Banks Law and other applicable laws.

Board of Directors:

Article 17- The Board of Directors consists of seven (7) members. Members of the Board of Directors shall be elected by the General Assembly. In the first meeting held immediately after the oath-taking ceremony, the Board of Directors shall elect one of its members as the Chairman of the Board. In the same meeting, another member shall be elected Vice Chairman. The Board of Directors shall be presided by the Chairman, and in his/her absence, by the Vice Chairman. The members of the Board of Directors must possess the qualifications set forth in the Banks Law.

Duties and Powers of the Board of Directors:

18.2- The Board of Directors shall be obliged to fulfill the duties and exercise the powers granted thereto by the Turkish Commercial Code, Banks Law and other applicable legislation. The Board of Directors shall be entitled to delegate those duties and powers it deems necessary within the limits it will set, and to ensure their execution and supervision.

18.3- The Board of Directors shall appoint a member possessing the qualifications of a general manager as per the Banks Law as the General Manager. The Board of Directors may delegate part of its duties and powers to the General Manager, subject to the limits and conditions it shall set. The General Manager shall provide the coordination for effective and healthy execution of the Bank's activities, in addition to all the tasks assigned to the General Manager by the Banks Law and by applicable legislation, as well as all the administrative acts of the Bank.

NEW VERSION

SECTION THREE THE BODIES OF THE BANK

Duties and Authorities of the General Assembly:

Article 9- In addition to the matters covered in these Articles of Association, the General Assembly shall fulfill the duties and exercise the powers granted by the Turkish Commercial Code, Banking Law and other applicable laws.

Board of Directors:

Article 17- The Board of Directors consists of minimum seven (7) and maximum nine (9) members. Members of the Board of Directors shall be elected by the General Assembly. In the first meeting held immediately after the oath-taking ceremony, the Board of Directors shall elect one of its members as the Chairman of the Board. In the same meeting, another member shall be elected Vice Chairman. The Board of Directors shall be presided by the Chairman, and in his/her absence, by the Vice Chairman. The qualifications set forth in relation to the general manager in the Banking Law shall also be required for half of the Board members plus one.

Duties and Powers of the Board of Directors:

18.2- The Board of Directors shall be obliged to fulfill the duties and exercise the powers granted thereto by the Turkish Commercial Code, Banking Law and other applicable legislation. The Board of Directors shall be entitled to delegate those duties and powers it deems necessary within the limits it will set, and to ensure their execution and supervision.

18.3- The Board of Directors shall appoint a member possessing the qualifications of a general manager as per the Banking Law as the General Manager. The Board of Directors may delegate part of its duties and powers to the General Manager, subject to the limits and conditions it shall set. The General Manager shall provide the coordination for effective and healthy execution of the Bank's activities, in addition to all the tasks assigned to the General Manager by the Banking Law and by applicable legislation, as well as all the administrative acts of the Bank.

18.4- The Board of Directors shall assign at least two non-executive Board members possessing the qualifications set by the Banking Regulation and Supervision Agency to set up the audit committee that will assist the Board with its regulation and supervision activities.

FORMER VERSION

22.2- The credit committee shall hold at least weekly meetings with the participation of all members to discuss the agenda determined by the General Manager and communicated to the members at least 24 hours in advance of the meeting date. Resolutions shall be adopted unanimously.

Number, Election and Terms of Office of Statutory Auditors:

Article 23- The General Assembly shall elect 3 statutory auditors maximum from amongst people who hold a university degree, have at least 10 years experience in banking, economics or finance. Statutory auditors shall be elected to serve a 3-year term of office. Remuneration of statutory auditors is set by the General Assembly.

Statutory auditors shall perform their auditing duty pursuant to the provisions set forth in the Bank's articles of association, the Banks Law, the provisions of the Turkish Commercial Code no. 6762, and other applicable legislation.

**SECTION FOUR
ACCOUNTS AND DISTRIBUTION OF DIVIDENDS**

Fiscal Year:
Balance Sheet and Income Statement, Board of Directors and Statutory Auditors' Reports:

Article 25- The Bank shall keep, publish and submit to relevant authorities its accounts, annual balance sheets and income statements in accord with the procedures and principles as set forth by the Banks Law. The balance sheet, income statement as approved by the independent audit firm, Board of Directors and Statutory Auditors' reports shall be made available for shareholders' review at least fifteen days in advance of the date of the General Assembly.

**SECTION FIVE
DISSOLUTION, LIQUIDATION, MERGER OR TRANSFER OF
THE BANK**

Merger or Transfer:

Article 28- Merger or transfer of the Bank shall be decided by the General Assembly. Merger or transfer shall be carried out in accordance with the Banks Law and provisions of applicable law, without prejudice to the provisions of the Laws numbered 4603 and 4684.

**SECTION SIX
SUNDRY PROVISIONS**

Article 30- In matters where these articles of association remain silent, the relevant provisions of the Banks Law, Turkish Commercial Code and other legislation shall be applicable.

NEW VERSION

22.2- The credit committee shall hold at least weekly meetings with the participation of all members to discuss the agenda determined by the General Manager and communicated to the members at least 24 hours in advance of the meeting date. Resolutions of the credit committee adopted unanimously shall be implemented directly, and those adopted based on majority shall be implemented upon approval by the Board of Directors.

Number, Election and Terms of Office of Statutory Auditors:

Article 23- The General Assembly shall elect 3 statutory auditors maximum from amongst people who hold a university degree, have at least 10 years experience in banking, economics or finance. Statutory auditors shall be elected to serve a 3-year term of office. Remuneration of statutory auditors is set by the General Assembly.

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**SECTION SIX
SUNDRY PROVISIONS**

Article 30- In matters where these articles of association remain silent, the relevant provisions of the Law numbered 4603, the Banking Law, Turkish Commercial Code and other legislation shall be applicable.



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TÜRKİYE HALK BANKASI A.Ş.
ANNUAL REPORT

Compliance Opinion

To the Board of Directors of Türkiye Halk Bankası A.Ş.

We have been appointed to audit the annual report of Türkiye Halk Bankası A.Ş. as of 31 December, 2006. The Board of Directors of the Bank is responsible for the annual report. As an independent auditors, our responsibility is to express an opinion on the audited annual report based on the compliance of information provided in the annual report with the audited financial statements and explanatory notes.

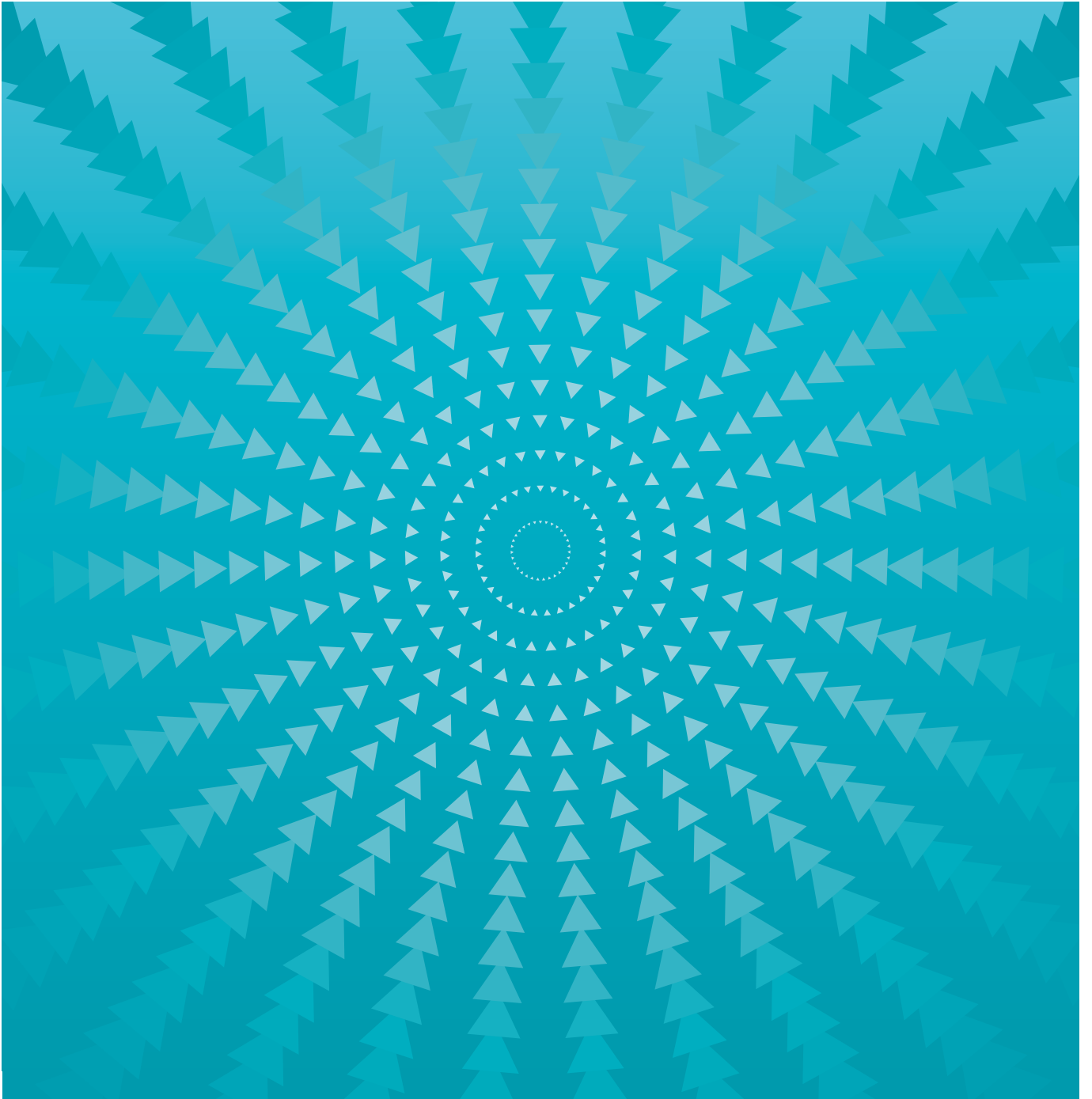
Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual reports set out by the Banking Act No: 5411. Those standards require that we planned and performed our audit to obtain reasonable assurance whether the compliance of information provided in the annual report with the audited financial statements and explanatory notes is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, information provided in the accompanying annual report presents fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. as of 31 December 2006 in accordance with the prevailing accounting principles and standards set out as per Article 40 of the Banking Act No: 5411. Information provided in the annual report is in compliance with the audited financial statements and explanatory notes and it includes the Management's summary report given and our audit opinion on these financial statements.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU

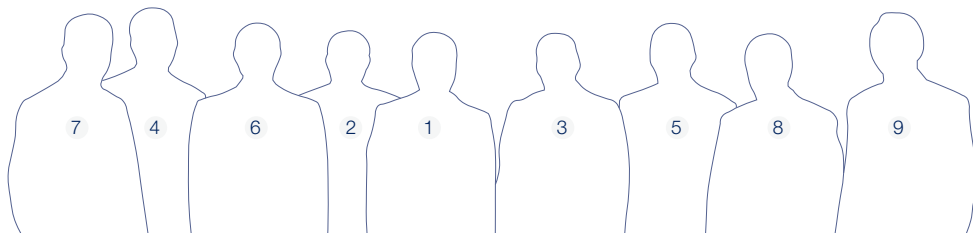
Sibel Türker
Partner

İstanbul, 8 March, 2007



MANAGEMENT AND CORPORATE GOVERNANCE

BOARD OF DIRECTORS



1 Hasan Cebeci Chairman

Hasan Cebeci is a graduate of Ankara Academy of Economic and Commercial Sciences. He began his career in 1975 as an assistant inspector at Vakıflar Bank, where he subsequently appointed as of inspector, branch manager, unit manager, regional manager, and assistant general manager. On 27 March 2003 he was made an Executive Board Member of Halkbank responsible for loans and on 8 December 2003 he became the Bank's general manager and chairman of its Audit Board. Mr Cebeci became chairman of the board on 13 April 2005.

2 Hasan Sezer Deputy Chairman

Hasan Sezer is a graduate of Ankara Academy of Economic and Commercial Sciences (Department of Foreign Trade and Foreign Exchange). He began his career with a privately owned firm in 1982. He joined Ziraat Bank in 1983 as an assistant inspector, subsequently rising to the positions of inspector, assistant unit manager and unit manager. He served as the general manager of Ziraat Menkul Değerler. On 27 March 2003 he was made an Executive Board Member of Halkbank responsible for risk management and control. Mr Sezer has been vice chairman since 13 April 2005.

3 Hüseyin Aydın

General Manager and Member of the Board
Hüseyin Aydın is a graduate of Ankara Academy of Economic and Commercial Sciences (Faculty of Economics). He began his career in 1983 as an assistant inspector at Ziraat Bank subsequently becoming an inspector, assistant manager, office head, foreign office representative, and branch manager. Between 23.03.2003-13.04.2005 he served as an executive board member of Halkbank and as a board member of Pamukbank. After holding a position as vice-chairman of Ziraat Bank between 14.04.2005-31.05.2005, he was made general manager and board member of Halkbank on 31 May 2005. Mr Aydın served as a member of the audit committee of Uzbekistan-Turkish Bank, and a member of the boards of directors of Volksbank Hungary and Fintek as well. Currently, he is also the chairman of Birlik Sigorta and Birlik Hayat.

4 Erol Berктаş Board Member

Erol Berктаş graduated from Middle East Technical University (Faculty of Petroleum Engineering) in 1982. He received his master's degree from Marmara University Banking and Insurance Institute. Between 1986 and 1999 he served in various departments and full-service branches of Garanti Bank in such areas as automation, correspondent banking, international transactions, funds management & planning, planning & budget, and credit marketing. Mr Berктаş was a Financial Affairs Manager in a major multinational in Turkey for a time. Between 2003-2004 he worked as a Executive Board Member in Ziraat Bank. He has been a member of the Halkbank Board of Directors since 13 April 2005.

5 Emin Süha Çayköylü Board Member

Emin Süha Çayköylü is a graduate of Middle East Technical University (Department of Mechanical Engineering) and also holds an MBA degree from Syracuse University Business School, an MSc degree from UMIST-Manchester, and a PhD degree in Business Administration from Washington International University. He began his career in 1972 as a project engineer for a privately owned company and subsequently joined Development Bank of Turkey in 1977 as a project manager. He served unit manager for Islamic Development Bank, and as a general manager, project coordinator, and managing director in various privately-owned companies. Mr Çayköylü became a member of the Halkbank Board of Directors on 27 March 2003.

6 Nurzahit Keskin Board Member

Nurzahit Keskin is a graduate of the Afyon Faculty of Economic and Administrative Sciences of Anadolu University and received a master's degree in international banking from the Institute of Banking and Insurance of Marmara University. He is currently working on his doctorate thesis at Sakarya University. He worked as an instructor at Marmara University for a time after which he entered the private sector in 1990, serving as an independent auditor and management consultant for an international company, worked as a senior-level human resources manager in various national and multinational firms, and as a member of the Executive Committee and Executive Board Member responsible for human resources, operations, and support services in Ziraat Bank. Mr Keskin has been a member of the Halkbank Board of Directors since 13 April 2005.

7 Burhaneddin Tanyeri Board Member

Burhaneddin Tanyeri is a graduate of Atatürk University (Faculty of Business Administration). He began his career at the Agricultural Equipment Agency in 1976 and subsequently joined Ziraat Bank in 1982 as an assistant inspector and then subsequently serving as inspector, chief inspector, branch manager, and regional manager. Mr Tanyeri has been a member of the Halkbank Board of Directors since 8 September 2005.

8 Yusuf Dağcan Member of the Audit Board

Yusuf Dağcan is a graduate of Eskişehir Academy of Economic and Commercial Sciences. He began his career in 1977 at Vakıflar Bank as an assistant inspector and subsequently served as inspector and branch manager. Mr Dağcan has been a member of the Halkbank Audit Board since 27 March 2003.

9 Şeref Efe Member of the Audit Board

Şeref Efe is a graduate of Ankara University (Faculty of Political Sciences, Department of Public Administration) and holds a masters degree from Harvard University, JFK School of Government. He began his career in 1992 as an assistant auditor at the Government Accounting Bureau, where he subsequently rose to the positions of auditor and chief auditor and also took part in a number of projects as a specialist. Mr Efe has been a member of the Halkbank Audit Board since 27 March 2003. He is also a counselor at the Turkish Treasury.

SENIOR MANAGEMENT



Süleyman ASLAN
Assistant General Manager
Treasury Management



Ömer Muzaffer Baktır
Assistant General Manager
Corporate and Commercial Marketing



Halil Çelik
Assistant General Manager
Operations



Erdal Ersoy
Assistant General Manager
Budget and Financial Affairs



Yunus Esmer
Assistant General Manager
Corporate and Commercial Loans



M. Cengiz Gögebakan
Assistant General Manager
Risk Management



Erol Göncü
Assistant General Manager
Information Systems and Technical Services



Dr. Şahap Kavcıoğlu
Assistant General Manager
Retail Banking



Mustafa Savaş
Assistant General Manager
Risk Management and Internal Control



Ali İpek
Head of Board of Inspectors

Süleyman Aslan**Assistant General Manager
Treasury Management**

Süleyman Aslan is a graduate of Middle East Technical University (Faculty of Economic and Administrative Sciences, Department of International Relations). He began his career in 1992 as an associate in the School of Banking of Ziraat Bank's Training Department and subsequently served as specialist in Human Resources and Capital Markets Departments, as assistant manager in the İstanbul Investment Securities Branch and Capital Markets Department, as division manager in the Bonds and Bills Department, general manager and board member of Ziraat Asset Management, and head of the Foreign Exchange and Money Markets Department. Mr Aslan became Assistant General Manager responsible for Treasury Management at Halkbank on 17 June 2005. He has also been responsible for International Banking by proxy since 03 November 2006.

Ömer Baktır**Assistant General Manager
Corporate and Commercial Marketing**

Ömer Baktır is a graduate of İstanbul Technical University (Faculty of Mining Engineering). He began his career in 1990 as an assistant inspector at Pamukbank and subsequently served as inspector, service manager, and department manager at the same bank. On 10 December 2004 Mr Baktır became Assistant General Manager responsible for Corporate and Commercial Marketing at Halkbank.

Halil Çelik**Assistant General Manager
Operations**

Halil Çelik is a graduate of Anadolu University (Faculty of Economics). He began his career in 1982 at Ziraat Bank as an assistant inspector and appointed to the positions of inspector, chief inspector, and regional manager at that bank and also served as an inspector at İller Bankası. He joined Halkbank as Assistant General Manager responsible for Operations on 28 July 2003. Mr Çelik has also been responsible for Organization by proxy since 03 November 2006.

Erdal Ersoy**Assistant General Manager
Budget and Financial Affairs**

Erdal Ersoy is a graduate of Marmara University (Faculty of English Language and Literature) and Anadolu University (Department of Economics). He began his career at Akbank in 1975 and subsequently undertook management positions at Pamukbank, Saudi-American Bank, and Citibank. He joined Halkbank as Assistant General Manager responsible for Budget and Financial Affairs on 4 July 2002.

Yunus Esmer**Assistant General Manager
Corporate and Commercial Loans**

Yunus Esmer is a graduate of Ankara Academy of Economic and Commercial Sciences (Department of Business Administration & Accounting). He joined Halkbank in 1979 and has held the positions of assistant specialist, specialist, and chief specialist in the İstanbul Regional Credit Investigation Department and the Industrial Credits Department; assistant manager in the Project Evaluation Department; and division manager and head in the SME Loans Department. Mr Esmer has been Assistant General Manager responsible for Corporate and Commercial Loans at Halkbank since 17 June 2005.

M. Cengiz Göğebakan**Assistant General Manager
Risk Management**

M. Cengiz Göğebakan is a graduate of Ankara University (Faculty of Political Sciences, Department of Economics). He began his career in 1987 as an assistant inspector at Pamukbank and subsequently served in management positions at every stage of the credit placement process at the same bank. In the course of these duties he also published a number of professional studies and articles on the subjects of credit analysis and rating models, credit monitoring processes, and credit risk management. Mr Göğebakan joined Halkbank on 10 December 2004 as Assistant General Manager responsible for Retail Loans and became Assistant General Manager responsible for Risk Liquidation on 9 June 2005.

Erol Göncü**Assistant General Manager
Information Systems and Technical Services**

Erol Göncü is a graduate of Middle East Technical University (Department of Mathematics). He began his career at Pamukbank in 1988 as a systems analyst and subsequently held the positions of service manager and department manager at the same bank. He joined Halkbank as Assistant General Manager responsible for Information Systems and Technical Services on 10 December 2004.

Dr Şahap Kavcıoğlu**Assistant General Manager
Retail Banking**

Dr Şahap Kavcıoğlu is a graduate of Dokuz Eylül University (Faculty of Business Administration and Economic Sciences, Department of Business Administration) after which he graduated from İstanbul University's Institute of Accounting as an audit specialist and studied business administration at Hastings College in England. He received his master's degree and doctorate at the Marmara University Institute of Banking and Insurance. He began his career as an assistant inspector at Esbank in 1990 and subsequently served there as an inspector, branch manager, and assistant general manager before moving on first to Çalık Investment Bank and then to MNG Bank. Dr Kavcıoğlu joined Halkbank on 30 June 2003 as the Bank's regional coordinator for İstanbul and has held the position of Assistant General Manager responsible for Retail Banking since 17 June 2005.

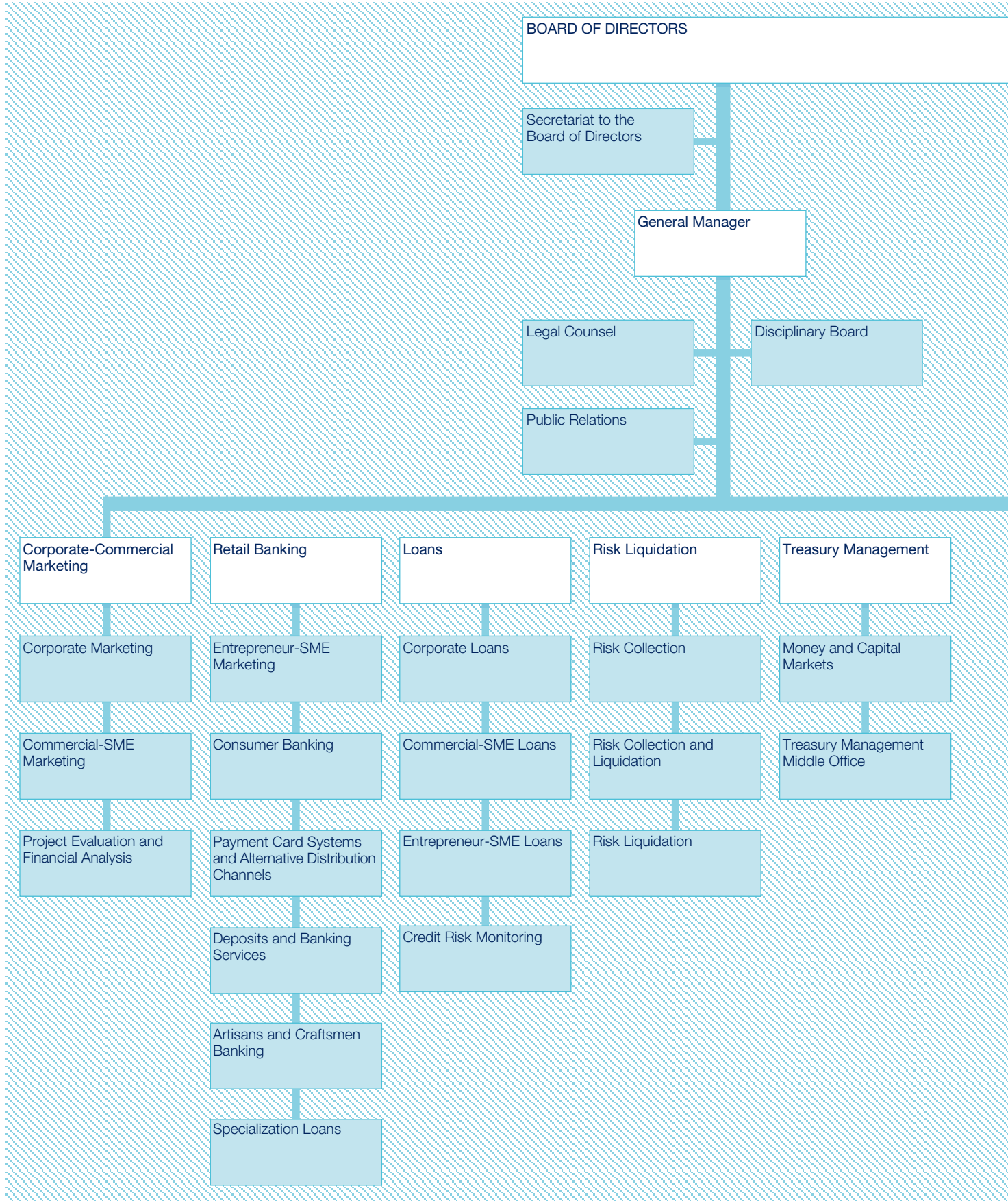
Mustafa Savaş**Assistant General Manager****Risk Management and Internal Control**

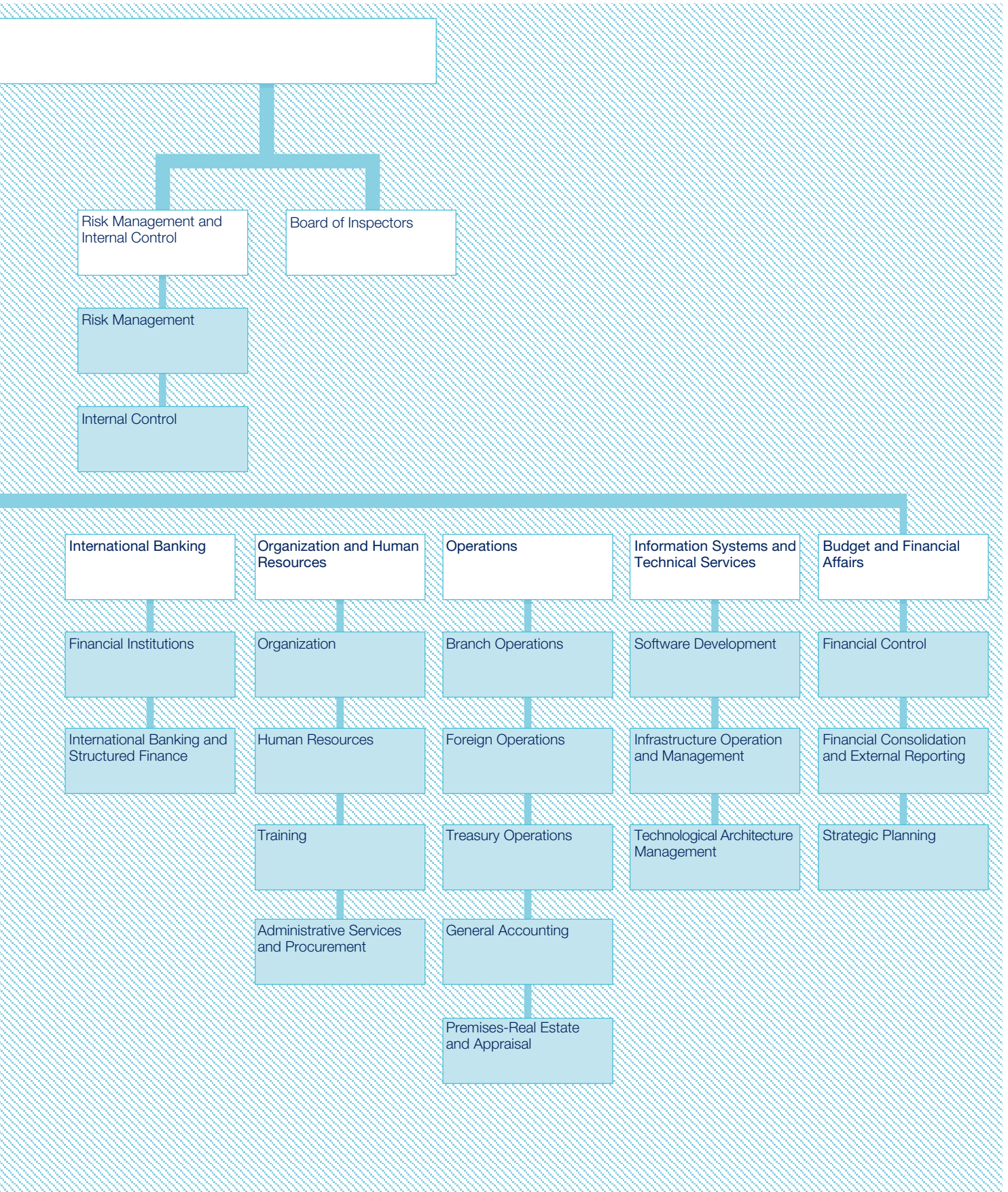
Mustafa Savaş is a graduate of Ankara University (Faculty of Political Sciences). He began his career as an assistant inspector at Halkbank on 1 March 1991 and has served the Bank as inspector, branch manager, and head of the Internal Control Office. He became the Bank's Assistant General Manager responsible for Risk Management and Internal Control on 18 July 2002.

Ali İpek**Head of Board of Inspectors**

Ali İpek is a graduate of Gazi University (Faculty of Economic and Administrative Sciences, Department of Public Administration). He began his career in the Bayrampaşa/İstanbul branch of Halkbank in 1989 and has served the Bank as service clerk, assistant inspector, inspector, branch manager, department manager, and office head. He served as an office head at the Banking Regulation and Supervision Agency in 2004 and joined Halkbank as the head of the Bank's Board of Inspectors on 6 April 2005.

ORGANIZATION CHART





TÜRKİYE HALK BANKASI A.Ş. COMMITTEES

Detailed information about the committees set up at the bank is provided below. All members actively participated in all the committee meetings that were held.

Credit Committee

The Credit Committee performs credit-related duties with which it is charged by the Board of Directors. This committee consists of the general manager and of at least two board members who satisfy all the qualifications required of a general manager save for term of office. The general manager is the head of the Credit Committee. In the general manager's absence, one of the other associate committee members serves as the chairman. The chairman of the Credit Committee is responsible for the effective and sound coordination of the committee's activities. The Credit Committee must convene at least once a week in a meeting attended by all of its members. The Credit Committee's duties consist of implementing lending policies approved by the Board of Directors concerning the dimensions of the bank's total placements portfolio and its distribution by sector, geographical region, and credit type; making recommendations to the Board of Directors for the determination of principles and procedures relevant to the bank's credit policies and to its lending on a portfolio and private individual/corporate entity basis; and ensuring that the credit portfolio is managed within the framework of generally accepted risk management principles. The Credit Committee may delegate some of its duties and authorities, provided that the scope and limits of these powers are explicitly defined; but it may not delegate any authorities concerning any type of unsecured credit other than retail loans and it is responsible for monitoring and checking the activities of the body to which it has delegated such authorities.

Credit Committee

Hüseyin Aydın - Chairman - Board Member and General Manager
Burhaneddin Tanyeri - Member - Board Member
Erol Berktaş - Member - Board Member

Audit Committee

The Audit Committee was set up on 31 October 2006 pursuant to Board of Directors resolution 34-01. The members of the Audit Committee are responsible for the effective conduct of functions related to the bank's internal audit, risk management, and internal control activities. The Audit Committee's duties consist of assessing the effectiveness of the internal control system through internal control and internal audit units; overseeing whether or not bank internal policies, practices, and procedures approved by the Board of Directors are being complied with and making recommendations to the Board of Directors on measures that need to be taken; monitoring and assessing the bank's internal audit system; overseeing whether or not the internal audit unit is fulfilling the obligations specified in regulations and internal policies; examining internal regulations concerning designated strategies, policies, and programs related to internal audit and concerning the structure of the internal audit unit and submitting those that it deems suitable to the Board of Directors for its approval; and assessing whether or not there exist essential methods, practices, and procedures to identify and control the risks to which the bank is exposed. In addition, the Audit Committee reviews independent auditors' assessments concerning the compliance of the bank's accounting practices with laws, regulations, and administrative provisions; reviews the results of independent audits together with senior management and independent auditors and resolves any issues concerning which doubts may be expressed by independent auditors or in their reports; assesses the adequacy and validity of contracts that the bank may sign with independent auditors, rating agencies, assessor companies, and support service providers and submit a report of their findings to the Board of Directors; and determine whether or not the information contained in the bank's financial reports is true and complete and whether or not financial reports accurately reflect the bank's financial standing, the results of transactions that have been performed, and the bank's cash flows.

Audit Committee

Hasan CEBECİ - Chairman - Chairman of the Board of Directors
Hasan SEZER - Member - Board Member responsible for Risk Management, Internal Control, and Internal Audit

TÜRKİYE HALK BANKASI A.Ş. COMMITTEES

Senior Risk Committee

The Senior Risk Committee is the highest-ranking body of the risk management system and is responsible for formulating risk management strategies and policies. All of this committee's decisions must be unanimous. The committee meets regularly at least once a month without any need for being summoned. In extraordinary situations, the committee may be convened by its chairman. At meetings that were held during 2006, views and opinions were exchanged on the bank's potential risks and on general developments in risk management issues and the bank's risk policies, practices, and procedures were developed. The duties of the Senior Risk Committee consist of assessing the regulatorily mandated "Assessment of the Bank's Level of Risk Exposure" and the "Emergency and Unforeseen Circumstance Plan" and submitting it to the Board of Directors, representing the Risk Management Group before the Board of Directors, and formulating risk management strategies and policies.

Senior Risk Committee

Hasan SEZER - Member - Board Member responsible for Risk Management, Internal Control, and Internal Audit
Hüseyin AYDIN - Member - Board Member and General Manager
Mustafa SAVAŞ - Member - Assistant General Manager for Risk Management and Internal Control

Bank Risk Committee

The Bank Risk Committee is responsible for discussing the bank's potential risks and general developments in risk management and for developing bank risk policies, practices, and procedures. The committee's decisions may be taken by a majority vote. The Bank Risk Committee meets regularly and at least twice a month. In extraordinary situations the committee may be convened by its chairman. The duties of the Bank Risk Committee consist of assessing the risks incurred by the bank, submitting views and recommendations to the bank's Senior Risk Committee, and ensuring that the risk management strategies and policies formulated by the Senior Risk Committee are complied with.

Bank Risk Committee

Mustafa Savaş - Chairman - Assistant General Manager for Risk Management and Internal Control
Erdal Ersoy - Member - Assistant General Manager for Budget and Financial Affairs
M. Cengiz Göğebakan - Member - Assistant General Manager for Risk Mitigation
Ali İpek - Member - Head of the Board of Inspectors
Ali Ulvi Sargon - Member - Head of Risk Management Department
Olçay Doğan - Member - Head of the Office of Internal Control

Operational Risks Working Committee

The Operational Risks Working Committee is responsible for identifying transactions that give rise to operational losses and heading off such losses. The committee meets regularly and at least twice a month and its decisions are submitted to the Bank Risk Committee. The committee's duties consist of identifying procedures so that the formulation of a data base needed for the quantification of the bank's operational risks is carried out in coordination with the units involved; coordinating units' activities so that the errors and irregularities identified by the Board of Inspectors and other control units are recorded using a standardized coding system; identifying and assessing elements giving rise to risk in concentrations and/or processes in operational risks based on information reported by the units involved and submitting these to the Bank Risk Committee together with the measures that need to be taken; conducting technical and administrative activities for the formulation of a data base concerning operational losses sustained in the past; assessing operational risks related to functional activities in the risk assessment matrix and formulating views as to their relative weightings; and fulfilling other duties incumbent upon it as a result of changes in banking laws and regulations as well as new ones that may be given to it by the Bank Risk Committee.

Operational Risks Working Committee

Ali Ulvi Sargon - Chairman - Head of Risk Management Department
Kadir Yaylak - Member - Assistant Head of the Board of Inspectors
Olçay Doğan - Member - Head of Internal Control Department
Ergin Kaya - Member - Head of Branch Operations Department
Suat Kepenek - Member - Head of Foreign Operations Department
Ayşe Sönmezler - Member - Head of Financial Control Department
Ali Alev - Member - Head of Treasury Operations Department
Kemal Efe - Member - Head of General Accounting Department
Ayşegül Aslan - Member - Head of IT Architecture Management Department

TÜRKİYE HALK BANKASI A.Ş. COMMITTEES

Assets and Liabilities Committee

The Assets and Liabilities Committee is responsible for determining policies related to the management of the bank's assets and liabilities and to the deployment of resources for that purpose and for making decisions that will be carried out by the units that are involved in the management of the bank's balance sheet. The committee's duties consist of discussing and assessing developments in the bank's financial structure, portfolio, budget, loan and deposit interest rates; developments in money and capital markets; and developments in the bank itself as well as in other banks. The committee regularly meets once a week but it must meet at least once a month. Meeting places and times are announced by the chairman. Other assistant general managers and bank officers may be invited by the committee to take part in its meetings to obtain information from them or to hear their views. The head of Strategic Planning Department is responsible for organizing the committee's meetings and recording the decisions taken at them.

Assets and Liabilities Committee

Hüseyin Aydın - Chairman - Board Member and General Manager
Erdal Ersoy - Member - Assistant General Manager for Budget and Financial Affairs
Ömer Baktır - Member - Assistant General Manager for Corporate and Commercial Marketing
Şahap Kavcıoğlu - Member - Assistant General Manager for Retail Banking
Yunus Esmir - Member - Assistant General Manager for Corporate and Commercial Credit
Süleyman Aslan - Member - Assistant General Manager for Treasury Management and International Banking

Corporate Governance Committee

The membership of the Corporate Governance Committee consists of a non-executive director designated by the Board of Directors, the head of the Board of Inspectors, and all of the bank's assistant general managers. The committee is responsible for monitoring compliance with the bank's corporate governance principles, improving such compliance, and making recommendations on these issues to the Board of Directors. The Corporate Governance Committee convenes on dates, at times, and in places determined by the committee's chairman. Other bank officers may be invited by the committee chairman to take part in meetings to obtain information from them or to hear their views. The duties of the Corporate Governance Committee consist of making recommendations to the Board of Directors concerning the determination of the bank's vision, mission, and strategies and having them publicly disclosed; formulating the bank's rules of ethics and determining how compliance with them should be communicated to the bank's personnel; identifying possible conflicts of interest that bank senior management may become involved in on account of the bank's activities, making recommendations to the Board of Directors concerning the formulation of policies to prevent them, and assessing the effectiveness of those policies; identifying employees' authorities and responsibilities and making them aware of the need to comply with them as well as making recommendations to the Board of Directors concerning action to be taken with respect to qualified personnel by taking part in the determination of performance and reward criteria; and for ensuring that the bank's website is actively used to publicly disclose the bank's corporate governance principles.

Corporate Governance Committee

Hasan Cebeci - Chairman - Chairman of the Board of Directors
Ömer Baktır - Member - Assistant General Manager for Corporate and Commercial Marketing
Şahap Kavcıoğlu - Member - Assistant General Manager for Retail Banking
Yunus Esmir - Member - Assistant General Manager for Corporate and Commercial Credit
M. Cengiz Göğebakan - Member - Assistant General Manager for Risk Mitigation
Süleyman Aslan - Member - Assistant General Manager for Treasury Management and International Banking
Halil Çelik - Member - Assistant General Manager for Organization and for Human Resources and Operations
Erol Göncü - Member - Assistant General Manager for Information Systems Technical Services
Erdal Ersoy - Member - Assistant General Manager for Budget and Financial Affairs
Ali İpek - Member - Head of the Board of Inspectors

The Board of Directors

The Halkbank Board of Directors consists of at least seven and at most nine members who possess the qualifications required of them by the Banking Law. Members of the board are chosen by the shareholders at a General Assembly. At their first meeting after being sworn in, board members elect from among themselves a chairman, a deputy chairman, a general manager, and at

TÜRKİYE HALK BANKASI A.Ş. COMMITTEES

least two members who do not have executive duties to make up the Audit Committee. The fundamental duty of the board is to administer and represent the bank. The deputy chairman presides over board meetings in the chairman's absence.

Irrespective of the reason, any member who fails to attend three consecutive board meetings without the board's permission or who misses more than half of the meetings held in a single fiscal year is deemed to have resigned his seat. In the event of one or more vacancies on the board, the remaining members elect temporary replacements for them from among persons who are qualified by law and the bank's articles of incorporation to hold a seat on the board. Such board members serve until the very next general assembly, at which time their elections are approved or disapproved by the shareholders.

The Board of Directors may be convened at the request of the chairman, the deputy chairman, or any of its members. The board must convene at least once a month. Unless it is decided to do otherwise, the board regularly convenes on the third Wednesday of the month. (If a regularly scheduled meeting date coincides with a legal holiday, then it may be postponed to another date upon the chairman's written proposal.) If the first day of a month falls on a Wednesday, then the meeting is held on the fourth Wednesday of the same month.

As a rule, board meetings are held in the city where the bank's headquarters are located however with the consent of a simple majority of the board's membership (5 members) a meeting may be held somewhere else. In keeping with the principle of transparency in auditing functions, the members of the Audit Board may also attend board meetings. The board may also require assistant general managers and/or other members of the bank's management to be present at its meetings.

A board meeting's agenda is prepared by the chairman (or deputy) convening the meeting and is delivered to the other members in some convenient way or by hand. Agendas are sent out at least 24 hours before a meeting is scheduled to take place. The chairman may have additional items placed on the agenda if warranted by issues or circumstances. Any board member may propose that an item be placed on the agenda for the board to vote on. In order for the board to convene and discuss the agenda, at least a simple majority of its membership (5 members) must be present. Decisions are passed by a simple majority of the board's membership. So long as no member wishes to debate an issue, board decisions may also be passed with the written approval of a written proposal that is made by one board member on a particular issue and is circulated among the others. In such cases however, the unanimous consent of the entire board's membership is required.

THE HEADS OF INTERNAL CONTROL SYSTEM UNITS

Head of the Board of Inspectors: Ali İPEK

Tenure in Office	Professional Experience	Educational Background
20 months	17 years Banking Regulation and Supervision Agency: Head of the Human Resources and Training Office Halkbank: Corporate and Commercial Credit Office Commercial Marketing Department Manager Board of Inspectors: Head Inspector Branch Manager	BA

Head of Internal Control Department: Olcay DOĞAN

Tenure in Office	Professional Experience	Educational Background
15 months	12 years Halkbank Board of Inspectors: Inspector	BA

Head of Risk Management Department: Ali Ulvi SARGON

Tenure in Office	Professional Experience	Educational Background
24 months	17 years Savings Deposit Insurance Fund: Head of Asset Management Department Garantibank Branch Manager İşbank Board of Inspectors: Inspector	BA

TÜRKİYE HALK BANKASI A.Ş. BOARD OF DIRECTORS REPORT

In 2006 Halkbank conducted its activities without deviating from the profitability and productivity objectives to which it adheres. The bank took pains to work, grow, and generate profit in every area that it viewed as productive. The improvements in the bank's financial standing during the year were rooted in economic and market realities.

2006 was a year in which suitably-priced resources were obtained, economies of scale were exploited, and importance was given to management of the bank's assets and liabilities. The results that the bank achieved revealed themselves as healthy, profitable growth.

In 2006 the bank increased its assets 28% year-on from TRY 26.9 billion to TRY 34.4 billion. In the process of achieving this growth in assets, the share of special-issue government borrowing instruments in the hold to maturity portfolio declined, the share of loans in the balance sheet increased, and the share of non-performing assets was down.

In 2006 Halkbank channeled a significant portion of its resources into lending. With balance sheet assets up 28% last year, the share of loans in the balance sheet total went from 24% in 2005 to 34% in 2006 while the volume of the bank's lending increased 84% from TRY 6.3 billion to TRY 11.6 billion during the same period.

In the bank's lending processes, attention was given to being a financial partner for all economic actors from retail to corporate customers but with a particular focus on tradesmen, artisans, and small to medium-sized enterprises. Due to this focus, 54% of the bank's loans were made to tradesmen, artisans, and small to medium-sized enterprises.

The share of investment securities in the bank's balance sheet was reduced significantly in line with an important element of the bank's strategies to increase the quality of its assets. The existing portfolio was also put to work in such a way as to have a positive impact on the bank's liquidity. As a result, the share of investment securities in the balance sheet contracted from 65% to 53%.

The total volume of the bank's deposits increased 29% from TRY 21.1 billion to TRY 27.1 billion year-on. In achieving this expansion in deposits, attention was given to broadening the bank's depositor base.

The profit target that Halkbank had set for end-2006 was achieved by the end of the third quarter. Total profit amounted to TRY 863 million, which is 56% higher than that of the previous year. In conclusion, the bank registered a productive year in 2006 and is poised to continue growing and generating a high level of profit.

We thank all our employees for enabling Halkbank to achieve these results. We hereby submit the 2006 Board of Directors' and statutory auditors' reports and the balance sheet and profit/loss statements for the consideration of our esteemed shareholders and their representatives.



Hüseyin AYDIN
Board Member and General Manager



Hasan CEBECİ
Chairman of the Board of Directors

TÜRKİYE HALK BANKASI A.Ş. HUMAN RESOURCES PRACTICES

Recruitment and hiring

Taking into consideration information concerning staffing numbers, duties, positions, and workplaces identified by the Organization Unit and determined in line with Board of Directors approval, the Human Resources Unit determines the human resources the bank will need in the coming year and also the recruitment and hiring prerequisites within the framework of a plan concerning how this manpower is to be obtained from within or outside the bank or from whatever other sources. The general qualifications shown below are required of all candidates however other qualifications may be required of candidates depending on the nature of the job position being recruited for.

- Be a citizen of the Republic of Turkey or possess a work permit obtained from Turkish authorities and allowing him to work in Turkey pursuant to Statute 4817.
- Not have been deprived of his civil rights.
- Be at least nineteen years of age at the time he sits for the entrance examination.
- Never have been convicted of any of the offenses specified in the bank's Human Resources Regulations.
- Not to be prohibited from working in a bank under the Banking Law.
- Have no compulsory military service obligations or else be entitled to a deferment of them at the time he sits for the entrance examination.
- With the exception of those who are hired to bring the bank into compliance with the provisions of the Labor Law concerning the employment of handicapped persons, be healthy enough to perform the job and be able to prove by means of an official health agency report that he suffers from no physical or mental illness and from no physical impairment that would prevent him from being able to work on a continued basis anywhere in the country.

Job applications

Position vacancies at the bank are announced in newspapers and magazines and via internet human resources websites and the Halkbank website. These announcements contain specific information about the examinations that will be held for the positions. Those who pass such examinations may also be interviewed when necessary to determine whether or not they possess the knowledge and experience required by the job position.

Promotion

The position titles based on levels of authority in descending order at Halkbank are: Managing Director, Director, Manager, Authorized Person, Assistant and Support. Each title in principle is subordinate to a single authorization group and it is a basic requirement that a person be employed in the authorization group of the title he holds. In order for an employee to be promoted from his current position to another in a higher authorization group or to a higher position in his current authorization group:

- There must be a vacancy to be filled in normal staffing.
- He must satisfy at least the minimum length of service requirement for the job/position he currently holds.
- He must have received at least a "good" performance evaluation during the minimum length of service requirement for the job/position he currently holds.
- He must have successfully passed the progression examination.
- He must possess the competencies for the job to which he is to be assigned.
- He must have successfully completed the training (courses and/or seminars) that he takes part in for the job to which he is to be assigned.

TÜRKİYE HALK BANKASI A.Ş. ACTIVITIES FOR WHICH SUPPORT SERVICES ARE OUTSOURCED

Information about the individuals and organizations from which Halkbank procures services that it believes fall within the scope of the “Regulations concerning the Outsourcing of Support Services by Banks and the Authorization of Organizations Providing Such Services” and the areas of activity to the firms and organizations that are the bank’s service providers is given below.

- Bankalararası Kart Merkezi AŞ (Interbank Card Center Inc) was founded in 1990 for the purposes of developing procedures that banks with credit card and bank card products would follow when dealing with one another, engaging in activities to achieve standardization, formulating national rules that are to be applicable throughout the country, conducting interbank clearances, establishing relationships with international organizations and commissions and representing its members before them when necessary, and performing transactions that are currently being undertaken individually by each bank from a single center that is more secure, faster, and lower-costing. The companies with the three biggest stakes in the center are T. Halk Bankası AŞ (18.95%), T.C. Ziraat Bankası AŞ (17.98%), and T. Garanti Bankası AŞ (10.15%). The remaining shareholders are Akbank TAŞ, Yapı ve Kredi Bankası AŞ, T. İş Bankası AŞ, T. Vakıflar Bankası TAO., Finansbank AŞ, Oyak Bank AŞ, and Fortis Bank, whose stakes amount to less than 10% each.
- Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri AŞ (Bileşim Alternative Delivery Channels and Payment Systems Inc) was founded in 1995 to engage in any and all activities that currently exist or may arise as a result of technological developments in the areas of bank credit products, card-based and/or electronic payment systems, call centers, internet banking, ATM and other electronic banking applications, and merchant partner systems and to provide all manner of services including those related to risk-assessment processes made necessary by risk-bearing banking products. The firm’s shareholders are T. Halk Bankası AŞ (24%), T.C. Ziraat Bankası AŞ (25%), Ziraat Bankası Personel Vakfı (20%), Başak Sigorta AŞ (15%), Ziraat Finansal Kiralama AŞ (15%), and Başak Depoculuk AŞ (1%).

TÜRKİYE HALK BANKASI A.Ş. STATUTORY AUDITORS' REPORT FOR OPERATING AND FISCAL YEAR 2006

The statutory auditors took part in board of directors meetings between 1 January 2006 and 31 December 2006; examined the bank's activities, board of directors resolutions, and the documents on which those resolutions were based within the framework of relevant laws, regulations, and administrative provisions, and they ascertained the matters set forth below.

Overview

Under Privatization High Council resolution 2006/69 dated 11 August 2006, the state-owned shares in the bank were transferred to the Privatization Administration and it was decided that a block sale of 99.9% of the bank's shares was to be made by 25 May 2008. A ruling handed down by the 13th Chamber of the Council of State (2006/4258, 29 November 2006) countermanded PHC resolution 2006/69, whereupon a new law (Statute 5572) was passed under which a new PHC resolution (2007/8, 5 February 2007) was issued ordering privatization of 25% of the shares transferred to the Privatization Administration by means of a public offering. The resolution also called for completion of this sale by the end of 2007.

Pursuant to this resolution, the Privatization Administration has begun preparations for this public offering. The most serious question in this offering was the problem of converting shares in the bank's capital with nominal values of TRL 100, TRL 500, and TRL 1,000 each to the new Turkish lira. Upon the initiative of the Privatization Administration, a draft law addressing this issue has been sent to parliament for its approval.

As proposed, such of these share as are not held by the Privatization Administration will be converted as follows: one share with a nominal value of TRL 100 will be replaced with one share with a nominal value of TRY 1; one share with a nominal value of TRL 500 will be replaced with five shares with a nominal value of TRY 1 each; and one share with a nominal value of TRL 1,000 will be replaced with ten shares with a nominal value of TRY 1 each. Because this replacement is beneficial to small shareholders, no payment will be demanded of them on account of this exchange. The difference resulting from the exchange will be made up for by transferring TRY 474,128.58 worth of the PA's shares to small shareholders. As a result of this conversion to the new Turkish lira, all of the bank's shares will have a nominal value of TRY 1.00. In the new structure, the PA's capital share will be reduced from TRY 1,249,999,952.58 to TRY 1,249,525,824 while the small shareholders' aggregate share will be increased from TRY 47.52 to TRY 474,176.

Financial information

1. Changes in the accounting system

The bank is subject to "Regulations concerning principles and procedures pertaining to accounting practices and the retaining of documents" published by the Banking Regulation and Supervision Agency on 1 November 2006 and, pursuant to article 14 of those regulations, to the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS), both issued by the Turkish Accounting Standards Board (TASB), as well as to their addendum and interpretations.

Because these standards are being applied for the first time, the accounts for 2004, 2005, and 2006 and the financial statements prepared on the basis of those accounts have been restated. The most important corrections that had to be made were in the areas of employee service awards, accumulated employee leave pay, the valuation of currency translation gains on FC subsidiaries and installment sales of assets and the tax deferrals applicable thereto.

The primary impact of these corrections was to be seen in the prior-year profit/loss accounts of the financial statements for 2004 and in the income statements for 2005 and 2006. As a result, the TRY 531,767 thousand in profit shown in 2005 was adjusted to TRY 553,824 thousand and a prior-year profit in the amount of TRY 231,780 thousand was generated.

TÜRKİYE HALK BANKASI A.Ş. STATUTORY AUDITORS' REPORT FOR OPERATING AND FISCAL YEAR 2006

2. Financial standing

On the basis of our examination of the bank's financial statements for 2005 and 2006, we have ascertained the following:

- a) At year-end 2005 the bank's total assets were worth TRY 26,853,555 thousand. In the twelve months to end-2006 they increased 28.19% and reached TRY 34,424,690 thousand in value.
- b) Total credit placements (including rediscounting income), which stood at TRY 6,329,894 thousand at end-2005, increased a rather substantial 83.98% and reached TRY 11,645,638 thousand as of end-2006. During the same interval, the ratio of total credit placements to total assets, which is an indicator of asset quality, increased 10.26 points to 33.83%.
- c) Total non-performing loans, which amounted to TRY 1,201,915 thousand at end-2005, were down to 1,084,962 thousand as of end-2006. In addition to this reduced exposure to principal risk, significant collections of interest were also made.

Along with the significant expansion in the volume of lending last year, the ratio of non-performing loans to total loans, which was 16% in 2005, contracted to 8.53% in 2006. While 0.90% of newly-extended loans were transferred to the NPL account in 2005, in 2006 this ratio was only 0.14%. This performance is directly attributable to the bank's practice of lending to firms that have high credit ratings and a good history of debt service.

d) The stock of special-issue government bonds (bonds which must be held to maturity) in the bank's investment securities portfolio (including rediscounting income) was worth a total of TRY 13,848,583 thousand as of end-2005. This declined 18.59% to TRY 11,274,722 thousand (including rediscounting income) in 2006. Despite this reduction however, these instruments remain an important component of the bank's assets. The reduction stemmed from the Treasury's regular debt service (principal and interest) during the year. Particular attention was given to channeling the income received from this source into loans and also to buy investment securities for trading purposes and to relinquish the bank's high-cost deposits.

e) In 2006 the banking sector financed exports worth a total of about TRY 78,994,794 thousand and imports worth a total of about TRY 117,012,770 thousand. The bank's export and import financing last year amounted to TRY 1,505,599 thousand and TRY 2,254,446 thousand respectively. The year-on rise in the bank's foreign trade finance in 2006 therefore was 27%.

f) At end-2005, total deposits (including rediscounting income) amounted to TRY 21,113,284 thousand. They increased 28.77% in 2006 and reached TRY 27,187,964 thousand as of year-end. The share of demand deposits in total deposits contracted to 4.31% last year, which is well below the sector average. Banks give special importance to demand deposits because their cost is virtually nil, which has the effect of reducing overall costs. For this reason, we are of the opinion that the share of such deposits in the bank's total should be increased.

g) The bank makes use of its offshore branch to reduce the liability-side "Cost of funding" item and to obtain the long-term resources that it needs. It does this by entering into money and interest rates swap contracts. We are of the opinion that in addition to this, greater weight should be given to procuring resources through syndications and in similar ways for the sake of more sustainable and competitive pricing.

h) The bank's adjusted current net profit in 2006 was TRY 863,498 thousand, 55.92% higher than the previous year's TRY 553,824 thousand. An increase in high-yield retail loans and tight cost controls were influential in this rise. The bank's shareholders' equity reached TRY 3,779,845 thousand in 2006. This translates into a return on equity ratio of 22.84%.

i) The bank's capital adequacy ratio went from 49.64% in 2005 to 31.95% in 2006. This decline in the capital adequacy ratio was largely the result of the 83.98% year-on expansion in the bank's lending activities in 2006.

**TÜRKİYE HALK BANKASI A.Ş.
STATUTORY AUDITORS' REPORT FOR OPERATING AND
FISCAL YEAR 2006**

- j) The ratio of non-interest income to non-interest expenses, which was 55% in 2005, rose a hefty 21 points to 76% in 2006.
- k) The bank's total liquidity adequacy ratio, which is supposed to be at least 100% pursuant to the "Regulations concerning the measurement and assessment of bank's liquidity adequacy" that the Banking Regulation and Supervision Agency put into effect on 1 November 2006, effective 31 December 2006, was 132.99% while its FC liquidity adequacy ratio, which is similarly supposed to be at least 80%, was 150.51%. The liquidity adequacy ratio calculated on the basis of stock values, which is supposed to be at least 5% in accordance with transition article 1 of the same regulations, was 8.6%.
- l) The bank maintains no open FX positions at all as a general principle. Therefore the FC net general position to shareholders' equity ratio is consistently well below the legal requirement and the bank carries no currency (exchange rate) risk.
- m) At end-2005 the bank had 925,740 credit card customers and its credit card risk exposure amounted to TRY 218 million. At end-2006, the number of customers stood at 881,700 while its risk exposure had contracted to TRY 214 million. The bank is undertaking activities and campaigns to increase both the number of its active credit card customers and its overall credit card risk exposure.

In conclusion, within the framework of this statutory auditors' report, which we have prepared pursuant to article 354 of the Turkish Commercial Code, we recommend that the bank's balance sheet, profit/loss statement, and dividend payment schedule for fiscal year 2006 be approved and that the Board of Directors be acquitted of its fiduciary duties with respect to the bank's activities in 2006.

Ankara 23.03.2007

Yours sincerely,



Şeref EFE
Statutory Auditor



Yusuf DAĞCAN
Statutory Auditor

TÜRKİYE HALK BANKASI A.Ş. THE AUDIT COMMITTEE'S ASSESSMENT OF THE FUNCTIONING OF THE INTERNAL CONTROL, INTERNAL AUDIT, AND RISK MANAGEMENT SYSTEMS AND THE COMMITTEE'S ACTIVITIES IN 2006

Halkbank: Internal Control

The Internal Control Unit is responsible for checking and reporting on the protection of the bank's assets, on the effective and productive conduct of its business, and on the compliance of all bank activities with the requirements of laws, regulations, and administrative provisions, with the bank's own rules, and with customary banking practices. This unit's activities are governed by the "Regulations concerning Banks' Internal Systems" published by the Banking Regulation and Supervision Agency.

The objective is to create an effective internal audit infrastructure by means of risk-focused checks made on business processes and cross-checks made with the support of reports and checks made against the central system's data base. Operational risks identified during such checks and the results of their risk measurement are quantified to determine the risk levels of individual branches. In addition, business processes are analyzed and opinions and suggestions to increase operational productivity and effectiveness are sent to the units concerned. Internal control activities are carried out within the framework of defined programs at headquarters units, branches, and bank subsidiaries. The results of internal control activities are examined and branch and subject-based risk measurements and assessments are performed at regular intervals.

In 2006, intensive efforts continued to increase the effectiveness of internal control processes by reducing the amount of onsite controls and managing operational risks centrally. Data obtained from the centralized data base system is analyzed and transactions that might engender risks according to specified criteria are reported. The results of these reports can be analyzed centrally or on location as need be. Work is continuing under the bank's "Anadolu Project" to generate such reports directly from the data warehouse.

Preliminary examinations are carried out in response to requests made by the bank's senior management, members of the Board of Directors, the Board of Inspectors, headquarters units, and regional coordinators on various matters as well as on issues identified as needing special attention by Internal Control personnel in the course of their activities and the findings are reported. Information and documents pertaining to the issues being examined are evaluated in detail and matters requiring a formal inspection are referred to the Board of Inspectors while those that can be resolved by means of administrative action are referred to the appropriate headquarters unit. In addition, headquarters and branch transactions that Internal Control personnel identify as being so flawed as to give rise to culpability are referred to the Board of Inspectors to determine what administrative, financial, and/or punitive action is required.

Halkbank engages in an ongoing, proactive effort to methodically and correctly identify the risks to which its banking activities expose it and to come up with appropriate solutions. The bank's activity and control processes are regularly monitored and the results are evaluated.

Halkbank: Board of Inspectors

Consisting of a total of 125 inspectors and assistant inspectors, the Halkbank Board of Inspectors performs its inspection functions so as to encompass all of the bank's activities. The Board of Inspectors reports directly to the Board of Directors.

In line with the introduction of a risk-focused approach to inspection in 2005, centralized inspections and information technology inspections were also added to the board's responsibilities. In this way the board's functions are categorized as either "onsite" or "remote". 106 of the board's inspectors engage in onsite inspections while 17 of them perform centralized inspections and other duties.

In line with Banking Regulation and Supervision Agency regulations, action has been taken to change over to a risk-focused approach to inspection and away from a more classical approach. Shortcomings that are determined in the course of inspections are grouped and transaction code lists have been formulated to determine risk weightings and branch inspection frequencies. During 2006 the efforts of the centralized inspection team began to produce results and it is planned to continue these activities in the period ahead on an ever-increasing basis in order to achieve a specific standard. In this way, it will be possible to centrally determine in advance a number of risk points that are now being examined and evaluated on a individual basis during branch inspections, which will shorten inspection durations while raising inspection quality. As a result of the activities of the centralized inspection and information technology inspection team, it will become possible to draw up a risk map of the bank and determine the risk groupings of branches, units, basic banking functions, and transactions.

TÜRKİYE HALK BANKASI A.Ş.
THE AUDIT COMMITTEE'S ASSESSMENT OF THE FUNCTIONING OF THE
INTERNAL CONTROL, INTERNAL AUDIT, AND RISK MANAGEMENT
SYSTEMS AND THE COMMITTEE'S ACTIVITIES IN 2006

Of the 244 units included in the 2006 inspection program, inspections were completed on 150. Work is currently in progress to complete the inspections of the remaining units.

Halkbank: Risk Management

The Office of Risk Management is responsible for establishing methodologies for the quantification of credit, market, and operational risks; taking measures to mitigate those risks; and bring the bank into compliance with the Basel II process whose "Standardized Method" is to become applicable in our country in 2008 according to the roadmap published by the national auditing authority.

In 2006, data sets needed to implement the "Standardized Approach" contained in the Basel II Capital Accord at the bank were created and software production was completed. Work is currently in progress to create a reference data set so that credit risk may be measured using the "Advanced Internal Rating Approach".

Work was carried out on internal credit risk quantification models for calculating economic capital and as a result of this work, models have been developed that can be used for the bank.

Transition matrixes have been created to identify the probability of default on the basis of the results of rating corporate and entrepreneur-level firms. In addition to calculating the probability of historical default, statistical methods were employed to make default projections and scenario analyses were performed by means of parameter shocks. In addition to these activities, portfolio risk maps are being prepared on the basis of the borrower and collateral ratings of the credit and loan accounts in the bank's portfolio.

The rating systems that are used to evaluate the credit applications of the bank's corporate and entrepreneur customers are subjected to validation at regular intervals. The results produced by the rating system by means of statistical models are compared with the results generated by the existing rating system and calibrated accordingly.

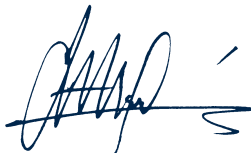
In addition to the Standardized Method, the VaR (value at risk) of the bank's trading portfolio is calculated on a daily basis.

Risk-focused business and process audits are performed in order to create an effective internal audit infrastructure at the bank. The operational risks that are discovered in this way are classified according to area of activities and type of event and measures are taken to minimize operational losses. The amounts of capital that the bank must have on hand due to losses stemming from operational risks according to the Foundation Approach, the Standardized Approach, and the Alternative Standardized Approach are calculated at regular intervals and their impact on the bank's capital adequacy ratio are investigated.

Believing that the existence of an effective risk management system will further increase Halkbank's reliability and value, these activities are being continued intensively.



Hasan SEZER
Audit Committee Member



Hasan CEBECİ
Audit Committee Chairman

TÜRKİYE HALK BANKASI A.Ş. FINANCIAL STANDING, PROFITABILITY, AND SOLVENCY

Assets structure

As a result of its activities in 2006, the bank's total assets increased 28.2% and reached TRY 34,425 million.

The Bank's principal placements consist of investment securities portfolio amounting TRY 18,139 million with 52.7% share, loans amounting TRY 11,646 million with a 33.8% share, liquid assets amounting TRY 3,630 million with a 10.5% share and other placements with a 2.9% share.

The most important year-to-year net increases as of end-2006 took place in loans (up TRY 5,316 million) and marketable financial assets (up TRY 4,224 million). The most important decline among asset items was in the "hold-to-maturity" category of investments (down TRY 2,574 million).

In terms of their year-to-year comparisons, the share of loans in the bank's balance sheet rose from 23.6% in 2005 to 33.8% in 2006 and marketable securities and financial assets went from 13.9% to 19.9%, while investments to be held until maturity contracted from 51.6% to 32.8%. In line with these changes, there was marked improvement in the bank's asset quality resulting from greater liquidity and a larger volume of lending.

Liabilities structure

A substantial 79% of the bank's resources in the amount of TRY 27,188 million consist of deposit accounts, which is followed in turn by shareholders' equity (TRY 3,780 million, 11%), miscellaneous (TRY 2,443 million, 7.1%), and reserves (TRY 1,003 million, 2.9%).

The most important year-to-year net increases as of end-2006 took place in deposits (up TRY 6,075 million) interbank money market accounts (up TRY 631 million), shareholders' equity (up TRY 481 million), and loans received (up TRY 405 million).

A breakdown of total deposits, the most important of the bank's resources, by type shows that the biggest share (43.7%) consists of savings deposits in the amount of TRY 1,154 million, which are followed in turn by commercial concerns' deposits (TRY 641 million, 12.2%), and by other organizations' deposits (TRY 988 million, 10.6%).

The great majority (72.9%) of the bank's deposits consist of Turkish lira accounts and only 27.1% consist of foreign currency accounts. At end-2006, demand deposits made up only 9% of the total.

Profitability structure

The bank booked a net profit of TRY 863 million in 2006, TRY 309 million more than the previous year's figure of TRY 554 million. The most important items contributing to the bank's profits last year are indicated below.

The most important source of the bank's income was the interest it received on its active placements. Interest income in 2006 amounted to TRY 4,564 million, TRY 847 million more than in 2005, which corresponds to a year-on rise of 22.8%.

The biggest (62.4%) share of the bank's interest income was earned on investment securities and amounted to TRY 2,849 million. This was followed in turn by interest on loan accounts (TRY 1,513 million, 33.1%), and the interest on the bank's CBT reserve requirements (TRY 140 million, 3.1%).

The interest earned on the bank's investment security portfolio increased TRY 257 million in 2006 while the net increase in interest income amounted to TRY 525 million.

An examination of the bank's interest outlays shows that the biggest (95.9%) share, amounting to TRY 3,065 million, consisted of interest paid on deposits. The interest paid on the deposits that contribute 79% of the bank's resources was also the bank's biggest expenditure item. Other interest outlays combined amounted to only TRY 130 million, bringing the total to TRY 3,195 million.

The bank's net interest income in 2006 amounted to TRY 1,370 million at year-end.

TÜRKİYE HALK BANKASI A.Ş. FINANCIAL STANDING, PROFITABILITY, AND SOLVENCY

Net commission income increased 49.4% in the year to end-2006 and reached TRY 232 million.

The bank set aside provisions totaling TRY 202 million against its loans and other receivables related to its activities in 2006.

Operating expenses amounted to TRY 649, the biggest (61.6%) share of which consisted of personnel outlays amounting to TRY 400 million, up 5.7% year-on.

As a result of all its activities in 2006, the bank booked a pretax profit of TRY 1,117 million and a net profit of TRY 863 million after setting aside a tax provision in the amount of TRY 254 million. Despite shrinking interest margins and increasingly more competitive market conditions, the bank nevertheless boosted its profit 55.9% year-to-year in 2006.

Solvency

Deposits, the bank's most important resource, are also an effective instrument with which the bank can service its short-term debt due to the breadth of the depositor base and to its robust structure. The element in which the bank has the greatest confidence is its customer base. The bank's core deposits make up 64% of the total, which contributes tremendously to the bank's liquidity.

The bank's 32% capital adequacy ratio is above the sectoral average. This robust capital structure gives the bank an advantage when procuring resources and it also nourishes the growth in the bank's lending.

A market maker in Turkish government debt, Halkbank's strong capitalization and financial structure give it a unique position in the sector in terms of its ability to tap credit markets and obtain funding.

In the course of nearly seven decades, Halkbank has gained a respected position not just in Turkey but in international markets as well. More than a thousand correspondent banks, international representatives, and a branch network with a truly national reach provide the bank with the organizational strength it needs to secure the resources it requires.

In addition to the diversity of its existing and alternative sources of funding, Halkbank continued its efforts to increase the quality of its assets in 2006. In line with this, it increased the volume of its liquid assets by expanding the size of its marketable securities portfolio.

The bank had no need of short-term borrowing except for repo and other deals that created advantageous interest spreads in line with its customers' requirements.

Because of its strong debt service ability, the bank pays out all of the profits that remain after it has set aside the reserves that are required of its by law as cash dividends to its shareholders.

TÜRKİYE HALK BANKASI A.Ş. RISK MANAGEMENT POLICIES ADHERED TO ACCORDING TO TYPES OF RISK

Halkbank conducts its risk management activities in accordance with the requirements of laws, regulations, and administrative provisions and it perceptively identifies and analyzes risks thanks to the risk management policies that it adheres to. The firewall separating the risk management system from the bank's business units, methodical risk reporting, a foresightful approach to risk identification, and adaptability to change all contribute greatly towards the bank's success in risk management.

Basel II

A member of the Basel II Steering Committee set up by the Banks Association of Turkey, Halkbank is currently engaging in activities within the framework of the Basel II roadmap published by the Banking Regulation and Supervision Agency. The bank has created a risk management system that is consistent with Basel II principles. Risk quantification and management activities are carried out under three separate headings.

Credit risk: Halkbank uses two different methodologies to evaluate credit applications depending on the particulars of the customer: the Entrepreneur Loans Module is used for SMEs while the Credit Assessment Report is used for corporate and commercial customers and a scoring system is used to evaluate retail loan applications. The bank is currently engaged in activities to bring its risk analysis functions into compliance with the methods called for by Basel II. To that end, software production has been completed to make risk calculations on the basis of the data requirements dictated by the Basel II Standard Approach. The most important issue that must be addressed within the framework of Basel II is that credit and loans be managed as a portfolio and that an effective risk quantification model be established against which expected/unexpected losses may be calculated. Under this heading, work is currently in progress to make it possible to calculate the bank's capital adequacy using internal quantification methods. The bank's rating process is periodically subjected to validation by the Office of Risk Management and work is currently under way to rate firms by using statistical models. Credit risk reports are prepared according to a number of different cycles in order to monitor the risks to which the bank is exposed and ensure that due action is taken when need be. In addition to these activities, a portfolio risk map is also drawn up based on collateral ratings and borrower ratings.

Market risk: As required by the Standardized Method set forth in the "Regulations concerning the internal audit of banks and their risk management systems", the amount of market risk to which the bank is exposed is determined by calculating its interest rate, stock position, and exchange rate risks as well as its specific risks. In addition to the Standardized Method, the VaR (value at risk) of the bank's trading portfolio is calculated on a daily basis. To ensure that the results of the liquidity analysis made in the assets and liabilities management module are as realistic as possible, the rates at which deposits that have reached maturity are rolled over at the bank (core deposits) are determined and liquidity analysis results are adjusted to take such deposits into account. In order to evaluate the Internal Model results, historical simulations are performed and the projected losses in one year are compared with the actual ones. VaR analyses are supported with scenario analyses and stress tests and the dimensions of the potential losses that the bank might sustain during periods of volatility are analyzed.

In addition to the activities described above, dynamic scenario analyses are carried out in which any one of the bank's portfolios is subjected to price and/or volatility parameter shocks to determine the outcome. Duration, modified duration, convexity, and DV-01, cash flow analyses are performed for every instrument in the bank's investment securities portfolio, which is also analyzed for its sensitivity to movements in interest rates.

Operational risk: The Operational Risks Working Committee meets regularly to make decisions on issues related to the examination, evaluation, and prevention of operational risks. The bank's risk-fraught business processes and activities are continuously monitored and reported by means of the loss data base for the purposes of allocating capital on the basis of areas of activity in accordance with Basel II criteria and of reducing, controlling, and preventing risk exposure. The classification of operational risks on the basis of the areas of activity and types of events specified in Basel II and the CEBS document has been completed by means of the loss data base program that has been developed in the bank's system and data is now being input on a regular basis. The amount of capital needing to be allocated as a result of operational risks is the subject of numerical quantification activities at specified periods using the methods called for in the Basel II document.

TÜRKİYE HALK BANKASI A.Ş. CREDIT RATINGS AND NOTES

FITCH RATINGS

	Rating	Outlook	Notes
National long-term	A (tur)	Stable	Indicates the bank's credit rating is higher than that of other institutions in the same country
Long-term local currency IDR*	BB-	Positive	Indicates the bank is able to fulfill its long-term Turkish lira financial commitments however it may be adversely impacted by adverse economic developments.
Long-term foreign currency IDR*	BB-	Positive	Indicates the bank is able to fulfill its long-term Turkish lira financial commitments however it may be adversely impacted by adverse economic developments.
Short-term local currency	B	Positive	Indicates the bank is able to cover its short-term Turkish lira commitments. Its ability to make payments is dependent on favorable economic conditions.
Short-term local currency	B	Positive	Indicates the bank is able to cover its short-term Turkish lira commitments but its ability to make payments is dependent on favorable economic conditions.
Individual rating	C/D	-	Indicates there have been improvements in the bank's internal and external weaknesses.
Support	3		Indicates the bank enjoys a medium level of support.

* Issuer default rating

TÜRKİYE HALK BANKASI A.Ş.
5-YEAR SUMMARIZED FINANCIAL HIGHLIGHTS

ASSETS (TRY million)	2002	2003	2004	2005*	2006*
Liquid Assets	1,150	3,020	2,020	2,038	3,630
Securities Portfolio	15,349	14,435	17,205	17,573	18,139
Loans	1,374	2,868	4,340	6,330	11,646
Subsidiaries and Affiliates	129	90	100	87	135
Fixed Assets	465	528	705	713	729
Others	1,370	1,100	1,338	112	146
TOTAL ASSETS	19,836	22,041	25,709	26,854	34,425
LIABILITIES (TRY million)					
Deposits	13,066	15,734	19,453	21,113	27,188
Money Markets	2,568	1,191	870	40	672
Borrowings	359	280	256	468	873
Securities Issued	291	0	0	0	0
Funds	632	776	873	1024	1,003
Others	837	1,136	1,248	909	910
Shareholders' Equity	2,082	2,923	3,009	3,299	3,780
Period Profit (Loss)	677	553	528	554	863
TOTAL LIABILITIES	19,836	22,041	25,709	26,854	34,425

In order to support its long-term housing loans, the bank supplied a long-term and low-interest Turkish lira borrowing in the amount of TRY 275 million.

(*) Due to changes in the accounting system, rediscounts are not included.

INDEPENDENT AUDITORS' REPORT

**TÜRKİYE HALK BANKASI A.Ş.
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR JANUARY 1 – DECEMBER 31, 2006**

To the Board of Directors of
Türkiye Halk Bankası A.Ş.
Ankara

1. We have been appointed to audit the accompanying unconsolidated balance sheet of Türkiye Halk Bankası A.Ş. (the "Bank") as at December 31, 2006, and the related unconsolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. The Board of Directors of the Bank is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the regulation on "Procedures And Principles Regarding The Accounting Practices And Documentation of Banks" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We planned and performed our audit to obtain reasonable assurance whether these unconsolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Opinion

4. In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per Article 37 of the Banking Act No: 5411 and other regulations, pronouncements in respect of accounting and financial reporting made by the BRSA.

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

Member of DELOITTE TOUCHE TOHMATSU

İstanbul, March 8, 2007



Sibel Türker
Partner

Additional paragraph for the English translation:

The accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices accepted in countries and jurisdictions other than those in Turkey. The standard procedures and practices to audit the accompanying unconsolidated financial statements are those accepted and approved in Turkey.

TÜRKİYE HALK BANKASI A.Ş.
THE UNCONSOLIDATED FINANCIAL REPORT FOR THE YEAR
ENDED DECEMBER 31, 2006

1. The Bank's Headquarter Address:
Söğütözü Mah. 2. Cad. No: 63 Ankara/TURKEY
2. The Bank's Contact Phone and Facsimile:
Phone: +90 312 289 20 00
Facsimile: + 90 312 289 30 48
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr

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

- Section One : GENERAL INFORMATION ABOUT THE BANK
- Section Two : UNCONSOLIDATED FINANCIAL STATEMENTS
- Section Three : EXPLANATIONS ON ACCOUNTING POLICIES
- Section Four : NOTES TO THE FINANCIAL STRUCTURE OF THE BANK
- Section Five : EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- Section Six : OTHER EXPLANATIONS AND DISCLOSURES
- Section Seven : EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures are prepared in Thousand of the New Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on "Banks' Accounting Practice and Maintaining Documents", Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Ankara, March 8, 2007



Hasan Cebeci
Chairman of the
Board of Directors,
Member of the
Audit Committee



Hasan Sezer
Vice Chairman,
Member of the
Board of Directors
responsible from
Risk Management
and Control,
Member of the
Audit Committee



Hüseyin Aydın
Member of the
Board of Directors,
Chief Executive
Officer



Erdal Ersoy
Vice Chief
Executive
Officer



Yusuf Duran Ocak
Balance Sheet
Consolidation and
External
Reporting
Department Head

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title: Nevin Dindar/Assistant Manager
Tel No: +90 312 289 3015
Fax No: +90 312 289 3050

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

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TÜRKİYE HALK BANKASI A.Ş.
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TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK

I. ESTABLISHMENT DATE OF THE BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE BANK INCLUDING THE CHANGES OF THESE ARTICLES:

Türkiye Halk Bankası Anonim Şirketi (the "Bank") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration.

As of December 31, 2006 and 2005, the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31.12.2006	%	31.12.2005	%
Prime Ministry Privatization Administration (*) (**)	1,250,000	99.99	-	-
Undersecretariat of Treasury of the Turkish Republic (*)	-	-	1,150,000	99.99
	1,250,000	100.00	1,150,000	100.00

(*) Other shareholders have portion less than TRY 1 Thousand.

(**) As per the decree of the Higher Council of Privatization numbered 2007/8 and dated February 5,2007; up to 25% of the public shares that were previously transferred to the Privatization Administration on August 11, 2006 are decided to be privatized by a public offering and it is decided to be concluded by the end of 2007.

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

III. EXPLANATIONS REGARDING THE BANK'S CHAIRMAN AND MEMBERS OF BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE BANK, IF ANY

Name	Title	Starting Date	Educational Background	Experience in Banking and Business Administration (Years)
Hasan CEBECİ	Chairman	13.04.2005	Ankara Eco. And Com. Science (ECS) Academy – Economy-& Finance	26
Hasan SEZER	Vice Chairman	13.04.2005	Ankara ECSA – Banking ,Foreign Trade and Exchange	23
Hüseyin AYDIN	Member of the Board of Directors, CEO	01.06.2005	Ankara ECS Academy – Economy&Finance	23
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	13.04.2005	Bachelor Degree; METU - Mechanical Engineering Masters Degree; Syracuse University Business School NY-USA , PhD; Washington International University- Doctor of philosophy in Business Administration	23
Nurzahit KESKİN	Member of the Board of Directors	13.04.2005	Bachelor Degree Anadolu Uni. Afyon İİBF, Masters Degree in Finance; Marmara Uni. Banking and Insurance Ins. PhD; Sakarya Uni. Management and Organization (continuing)	16
Erol BERKTAŞ	Member of the Board of Directors	13.04.2005	Bachelor Degree; METU – Petroleum Engineering Masters Degree; Marmara Uni. Banking and Insurance Ins.	20
Burhaneddin TANYERİ	Member of the Board of Directors	15.09.2005	Atatürk University- Business Administration	24
Şeref EFE	Member of the Audit Committee	28.03.2003	Bachelor Degree; Ankara University Social Science Faculty - Public Administration Department Master; Harvard University JFK School of Government	3
Yusuf DAĞCAN	Member of the Audit Committee	28.03.2003	Eskişehir Economics and Trade Academy	27
Halil ÇELİK	Executive Vice President	28.07.2003	Eskişehir Economics and Trade Academy – Economics	24
Erdal ERSOY	Executive Vice President	05.07.2002	Anadolu University – Economics	30
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara University -Social Science Faculty, Labour Economics and Industry Relations	15
Ömer BAKTIR	Executive Vice President	09.12.2004 - 31/03 By Proxy 14.06.2005	İstanbul Technical University – Mining Engineering	16
M. Cengiz GÖĞEBAKAN	Executive Vice President	09.12.2004 - 31/03 By Proxy 20.06.2005	Ankara University – Economics	19
Erol GÖNCÜ	Executive Vice President	09.03.2005 - 04/02 By Proxy 14.06.2005	METU Faculty of Arts and Sciences, Mathematics Dept.	18
Yunus ESMER	Executive Vice President	17.06.2005	Ankara ECS Academy Business Administration- Accounting Department	27
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.06.2005	Bachelor Degree; Dokuz Eylül Uni. EASF Business Administration Dept. Masters Degree; Marmara Uni. Banking and Insurance Ins. Banking Dept. PhD; Marmara Uni. Banking and Insurance Ins. Banking Dept.	15
Süleyman ASLAN	Executive Vice President	17.06.2005	METU EASF International Relations Dept.	14

Persons mentioned above do not own any shares in the Bank capital.

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Details of the resignation dates and titles of the former key management personnel in 2006:

Name	Title	Resignation Date
Vahit Ferhan BENLİ	Executive Vice President	March 31, 2006
Kamil Gökhan BOZKURT	Executive Vice President	November 1, 2006

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

Except for the Prime Ministry Privatization Administration, no person or institute has any qualified shares attributable to the Bank.

V. SUMMARY ON THE BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General Information about the Bank

Türkiye Halk Bankası Anonim Şirketi (the "Bank") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic programme for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can be both reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250,000 Thousand to TRY 1,250,000 Thousand in the extraordinary general assembly held on April 14, 2001 within the scope of the restructuring process, the Bank received government bonds in settlement of the accumulated specific duty losses and the Bank's whole specific duty loss receivable was thus eliminated as at April 30, 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Bank were to be concluded under the provisions of Law No.4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were to be completed within three years (until November 25, 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term " 3 years" in Article 2.2. of Law numbered 4603 had been previously amended to "5 years" and by Law No: 5572 dated January 10, 2007 the related term was extended to "10 years". As a result of this amendment, the privatization period of the Bank has been prolonged. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended this five year period by the half of that period with the Decree numbered 2005/9841 and dated 27 December 2005. When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Bank shares are decided to be sold before May 25, 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated August 11, 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 has been executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated February 5, 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on August 11, 2006, are decided to be privatized by a public offering and it is decided to be concluded by the end of 2007.

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası A.Ş. and amendments to other acts" which came into force as of July 31, 2004 with the publication of the Official Gazette, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund (SDIF)) was transferred to the Bank. Insolvent Pamukbank T.A.Ş. was a private sector deposit bank established by Çukurova İthalat ve İhracat T.A.O., Karamehmetler Scrip Company and more than 500 shareholders. The bank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency (BRSA) numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of the Bank have been transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

e) The Bank's service activities and operating areas: The Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

f) As at December 31, 2006, the Bank operates with a total of 556 branches consisting 553 domestic branches, together with 3 foreign branches; 2 in Cyprus and 1 in Bahrain. It also has 3 financial service branches in Germany and has 2 representative offices; 1 in Iran and 1 in Austria.

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Unconsolidated Balance Sheet (App:1-A)
- II. Unconsolidated Statement of Off-Balance Sheet Commitments (:1-B)
- III. Unconsolidated Income Statement (App:1-C)
- IV. Unconsolidated Statement of Changes in Shareholders' Equity (App:1-D)
- V. Unconsolidated Cash Flow Statement (App:1-E)
- VI. Dividend Distribution Statement (App:1-F)

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

THOUSANDS OF TRY

ASSETS	Note Ref	CURRENT PERIOD (31/12/2006)			PRIOR PERIOD (31/12/2005)		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	1,696,787	853,752	2,550,539	867,786	418,513	1,286,299
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	527,328	226,273	753,601	1,507,122	330,407	1,837,529
2.1.Trading Financial Assets		527,328	225,064	752,392	1,507,122	330,407	1,837,529
2.1.1.Public Sector Debt Securities		527,079	224,515	751,594	1,507,122	329,892	1,837,014
2.1.2.Share Certificates		-	-	-	-	-	-
2.1.3.Other Marketable Securities		249	549	798	-	515	515
2.2.Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1.Public Sector Debt Securities		-	-	-	-	-	-
2.2.2.Share Certificates		-	-	-	-	-	-
2.2.3.Other Marketable Securities		-	-	-	-	-	-
2.3Derivative Financial Assets Held for Trading		-	1,209	1,209	-	-	-
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	219,502	859,672	1,079,174	141,514	610,254	751,768
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1.Interbank money market placements		-	-	-	-	-	-
4.2.Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3.Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	5,020,657	1,090,199	6,110,856	1,650,482	236,781	1,887,263
5.1.Share Certificates		4,173	5,488	9,661	3,939	5,605	9,544
5.2.Public Sector Debt Securities		5,016,484	1,084,711	6,101,195	1,646,543	231,176	1,877,719
5.3.Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	(5)	9,844,697	1,800,941	11,645,638	5,637,905	691,989	6,329,894
6.1.Loans		9,829,518	1,800,941	11,630,459	5,618,210	691,989	6,310,199
6.2.Non-performing Loans		1,084,962	-	1,084,962	1,201,915	-	1,201,915
6.3.Specific Provisions (-)		1,069,783	-	1,069,783	1,182,220	-	1,182,220
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	10,989,351	285,371	11,274,722	12,858,808	989,775	13,848,583
8.1.Public Sector Debt Securities		10,989,351	285,371	11,274,722	12,858,611	989,690	13,848,301
8.2.Other Marketable Securities		-	-	-	197	85	282
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	25,434	63,241	88,675	24,172	-	24,172
9.1.Accounted with Equity Method		-	63,241	63,241	-	-	-
9.2.Unconsolidated Associates		25,434	-	25,434	24,172	-	24,172
9.2.1.Financial Investments		24,455	-	24,455	23,155	-	23,155
9.2.2.Non-financial Investments		979	-	979	1,017	-	1,017
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	45,977	-	45,977	8,849	268	9,117
10.1.Unconsolidated Financial Subsidiaries		45,977	-	45,977	8,849	268	9,117
10.2.Unconsolidated Non-financial Subsidiaries		-	-	-	-	-	-
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	53,753	53,753
11.1.Accounted with Equity Method		-	-	-	-	53,753	53,753
11.2.Unconsolidated Joint Ventures		-	-	-	-	-	-
11.2.1.Financial Joint Ventures		-	-	-	-	-	-
11.2.2.Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1.Finance Lease Receivables		-	-	-	-	-	-
12.2.Operating Lease Receivables		-	-	-	-	-	-
12.3.Other		-	-	-	-	-	-
12.4.Unearned Income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1.Fair Value Risk Hedging		-	-	-	-	-	-
13.2.Cash Flow Risk Hedging		-	-	-	-	-	-
13.3.Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	660,767	67	660,834	701,420	240	701,660
XV. INTANGIBLE ASSETS (Net)	(13)	14,135	-	14,135	11,552	-	11,552
15.1.Goodwill		-	-	-	-	-	-
15.2.Other		14,135	-	14,135	11,552	-	11,552
XVI. TAX ASSET	(14)	54,854	-	54,854	71,920	-	71,920
16.1.Current Tax Asset		-	-	-	-	-	-
16.2.Deferred Tax Asset		54,854	-	54,854	71,920	-	71,920
XVII. ASSETS HELD FOR SALE (Net)	(15)	54,196	-	54,196	-	-	-
XVIII. OTHER ASSETS	(16)	83,478	8,011	91,489	38,162	2,183	40,345
TOTAL ASSETS		29,237,163	5,187,527	34,424,690	23,519,692	3,334,163	26,853,855

Accompanying notes form an integral part of these financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated)

LIABILITIES AND EQUITY	Note Ref	THOUSANDS OF TRY					
		CURRENT PERIOD			PRIOR PERIOD		
		(31/12/2006)			(31/12/2005)		
		TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	(1)	19,852,440	7,335,524	27,187,964	16,618,822	4,494,462	21,113,284
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	9,400	28,874	38,274	-	-	-
III. BORROWING FUNDING LOANS	(3)	384,854	488,273	873,127	224,046	244,207	468,253
IV. MONEY MARKET BALANCES		671,525	-	671,525	40,067	-	40,067
4.1. Interbank Money Market Takings		-	-	-	-	-	-
4.2. Istanbul Stock Exchange Takasbank Takings		-	-	-	-	-	-
4.3. Funds From Repurchase Agreements		671,525	-	671,525	40,067	-	40,067
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1. Bills		-	-	-	-	-	-
5.2. Asset-backed Securities		-	-	-	-	-	-
5.3. Bonds		-	-	-	-	-	-
VI. FUNDS	(4)	996,737	5,946	1,002,683	1,017,933	6,031	1,023,964
VII. SUNDRY CREDITORS		265,432	5,938	271,370	198,164	5,576	203,740
VIII. OTHER LIABILITIES	(5)	30,986	20,559	51,545	94,784	170,407	265,191
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES (Net)	(6)	-	4,152	4,152	-	1,496	1,496
10.1. Finance Lease Payables		-	4,152	4,152	-	1,496	1,496
10.2. Operating Lease Payables		-	-	-	-	-	-
10.3. Other		-	-	-	-	-	-
10.4. Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(7)	-	-	-	-	-	-
11.1. Fair Value Risk Hedging		-	-	-	-	-	-
11.2. Cash Flow Risk Hedging		-	-	-	-	-	-
11.3. Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XII. PROVISIONS	(8)	356,748	20,992	377,740	293,950	19,151	313,101
12.1. General Loan Provisions		72,189	-	72,189	33,199	-	33,199
12.2. Restructuring provisions		-	-	-	-	-	-
12.3. Employee Benefits Provisions		188,345	-	188,345	166,336	-	166,336
12.4. Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5. Other Provisions		96,214	20,992	117,206	94,415	19,151	113,566
XIII. TAX LIABILITY	(9)	166,465	-	166,465	125,550	-	125,550
13.1. Current Tax Liability		166,465	-	166,465	125,550	-	125,550
13.2. Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES REGARDING ASSETS HELD FOR SALE	(10)	-	-	-	-	-	-
XV. TIER -II CAPITAL	(11)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(12)	3,798,996	-19,151	3,779,845	3,335,616	-36,407	3,299,209
16.1. Paid-in capital		1,250,000	-	1,250,000	1,150,000	-	1,150,000
16.2. Capital Reserves		1,220,973	6,975	1,227,948	1,279,647	148	1,279,795
16.2.1. Share Premium		-	-	-	-	-	-
16.2.2. Share Cancellation Profits		-	-	-	-	-	-
16.2.3. Marketable Securities Revaluation Fund		522	6,975	7,497	59,196	148	59,344
16.2.4. Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5. Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6. Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures		-	-	-	-	-	-
16.2.7. Hedging Funds (Effective portion)		-	-	-	-	-	-
16.2.8. Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.9. Other Capital Reserves		1,220,451	-	1,220,451	1,220,451	-	1,220,451
16.3. Profit Reserves		232,745	-26,126	206,619	169,096	-36,555	132,541
16.3.1. Legal reserves		185,564	-	185,564	121,915	-	121,915
16.3.2. Statutory Reserves		-	-	-	-	-	-
16.3.3. Extraordinary Reserves		-	-	-	-	-	-
16.3.4. Other Profit Reserves		47,181	-26,126	21,055	47,181	-36,555	10,626
16.4. Profit/Loss		1,095,278	-	1,095,278	736,873	-	736,873
16.4.1. Prior Years Income/Loss		231,780	-	231,780	183,049	-	183,049
16.4.2. Period Profit/Loss		863,498	-	863,498	553,824	-	553,824
TOTAL LIABILITIES AND EQUITY		26,533,583	7,891,107	34,424,690	21,948,932	4,904,923	26,853,855

Accompanying notes form an integral part of these financial statements.

TÜRKİYE HALK BANKASI A.Ş. UNCONSOLIDATED OFF BALANCE SHEET ACCOUNTS

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

	Note Ref	THOUSANDS OF TRY					
		CURRENT PERIOD			PRIOR PERIOD		
		(31/12/2006)			(31/12/2005)		
	TRY	FC	Total	TRY	FC	Total	
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		4,152,993	2,934,368	7,087,361	2,911,392	1,328,988	4,240,380
I. GUARANTEES AND SURETYSHIPS	(1), (2)	1,114,486	1,978,366	3,092,852	851,956	1,266,278	2,118,234
1.1.Letters of Guarantee		1,111,572	1,598,349	2,709,921	851,698	996,140	1,847,838
1.1.1.Guarantees Subject to Public Procurement Law		174,917	1,247,056	1,421,973	272,977	794,789	1,067,766
1.1.2.Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3.Other Letters of Guarantee		936,655	351,293	1,287,948	578,721	201,351	780,072
1.2.Bank Loans		-	30,868	30,868	-	16,701	16,701
1.2.1.Import Acceptances		-	30,744	30,744	-	16,701	16,701
1.2.2.Other Bank Acceptances		-	124	124	-	-	-
1.3.Letters of Credit		19	348,691	348,710	23	253,003	253,026
1.3.1.Documentary Letters of Credit		19	348,691	348,710	23	253,003	253,026
1.3.2.Other Letters of Credit		-	-	-	-	-	-
1.4.Guaranteed Prefinancings		-	-	-	-	-	-
1.5.Endorsements		-	-	-	-	-	-
1.5.1.Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
1.5.2.Other Endorsements		-	-	-	-	-	-
1.6.Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7.Factoring Guarantees		-	-	-	-	-	-
1.8.Other guarantees		2,665	458	3,123	5	434	439
1.9.Other Suretyships		230	-	230	230	-	230
II. COMMITMENTS	(1), (2)	2,103,479	58,072	2,161,551	2,059,436	62,710	2,122,146
2.1.Irrevocable commitments		2,100,260	58,072	2,158,332	2,056,217	62,710	2,118,927
2.1.1.Forward Asset Purchase Commitments		22,644	58,072	80,716	-	62,710	62,710
2.1.2.Forward Deposit Purchase and Sale Commitments		-	-	-	-	-	-
2.1.3.Capital Commitments to Subsidiaries and Associates		4,699	-	4,699	32,947	-	32,947
2.1.4.Loan Granting Commitments		-	-	-	-	-	-
2.1.5.Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6. Payment Commitments for Reserve Deposits		-	-	-	-	-	-
2.1.7.Payment Commitments for Cheques		1,198,207	-	1,198,207	1,120,099	-	1,120,099
2.1.8.Tax and Fund Dues from Export Commitments		6,776	-	6,776	4,450	-	4,450
2.1.9.Credit Card Expenditure Limit Commitments		860,543	-	860,543	892,907	-	892,907
2.1.10.Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.11.Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.12.Other Irrevocable Commitments		7,391	-	7,391	5,814	-	5,814
2.2.Revocable Commitments		3,219	-	3,219	3,219	-	3,219
2.2.1.Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2.Other Revocable Commitments		3,219	-	3,219	3,219	-	3,219
III. DERIVATIVE FINANCIAL INSTRUMENTS	(3)	935,028	897,930	1,832,958	-	-	-
3.1.Derivative Financial Instruments for Hedging		-	-	-	-	-	-
3.1.1.Fair Value Risk Hedging Transactions		-	-	-	-	-	-
3.1.2.Cash flow Risk Hedging Transactions		-	-	-	-	-	-
3.1.3.Net Abroad Investment Risk Hedging Transactions		-	-	-	-	-	-

Accompanying notes form an integral part of these financial statements.

TÜRKİYE HALK BANKASI A.Ş. UNCONSOLIDATED OFF BALANCE SHEET ACCOUNTS

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

	THOUSANDS OF TRY						
	Note Ref	CURRENT PERIOD (31/12/2006)			PRIOR PERIOD (31/12/2005)		
		TRY	FC	Total	TRY	FC	Total
3.2.Transactions for Trading	935,028	897,930	1,832,958	-	-	-	
3.2.1.Forward Foreign Currency Buy/Sell Transactions	5,283	5,076	10,359	-	-	-	
3.2.1.1.Forward Foreign Currency Transactions-Buy	2,643	2,538	5,181	-	-	-	
3.2.1.2.Forward Foreign Currency Transactions-Sell	2,640	2,538	5,178	-	-	-	
3.2.2.Currency and Interest Rate Swaps	929,745	892,854	1,822,599	-	-	-	
3.2.2.1.Currency Swap-Buy	-	765,954	765,954	-	-	-	
3.2.2.2.Currency Swap-Sell	795,105	-	795,105	-	-	-	
3.2.2.3.Interest Rate Swap-Buy	-	126,900	126,900	-	-	-	
3.2.2.4.Interest Rate Swap-Sell	134,640	-	134,640	-	-	-	
3.2.3.Currency, Interest Rate and Marketable Securities Options	-	-	-	-	-	-	
3.2.3.1.Currency Call Options	-	-	-	-	-	-	
3.2.3.2.Currency Put Options	-	-	-	-	-	-	
3.2.3.3.Interest Rate Call Options	-	-	-	-	-	-	
3.2.3.4.Interest Rate Put Options	-	-	-	-	-	-	
3.2.3.5.Marketable Securities Call Options	-	-	-	-	-	-	
3.2.3.6.Marketable Securities Put Options	-	-	-	-	-	-	
3.2.4.Currency Futures	-	-	-	-	-	-	
3.2.4.1.Currency Futures-Buy	-	-	-	-	-	-	
3.2.4.2.Currency Futures-Sell	-	-	-	-	-	-	
3.2.5.Interest Rate Buy/Sell Futures	-	-	-	-	-	-	
3.2.5.1.Interest Rate Futures-Buy	-	-	-	-	-	-	
3.2.5.2.Interest Rate Futures-Sell	-	-	-	-	-	-	
3.2.6.Other	-	-	-	-	-	-	
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)	89,721,094	24,249,372	113,970,466	44,036,581	5,315,089	49,351,670	
IV. CUSTODIES	42,793,907	1,819,733	44,613,640	35,651,659	1,355,070	37,006,729	
4.1.Assets Under Management	-	-	-	-	-	-	
4.2.Custody Marketable Securities	18,226,178	187,985	18,414,163	34,628,071	1,195,921	35,823,992	
4.3.Cheques in Collection Process	1,682,914	20,737	1,703,651	798,399	7,069	805,468	
4.4.Commercial Notes in Collection Process	258,384	106,054	364,438	201,165	110,913	312,078	
4.5.Other Assets in Collection Process	2,318	-	2,318	7,273	-	7,273	
4.6.Underwritten Securities	313	-	313	40	-	40	
4.7.Other Custodies	26,493	36,346	62,839	16,711	41,167	57,878	
4.8.Custodians	22,597,307	1,468,611	24,065,918	-	-	-	
V. PLEDGED ASSETS	46,927,187	22,429,639	69,356,826	8,384,922	3,960,019	12,344,941	
5.1.Marketable Securities	49,955	97,684	147,639	23,395	817	24,212	
5.2.Collateral Notes	2,025,577	146,330	2,171,907	553,181	91,319	644,500	
5.3.Commodity	38,060	-	38,060	160,819	170,759	331,578	
5.4.Warranty	-	-	-	-	-	-	
5.5.Land and Buildings	11,651,822	2,752,704	14,404,526	6,041,367	2,438,254	8,479,621	
5.6.Other Pledged Assets	31,582,859	18,695,526	50,278,385	628,583	640,072	1,268,655	
5.7.Pledgees	1,578,914	737,395	2,316,309	977,577	618,798	1,596,375	
VI. ACCEPTED BILL GUARANTEES AND SURETIES	-	-	-	-	-	-	
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)	93,874,087	27,183,740	121,057,827	46,947,973	6,644,077	53,592,050	

Accompanying notes form an integral part of these financial statements.

TÜRKİYE HALK BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOME

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

INCOMES AND EXPENSES	Note Ref	THOUSANDS OF TRY	
		CURRENT PERIOD (01/01/2006-31/12/2006)	PRIOR PERIOD (01/01/2005-31/12/2005)
I. INTEREST INCOME	(a)	4,564,212	3,717,406
1.1. Interest on loans	a(1)	1,512,779	987,878
1.2. Interest received from reserve deposits		140,344	88,917
1.3. Interest received from banks	a(2)	53,366	27,700
1.4. Interest received from money market placements		4,237	11,350
1.5. Interest income on marketable securities	a(3)	2,848,754	2,591,839
1.5.1. Financial assets held for trading		141,115	167,790
1.5.2. Financial assets at fair value through profit and loss			
1.5.3. Financial Assets Available-for-sale		606,014	82,302
1.5.4. Investments held-to-maturity		2,101,625	2,341,747
1.6. Finance Lease Income		-	
1.7. Other interest income		4,732	9,722
II. INTEREST EXPENSE	(b)	3,194,643	2,792,658
2.1. Interest on deposits	b(3)	3,064,520	2,570,722
2.2. Interest on borrowings	b(1)	53,807	15,835
2.3. Interest on money market borrowings		51,639	33,787
2.4. Interest on marketable securities issued		-	-
2.5. Other interest expense		24,677	172,314
III. NET INTEREST INCOME (I - II)		1,369,569	924,748
IV. NET FEES AND COMMISSIONS INCOME		231,643	155,033
4.1. Fees and commissions income		280,227	182,359
4.1.1. Cash loans		28,051	18,258
4.1.2. Non-cash loans		30,016	24,259
4.1.3. Other		222,160	139,842
4.2. Fees and commissions expenses		48,584	27,326
4.2.1. Cash loans		103	-
4.2.2. Non-cash loans		1	5
4.2.3. Other		48,480	27,321
V. DIVIDEND INCOME	(c)	14,102	11,828
VI. NET TRADING PROFIT	(d)	-214,030	223,876
6.1. Profit/Loss from Capital Market Operations(Net)		-34,173	23,577
6.2. Foreign exchange gains/losses (net)		-179,857	200,299

Accompanying notes form an integral part of these financial statements.

TÜRKİYE HALK BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

INCOMES AND EXPENSES	Note Ref	THOUSANDS OF TRY	
		CURRENT PERIOD (01/01/2006-31/12/2006)	PRIOR PERIOD (01/01/2005-31/12/2005)
VII. OTHER OPERATING INCOME	(e)	640,947	269,682
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		2,042,231	1,585,167
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(f)	201,790	111,957
X. OTHER OPERATING EXPENSES(-)	(g)	723,158	672,471
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		1,117,283	800,739
"XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER"			
XIII. GAIN / (LOSS) ON EQUITY METHOD			
XIV. GAIN / (LOSS) ON NET MONETARY POSITION			
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(h)	1,117,283	800,739
XVI. TAX INCOME PROVISION (±)	h(1)	-253,785	-246,915
16.1.Current Tax Provision		-238,540	-255,455
16.2.Deferred Tax Provision		-15,245	8,540
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	h(2)	863,498	553,824
17.1.Discontinued Operations			
17.2.Other			
XVIII. NET PROFIT/(LOSS)	(i)	863,498	553,824
Earnings per share			

Accompanying notes form an integral part of these financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY

	Note Ref	Paid-in Capital	Effect of Inflation Adjustments on Paid in Capital	Share Premium	Share Certificate Cancellation Profits
PRIOR PERIOD					
(31/12/2005)					
I.Beginning Balance		1,150,000	1,220,451		
II. Corrections according to TAS 8		-	-	-	-
2.1.The effect of corrections of errors					
2.2.The effects of changes in accounting policy.					
III. New Balance (I + II)		1,150,000	1,220,451	-	-
Changes in period					
IV. Increase/Decrease related to merger					
V. Marketable securities available for sale					
VI. Hedging Transactions		-	-	-	-
6.1.Cash-flow risk hedging					
6.2.13.3.Net Abroad Investment Risk Hedging Amounts Transferred					
VII. Marketable securities available for sale					
VIII. Hedging transactions		-	-	-	-
8.1.Cash-flow risk hedging					
8.2.Net Abroad Investment Risk Hedging					
IX. Net period income/(loss)					
X. Profit distribution		-	-	-	-
10.1. Dividends distributed					
10.2. Transfers to reserves					
10.3. Other					
XI. Capital increase		-	-	-	-
11.1. Cash					
11.2. Tangible assets revaluation increase					
11.3. Non-paid-up shares of subsidiaries ,associatesand joint ventures					
11.4. Marketable securities revaluation fund					
11.5. Inflation adjustment on paid-in capital					
11.6. Marketable Securities Issued					
11.7. Foreign Exchange Differences					
11.8. Other					
XII. Disposals of assets					
XIII. Reclassification of Assets					
XIV. Primary Tier-II Capital					
XV. Secondary Tier-II Capital					
XVI. The effect of change in associate's equity on Bank's equity					
Closing Balances (III+IV+...+XIV+XV+XVI)		1,150,000	1,220,451	-	-
CURRENT PERIOD					
(31/12/2006)					
I. Prior period closing balance		1,150,000	1,220,451		
Changes in period					
II. Increase/Decrease related to merger					
III. Marketable securities available for sale					
IV. Hedging Transactions		-	-	-	-
4.1.Cash-flow risk hedging					
4.2.Net Abroad Investment Risk Hedging Amounts Transferred					
V. Investments securities available for sale					
VI. Hedging Transactions		-	-	-	-
6.1.Cash-flow risk hedging					
6.2.Net Abroad Investment Risk Hedging					
VII. Net period income/(loss)					
VIII. Profit distribution		-	-	-	-
8.1. Dividends distributed					
8.2. Transfers to reserves					
8.3. Other					
IX. Capital increase		100,000	-	-	-
9.1. Cash		100,000			
9.2. Tangible assets revaluation reserve					
9.3. Non-paid-up shares of subsidiaries ,associates and joint ventures					
9.4. Marketable securities revaluation fund					
9.5. Inflation adjustment on paid-in capital					
9.6. Marketable Securities Issued					
9.7. Foreign Exchange Differences					
9.8. Other					
X. Disposal of assets					
XI. Reclassification of assets					
XII. Primary Tier-II Capital					
XIII. Secondary Tier-II Capital					
XIV. The effect of change in associate's equity on Bank's equity					
Closing Balance(I+II+III+...+XII+XIII+XIV)		1,250,000	1,220,451	-	-

Accompanying notes form an integral part of these financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

UNCONSOLIDATED STATEMENT OF CASH FLOWS	Note Ref	THOUSANDS OF TRY	
		CURRENT PERIOD (31/12/2006)	PRIOR PERIOD (31/12/2005)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1. Operating profit before changes in operating assets and liabilities (+)		519,315	974,092
1.1.1. Interest received (+)		3,990,488	3,902,435
1.1.2. Interest paid (-)		-3,124,450	-2,807,238
1.1.3. Dividend received(+)		14,102	11,828
1.1.4. Fees and commissions received (+)		280,227	182,359
1.1.5. Other income (+)		517,307	157,786
1.1.6. Collections from previously written off loans (+)		160,969	111,894
1.1.7. Cash payments to personnel and service suppliers (-)		-399,631	-351,563
1.1.8. Taxes paid (-)		-249,099	-235,102
1.1.9. Other (+/-)		-670,598	1,694
1.2. Assets and Liabilities Subject to Banking Operations		1,016,822	-1,948,588
1.2.1. Net (Increase) decrease in financial assets held for sale (+/-)		1,029,252	-1,299,342
1.2.2. Net (Increase) decrease in financial assets at fair value through profit or loss (+/-)		-1,508,237	26,567
1.2.3. Net (Increase) decrease in due from banks and other financial institutions (+/-)		-5,338,154	-1,972,702
1.2.4. Net (increase) decrease in loans (+/-)		-51,151	378,612
1.2.5. Net (increase) decrease in other assets (+/-)		1,428,598	-783,840
1.2.6. Net increase (decrease) in bank deposits (+/-)		5,220,936	1,398,866
1.2.7. Net increase (decrease) in other deposits (+/-)		391,285	206,076
1.2.8. Net increase (decrease) in loans borrowed (+/-)		-	-
1.2.9. Net increase (decrease) in matured payables (+/-)		-	-
1.2.10. Net increase (decrease) in other liabilities (+/-)		-155,707	97,175
I. Net cash provided from banking operations (+/-)		1,536,137	-974,496
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from investing activities (+/-)		-1,136,803	1,403,093
2.1. Cash paid for purchase of joint ventures, associates and subsidiaries(-)		-41,798	-3,519
2.2. Cash obtained from sale of entities joint ventures, associates and subsidiaries (+)		-	4,756
2.3. Fixed assets purchases (-)		-139,106	-65,959
2.4. Fixed assets sales(+)		113,381	61,667
2.5. Cash paid for purchase of financial assets available for sale (-)		-3,992,158	-1,764,800
2.6. Cash obtained from sale of financial assets available for sale (+)		-	-
2.7. Cash paid for purchase of investment securities (-)		-298,343	-1,701,270
2.8. Cash obtained from sale of investment securities (+)		3,221,221	4,872,218
2.9. Other (+/-)		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities (+/-)		-338,788	-407,973
3.1. Cash obtained from loans borrowed and securities issued (+)		-	-
3.2. Cash used for repayment of loans borrowed and securities issued (-)		-	-
3.3. Marketable Securities Issued (+)		100,000	-
3.4. Dividends paid (-)		-441,444	-407,844
3.5. Payments for finance leases (-)		2,656	-129
3.6. Other (+/-)		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents(+/-)		2,960	-36
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		63,506	20,588
VI. Cash and cash equivalents at beginning of the period (+)		134,234	113,646
VII. Cash and cash equivalents at end of the period (V+VI)		197,740	134,234

Accompanying notes form an integral part of these financial statements.

TÜRKİYE HALK BANKASI A.Ş.

DIVIDEND DISTRIBUTION STATEMENT

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

PROFIT DISTRIBUTION TABLE	Note Ref	THOUSANDS OF TRY	
		CURRENT PERIOD (31/12/2006)	PRIOR PERIOD (31/12/2005)
I.DISTRIBUTION OF CURRENT YEAR INCOME			
1.1.CURRENT YEAR INCOME		1,117,283	800,739
1.2.TAXES AND DUTIES PAYABLE		253,785	255,455
1.2.1.Corporate Tax (Income tax)		238,540	255,455
1.2.2.Income withholding tax			-
1.2.3.Other taxes and duties		15,245	-
A. NET INCOME FOR THE YEAR (1.1-1.2)		863,498	545,284
1.3.PRIOR YEARS LOSSES (-)			
1.4.FIRST LEGAL RESERVES (-)			
1.5.OTHER STATUTORY RESERVES (-)			
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]		863,498	545,284
1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1.To owners of ordinary shares			
1.6.2.To owners of preferred shares			
1.6.3.To owners of preferred shares (preemptive rights)			
1.6.4.To profit sharing bonds			
1.6.5.To holders of profit and loss sharing certificates			
1.7.DIVIDENDS TO PERSONNEL (-)			
1.8.DIVIDENDS TO BOARD OF DIRECTORS (-)			
1.9.SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1.To owners of ordinary shares			
1.9.2.To owners of preferred shares			
1.9.3.To owners of preferred shares (preemptive rights)			
1.9.4.To profit sharing bonds			
1.9.5.To holders of profit and loss sharing certificates			
1.10.SECOND LEGAL RESERVES (-)			
1.11.STATUTORY RESERVES (-)			
1.12.GENERAL RESERVES			
1.13.OTHER RESERVES			
1.14.SPECIAL FUNDS			
II. DISTRIBUTION OF RESERVES			
2.1.APPROPRIATED RESERVES			
2.2.SECOND LEGAL RESERVES (-)			
2.3.DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1.To owners of ordinary shares			
2.3.2.To owners of preferred shares			
2.3.3.To owners of preferred shares (preemptive rights)			
2.3.4.To profit sharing bonds			
2.3.5.To holders of profit and loss sharing certificates			
2.4.DIVIDENDS TO PERSONNEL (-)			
2.5.DIVIDENDS TO BOARD OF DIRECTORS (-)			
III. EARNINGS PER SHARE			
3.1.TO OWNERS OF ORDINARY SHARES			
3.2.TO OWNERS OF ORDINARY SHARES (%)			
3.3.TO OWNERS OF PRIVILAGED SHARES			
3.4.TO OWNERS OF PRIVILAGED SHARES (%)			
IV. DIVIDEND PER SHARE			
4.1.TO OWNERS OF ORDINARY SHARES			
4.2.TO OWNERS OF ORDINARY SHARES (%)			
4.3.TO OWNERS OF PRIVILAGED SHARES			
4.4.TO OWNERS OF PRIVILAGED SHARES (%)			

(*) Includes deferred tax income

Note: According to regulations from BRSB and TASB, financial statements of 2004 and 2005 are changed. The distribution of the previous profits, as a result of this change, will be determined in the General Meeting of 2006. Therefore, the restated profit distribution rows are left blank.

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The unconsolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards and Communiqué on "Banks' Accounting Practice and Maintaining Documents".

Accounting policies applied and valuation methods used in the preparation of the financial statements are expressed in detail below.

Accounting policies applied and valuation methods used in the preparation of the prior year financial statements are restated based on the accounting principles in conformity with the Turkish Accounting Standards and Turkish Financial Reporting Standards under the provisions of Communiqué on Conceptual Framework of No:1 "Basis of Preparation and Presentation of Financial Statements" published in the Official Gazette numbered 25702 and dated January 16, 2005 by the Turkish Accounting Standards Board. These adjustments to the prior period profits, are summarized below:

	31.12.2005	31.12.2005
	Profit For the Period	Retained Earnings
31.12.2005 net period profit/retained earnings before TAS adjustments	531,767	61,536
Receivables from asset sale on credit terms adjustment	(995)	5,119
Foreign Exchange difference adjustments for foreign associates	9,193	27,361
Short-term employee benefit adjustments	29,440	41,248
Retirement fund actual and technical deficit adjustment	-	45,939
Effects of adjustment on deferred tax	(18,132)	1,846
Withdrawal of non-paid-up-shares of associates	2,551	-
Adjustment for the equity method accounting	553,824	183,049

TRY 181,058 Thousand of prepaid tax presented under the Other Assets account in the 31.12.2005 financial statements are offset against the Current Tax Liability item in the current comparative financial statements.

Unless otherwise indicated, the term "Prior Period" used in the disclosures and notes related to the Balance Sheet, Off-Balance Sheet Commitments and Contingencies and Income Statements is referred to 31.12.2005 period.

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

1. The Bank's Strategy On Financial Instruments

Due to its historical mission, the Bank focuses on granting loans to SMEs and craftsmen. Funds, generated from the redemption and coupon interest payments of the special arrangement government securities in assets in decreasing funding costs, are directed to marketable securities obtained from the market conditions as a result of duty losses. In addition to the main fund source deposits, the Bank can raise funds from foreign borrowing.

The Bank follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Bank are evaluated in the weekly Assets and Liabilities Committee meetings.

2. The Bank's Explanations on Foreign Currency Transactions

In the statutory records of the Bank, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Balance sheet foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement. Exchange differences from the conversion of net investments in foreign associates are recognised in the other profit reserves account under the equity.

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

The financial statements of the foreign branches of the Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by using the average exchange rates, unless a significant foreign currency movement occurs. Foreign currency gains and losses are recognized in the other profit reserves under the equity. These exchange differences are recognized as profit or loss when the foreign operation is disposed of. Goodwill and fair value adjustments arising from the purchase of foreign operations are treated as assets and liabilities of foreign operations and converted by using the closing exchange rates.

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Bank are foreign currency swaps, forward foreign currency and interest transactions. The Bank has no derivative instruments decomposed from the main contract.

Derivative financial instruments are recorded with their fair values at the contract date and re-accounted with their fair values in the following reporting periods. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39), these derivative instruments are recognized as held for trading and gains and losses of these instruments are associated with the profit/loss statement.

IV. INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

V. FEES AND COMMISSION INCOME AND EXPENSES

Fees and commission income/expenses are recognized on an accrual or cash basis depending on the nature of the transaction.

VI. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Bank, if the Bank is a legal party to these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Bank. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

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

The estimated fair values of financial assets have been determined by the Bank using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

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

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1. Cash and Banks

Cash and banks balances in foreign currencies are valued by using the Bank's current period end exchange rates. Cash balances in TRY, foreign currency balances and bank balances on the balance sheet are the estimated fair values of these assets.

2. Marketable Securities:

a. Financial Assets at Fair Value Through Profit and Loss

a.1. Financial Assets Held For Trading

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

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. If a price does not occur in an active market, fair value cannot be reliably determined and "Amortized Value" is determined as the fair value using the internal rate of return. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of Held For Trading Financial Assets are recognized under the interest income and dividends gained is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using Interest Income/Expense accounts and Profit/Loss from the Capital Market Operations under the scope of Uniform Chart of Accounts.

a.2. Financial Assets At Fair Value Through Profit and Loss

Financial Assets At Fair Value Through Profit and Loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial assets held for trading.

b. Investments Held to Maturity, Financial Assets Available for Sale

b.1. Investments held to maturity include securities with fixed or determinable payments and fixed maturity carried at fair value through profit and loss at the initial recognition where there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and available for sale non-derivative assets except for bank loans and receivables. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity are recognized in the income statement as an interest income. There are no financial assets that are classified by the Bank as investments held to maturity, however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

b.2. Financial assets available for sale represent non-derivative financial assets except for bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through profit and loss by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and "Amortized Value" is determined as the fair value using the internal rate of return. Unrealized gains and losses arising from the fluctuations in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or incurring loss of those assets. Fair value differences accumulated in equity accounts arising from the application of fair value in the case of the collection from the redemption or sale of the related assets are reflected to the income statement.

3. Loans and Receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

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Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Individual and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed individual and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the income and expense accounts depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the income and expense accounts.

Non-performing loans are classified in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated November 1, 2006 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses - 82000/821000 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

A financial asset or a group of financial asset is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present value of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair value of the financial assets at fair value through profit and loss or available for sale of which value decreases and increases are recognized in equity, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

For loans and receivables; the Bank's management performs consistent loan portfolio reviews and if any doubts on the collectibility of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published in the Official Gazette numbered 26333 and dated November 1, 2006. The Bank does not limit the provision amount with the minimum rates defined in the related regulation and allocates specific provision for this kind of loan amounts in full and they are recognized in the statement of profit/loss. Collections made related to those loans are offset against the capital and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

In accordance with the provisions of the related legislation, general loan provisions are provided by the Bank in addition to specific provisions.

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VIII. OFFSETTING THE FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when a party currently has a legally enforceable right to set off the recognised amounts or intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

IX. SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under Securities at fair value through profit or loss in the Bank's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under the "Funds From Repurchase Transactions" account in liabilities. For the portion of the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognised under the "Receivables From Reverse Repo Transactions" account. For the portion of the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method. As of December 31, 2006 there are no reverse repo transactions.

X. EXPLANATIONS ON TANGIBLE FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible assets that are purchased prior to January 1, 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical, less any accumulated amortisation and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of establishment/formation expenses, software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortisation method, amortization period or residual value.

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that are purchased prior to January 1, 2005 are carried at their December 31, 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at costs, less any accumulated depreciation and any impairment losses.

Property, plant and equipment are amortized by using the straight line method during their useful lives.

Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

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Ordinary maintenance and repair expenses of property, plant and equipment items are recognized as expenses.

There are no mortgages, pledges or similar incumbrances designated for the property, plant and equipment.

Estimated useful lives of property, plant and equipment are as follows:

	Estimated Useful Lives (Year)	Depreciation Rate
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	2-25	4-50%
Assets held under financial leases	4-5	20-25%

There is no change expected in the current period or to be expected in the subsequent periods to have a significant effect on the accounting estimates.

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognised as liabilities in the balance sheet while the interest payable portion of the payables are recognised as a deferred amount of interest. Assets held under financial leases are recognised under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a lessor.

Operational lease transactions are recognised in line with the related agreement on an accrual basis.

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

A provision should be recognised in the financial statements when there is a present obligation 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. The amount recognised as a provision is the best estimate of the Bank's management for expenditure required to settle the present obligation at the balance sheet date and amortized to its present value if the amount is material.

XV. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognised in accordance with the Turkish Accounting Standard No:19 "Employee Benefits". According to related legislation and union contracts, the Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees; who resigns subsequent to her marriage within one year. The Bank provides provision by estimating the present value of the future retirement pay liability. The retirement pay provision of the Bank has been determined by the actuarial report of an independent valuation company.

Pamukbank Employee Pension Fund, T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Security Act (SSA) No: 5006 and their members include employees of the Bank as well. Provisional article 23 of the Banking Act No: 5411 requires the Bank's pension funds founded in the scope of SSA to be transferred to the Social Security Institution within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated November 30, 2006 and numbered 2006/11345 and accordingly, both pension fund foundations will be transferred to SSI. Actuarial audits were performed for both pension fund foundations based on the technical balance sheet report prepared using 10.24% technical interest rate which was determined by the public authorities, for Pamukbank Employee Pension Fund TRY 9,251 Thousand of technical provision has been allocated, whereas no technical deficit for the other pension fund was reported.

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XVI. EXPLANATIONS ON TAXATION

Corporate tax amount is calculated for the year 2006 income using 20% tax rate in accordance with Article 25 of the Corporate Tax Act which was amended by the Act No: 4369.

According to the requirements defined in article 120 (bis) of the Withholding Tax Act, 20% of temporary tax was paid in February 2007 which will be offset against the current period's corporate tax payable.

Tax expense is the sum of the current tax expense and deferred tax charge.

Current year tax liability shall be calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expense or income and non-taxable and deductible items for the following years are excluded.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities other than goodwill or business combination in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank borrows funds from domestic and foreign institutions when needed. These borrowing activities are recognised at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are prevented by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitisation and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

There are no convertible bonds or debt instruments issued.

XVIII. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuance related to costs are recognised as expenses. Dividend income related with the equity shares are determined by the General Assembly of the Bank.

The Bank did not issue any shares during 2006. In accordance with the decree of the Privatization High Council dated February 5, 2007 and numbered 2007/8, a public offering for the 25% shares pertaining to the Privatization Administration is planned as an agenda.

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XIX. BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXI. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Bank. The Bank operates on mainly corporate banking, individual banking and investment banking. In order to increase the effectiveness and the efficiency, the Bank still continues its restructuring process for an appropriate segmenting.

XXII. OTHER MATTERS

None.

SECTION IV: INFORMATION ON UNCONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE UNCONSOLIDATED CAPITAL ADEQUACY RATIO

Risk measurement methods used in the determination of unconsolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks", which was published in the Official Gazette numbered 26333 on November 1, 2006. The Bank's unconsolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 31.95%.

In calculating the amounts subject to credit risk, the Bank generally evaluates its loans according to their collateral classes based on the relevant risk weights. However, risk rate for fund loans for which the Bank recognises is 0% and credit cards and cooperative loans is 100% due to having "suretyship" collateral type.

In the calculation of capital adequacy standard ratio, information prepared in accordance with the legislation on recording and accounting system is used. Additionally, market risk amount is calculated in accordance with the communiqué on the "Internal Control and Risk Management Systems of the Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

Amounts deducted from the capital in the calculation of shareholders' equity are not considered in the calculation of risk-weighted assets, non-cash loans and contingent liabilities. In the calculation of risk weighted assets, assets subject to depreciation and impairment are carried at their carrying values less accumulated depreciation and impairment losses.

Beginning from December 31, 2004, for the calculation of the amount subject to credit risk regarding the transactions on the non-cash loans, the receivable amount from counter parties is calculated by using the conversion rates presented in Clause 2 in Article 5 of the Communiqué on "Measurement and Assessment of Banks' Capital Adequacy Ratios", less the specific provision amount set in accordance with the Communiqué on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", if any.

In calculation of the amount subject to credit risks, receivables from counter parties arising from foreign currency and interest rate transactions are recognised using the conversion rates presented in the related communiqué mentioned above.

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1. Information related to the unconsolidated capital adequacy ratio:

	Bank			
	Risk Weights			
	0%	20%	50%	100%
Credit Risk Base Amount				
Balance Sheet items (Net)	21,088,919	1,104,846	3,291,064	8,085,306
Cash and Cash Equivalents	197,740	23	-	-
Matured Marketable Securities	-	-	-	-
Turkish Republic Central Bank Balances	1,742,504	-	-	-
Domestic ,Foreign Banks, Head Office and Branches Abroad Balances	-	1,078,543	-	-
Interbank Money Market Placements	-	-	-	-
Receivables From Reverse Repo Transactions	-	-	-	-
Reserve Deposits	566,883	-	-	-
Loans	1,103,956	24,795	3,190,262	7,092,584
Non-performing Loans (Net)	-	-	-	15,179
Finance Lease Receivables	-	-	-	-
Financial Assets Available-For-Sale	5,750,435	-	-	9,661
Investments Held to Maturity	10,677,795	-	-	-
Receivables From the Asset Sale on Credit Terms	-	-	-	26,157
Sundry Debtors	1,370	-	-	25,380
Interest and Income Accruals	991,800	1,485	100,802	116,485
Subsidiaries, Associates and Joint Ventures (Net)	-	-	-	63,241
Property, Plant and Equipment	-	-	-	702,796
Other Assets	56,436	-	-	33,823
Off-Balance Sheet Items	50,331	887,017	342,772	1,296,848
Non-cash Loans and Commitments	50,331	865,113	342,772	1,296,848
Derivative Instruments	-	21,904	-	-
Non-risk Weighted Accounts	-	-	-	-
Total Risk-Weighted Assets	21,139,250	1,991,863	3,633,836	9,382,154

2. Capital Adequacy Ratio Summary:

	Current Period
Credit Risk Base Amount (CRBA)	11,597,445
Market Risk Base Amount (MRBA)	128,988
Operational Risk Base Amount (*)	-
Equity	3,746,954
Equity/(CRBA+MRBA+ORBA)*100	31.95
CRBA: Credit Risk Base Amount	
MRBA: Market Risk Base Amount	
ORBA: Operational Risk Base Amount	

(*) Operational risk will be taken into consideration in calculation of the capital adequacy ratio starting from June 30, 2007.

Risk measurement methods used in the determination of the unconsolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks ", which was published in the Official Gazette numbered 26333 on November 1, 2006. Since the related communiqué has been in effect as of November 1,2006, comparative capital adequacy ratio is not presented.

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3. Equity Items:

	Current Period
CORE CAPITAL	
Paid-in Capital	1,250,000
Nominal capital	1,250,000
Capital commitments (-)	-
Inflation Adjustment for Paid-in Capital	1,220,451
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	185,564
I. Degree Legal Reserve (Turkish Commercial Code 466/1)	73,870
II. Degree Legal Reserve (Turkish Commercial Code 466/2)	111,030
Reserves per Specific Acts	664
Statutory Reserves	-
Extraordinary Reserves	21,055
Reserves allocated per General Assembly Minute	-
Retained Earnings (*)	47,181
Accumulated Loss	-
Foreign Currency Share Capital Exchange Difference	(26,126)
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-
Profit	1,095,278
Net period profit	863,498
Retained Earnings	231,780
Portion of Free Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	-
Subsidiary and Associate Shares and Gains on Sale of Real Estate To Be Added To Capital	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-
Losses that cannot be covered by reserves (-)	-
Net period loss	-
Accumulated loss	-
Leasehold Improvements (-)	12,150
Prepaid Expenses (-)	3,177
Intangible Assets (-)	1,985
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-
Excess Amount defined in,3rd Clause, 56th Article of the Banking Act (-)	-
Unconsolidation Goodwill (Net) (-)	-
Total Core Capital	3,772,348

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	Current Period
SUPPLEMENTARY CAPITAL	
General Loan Provisions	72,189
45% of Movable Assets Revaluation Fund	-
45% of Real Estates Revaluation Fund	-
Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures	-
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-
Secondary Tier -II Capital	-
45% of Marketable Securities Revaluation Fund	3,374
From Subsidiaries and Associates	-
From Financial Assets Available For Sale	3,374
Inflation adjustments for capital reserves, profit reserves and retained earnings/accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-
Total Supplementary Capital	75,563
TIER-III CAPITAL	
CAPITAL	3,847,911
DEDUCTIONS FROM CAPITAL (**)	100,957
Equity Shares in Banks and Financial Institutions Which Are Excluded From the Consolidation	71,411
Borrowing Instruments and Loans qualified as Tier-II Capital from and to banks, financial institutions (domestic and foreign), preferred stockholders	-
Equity Shares in Banks and Financial Institutions for which equity method was applied, but their assets and liabilities were not consolidated	-
Loans granted not in compliance with the provisions stated in articles 50 and 51 of the Act.	-
Total net book value of the Bank's real estates in excess of 50% of the equity and in accordance with Article 57 of the Act, net book value of real estates and commodities acquired in exchange of loans and receivables that should be disposed of however; have not been disposed of although it has been 5 years since the beginning of the acquisition date.	12,234
Other	-
Total Equity	3,746,954

(*) TRY 47,181 Thousand of balance is the monetary gain/loss from restatement of the 2003 period profit until April 2004 (dividend distribution date).

(**) Leaseholds improvements, prepaid expense and intangible asset items under the core capital are not included in the core capital, however; they are included in the deductions from capital in accordance with the related communiqué.

II. EXPLANATIONS RELATED TO THE UNCONSOLIDATED CREDIT RISK

The Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank grades all of its credits that are granted to real persons or entities and requires additional collaterals from its customers having high credit risks. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk concentration in Turkey is high, since it operates mainly in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically. For geographical regions and sectors, limit determination process is carried by the related loan departments.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are assorted in accordance with the Bank's risk management system.

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As prescribed in the Communiqué on “Determining the Nature of Loan and Other Receivable Provisions Allocated By the Banks and Procedures and Principles of Allocating Provisions”, the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management’s initiatives and changes in the economic conditions. The Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are suretyships, real estate mortgages, cash blockages and customer or real person cheques.

When the Bank is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total.

Indemnified non-cash loans are subject to the same risk weight as the outstanding loans due at maturity and they are classified according to their guarantees and recognized in the non-performing loans account.

The Bank is not an active participant of the international banking sector.

As of December 31, 2006, the receivables of the Group from its top 100 cash loan customers is 17.11% of its total cash loans.

As of December 31, 2006, receivables of the Bank from its top 100 non-cash loan is 59.15% of its total non-cash loans.

As of December 31, 2006, share of cash and non-cash receivables of the Bank from its top 100 customers is 8.73% of its total balance sheet and off- balance sheet assets.

As of December 31, 2006, general loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on “Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions” is TRY 72,189 Thousand.

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Regional distribution of the financial statement is presented below:

	Assets	Liabilities (**)	Non-Cash Loans	Equity Investments	Net Income/Loss
Current Period					
Domestic	33,127,157	29,260,424	2,904,291	75,584	863,498
European Union Countries	805,535	519,425	180,752	68,304	-
OECD Countries (*)	29,783	-	5,267	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	1,643	-	1,487	-	-
Other Countries	316,259	864,996	1,055	425	-
Associates, Subsidiaries and Entities					
Under Common Control	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	34,280,377	30,644,845	3,092,852	144,313	863,498
Prior Period					
Domestic	26,413,435	23,111,124	1,681,207	36,960	553,824
European Union Countries	183,016	269,740	405,618	53,753	-
OECD Countries (*)	25,321	-	5,476	5,605	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	106,669	-	25,459	-	-
Other Countries	28,828	173,782	474	268	-
Associates, Subsidiaries and Entities					
Under Common Control	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	26,757,269	23,554,646	2,118,234	96,586	553,824

(*) EU countries and OECD countries other than USA and Canada.

(**) Assets and liabilities that cannot be allocated on a consistent basis.

(***) Liabilities are not included in the shareholders' equity balances.

(****) Sum of assets and equity investments equals to the total balance sheet assets

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Sector concentration for cash loans:

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	486,749	4.95	6,749	0.37	141,063	2.51	7,933	1.15
Farming and Raising Livestock	467,613	4.76	2,638	0.15	129,588	2.31	4,742	0.69
Forestry, Wood and Paper	7,836	0.08	23	0.00	5,682	0.10	1,735	0.25
Fishery	11,300	0.11	4,088	0.23	5,793	0.10	1,456	0.21
Manufacturing	2,044,403	20.80	904,780	50.24	1,239,170	22.06	480,622	69.46
Mining and Quarry	52,047	0.53	22,890	1.27	28,019	0.50	14,263	2.06
Production	1,986,950	20.21	866,848	48.13	1,205,532	21.46	461,987	66.76
Electricity, Gas and Water	5,406	0.05	15,042	0.84	5,619	0.10	4,372	0.63
Construction	454,742	4.63	36,115	2.01	332,016	5.91	17,298	2.50
Services	4,078,980	41.49	815,645	45.29	2,297,913	40.90	164,264	23.74
Wholesale and Retail Trade	2,401,330	24.43	79,607	4.42	996,647	17.74	19,705	2.85
Hotel, Tourism, Food and Beverage Services	140,222	1.43	72,321	4.02	53,729	0.96	39,042	5.64
Transportation and Communication	686,910	6.99	9,465	0.53	289,979	5.16	67,218	9.71
Financial Institutions	76,160	0.77	70,676	3.92	44,607	0.79	21,424	3.10
Real Estate and Renting Services	544,642	5.54	345,531	19.19	9,060	0.16	0	0.00
Self-Employment Services	107,919	1.10	139	0.01	640,171	11.39	7,225	1.04
Education Services	29,978	0.30	13,611	0.76	32,124	0.57	6,318	0.91
Health and Social Services	91,819	0.93	224,295	12.45	231,596	4.12	3,332	0.48
Other	2,764,644	28.13	37,652	2.09	1,608,048	28.62	21,872	3.16
Total	9,829,518	100.00	1,800,941	100.00	5,618,210	100.00	691,989	100.00

III. EXPLANATIONS RELATED TO THE UNCONSOLIDATED MARKET RISK

The Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with Section 3 of the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks" issued in the Official Gazette dated November 1, 2006 and numbered 26333 and computed the risk according to "Standard Method" as of December 31, 2006. Market risk is calculated on a daily and weekly market risk securities portfolio basis including the Bank's foreign currency risks. The related risk is reported to the Bank's Asset-Liability Committee.

Market risk attributable to the Bank is calculated using the Standard Method and studies still continue to calculate the market risk by the application of the "Inherent Method". Weekly exchange rate risk and VAR (Value at Risk-which is calculated at the end of each month) are reported to the top management and subject to legal reporting every

three months. The most important part of the Bank's market risk is interest rate risk. Furthermore, daily risk analysis report, daily market risk analysis report and weekly macro-economic risk analysis report are prepared and reported to the top management.

The table below represents the details of the calculation of market risk as of December 31, 2006 using the "Standard Method" under the communiqué on "Measurement and Assessment of the Capital Adequacy of Banks"

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a) Information Related to Market Risk

	Amount
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	8,662
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	-
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	1,576
(IV) Capital Requirement to be Employed For Commodity Risk - Standard Method	81
(V) Capital Requirement to be Employed For Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard Method	-
(VII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(VIII) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	10,319
(IX) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)	128,988

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

	Current Period		Prior Period			
	Average	Maximum	Average	Maximum	Average	Maximum
Interest Rate Risk	36,085	66,643	8,662	17,626	23,760	9,852
Common Stock Risk	868	1,756	0	0	0	0
Currency Risk	2,689	12,152	271	697	1,501	233
Commodity Risk	7	81	0	0	0	0
Settlement Risk	0	0	0	0	0	0
Option Risk	0	0	0	0	0	0
Total Value Subject to Risk	39,649	80,632	8,933	18,323	25,261	10,085

IV. EXPLANATIONS RELATED TO THE UNCONSOLIDATED CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

The Bank is not exposed to currency risks. However, potential currency risks are figured at weekly and monthly periods through the standard method. Thereby, currency risk can be closely followed. The Bank rarely enters into swap contracts against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Bank at December 31, 2006 and the previous five working days in full TRY are as follows:

Dates	USD	EURO	YEN
29/12/2006	1.4100 TRY	1.8582 TRY	0.01182 TRY
28/12/2006	1.4000 TRY	1.8394 TRY	0.01175 TRY
27/12/2006	1.4130 TRY	1.8548 TRY	0.01188 TRY
26/12/2006	1.4130 TRY	1.8565 TRY	0.01185 TRY
25/12/2006	1.4130 TRY	1.8539 TRY	0.01187 TRY

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before December 31, 2006 are as follows:

USD: 1.4177 TRY
 EURO: 1.8720 TRY
 YEN: 0.01207 TRY

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	EURO	USD	YEN	Other	Total
Current Period					
Assets					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	812,209	38,474	12	3,057	853,752
Due From Other Banks and Financial Institutions	422,869	375,253	(134)	61,684	859,672
Financial Assets at Fair Value Through Profit and Loss	95,710	130,509	-	54	226,273
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	718,584	371,615	-	-	1,090,199
Loans (**)	566,994	1,271,421	-	6,953	1,845,368
Subsidiaries, Associates and Entities Under Common Control	63,241	-	-	-	63,241
Held-To-Maturity Investments (***)	1,401,043	646,208	-	-	2,047,251
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	51	-	-	16	67
Intangible Assets	-	-	-	-	-
Other Assets	6,234	1,720	0	57	8,011
Total Assets	4,086,935	2,835,200	(122)	71,821	6,993,834
Liabilities					
Bank Deposits	999	52,574	-	3	53,576
Foreign Currency Deposits	3,651,161	3,568,312	475	62,000	7,281,948
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	416,544	70,394	-	1,335	488,273
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	1,869	4,022	3	44	5,938
Derivative Financial Liabilities for Hedging Purposes	-	28,874	-	-	28,874
Other Liabilities	25,250	33,202	-	172	58,624
Total Liabilities	4,095,823	3,757,378	478	63,554	7,917,233
Net Balance Sheet Position	(8,888)	(922,178)	(600)	8,267	-923,399
Net Off-Balance Sheet Position	-	892,854	-	-	892,854
Financial Derivative Assets	-	895,392	-	-	895,392
Financial Derivative Liabilities	-	2,538	-	-	2,538
Non-Cash Loans (*)	484,991	1,438,998	8,982	45,395	1,978,366
Prior Period					0
Total Assets	2,716,095	2,168,675	1,057	57,542	4,943,369
Total Liabilities	2,722,734	2,162,386	1,319	55,039	4,941,478
Net Balance Sheet Position	(6,639)	6,289	(262)	2,503	1,891
Net Off-Balance Sheet Position	-	-	-	-	-
Financial Derivative Assets	-	-	-	-	-
Financial Derivative Liabilities	-	-	-	-	-
Non-Cash Loans	494,641	730,717	7,768	33,152	1,266,278

(*) Non-cash loans are not included in the off-balance sheet items.

(**) Contains TRY 44,427 Thousand of foreign currency indexed loans and their accruals.

(***)Contains TRY 1,761,880 Thousand of foreign currency indexed held to maturity marketable securities and their accruals

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V. EXPLANATIONS RELATED TO THE UNCONSOLIDATED INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by the Bank and the Bank's interest rate risk is calculated by using the general and specific interest rate risk statement in the standard method including the assets and liabilities and the capital adequacy standard ratio is taken into consideration as a part of the general market risk.

Priority of the Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context, are calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budget targets. The Bank's financial resource costs, such as TRY bank deposit, foreign exchange accounts, repurchase agreements are determined by the Treasury Vice Presidency.

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

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

Current Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Non-interest Over	bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	2,136,056	-	-	-	-	414,483	2,550,539
Due From Other Banks and Financial Institutions	1,053,525	-	-	-	-	25,649	1,079,174
Financial Assets at Fair Value Through Profit and Loss	2,664	253,996	70,289	214,028	212,173	451	753,601
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	1,475,819	2,281,531	228,132	398,373	1,717,341	9,660	6,110,856
Loans	5,453,655	1,688,017	1,396,965	815,234	2,275,606	982	11,630,459
Held-To-Maturity Investments	5,705,368	3,270,269	2,299,085	-	-	-	11,274,722
Other Assets (1) (2)	-	-	-	-	-	1,025,339	1,025,339
Total Assets	15,827,087	7,493,813	3,994,471	1,427,635	4,205,120	1,476,564	34,424,690
Liabilities							
Bank Deposits	861,914	-	-	-	-	7,303	869,217
Other Deposits	15,086,650	7,262,053	635,156	926,039	1,193	2,407,655	26,318,746
Money Market Borrowings	508,239	163,286	-	-	-	-	671,525
Sundry Creditors	4,039	-	-	-	-	267,331	271,370
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	691,489	19,655	22,189	28,122	241,228	-	1,002,683
Other Liabilities (3)	171,812	144,040	127,102	12,458	416,933	4,418,804	5,291,149
Total Liabilities	17,324,143	7,589,034	784,447	966,619	659,354	7,101,093	34,424,690
Balance Sheet Long Position	-	-	3,210,024	461,016	3,545,766	-	7,216,806
Balance Sheet Short Position	(1,497,056)	(95,221)	-	-	-	(5,624,529)	(7,216,806)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(1,497,056)	(95,221)	3,210,024	461,016	3,545,766	(5,624,529)	-

(1) TRY 54,854 Thousand of deferred tax asset is disclosed under the non-interest bearing column in other assets.

(2) TRY 15,179 Thousand of non-performing loans with no specific reserve are disclosed under the non-interest bearing column in other assets

(3) Shareholders' equity balance is disclosed under the non-interest bearing column.

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Prior Period (4)	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-interest bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	1,152,049	-	-	-	-	134,250	1,286,299
Due From Other Banks and Financial Institutions	751,603	-	-	-	165	-	751,768
Financial Assets at Fair Value Through Profit and Loss	46,366	789,544	223,518	335,526	442,060	515	1,837,529
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	-	1,521,546	146,714	45,194	164,265	9,544	1,887,263
Loans	345,160	690,322	811,177	1,628,512	2,835,028	-	6,310,199
Held-To-Maturity Investments	5,826,075	4,630,913	2,497,468	646,200	247,927	-	13,848,583
Other Assets (1) (2)	-	-	-	-	15,548	916,666	932,214
Total Assets	8,121,253	7,632,325	3,678,877	2,655,432	3,704,993	1,060,975	26,853,855
Liabilities							
Bank Deposits	413,941	-	-	-	-	4,917	418,858
Other Deposits	5,962,883	8,259,138	2,552,642	1,117,290	284,933	2,517,540	20,694,426
Money Market Borrowings	40,067	-	-	-	-	-	40,067
Sundry Creditors	-	-	-	203,740	-	-	203,740
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	72,872	-	-	-	395,381	-	468,253
Other Liabilities (3)	60,027	-	-	-	1,018,922	3,949,562	5,028,511
Total Liabilities	6,549,790	8,259,138	2,552,642	1,321,030	1,699,236	6,472,019	26,853,855
Balance Sheet Long Position	1,571,463	-	1,126,235	1,334,402	2,005,757	-	6,037,857
Balance Sheet Short Position	-	(626,813)	-	-	-	(5,411,044)	(6,037,857)
Off-Balance Sheet Long Position							
Off-Balance Sheet Short Position							
Total Position	1,571,463	-626,813	1,126,235	1,334,402	2,005,757	(5,411,044)	-

(1) TRY 71,920 Thousand of deferred tax asset is disclosed under the non-interest bearing column in other assets.

(2) TRY 19,695 Thousand of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets

(3) Shareholders' equity balance is disclosed under the non-interest bearing column.

(4) Although the Bank's software works are to be completed, the aging program is still in test process. Therefore, there is no maturity schedule based on the repricing date. Initial maturity of the related balances are taken into consideration in the preparation of the maturity schedule.

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2. Average interest rates applied to monetary financial instruments

	EURO	USD	YEN	TRY
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	1.73	2.52	-	11.56
Due From Other Banks And Financial Institutions	3.61	5.26	-	18.54
Financial Assets At Fair Value Through Profit And Loss	5.55	6.06	-	19.93
Money Market Placements				17.50
Available-For-Sale Financial Assets	5.18	6.94	-	20.85
Loans	7.50	9.00	-	25.27
Held-To-Maturity Investments	4.57	7.41	-	21.14
Liabilities				
Bank Deposits		5.00	-	18.49
Other Deposits	2.09	2.19	-	14.73
Money Market Borrowings	-	-	-	17.93
Sundry Creditors	-	-	-	12.00
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	-	-	-	-
	EURO	USD	Yen	TRY
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	0.99	1.04	-	12.50
Due From Other Banks And Financial Institutions	2.13	2.34	-	19.15
Financial Assets At Fair Value Through Profit And Loss	6.51	5.27	-	20.88
Money Market Placements	-	1.13	-	
Available-For-Sale Financial Assets	-	-	-	
Loans	6.50	6.00	-	36.68
Held-To-Maturity Investments	3.58	4.33	-	25.80
Liabilities				
Bank Deposits	-	-	-	
Other Deposits	1.97	1.80	-	17.29
Money Market Borrowings	1.10	1.07	-	
Sundry Creditors	-	-	-	13.00
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	6.22	-	-	-

VI. EXPLANATIONS RELATED TO THE UNCONSOLIDATED LIQUIDITY RISK

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

Domestic and foreign markets are used to meet liquidity need. Low levels of liquidity needs, provides an easy access for borrowing from the Turkish Republic Central Bank, İstanbul Stock Exchange, Interbank Money Market, Clearing Bank and other markets. The Bank's low ratios of bank deposits and foreign currency deposits compared to other commercial banks, with the similar balance sheet total, is an indication of having a bigger share from the market when needed. Available money market debts from the foreign market, Eurobonds held in portfolio are important potential resources of the Bank.

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When funding and liquidity sources are considered, the Bank covers majority of its liquidity need through deposits. In addition, securities portfolio is mainly composed of held to maturity securities.

Presentation of assets and liabilities according to their remaining maturities:

The Bank follows up and measures the consistency of payments by comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current Period	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Undistributed (3)	Total
Assets								
Cash (Cash in TRY, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	197,763	1,928,346	251,819	40,962	131,464	185	-	2,550,539
Due From Other Banks and Financial Institutions	-	1,079,174	-	-	-	-	-	1,079,174
Financial Assets at Fair Value Through Profit and Loss	-	3,660	32,048	6,820	276,128	434,494	451	753,601
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	-	111,417	176,526	83,000	398,373	5,331,880	9,660	6,110,856
Loans	6,065	1,598,997	1,124,047	1,769,223	2,374,689	4,757,438	-	11,630,459
Held-To-Maturity Investments	-	265,522	116,647	496,757	2,658,607	7,737,189	-	11,274,722
Other Assets (2)	-	-	-	-	-	-	1,025,339	1,025,339
Total Assets	203,828	4,987,116	1,701,087	2,396,762	5,839,261	18,261,186	1,035,450	34,424,690
Liabilities								
Bank Deposits	7,303	861,914	-	-	-	-	-	869,217
Other Deposits	2,407,656	15,107,223	7,250,883	635,154	916,638	1,193	-	26,318,747
Funds Provided From Other Financial Institutions	-	160,788	14,870	19,201	139,253	668,571	-	1,002,683
Money Market Borrowings	-	508,239	163,286	-	-	-	-	671,525
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	267,331	4,039	-	-	-	-	-	271,370
Other Liabilities (1)	4,401,533	19,895	78,148	74,059	57,831	659,682	-	5,291,148
Total Liabilities	7,083,823	16,662,098	7,507,187	728,414	1,113,722	1,329,446	-	34,424,690
	(6,879,995)	(11,674,982)	(5,806,100)	1,668,348	4,725,539	16,931,740	1,035,450	-
Liquidity Gap								
Prior Period								
Total Assets	134,250	2,441,357	696,366	917,756	4,575,175	17,162,226	926,725	26,853,855
Total Liabilities	3,366,701	6,458,609	8,259,138	2,552,642	1,321,031	4,895,734	-	26,853,855
Liquidity Gap	(3,232,451)	(4,017,252)	(7,562,772)	(1,634,886)	3,254,144	12,266,492	926,725	-

(1) Shareholders' equity is disclosed under the demand column

(2) TRY 15,179 Thousand of non-performing loan, which is a funded based loan with no specific provision, is disclosed in other assets

(3) Some balances, which are necessary and cannot be converted into cash in the near future for the bank's ongoing activities, such as; tangible and intangible assets, subsidiaries, office supplies, prepaid expenses, deferred tax assets and doubtful receivables and other long term assets are disclosed under the undistributed column.

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VII. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES THROUGH FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	30,095,211	22,797,813	30,095,211	22,797,813
Money Market Placements	-	-	-	-
Due From Other Banks and Financial Institutions	1,079,174	751,768	1,079,174	751,768
Available-For-Sale Financial Assets	6,110,856	1,887,263	6,110,856	1,887,263
Held-To-Maturity Investments (*)	11,274,722	13,848,583	11,274,722	13,848,583
Loans (**)	11,630,459	6,310,199	11,630,459	6,310,199
Financial Liabilities	28,332,461	21,785,277	28,332,461	21,785,277
Bank Deposits	869,217	458,885	869,217	458,885
Other Deposits	26,318,747	20,654,399	26,318,747	20,654,399
Funds Provided From Other Financial Institutions	873,127	468,253	873,127	468,253
Marketable Securities Issued	-	-	-	-
Sundry creditors	271,370	203,740	271,370	203,740

(*) No security is listed on the stock market in the held to maturity portfolio, therefore; securities are carried at their amortised costs.

(**) TRY 15,179 Thousand of non-performing loan, which is a funded based loan with no specific provision, is not disclosed in the table above. (31 December 2005: TRY 19,695 Thousand)

SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES TO THE ASSETS

(1) a) Cash and balances with the Central Bank:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	127,963	69,777	88,907	45,327
Balances with the Central Bank of Turkey	1,568,824	783,952	778,879	373,170
Other	-	23	-	16
Total	1,696,787	853,752	867,786	418,513

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Unrestricted demand deposit	1,568,824	783,952	778,879	373,170
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	0
Total	1,568,824	783,952	778,879	373,170

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(2) a) Financial assets at fair value through profit and loss blocked/given as collateral or subject to repurchase agreements are represented comparatively with their net values.

b) Positive differences related to the derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	45	-	-	-
Swap Transactions	1,164	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	1.209	-	-	-

(3) a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	219,502	859,672	141,514	610,254
Domestic	169,267	7,055	100,086	146,091
Foreign	50,235	852,617	20,614	308,894
Branches and head office abroad (*)	0	0	20,814	155,269
Other Financial Institutions	0	0	0	0
Total	219,502	859,672	141,514	610,254

(*) Offset against the Other Liabilities in the current period.

b) Information on Foreign Bank Accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	805,535	168,928	-	-
USA and Canada	1,643	106,669	-	-
OECD Countries (*)	29,783	25,321	-	-
Off-shore banking regions	-	-	-	-
Other	65,891	28,590	-	-
Total	902,852	329,508	-	-

(*) European Union countries, OECD countries except for USA and Canada.

(4) a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

As of 31 December 2006, with TRY 258,195 Thousand cost and TRY 249,800 Thousand nominal value of government bond having a maturity date of 18 August 2010 is offered as a guarantee against TRY 200,000 Thousand of capital repayment by the Bank. As of the balance sheet date, the Bank has no financial asset available-for-sale subject to repurchase agreements.

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b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	6,105,162	1,877,719
Quoted on a stock exchange	6,105,162	1,877,719
Not quoted	-	-
Share certificates	10,772	9,544
Quoted on a stock exchange	-	-
Not quoted	10,772	9,544
Impairment provision (-)	5,078	-
Total	6,110,856	1,887,263

(5) Information on loans:

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders				
Real person shareholders				
Indirect loans granted to shareholders				
Loans granted to employees	39,040		30,898	-
Total	39,040	-	30,898	-

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

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-specialized loans	6,236,146	8,684	144,479	114,195
Discount notes	49	-	-	-
Export loans	785,109	6,253	1,503	111
Import loans	-	-	-	-
Loans given to financial sector	-	-	-	-
International loans	270,680	-	-	-
Consumer loans	1,883,751	-	43,210	3
Credit cards	179,822	20	34,376	13
Precious metals loans	-	-	-	-
Other	3,116,735	2,411	65,390	114,068
Specialized loans	4,817,403	86	88,343	2,261
Other receivables	211,995	168	4,465	2,234
Total	11,265,544	8,938	237,287	118,690

(*) TRY 15,179 Thousand of non-performing loan, which is a founded based loan with no specific provision, is not disclosed in the table above.

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c) Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term loans and other receivables	3,758,670	8,517	97,786	19,116
Non-specialized loans	3,332,269	8,271	86,295	18,646
Specialized loans	355,670	86	9,651	110
Other receivables	70,731	160	1,840	360
Medium and Long-term loans and other receivables	7,506,873	421	139,502	99,574
Non-specialized loans	2,903,876	413	58,185	95,549
Specialized loans	4,461,733	-	78,692	2,151
Other receivables	141,264	8	2,625	1,874
Total	11,265,544	8,938	237,287	118,690

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(5) Information on loans:

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	200,630	1,673,353	1,873,983
Housing Loans	994	851,477	852,471
Car Loans	2,074	58,265	60,339
General Purpose Loans	197,562	763,611	961,173
Other	-	-	-
Consumer Loans –Indexed to FC	21	1,792	1,813
Housing Loans	-	1,768	1,768
Car Loans	21	24	45
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	208,121	-	208,121
With Instalments	826	-	826
Without Instalments	207,295	-	207,295
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans-TRY	2,133	30,247	32,380
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	2,133	30,247	32,380
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	2,180	-	2,180
With Instalments	236	-	236
Without Instalments	1,944	-	1,944
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Account-TRY (Real Person) (*)	18,788	-	18,788
Overdraft Account-FC (Real Person)	-	-	-
Total	431,873	1,705,392	2,137,265

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

	Short Term	Medium and Long Term	Total
Commercial loans with instalment facility-TRY	449,354	321,898	771,252
Business Loans	4,949	143,821	148,770
Automobile Loans	19,033	81,969	101,002
General Purpose Loans	411,183	73,693	484,876
Other	14,189	22,415	36,604
Commercial loans with instalment facility – Indexed to FC	-	1,303	1,303
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	1,303	1,303
Other	-	-	-
Commercial loans with instalment facility –FC	-	-	-
Business Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TRY	3,930	-	3,930
With Instalments	102	-	102
Without Instalments	3,828	-	3,828
Corporate Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Account-TRY (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	453,284	323,201	776,485

f) Loan distribution according to the borrowers:

	Current Period	Prior Period
Public	-	85
Private	11,630,459	6,310,114
Total	11,630,459	6,310,199

g) International and domestic loan distribution:

	Current Period	Prior Period
Domestic loans	11,354,589	6,230,357
Foreign loans	275,870	79,842
Total	11,630,459	6,310,199

(*) TRY 15,179 Thousand of non-performing loan, which is a founded based loan with no specific provision ,is not disclosed in the table above (31 December 2005: TRY 19,695 Thousand)

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h) Loans granted to subsidiaries and investments:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	31,805	10,043
Indirect loans granted to subsidiaries and associates	-	-
Total	31,805	10,043

i) Specific provisions provided for loans:

	Current Period	Prior Period
Loans and receivables with limited collectibility	61,975	74,833
Loans and receivables with doubtful collectibility	9,018	18,347
Uncollectible loans and receivables	998,790	1,089,040
Total	1,069,783	1,182,220

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

j.1. Information on loans and other receivables included in loans under the follow-up account which are restructured or rescheduled:

	III. Group: Loans and receivables with limited collectibility	IV. Group: Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period	7,171	19	150,500
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	7,171	19	150,500
Prior period	7,595	86	234,688
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	7,595	86	234,688

j.2. Information on the movement of loans under follow-up:

	III. Group: Loans and receivables with limited collectibility	IV. Group: Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Prior period end balance	77,228	18,447	1,106,240
Additions (+)	63,907	6,751	90,019
Transfers from other categories of loans under follow-up (+)	-	57,063	63,798
Transfers to other categories of loans under follow-up (-)	57,063	63,798	104,910
Collections (-)	15,491	8,935	136,543
Write-offs (-)	4,676	493	6,582
Current period end balance	63,905	9,035	1,012,022
Specific provision (-)	61,975	9,018	998,790
Net Balance on balance sheet	1,930	17	13,232

j.3. Information on foreign currency non-performing loans and other receivables:

None

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k) Main guidelines of the liquidation policy of the Bank about the uncollectable loans and receivables should be disclosed:

The Bank liquidates its uncollectable receivables in 3 ways by: signing financial restructuring contract under the Law No:4743, making payment protocols and presenting adequate repayment schedules for the low balance receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and capital receivables from loans.

The Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted. The Bank is also planning to collect its receivables in accordance with the requirements of Law No: 5569 dated on December 27, 2006 through Anadolu Yaklaşımı (protocols for non-performing loans).

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

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions

Investment securities held-to-maturity	Current Period				Prior Period			
	Historical Cost		Amortised		Historical Cost		Amortised	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Given as collateral or blocked	1,673,109	-	1,812,668	-	777,055	441,922	797,847	449,020
Subject to repo transactions	742,381	-	761,918	-	39,035	-	40,060	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from Marketable Securities Borrowing Market	-	-	-	-	-	-	-	-
Collaterals for Marketable Securities Borrowing Market	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	2,415,490	-	2,574,586	-	816,090	441,922	837,907	449,020

b) Information on public sector debt investments held-to-maturity:

	Current Period	Prior Period
Government Bonds	11,274,722	13,848,583
Treasury Bills	0	0
Other public sector debt securities	0	0
Total	11,274,722	13,848,583

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	11,332,777	13,942,987
Quoted on a stock exchange	-	-
Not quoted on a stock exchange	11,332,777	13,942,987
Provision for impairment (-)	58,055	94,404
Total	11,274,722	13,848,583

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

d) Movement of held-to-maturity investments within a year:

	Current Period	Prior Period
Beginning balance	13,848,583	17,450,125
Foreign currency differences on monetary assets	100,713	(100,103)
Purchases during year	895,270	2,086,243
Disposals through sales and redemptions	(3,606,194)	(5,566,847)
Impairment provision (-)	(36,350)	20,835
Closing Balance	11,274,722	13,848,583

Information about the movement of held-to maturity securities as of December 31, 2005 and December 31, 2006

(i) TRY 115,648 Thousand of Special Issue Government Debt Securities with the transaction date of 22.01.2003 and maturity date of 15.10.2008, which was recorded in the Held to Maturity Securities between 1 January 2004 and 31 December 2004, was taken by the Treasury before the maturity and in exchange, Special Issue Government Debt Securities with a transaction date of 21.01.2004 and maturity date of 15.10.2008, with the first coupon payment on 19.01.2005 and indexed to future bids average, with the coupon payments in every 3 months is given back. TRY 55,245 Thousand of the coupon amounting TRY 110,490 Thousand in 21.01.2004 is paid in cash, and the payment of the remaining amount of TRY 55,245 Thousand is paid off through the Treasury by the securities with the maturity and interest conditions as stated above.

(ii) Furthermore, TRY 1,530,000 Thousand worth of securities issued by the Chairmanship of Privatization Administration, followed at the held to maturity portfolio, with a value date of 05.10.2004 and a redemption date of 04.10.2005 were redeemed at an earlier date of 16.06.2005. TRY 30,000 Thousand of capital payments were settled by the Chairmanship of Privatization Administration and the remaining capital payment amounting to TRY 1,500,000 Thousand will be paid out in seven years. During the first six years, TRY 200,000 Thousand will be received and in the final year, TRY 300,000 Thousand worth of seven Privatization bonds will be issued as a compensation. According to the changes in the "Restructuring Plan", it has been decided that these bonds will be redeemed at an earlier date. According to this plan the early redemptions of 47th issuance debt securities with the maturity date of June 15, 2006 was made in 2005 while the early redemption of 48th issuance with the maturity date of June 14, 2007 and 49th issuance with the maturity date of June 12, will be made in 2008. As of the balance sheet date, the total nominal value of debt securities is TRY 900,000 Thousand.

(iii) According to the decree dated 31 July 2004 and published in the Official Gazette number 25539, due to the transfer of Pamukbank T.A.Ş. to Türkiye Halk Bankası A.Ş. dated 16 November 2004, Pamukbank T.A.Ş.'s held to maturity securities portfolio were taken into the Bank's records. To value these securities in accordance with the SDIF's Board of Directors' No: 521 decree on 14.08.2002, the Central Bank's 14.08.2002 dated sell rate for FC's is taken as a basis for calculation. TRY 58,054 Thousand of diminution in value as of December 31, 2006 resulting from the valuation of these investments is presented in the financial statements (31.12.2005: TRY 94,404 Thousand). Besides, the investments followed by Pamukbank T.A.Ş.'s as government debt notes are transferred to Türkiye Halk Bankası subsequent to the transfer of Pamukbank T.A.Ş. to the Bank. Furthermore, there were redemptions from these securities with a cost value of USD 146,158 Thousand on 4 December 2005 and TRY 247,261 Thousand on September 7, 2005 and TRY 210,000 Thousand on November 11, 2006.

(iv) TRY 1,129,700 Thousand worth of government debt bonds followed under held to maturity securities were redeemed on 21.12.2005. These securities were provided by the Undersecretariat of Treasury of the Republic of Turkey to offset the Bank's duty losses. Government internal debt bonds with a cost value of USD 50,000 Thousand and EUR 279,804 Thousand and TRY 1,476,629 Thousand were respectively redeemed on 17.07. 2006, 13.08. 2006 and 22.11.2006. TRY 297,791 Thousand worth of Special Arrangement Government Securities defined as TRT151008T37, TRT151008T45, TRT151008T52, TRT101208T48 and TRT101208T30, were redeemed on October 19, 2006 with their interest accruals. In exchange of these securities TRY 298,343 Thousand worth of Bid Indexed Special Arrangement Government Securities with value and maturity dates are October 20, 2008 and October 15, 2006 respectively with an interest payment in every 3 months (91 days). The first interest payment date is April 18, 2007.

(v) According to the protocol signed between the Central Bank of Turkey, Undersecretariat of Treasury of the Republic of Turkey, Ziraat Bank BRSA and the Bank, the Bank has received foreign currency special disposition bonds against the foreign currency

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borrowings to the Central Bank of the Banks transferred to Savings Deposit Insurance Fund in 2001. These securities were redeemed on 26.10.2005 and 26.12.2005.

(vi) In 2005, eurobonds and foreign currency government internal debt bonds recorded under the held to maturity portfolio with a cost of EUR 24,584 Thousand and USD 209,976 Thousand were transferred to the available for sale portfolio. The total transfer amount in 2005 did not exceed 5% of the total held to maturity securities portfolio as of December 31, 2004.

(vii) Debenture Bonds maturing on June 14, 2006 amount to TRY 49,705 Thousand is due to the exchange of the Treasury to a security with a maturity of 2001. Government bond with 5-years maturity, 2 coupons a year and an interest rate of LIBOR+2. 85 (yearly) is a USD denominated security. This security had been recalled by the Under Secretariat of Treasury of the Republic of Turkey by the auction dated March 21, 2006.

d.1 .Information on accounts in which held-to-maturity securities are recorded:

The breakdown of the total held to maturity securities of the Bank is as follows:

	Current Period				Prior Period			
	Historical Cost		Amortised		Historical Cost		Amortised	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Undersecretariat Of Treasury of Republic of Turkey	5,187,989	282,000	5,366,650	285,371	6,664,065	968,101	6,822,854	989,690
Obtained from Chairmanship of Privatization Administration	900,000	-	999,718	-	1,300,000	-	1,402,804	-
Obtained with the Transfer	4,307,807	-	4,622,983	-	4,531,162	-	4,632,953	-
Other	-	-	-	-	197	85	197	85
Total	10,395,796	282,000	10,989,351	285,371	12,495,424	968,186	12,858,808	989,775

a) Obtained from the Under Secretariat of Treasury of Republic of Turkey:

Held to maturity securities amounting to TRY 5,469,989 Thousand as of December 31, 2006 have been obtained from the Undersecretariat of Treasury of Republic of Turkey (Treasury) against the Bank's accumulated duty losses. TRY 5,187,989 Thousand of these securities are Turkish Lira denominated and TRY 742,381 of these securities are subjected to repurchase agreement transactions ; 282,000 Thousand of them are foreign currency denominated. TRY 282,000 Thousand of these foreign currency denominated securities are issued by the Treasury and given to the Bank in consideration of the receivables resulting from the transfer of Emlakbank branches in 2001. These FC denominated securities were issued and given to the Bank by the Treasury for the transfer of Emlakbank branches and in consideration of the loss incurred from derivatives before the restructuring of the Bank.

b) Obtained from the Chairmanship of Privatization Administration:

Moreover, TRY 1,530,000 Thousand worth of securities issued by the Chairmanship of Privatization Administration, followed in the held to maturity portfolio with a value date of 05.10.2004 and a redemption date of 04.10.2005, was redeemed at an earlier date of 16.06.2005. TRY 30,000 Thousand of capital payments were settled by the Chairmanship of Privatization Administration and the remaining capital payment amounting to TRY 1,500,000 Thousand will be paid in seven years. During the first six years, TRY 200,000 Thousand will be received and in the final year, TRY 300,000 Thousand worth of seven Privatization bonds will be issued as a compensation. According to the changes in the "Restructuring Plan", it has been decided that these bonds will be redeemed at an earlier date. According to this plan early redemption of 47th issuance debt security worth of TRY 200,000 Thousand with the maturity date of June 15, 2006 was made in 2005, while early redemption of debt securities of 48th issuance with the maturity date of June 14, 2007 and 49th issuance with the maturity date of June 12, 2008 has been made in 2006. The total nominal value of debt securities as of the balance sheet date is TRY 900,000 Thousand.

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c) Obtained through the transfer in accordance with the law on "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası A.Ş. and amendments to other acts":

Based on the law concerning the transfer of insolvent Pamukbank T.A.Ş. to the Bank published in the Official Gazette numbered 25539 on 31 July 2004, as a result of the transfer that took place on 16 November 2004, government bonds having a nominal value of TRY 625,000 Thousand, USD 252,568,197 and EUR 745,429,256 and TRY 2,234,924 Thousand of total cost that were followed up in the available for sale portfolio of the insolvent Pamukbank T.A.Ş., were recorded by the Bank. For the valuation of foreign currency denominated securities, the Central Bank's selling rate on 14 August, 2002, which is the date of the transfer of securities to Pamukbank T.A.Ş. as a precaution, was used in accordance with decree numbered 521 of the SDIF. Therefore, diminish in value arose from the valuation amounting to TRY 58,054 Thousand is reflected in the accompanying financial statements as of 31 December 2006 (December 31, 2005: TRY 94,404 Thousand).

TRY Debenture Bonds under held to maturity portfolio amounting to TRY 2,340,938 Thousand is due to the compensation need of the shareholders' equity deficit arising from the transfer of Pamukbank T.A.Ş. in accordance with decree No: 462 of the SDIF dated 1 September 2004 regarding law No: 5230 on the "Transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası A.Ş. and amendments to other acts". The deficit is compensated by these debenture bonds issued by the Treasury following the completion of the transfer transaction.

(7) Information on investment in associates (Net):

1.a.1. Information on investments and associates:

Description	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1 DEMİRHalkBANK N.V.	THE NETHERLANDS	30.00	30.00
2 HALK FİNANSAL KİRALAMA A.Ş.	İSTANBUL	47.75	47.75
3 KOBİ YATIRIM A.Ş.	ANKARA	31.47	32.26
4 FİNTEK A.Ş.	ANKARA	24.00	29.76
5 ZİRAAT HALK ALTERNATİF DAĞ. KAN. A.Ş.	İSTANBUL	24.00	24.00
6 KKB KREDİ KAYIT BÜROSU A.Ş.	İSTANBUL	18.18	18.18
7 BANKALARARASI KART MERKEZİ A.Ş.	İSTANBUL	18.95	18.95

a.2. Information related to the investments and associates as sorted in (a.1): (*) (**)

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit/Loss	Prior Period Profit/Loss
3,944,734	380,349	32,801	214,113	-	27,893	29,363
291,725	29,902	4,203	21,036	-	7,918	2,562
27,431	27,346	109	1,750	1,234	2,230	3,465
7,219	2,779	66	253	68	256	96
9,069	5,266	881	104	-	2,844	628
16,927	14,472	1,797	1,571	-	2,671	1,838
10,904	5,463	3,180	554	-	2,093	624

(*) No investment is listed on the stock exchange.

(**) The information above (a.2) is presented on the basis of the financial data obtained from the September 30, 2006 unaudited financial statements as the investments in the December 31, 2006 financial statements could not be obtained. However, the financial data regarding Demir-Halkbank N.V. and Halk Finansal Kiralama A.Ş were obtained from the limited reviewed of the December 31, 2006 and September 30, 2006 financial statements respectively.

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2.a. Movement of investments and associates:

	Current Period	Prior Period
Balance at the beginning of the period	24,172	28,375
Movements during the period	64,503	(4,203)
Additions (***)	55,405	6,716
Bonus shares obtained	-	4,286
Share in current year income	-	-
Disposals (*)	6,497	9,700
Revaluation increase (****)	9,488	-
Provision for impairment (**)	6,107	(5,505)
Balance at the end of the period	88,675	24,172
Capital commitments	-	32,947
Share percentage at the end of the period (%)		

(*) The Bank and Mutual Aid Foundation of the Halk Bank Employees signed a contract with the Bank on November 29, 2005 for the transfer of Halk Yatırım Menkul Değerler A.Ş., Halk Finansal Kiralama A.Ş., Birlik Hayat Sigorta A.Ş. and Birlik Sigorta A.Ş. to the Bank. Consequently, Birlik Sigorta A.Ş. (with 78.32% share rate) and Birlik Hayat Sigorta A.Ş. (with 94.40% share rate) are classified as subsidiaries as the related transfer was realized as of the balance sheet. "Disposals" line in the table below represents this classification with an amount of TRY 6,497 Thousand.

(**) Net book value of Halk Finansal Kiralama A.Ş. as of December 31, 2006 is TRY 59,832 Thousand and impairment provision for Halk Finansal Kiralama A.Ş. is TRY 45,554 Thousand which is calculated according to the limited audited financial statements as of September 30, 2006.

(***) TRY 53,753 Thousand of the total additions is related to the Demir-Halkbank N.V.'s classification from joint ventures to associates by the change of the Bank's control power on the management of the company

(****) The increase is due to the revaluation of foreign currency investments and associates.

2.b. Sectoral information and related carrying amounts on investments and associates:

	Current Period	Prior Period
Banks	63,241	-
Insurance Companies	-	5,665
Factoring Companies	-	-
Leasing Companies	14,278	8,680
Finance Companies	-	-
Other Financial Investments	11,156	9,827

2.c. Investments and associates which are quoted to a stock exchange:

None

(8) Information on Investment in Subsidiaries (Net):

1.a. Information on subsidiaries

Description	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1 HALK YATIRIM MENKUL DEĞERLER A.Ş.	İSTANBUL	99.93	99.95
2 BİRLİK SİGORTA A.Ş.	İSTANBUL	78.32	78.32
3 BİRLİK HAYAT SİGORTA A.Ş.	İSTANBUL	94.40	98.32

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1.b Information related to the subsidiaries as sorted in (a.1):

	Total Shareholders' Assets	Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit/Loss	Fair Value	Total Assets
1	33,452	22,660	523	1,067	1,468	2,289	2,164	-
2	76,573	11,328	928	12	2,528	427	1,461	-
3	42,552	24,056	142	3,285	-	7,766	6,079	-

(*) None of the subsidiaries are listed on the stock exchange.

(**) The information set out in (a.2) was presented by referring to the reviewed financial statements as of September 30, 2006; as the financial statements as at December 31, 2006 could not be presented

1.c. Table of movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	9,117	9,670
Movements during the period	36,860	(553)
Additions (**)	42,171	-
Bonus shares obtained	-	-
Share in current year income	-	-
Disposals	2,013	-
Revaluation increase	-	-
Provision for impairment (*)	3,298	553
Balance at the end of the period	45,977	9,117
Capital commitments (***)	4,699	-
Share percentage at the end of the period (%)		

(*) As of December 31, 2006, impairment provision for Halk Yatırım Menkul Değerler A.Ş. with a net book value of TRY 23,882 Thousand is calculated as TRY 1,238 Thousand. As of December 31, 2006, impairment provision for Birlik Sigorta A.Ş. is TRY 3,206 Thousand and its net book value is TRY 12,078 Thousand. For impairment losses calculation, limited audited financial statements of the companies as of September 30, 2006 are taken into consideration.

(**) The Bank and Mutual Aid Foundation of the Halk Bank Employees signed a contract with the Bank on November 29, 2005 for the transfer of Halk Yatırım Menkul Değerler A.Ş., Halk Finansal Kiralama A.Ş., Birlik Hayat Sigorta A.Ş. and Birlik Sigorta A.Ş. to the Bank. Share of Halk Yatırım Menkul Değerler A.Ş. has increased as TRY 11,037 Thousand and Birlik Sigorta A.Ş. and Birlik Hayat Sigorta A.Ş. classified as subsidiaries as the related transfer was realized as of March 31, 2006. Total amount classified to subsidiaries is TRY 28,284 Thousand; TRY 22,619 Thousand of this classification is related to the share increase of Birlik Hayat Sigorta A.Ş. and Birlik Sigorta A.Ş. in 2006 as a result of the afore-mentioned transfer.

(***) The amount of capital commitment for Birlik Sigorta A.Ş. is TRY 4,699 Thousand

1.d. Sectoral information on subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	23,333	-
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	22,644	9,117
Other Financial Subsidiaries	-	-

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1.e. Subsidiaries quoted in the stock exchange:

None.

(9) Information on joint ventures:

None (2005: Demir-Halkbank N.V.: TRY 53,753 Thousand)

(10) Information on finance lease receivables (Net): None.

(11) Information on derivative financial assets for hedging purposes: None.

(12) Information on tangible assets (Net):

	Land and Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period End:					
Cost	716,870	93,768	8,808	472,452	1,291,898
Accumulated Depreciation (-)	209,681	66,184	4,221	310,152	590,238
Net Book Value	507,189	27,584	4,587	162,300	701,660
Current Period End:					
Net Book Value as of January 1,2006	507,189	27,584	4,587	162,300	701,660
Additions	25,651	13,005	-	100,450	139,106
Disposals (-)	(47,472)	(3)	(973)	(64,934)	(113,382)
Transfer to Held for Sale Assets	(52,506)	-	-	(24,997)	(77,503)
Impairment Loss	(1,324)	-	-	1,727	403
Depreciation Charge (-)	14,011	14,283	281	19,791	48,366
Foreign Currency Differences from Foreign Sub.(-)	-	-	-	-	-
Period End Cost	641,219	106,770	7,835	484,698	1,240,522
Period End Accumulated Depreciation (-)	201,167	80,467	4,508	316,854	602,996
Depreciation of Transfer to Held for Sale Assets	(23,033)	-	-	(275)	(23,308)
Period End Accumulated Depreciation (-) (Net)	178,134	80,467	4,508	316,579	579,688
Period End Net Book Value	463,085	26,303	3,327	168,119	660,834

(13) Information on intangible assets:

	Current Period
Opening Balance	11,552
Internally Generated	6,794
Additions from Mergers, Transfers and Acquisitions	-
Disposals and Out of Uses	-
Amounts Added to the Revaluation Fund Because of the increase or decrease in value	-
Impairment Values Recorded to the Income Statement	-
Impairments Deducted from the Income Statement	-
Amortization Expense (-)	3,858
Foreign Currency Differences from Foreign Sub.(-)	-
Other Changes in Net Book Values	(353)
Period End	14,135

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(14) Information on deferred tax assets, if any

	Current Period December 31,2006	Prior Period December 31,2005
	Deferred Tax	Deferred Tax
Retirement Pay Provision and Unused Vacation Prov.	37,669	49,901
Difference Between IRR and Market Value of Available for Sale Mar. Securities		17,803
Credit Card Bonus Provision	4,214	1,200
Amortization Difference Between the Tax Procedure Law and Communiqué on Accounting Policies		1,073
Net Rediscount Expense for Derivative Instruments	7,413	
Possible Actuarial Shortage of Pamukbank Fund	2,452	
Other	4,461	2,964
Total Deferred Tax Asset	56,209	72,941
Amortization Difference Between the Tax Procedure Law and Communiqué on Accounting Policies	(1,355)	
Other		(1,021)
Deferred Tax Liability	(1,355)	(1,021)
Deferred Tax Asset (Net)	54,854	71,920

(15) Information on assets held for sale:

	December 31,2006
Cost	77,504
Accumulated Depreciation	23,308
Net Book Value	54,196
Opening Balance	-
Acquisitions (Transfers)	54,196
Disposals (-),net	
Depreciation Charge (-)	
Closing net book value	54,196

(16) Information on other assets:

Total balance of other assets is TRY 91,489 Thousand (December 31,2005: TRY 40,345 Thousand) and except for the off-balance sheet commitments, other assets do not exceed 10% of the balance sheet total.

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II. EXPLANATIONS AND NOTES TO THE LIABILITIES

(1) Information on maturity structure of deposits/funds collected

1.a.) For deposit banks:

Current Period	Demand	7 day call accounts	Up to 1 month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and over	Accumulated Deposits	Total
Saving deposits	483,553	-	5,296,433	5,360,348	576,747	153,137	11,514	-	11,881,732
Foreign currency deposits	882,841	-	2,670,343	2,016,780	568,921	870,941	240,472	-	7,250,298
Residents in Turkey	863,721	-	2,387,545	1,645,032	507,922	578,092	237,644	-	6,219,956
Residents abroad	19,120	-	282,798	371,748	60,999	292,849	2,828	-	1,030,342
Public Sector Deposits	149,567	-	420,262	160,372	8,736	182	17	-	739,136
Commercial Inst. Deposits	631,003	-	1,297,426	1,254,005	99,334	15,345	203	-	3,297,316
Other Inst. Deposits	260,692	-	784,740	1,529,432	220,246	86,080	438	-	2,881,628
Precious Metals	-	-	-	-	-	-	-	-	0
Interbank deposits	7,303	-	861,914	-	-	-	-	-	869,217
TRCB	-	-	-	-	-	-	-	-	0
Domestic Banks	2,167	-	861,850	-	-	-	-	-	864,017
Foreign Banks	5,005	-	-	-	-	-	-	-	5,005
Participation Banks	131	-	64	-	-	-	-	-	195
Other	24,100	-	113,077	102,996	14,709	11,234	2,521	-	268,637
Total	2,439,059	-	11,444,195	10,423,933	1,488,693	1,136,919	255,165	-	27,187,964

Prior Period	Demand	7 day call accounts	Up to 1 month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and over	Accumulated Deposits	Total
Saving deposits	450,339	-	3,118,510	5,189,294	1,561,809	385,148	23,007	-	10,728,107
Foreign currency deposits	702,676	-	1,309,241	909,438	681,335	609,599	258,071	-	4,470,360
Residents in Turkey	685,587	-	1,273,162	863,319	632,802	407,790	254,964	-	4,117,624
Residents abroad	17,089	-	36,079	46,119	48,533	201,809	3,107	-	352,736
Public Inst. Deposits	146,892	-	313,518	264,605	1,663	4,067	15	-	730,760
Commercial Inst. Deposits	1,034,512	-	649,075	781,509	137,461	53,113	215	-	2,655,885
Other Inst. Deposits	183,121	-	485,677	1,017,790	150,556	54,543	2,165	-	1,893,852
Precious Metals Deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	4,706	-	63,941	-	-	-	-	-	68,647
TRCB	-	-	-	-	-	-	-	-	-
Domestic Banks	1,953	-	63,941	-	-	-	-	-	65,894
Foreign Banks	2,753	-	-	-	-	-	-	-	2,753
Participation Banks	-	-	-	-	-	-	-	-	-
Other	211	-	436,862	96,502	19,818	10,820	1,460	-	565,673
Total	2,522,457	-	6,376,824	8,259,138	2,552,642	1,117,290	284,933	-	21,113,284

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b) Information on Saving Deposits/Special Current and Participation Accounts in the scope of Saving Deposits Insurance Fund:

1) Amounts exceeding insurance limit:

a) Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	6,384,003	5,960,292	5,480,451	4,757,034
Foreign Currency Saving Deposits	2,087,339	1,933,592	4,458,420	2,352,789
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at foreign branches and under the guarantee of foreign authorities' insurance	22,955	14,688	-	-
Deposits at off-shore banking regions' and under foreign authorities' insurance	-	-	-	-

(*) In accordance with the BRSA's decision numbered 1083 published in the Official Gazette No: 25157 on July 3, 2003, all saving deposit amounts (100%) at banks were taken under the guarantee of the Saving Deposits Insurance Fund until July 5, 2004. After July 5, 2004, up to TRY 50 Thousand of saving deposits at banks are taken under the guarantee of Saving Deposit Insurance Fund.

The Bank made Saving Deposits Insurance Funds premium payments as half of the 0.15% of the calculated liability in accordance with the amended article published in the Official Gazette dated October 5, 2002 and numbered 24897 of the communiqué on the "Mergers and Takeovers Attributable To Banks", which was published in the Official Gazette numbered 24445 on July 27, 2001. This amended article denotes that "Conditional to all merged or taken over banks' authority to accept deposits, based on the authorization given in Clause 6 in Article 15 of the Banking Act No: 4389, insurance premium liability of the taken-over bank or newly established bank merged by the combination of more than one bank is paid for two years starting from the Council's degree of the publication date in the Official Gazette, which grants the authorization to companies merge or takeover as per the paragraph in the additional decree No: 2000/862 issued on 1 June, 2000 stating that "Half of the rates defined in Article 4 of the Decree on Saving Deposits Under Insurance Guarantee and Premiums To Be Collected by the Saving Deposits Insurance Fund are applied". This exception was ended as of November 2006 and the Bank has started to pay Saving Deposits Insurance Fund Premiums by using 0.15% rate without incurring any additional penalty rates as of 2006 year-end.

b) Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

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

	Current Period	Prior Period
Saving Deposits at Foreign Branches	698,862	180,073
Saving Deposits at Off-shore Banking Regions	-	-

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(2) Information on Derivative Financial Liabilities Held For Trading:

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

Derivative Financial Liabilities Held For Trading	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	-	26	-	-
Swap Transactions	9,400	28,848	-	-
Future Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	9,400	28,874	-	-

(3) a) Banks and Other Financial Institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Borrowings from TRCB	-	-	-	-
Domestic Banks and Institutions	97,837	76,748	45,030	28,058
Foreign Banks, Institutions and Funds	287,017	411,525	179,016	216,149
Total	384,854	488,273	224,046	244,207

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term	97,837	93,008	45,030	27,842
Medium and Long-Term	287,017	395,265	179,016	216,365
Total	384,854	488,273	224,046	244,207

c) Additional disclosures related to the intensive liabilities of the Bank are made. Intensive liabilities, fund providing customers, sector groups and other risk intensive criteria:

Main liability of the Bank is deposit of which composing 44% of it is saving deposits and 27% of it is foreign currency deposits. In order to fulfil the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from foreign institutions especially used in the financing of individual loans at assets. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

(4) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Bank and ministry or institution funds owner. There are funds containing funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Undersecretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

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(4).a. Maturity Structure of Funds:

Current Period		Prior Period	
Short-term	Long-term	Short-term	Long-term
1,989	1,000,694	104,735	919,229

(5) Information on Other Liabilities:

Other liabilities balance in the balance sheet amounts to TRY 51,545 Thousand and does not exceed 10% of the balance sheet total. (December 31,2005: TRY 265,191 Thousand)

(6) Information on Finance Lease Payables (Net)

As of December 31, 2006, the Bank's finance lease payable balance is TRY 4,152 Thousand and payments are made at the maturity dates instalments. Balance is mainly attributable to the information system equipment acquired.

(7) Information on Derivative Financial Liabilities for Hedging:

None.

(8) Explanations on Provisions:

a. Information on General Loan Provisions:

	Current Period	Prior Period
General Loan	72,189	33,199
Allocated for Group- I Loans and Receivables	61,313	31,070
Allocated for Group- II Loans and Receivables	3,493	0
Allocated for non-cash loans	7,378	2,118
Other	5	11

b. Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables

None.

c. Specific provisions for unindemnified non-cash loans

The Bank's specific provisions for unindemnified non-cash loans balance is TRY 57,407 Thousand as of December 31,2006 and 100% of provision has been allocated for non cash loans. TRY 20,500 Thousand of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with the protocol designed based on the Act No:5230. The related provision is managed by the SDIF.

d. Information on Other Provisions

Total other provision balance amounting to TRY 117,206 Thousand consists of TRY 57,407 Thousand of specific provisions for unindemnified non cash loans and TRY 59,799 Thousand of provision for legal cases against the Bank, SDIF premium, performing cash loans of risky companies taken over from Pamukbank, expenditure bonuses accumulated on credit cards provided by the Bank and social aid pension fund provision and free provision allocated for this fund as a reserve.

(9) Explanations related to tax liabilities:

a. Information on Current Tax Liability

As of December 31,2006, the Bank's corporate tax provision is TRY 238,540 Thousand which is offset against TRY 150,862 of temporary tax paid within the current period. Therefore, the remaining corporate tax payable is TRY 87,678 Thousand.

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1. Information on Tax Provision:

As of December 31, 2006, the Bank's corporate tax provision is TRY 238,540 Thousand. For the forth temporary taxation period, corporate tax payable is TRY 87,678 Thousand.

2. Information on Taxes Payable:

	Current Period	Prior Period
Corporate Tax Payable	87,678	74,396
Income on Securities Tax	58,067	36,159
Real Estate Income Tax	165	180
Banking and Insurance Transactions Tax (BITT)	9,889	5,611
Foreign Exchange Transactions Tax	441	297
Value Added Tax Payable	45	661
Other	7,483	5,872
Total	163,768	123,176

3. Information on Premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	5	7
Social Security Premiums-Employer	7	11
Bank Social Aid Pension Fund Premium-Employee	1,029	902
Bank Social Aid Pension Fund Premium-Employer	1,433	1,256
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	-	-
Unemployment insurance-Employer	-	-
Other	223	198
Total	2,697	2,374

(10) Information on liabilities regarding assets held for sale

None.

(11) Details on the number, maturity, interest rate, borrowing institution, conversion option attributable to the Bank's Tier –II

Capitals, if any:

None

(12) Information on Shareholders' Equity

a. Presentation of Paid-in capital:

	Current Period	Prior Period
Common stock	1,250,000	1,150,000
Preferred stock		

b. Application of registered capital system and registered capital ceiling amount:

Capital System	Paid-in capital	Ceiling
Registered Capital System	-	-

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

<u>Date of increase</u>	<u>Amount of increase</u>	<u>Cash</u>	<u>Profit Reserves Used</u>	<u>Capital Reserves Used</u>
31.05.2006	100,000	100,000	-	-

d. Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

e. Information on additions from capital reserves to capital in the current period:

None.

f. Prior period indicators about the Bank's income, profitability and liquidity, and estimated effects of the future assumptions on the equity that are developed considering the uncertainties in these indicators:

Profitability structure of the Bank still continues, equity structure related to the profitability is developing and there are no uncertainties that will effect this situation.

g. Preferred Stocks:

None.

h. Information on Marketable Securities Revaluation Fund:

	<u>Current Period</u>		<u>Prior Period</u>	
	<u>TRY</u>	<u>FC</u>	<u>TRY</u>	<u>FC</u>
From Subsidiaries, Associates and Joint Ventures	-	-	-	-
Revaluation difference	522	6,975	59,196	148
Total	522	6,975	59,196	148

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

a) Information On Off-Balance Sheet Liabilities:

1.Amount and Type of Irrevocable Loan Commitments:

<u>Types of Irrevocable Commitments</u>	<u>Current Period</u>	<u>Prior Period</u>
Credit Card Expenditure Limit Commitments	860,543	892,907
Two days forward foreign exchange buy/sell transactions	80,716	62,710
Other Irrevocable Commitments	7,391	5,814
Capital Commitments to Subsidiaries and Associates (*)	4,699	32,947
Tax and Fund Dues from Export Commitments	6,776	4,450
Payment Commitments for Cheques	1,198,207	1,120,099
Total	2,158,332	2,118,927

(*) In the current period, there is TRY 4,699 Thousand of capital commitment for the Bank's subsidiary, Birlik Sigorta A.Ş.

In the prior period, TRY 32,947 thousand of remaining sales amount of the taken over companies from the Mutual-Aid Foundation of the Halk Bankası Employees which is TRY 33,947 Thousand of total takeover base sales amount less TRY 1,000 Thousand paid in advance amount, were presented under the other irrevocable commitments item in off balance sheet liabilities. The takeover sales base amount was calculated by using the arithmetic averages of three different sales amount determined by three

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different companies based on the report prepared on January 26, 2006 in order to measure the book value of the taken over companies by using their audited financial statements as of November 30, 2005. This amount was paid in cash in the year 2006, however, it was recognised as a commitment in the prior period.

2. Amount and Structure of Probable Losses and Commitments from the off-balance sheet items including the below -mentioned,

2.1. Non - cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current Period December 31, 2006	Prior Period December 31,2005
Bank Acceptance Loans	30,868	16,701
Letters of Credit	348,710	253,026
Other Guarantees	3,353	669
Total	382,931	270,396

2.2. Certain guarantees, tentative guarantees, suretyships and similar transactions:

	Current Period December 31, 2006	Prior Period December 31,2005
Bid bonds	94,624	22,583
Performance bonds	1,351,445	683,174
Letters of advance guarantees	313,078	439,597
Letters of guarantee given to customs offices	37,634	135,763
Other letters of guarantee	913,140	566,721
Total	2,709,921	1,847,838

2.3. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	72,214	50,137
Within one year or less original maturity	-	-
Within more than one year maturity	72,214	50,137
Other non-cash loans	3,020,638	2,068,097
Total	3,092,852	2,118,234

TÜRKİYE HALK BANKASI A.Ş.
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2.4. Non cash loans risk intensity distribution based on sectors:

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	8,768	0.78	1,050	0.05	8,972	1.05	489	0.04
Farming and Raising Livestock	6,825	0.61	885	0.04	7,414	0.87	299	0.02
Forestry	1,496	0.13	0	0.00	1,370	0.16	190	0.02
Fishery	447	0.04	165	0.01	188	0.02	0	0.00
Industry	416,006	37.33	599,665	30.31	332,305	39.01	374,605	29.59
Mining and Quarry	30,093	2.70	790	0.04	16,115	1.89	5,458	0.43
Manufacturing	377,705	33.89	547,878	27.69	309,989	36.39	316,001	24.96
Electricity, Gas and Water	8,208	0.74	50,997	2.58	6,201	0.73	53,146	4.20
Construction	301,825	27.08	319,196	16.13	213,611	25.07	248,103	19.59
Service	364,648	32.72	825,002	41.70	274,997	32.28	248,212	19.61
Wholesale and Retail Trade	255,362	22.91	121,924	6.16	151,565	17.79	63,000	4.98
Hotel and Food Services	5,570	0.50	2,408	0.13	6,168	0.72	1,359	0.11
Transportation and Communication	31,955	2.87	106,254	5.37	25,344	2.97	20,789	1.64
Financial Institutions	25,501	2.29	56,234	2.84	28,669	3.37	41,350	3.27
Real Estate and Leasing Services	33,751	3.03	109,921	5.56	1,239	0.15	33	0.00
Self-employment	2,237	0.20	261	0.01	52,339	6.14	119,391	9.43
Educational Services	4,710	0.42	3,223	0.16	5,343	0.63	1,574	0.12
Health and Social Services	5,562	0.50	424,777	21.47	4,330	0.51	716	0.06
Other	23,239	2.09	233,453	11.81	22,071	2.59	394,869	31.18
Total	1,114,486	100.00	1,978,366	100.00	851,956	100.00	1,266,278	100.00

2.5. Non-cash loans classified in Group I and II

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	1,065,192	1,909,215	49,294	69,151
Letters of Guarantee	1,062,313	1,532,805	49,259	65,544
Bill Guarantees and Acceptances	-	29,971	-	897
Letters of Credit	19	345,981	-	2,710
Endorsements	-	-	-	-
Purchase guarantees on marketable security underwritings	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Suretyships	2,860	458	35	-

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
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3. Derivative financial instruments:

Types of trading transactions	Current Period	Prior Period
	31.12.2006	31.12.2005
Foreign currency related derivative transactions (I)	1,571,418	-
Forward Foreign Currency Buy/Sell Transactions	10,359	-
Currency Buy/Sell Swap	1,561,059	-
Currency Futures	-	-
Currency Put/Call Options	-	-
Interest related derivative transactions (II)	261,540	-
Interest Rate Contracts	-	-
Interest Rate Buy/Sell Swap	261,540	-
Interest Rate Put/Call Options	-	-
Interest Rate Buy/Sell Futures	-	-
Other trading derivative transactions (III)	-	-
A. Total trading derivative transactions (I+II+III)	1,832,958	-
Types of derivative transactions for hedging		
Fair Value Fluctuations Hedging	-	-
Cash flow Risk Hedging	-	-
FC Investment in Associates Risk Hedging	-	-
B. Total derivative transactions for hedging	-	-
Total Derivative Transactions (A+B)	1,832,958	-

4. Information on contingent liabilities and assets:

The Bank does not allocate any provision as a reserve for the disputed legal cases filed by various persons and institutions.

5. Services supplied on behalf of others: None.

IV. EXPLANATIONS RELATED TO THE INCOME STATEMENT

a) Information on Interest Income:

1) Information on interest income on loans:

	Group I		Group II	
	TRY	FC	TRY	FC
Interest on Loans	1,373,429	89,576	48,833	941
Short term loans	452,395	32,443	16,085	334
Medium and long term loans	822,746	57,133	29,253	607
Interest on non-performing loans	98,288	-	3,495	-
Premiums from Resource Utilization Support Fund	-	-	-	-

TÜRKİYE HALK BANKASI A.Ş.
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2) Interest received from banks

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Central Bank of the Turkish Republic	-	3,274	-	783
Domestic Banks	9,004	3,797	12,658	450
Foreign Banks	5,055	32,236	3,359	10,450
Head office and Branches	-	-	-	-
Total	14,059	39,307	16,017	11,683

3) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets held for trading	126,300	14,815	139,497	28,293
Financial assets at fair value through profit and loss	-	-	-	-
Financial assets available-for-sale	574,521	31,493	76,977	5,325
Investments held-to-maturity	2,059,848	41,777	2,241,505	100,242
Total	2,760,669	88,085	2,457,979	133,860

4) Interest income from subsidiaries and associates :

	Current Period	Prior Period
Interest income from subsidiaries and associates	431	289

b) Information on Interest Expenses:

1) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	33,274	16,159	5,109	9,837
Central Bank of the Turkish Republic	-	-	-	-
Domestic Banks	8,904	2,834	3,885	1,038
Foreign Banks	24,370	13,325	1,224	8,799
Head office and Branches	-	-	-	-
Other Institutions	4,374	-	889	-
Total	37,648	16,159	5,998	9,837

2) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	779	488

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3) Maturity structure of interest expense on deposits

Account Name	Demand Deposits	Time Deposits				
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year
TRY						
Bank Deposits	150	27,215	-	-	-	-
Saving Deposits	13,277	769,269	868,576	124,578	62,404	2,439
Public Deposits	567	72,971	37,588	684	64	2
Commercial Deposits	24,765	194,520	128,231	39,526	8,779	29
Other Deposits	1,075	232,279	226,612	38,058	10,506	181
7 day call accounts	-	-	-	-	-	-
Total	39,834	1,296,254	1,261,007	202,846	81,753	2,651
FC						
Foreign Currency Deposits	6,891	81,568	39,068	19,637	24,861	8,085
Bank Deposits	65	-	-	-	-	-
7 day call accounts	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-
Total	6,956	81,568	39,068	19,637	24,861	8,085
Grand Total	46,790	1,377,822	1,300,075	222,483	106,614	10,736

c) Information on Dividend Income:

	Current Period	Prior Period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	1,010	378
Other	13,092	11,450
Total	14,102	11,828

d) Information on Trading Profit/Loss (Net):

	Current Period	Prior Period
Profit	1,792,449	7,375,664
Profit from the Capital Market Operations	137,142	78,183
Profit on derivative financial instruments	80,987	20,742
Other	56,155	57,441
Foreign Exchange Gains	1,655,307	7,297,481
Loss (-)	2,006,479	7,151,788
Loss from the Capital Market Operations	171,315	54,606
Loss on derivative financial instruments	155,429	20,136
Other	15,886	34,470
Foreign Exchange Gains	1,835,164	7,097,182

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e) Information on Other Operating Income:

The Bank's other operating expenses consist of commission income increased due to the loan volume increase, gains from sale of real estate, income on cancellation of specific provisions for the collection of non-performing capital loans.

f) Loans and other receivables impairment losses:

	Current Period	Prior Period
Specific Loans and Receivables Provisions	129,990	94,437
Group- III Loans and Receivables	43,990	70,668
Group- IV Loans and Receivables	2,014	3,853
Group-V Loans and Receivables	83,986	19,916
General Loan Provision	38,997	9,479
Provision Expenses for Possible Losses	-	-
Marketable Securities Impairment Losses	8,557	-
Financial assets at fair value through profit and loss	7,445	-
Financial assets available for sale	1,112	-
	Current Period	Prior Period
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held-to-Maturity	3,677	3,519
Investment and Associates	379	2,965
Subsidiaries	3,298	554
Joint Ventures	-	-
Investments and Securities Held-to-Maturity	-	-
Other	20,569	4,522
Total	201,790	111,957

g) Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	399,631	378,100
Reserve for employee termination benefits	22,008	15,316
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	4,537	-
Depreciation expenses of fixed assets	47,506	48,973
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	3,858	126
Shares (capital method applied) impairment expense	-	-
Impairment expense for investment securities that will be disposed of	-	-
Amortization expenses of investment securities that will be disposed of	860	842
Impairment expense for property and equipment held for sale purposes	-	-
Other operating expenses	146,271	123,701
Operational leasing expenses	4,191	5,800
Maintenance expenses	5,900	6,268
Advertisement expenses	10,362	4,753
Other expenses	125,818	106,880
Loss on sales of assets	9,674	7,347
Other	88,813	98,066
Total	723,158	672,471

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h) Information profit/loss before tax:

1. Information on income tax provisions:

As of December 31, 2006, the Bank's income tax provision amounting TRY 253,785 Thousand consists of TRY 238,540 Thousand of current tax charge and TRY 15,245 Thousand of deferred tax charge.

2. Information on net operating income/expense after tax:

As of December 31, 2006, net operating income after tax amounts to TRY 863.498 Thousand.

3) Information on net profit/loss:

a. Income and expenses from ordinary banking operations: There is no need for any specific disclosures in order to understand the Bank's performance for the January 1, 2006-December 31, 2006 period.

b. Effects of changes in accounting estimates on the current and future periods' profit/loss: There are no issues required to be disclosed.

c. Other items do not exceed 10% of the income statement.

V. EXPLANATIONS RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

a. Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on April 28, 2005, inflation accounting applied in the banking system has been ceased as of January 1, 2005 in accordance with the BRSA decree numbered 1623 and dated April 21, 2005.

According to this circular, TRY 1,220,451 Thousand of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which had been recognised in "Paid-in Capital Inflation Adjustment" account before December 31, 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

b. Explanations on exchange differences:

Foreign currency associates recognised in accordance with the acquisition cost basis are presented in the balance sheet with their foreign currency acquisition cost multiplied by the exchange rates as of the balance sheet date. Exchange differences related to these foreign currency associates are recognised in the "Capital reserves" account under equity.

VI. EXPLANATIONS RELATED TO THE CASH FLOW STATEMENT

Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement are given.

a. Items of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency are defined as cash and cash equivalents.

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b. The effect of any change in accounting policies: None

Period beginning cash and cash equivalents balance:

	Current Period	Prior Period
Cash		
Cash in TRY and in Foreign Currency	134,234	113,646
Total cash and cash equivalents	134,234	113,646

Period closing cash and cash equivalents balance:

	Current Period	Prior Period
Cash		
Cash in TRY and in Foreign Currency	197,740	134,234
Total cash and cash equivalents	197,740	134,234

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

1) Volume of the Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Current Period:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables	-	-	-	-	-	-
Beginning Balance	10,043	27,261	-	-	-	-
Closing Balance	31,805	24,023	-	-	-	-
Interest and Commissions Income	154	277	-	-	-	-

b) Prior Period:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables	-	-	-	-	-	-
Beginning Balance	202	24,506	-	-	-	-
Closing Balance	10,043	27,261	-	-	-	-
Interest and Commissions Income	152	137	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS
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2) Deposits held by the Bank's risk group:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Beginning Balance	11,691	15,507	-	-	-	-
Closing Balance	63,013	11,691	-	-	-	-
Interest expense on deposits	779	488	-	-	-	-

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

	Quantity	Number of Employees	Country	Total Assets	Legal Capital
Domestic Branches	553	10824			
Agencies Abroad	5	17	1-Vienna/AUSTRIA 2-Cologne/GERMANY 3-Mannheim/GERMANY 4-Dortmund/GERMANY 5-Tehran/IRAN		
Foreign Branches	2	10	1-Nicosia/TRNC 6- Famagusta/TRNC	39,660 9,055	2,426
Off-Shore Branches	1	3	1-Manama/BAHRAIN	701,096	

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
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IX. SUBSEQUENT EVENTS

As per the decree of the Higher Council of Privatization numbered 2007/8 and dated February 5,2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on August 11,2006 is decided to be privatized by a public offering and this public offering decided to be concluded by the end of 2007.

SECTION VI: EXPLANATIONS ON THE INDEPENDENT AUDITOR'S REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

Unconsolidated financial statements as of December 31,2006 and for the period then ended were audited independently by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu) and Independent Auditors' Report dated March 8, 2007 is presented before the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

CONSOLIDATED INDEPENDENT AUDITORS' REPORT

**TÜRKİYE HALK BANKASI A.Ş.
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR JANUARY 1 – DECEMBER 31, 2006**

To the Board of Directors of
Türkiye Halk Bankası A.Ş.
Ankara

TÜRKİYE HALK BANKASI A.Ş.
INDEPENDENT AUDITORS' REPORT FOR THE YEAR JANUARY 1 – DECEMBER 31, 2006

1. We have been appointed to audit the accompanying consolidated balance sheet of Türkiye Halk Bankası A.Ş. (the "Bank") as at December 31, 2006, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. The Board of Directors of the Bank is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the regulation on "Procedures And Principles Regarding The Accounting Practices And Documentation of Banks" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We planned and performed our audit to obtain reasonable assurance whether these consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per Article 37 of the Banking Act No: 5411 and other regulations, pronouncements in respect of accounting and financial reporting made by the BRSA.

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

Member of DELOITTE TOUCHE TOHMATSU

Ankara,
March 8, 2007



Sibel Türker
Partner

Additional paragraph for the English translation:

The accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices accepted in countries and jurisdictions other than those in Turkey. The standard procedures and practices to audit the accompanying consolidated financial statements are those accepted and approved in Turkey.

TÜRKİYE HALK BANKASI A.Ş.
THE CONSOLIDATED FINANCIAL REPORT FOR THE YEAR
ENDED DECEMBER 31, 2006

1. The Parent Bank's Headquarter Address: Söğütözü Mah. 2. Cad. No: 63 Ankara/TURKEY
2. The Parent Bank's Contact Phone and Facsimile:
 Phone: +90 312 289 20 00
 Facsimile: + 90 312 289 30 48
3. The Parent Bank's Website and E-mail Address:
 Website: www.halkbank.com.tr


The consolidated financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- Section One : GENERAL INFORMATION ABOUT THE PARENT BANK
- Section Two : CONSOLIDATED FINANCIAL STATEMENTS
- Section Three : EXPLANATIONS ON ACCOUNTING POLICIES
- Section Four : NOTES TO THE CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP
- Section Five : EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- Section Six : OTHER EXPLANATIONS AND DISCLOSURES
- Section Seven : EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures are prepared in Thousand of the New Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on "Banks' Accounting Practice and Maintaining Documents", Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.
 Ankara, March 8, 2007



Hasan Cebeci
 Chairman of the Board of
 Directors, Member of the
 Audit Committee



Hasan Sezer
 Vice Chairman,
 Member of the
 Board of Directors
 responsible from
 Risk Management
 and Control,
 Member of the
 Audit Committee



Hüseyin Aydın
 Member of the
 Board of
 Directors, Chief
 Executive Officer



Erdal Ersoy
 Vice Chief
 Executive
 Officer



Yusuf Duran Ocak
 Balance Sheet
 Consolidation and
 External
 Reporting
 Department Head

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title: Nevin Dindar/Assistant Manager
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TÜRKİYE HALK BANKASI A.Ş.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

I. ESTABLISHMENT DATE OF THE PARENT BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE PARENT BANK INCLUDING THE CHANGES OF THESE ARTICLES:

Türkiye Halk Bankası Anonim Şirketi (the "Parent") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE PARENT BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE PARENT BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Parent Bank is controlled directly by the Republic of Turkey Prime Ministry Privatization Administration.

As of December 31, 2006 and 2005, the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31.12.2006	%	31.12.2005	%
Prime Ministry				
Privatization Administration (*) (**)	1,250,000	99.99	-	-
Undersecretariat of Treasury of the Turkish Republic (*)	-	-	1,150,000	99.99
	1,250,000	100.00	1,150,000	100.00

(*) Other shareholders have portion less than TRY 1 Thousand.

(**) As per the decree of the Higher Council of Privatization numbered 2007/8 and dated February 5,2007; up to 25% of the public shares that were previously transferred to the Privatization Administration on August 11, 2006 are decided to be privatized by a public offering and it is decided to be concluded by the end of 2007.

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III.EXPLANATIONS REGARDING THE PARENT BANK'S CHAIRMAN AND MEMBERS OF BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE PARENT BANK, IF ANY

Name	Title	Starting Date	Educational Background	Experience in Banking and Business Administration (Years)
Hasan CEBECİ	Chairman	13.04.2005	Ankara Eco. And Com. Science (ECS) Academy – Economy-& Finance	26
Hasan SEZER	Vice Chairman	13.04.2005	Ankara ECSA – Banking ,Foreign Trade and Exchange	23
Hüseyin AYDIN	Member of the Board of Directors, CEO	01.06.2005	Ankara ECS Academy – Economy&Finance	23
Emin Süha ÇAYKÖYLÜ	Member of the Board of Directors	13.04.2005	Bachelor Degree; METU - Mechanical Engineering Masters Degree; Syracuse University Business School NY-USA , PhD; Washington International University- Doctor of philosophy in Business Administration	23
Nurzahit KESKİN	Member of the Board of Directors	13.04.2005	Bachelor Degree Anadolu Uni. Afyon İİBF, Masters Degree in Finance; Marmara Uni. Banking and Insurance Ins. PhD; Sakarya Uni. Management and Organization (continuing)	16
Erol BERKTAŞ	Member of the Board of Directors	13.04.2005	Bachelor Degree; METU – Petroleum Engineering Masters Degree; Marmara Uni. Banking and Insurance Ins.	20
Burhaneddin TANYERİ	Member of the Board of Directors	15.09.2005	Atatürk University- Business Administration	24
Şeref EFE	Member of the Audit Committee	28.03.2003	Bachelor Degree; Ankara University Social Science Faculty - Public Administration Department Master; Harvard University JFK School of Government	3
Yusuf DAĞCAN	Member of the Audit Committee	28.03.2003	Eskişehir Economics and Trade Academy	27
Halil ÇELİK	Executive Vice President	28.07.2003	Eskişehir Economics and Trade Academy – Economics	24
Erdal ERSOY	Executive Vice President	05.07.2002	Anadolu University – Economics	30
Mustafa SAVAŞ	Executive Vice President	12.08.2002	Ankara University -Social Science Faculty, Labour Economics and Industry Relations	15
Ömer BAKTIR	Executive Vice President	09.12.2004 - 31/03 By Proxy 14.06.2005	İstanbul Technical University – Mining Engineering	16
M. Cengiz GÖĞEBAKAN	Executive Vice President	09.12.2004 - 31/03 By Proxy 20.06.2005	Ankara University – Economics	19
Erol GÖNCÜ	Executive Vice President	09.03.2005 - 04/02 By Proxy 14.06.2005	METU Faculty of Arts and Sciences, Mathematics Dept.	18
Yunus ESMER	Executive Vice President	17.06.2005	Ankara ECS Academy Business Administration- Accounting Department	27
Dr. Şahap KAVCIOĞLU	Executive Vice President	17.06.2005	Bachelor Degree; Dokuz Eylül Uni. EASF Business Administration Dept. Masters Degree; Marmara Uni. Banking and Insurance Ins. Banking Dept. PhD; Marmara Uni. Banking and Insurance Ins. Banking Dept.	15
Süleyman ASLAN	Executive Vice President	17.06.2005	METU EASF International Relations Dept.	14

Persons mentioned above do not own any shares in the Parent Bank capital.

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

Details of the resignation dates and titles of the former key management personnel in 2006:

Name	Title	Resignation Date
Vahit Ferhan BENLİ	Executive Vice President	March 31, 2006
Kamil Gökhan BOZKURT	Executive Vice President	November 1, 2006

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK

Except for the Prime Ministry Privatization Administration, no person or institute has any qualified shares attributable to the Parent Bank.

V. SUMMARY ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General Information about the Parent Bank

Türkiye Halk Bankası Anonim Şirketi (the "Parent") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic programme for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can be both reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Parent Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250,000 Thousand to TRY 1,250,000 Thousand in the extraordinary general assembly held on April 14, 2001 within the scope of the restructuring process, the Parent Bank received government bonds in settlement of the accumulated specific duty losses and the Parent Bank's whole specific duty loss receivable was thus eliminated as at April 30, 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Parent Bank were to be concluded under the provisions of Law No.4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were to be completed within three years (until November 25, 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term " 3 years" in Article 2.2. of Law numbered 4603 had been previously amended to "5 years" and by Law No: 5572 dated January 10, 2007 the related term was extended to "10 years". As a result of this amendment, the privatization period of the Parent Bank has been prolonged. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended this five year period by the half of that period with the Decree numbered 2005/9841 and dated 27 December 2005. When the related Decree numbered 2006/69 and dated 11 August 2006 was in force, the Privatization High Council public shares were transferred to the Privatization Administration and 99.9% of the Parent Bank shares are decided to be sold before May 25, 2008 using the block sale method. By the Privatization High Council's decree numbered 2006/4258 and dated August 11, 2006, 13th Department of Council of State decided to cease the execution of the Decree numbered 2006/69 dated 11 August 2006. Thereupon, legal regulation numbered 5572 has been executed and as per the decree of the Higher Council of Privatization numbered 2007/8 and dated February 5, 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on August 11, 2006, are decided to be privatized by a public offering and it is decided to be concluded by the end of 2007.

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası A.Ş. and amendments to other acts" which came into force as of July 31, 2004 with the publication of the Official Gazette, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund (SDIF)) was transferred to the Bank. Insolvent Pamukbank T.A.Ş. was a private sector deposit bank established by Çukurova İthalat ve İhracat T.A.O., Karamehmetler Scrip Company and more than 500 shareholders. The bank started its private banking operations as an incorporated company in accordance with the decision of the Council of Ministers numbered 4/4573 and dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency (BRSA) numbered 742 published in the Official Gazette numbered 24790 and dated 19 June 2002 including 3rd and 4th Sub-articles in Article 14 of the Banking Law No: 4389, the shareholders rights excluding dividends, management and supervision of the Parent Bank have been transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

e) The Parent Bank's service activities and operating areas: The Parent Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

f) As at December 31, 2006, the Parent Bank operates with a total of 556 branches consisting 553 domestic branches, together with 3 foreign branches; 2 in Cyprus and 1 in Bahrain. It also has 3 financial service branches in Germany and has 2 representative offices; 1 in Iran and 1 in Austria.

VII. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

Demir-Halkbank N.V., which is qualified as investments in associates in the current period and was qualified as a joint venture in the previous periods since it has the power to control the Parent Bank's capital and management jointly with the other shareholders, is recognized in the accompanying financial statements using the equity method.

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (App:1-A)
- II. Consolidated Statement of Off-Balance Sheet Commitments (:1-B)
- III. Consolidated Income Statement (App:1-C)
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- VI. Dividend Distribution Statement (App:1-F)

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

ASSETS	Note Ref	THOUSANDS OF TRY					
		CURRENT PERIOD			PRIOR PERIOD		
		(31.12.2006)			(31.12.2005)		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	1,696,787	853,752	2,550,539	867,786	418,513	1,286,299
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	527,328	226,273	753,601	1,507,122	330,407	1,837,529
2.1.Trading Financial Assets		527,328	225,064	752,392	1,507,122	330,407	1,837,529
2.1.1.Public Sector Debt Securities		527,079	224,515	751,594	1,507,122	329,892	1,837,014
2.1.2.Share Certificates		-	-	-	-	-	-
2.1.3.Other Marketable Securities		249	549	798	-	515	515
2.2.Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1.Public Sector Debt Securities		-	-	-	-	-	-
2.2.2.Share Certificates		-	-	-	-	-	-
2.2.3.Other Marketable Securities		-	-	-	-	-	-
2.3.Derivative Financial Assets Held for Trading		-	1,209	1,209	-	-	-
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	219,502	859,672	1,079,174	141,514	610,254	751,768
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1.Interbank money market placements		-	-	-	-	-	-
4.2.Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3.Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	5,020,657	1,090,199	6,110,856	1,650,482	236,781	1,887,263
5.1.Share Certificates		4,173	5,488	9,661	3,939	5,605	9,544
5.2.Public Sector Debt Securities		5,016,484	1,084,711	6,101,195	1,646,543	231,176	1,877,719
5.3.Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	(5)	9,844,697	1,800,941	11,645,638	5,637,905	691,989	6,329,894
6.1.Loans		9,829,518	1,800,941	11,630,459	5,618,210	691,989	6,310,199
6.2.Non-performing Loans		1,084,962	-	1,084,962	1,201,915	-	1,201,915
6.3.Specific Provisions (-)		1,069,783	-	1,069,783	1,182,220	-	1,182,220
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	10,989,351	285,371	11,274,722	12,858,808	989,775	13,848,583
8.1.Public Sector Debt Securities		10,989,351	285,371	11,274,722	12,858,611	989,690	13,848,301
8.2.Other Marketable Securities		-	-	-	197	85	282
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	25,434	114,105	139,539	24,172	-	24,172
9.1.Accounted with Equity Method		-	114,105	114,105	-	-	-
9.2.Unconsolidated Associates		25,434	-	25,434	24,172	-	24,172
9.2.1.Financial Investments		24,455	-	24,455	23,155	-	23,155
9.2.2.Non-financial Investments		979	-	979	1,017	-	1,017
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	45,977	-	45,977	8,849	268	9,117
10.1.Unconsolidated Financial Subsidiaries		45,977	-	45,977	8,849	268	9,117
10.2.Unconsolidated Non-financial Subsidiaries		-	-	-	-	-	-
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	97,360	97,360
11.1.Accounted with Equity Method		-	-	-	-	97,360	97,360
11.2.Unconsolidated Joint Ventures		-	-	-	-	-	-
11.2.1.Financial Joint Ventures		-	-	-	-	-	-
11.2.2.Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1.Finance Lease Receivables		-	-	-	-	-	-
12.2.Operating Lease Receivables		-	-	-	-	-	-
12.3.Other		-	-	-	-	-	-
12.4.Unearned Income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1.Fair Value Risk Hedging		-	-	-	-	-	-
13.2.Cash Flow Risk Hedging		-	-	-	-	-	-
13.3.Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	660,767	67	660,834	701,420	240	701,660
XV. INTANGIBLE ASSETS (Net)	(13)	14,135	-	14,135	11,552	-	11,552
15.1.Goodwill		-	-	-	-	-	-
15.2.Other		14,135	-	14,135	11,552	-	11,552
XVI. TAX ASSET	(14)	54,854	-	54,854	71,920	-	71,920
16.1.Current Tax Asset		-	-	-	-	-	-
16.2.Deferred Tax Asset		54,854	-	54,854	71,920	-	71,920
XVII. ASSETS HELD FOR SALE (Net)	(15)	54,196	-	54,196	-	-	-
XVIII. OTHER ASSETS	(16)	83,478	8,011	91,489	38,162	2,183	40,345
TOTAL ASSETS		29,237,163	5,238,391	34,475,554	23,519,692	3,377,770	26,897,462

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

LIABILITIES AND EQUITY	Note Ref	THOUSANDS OF TRY					
		CURRENT PERIOD			PRIOR PERIOD		
		(31.12.2006)		Total	(31.12.2005)		Total
TRY	FC	TRY	FC				
I. DEPOSITS	(1)	19,852,440	7,335,524	27,187,964	16,618,822	4,494,462	21,113,284
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	9,400	28,874	38,274	-	-	-
III. BORROWING FUNDING LOANS	(3)	384,854	488,273	873,127	224,046	244,207	468,253
IV. MONEY MARKET BALANCES		671,525	-	671,525	40,067	-	40,067
4.1.Interbank Money Market Takings		-	-	-	-	-	-
4.2.Istanbul Stock Exchange Takasbank Takings		-	-	-	-	-	-
4.3.Funds From Repurchase Agreements		671,525	-	671,525	40,067	-	40,067
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1.Bills		-	-	-	-	-	-
5.2.Asset- backed Securities		-	-	-	-	-	-
5.3.Bonds		-	-	-	-	-	-
VI. FUNDS	(4)	996,737	5,946	1,002,683	1,017,933	6,031	1,023,964
VII. SUNDRY CREDITORS		265,432	5,938	271,370	198,164	5,576	203,740
VIII. OTHER LIABILITIES	(5)	30,986	20,559	51,545	94,784	170,407	265,191
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES (Net)	(6)	-	4,152	4,152	-	1,496	1,496
10.1.Finance Lease Payables		-	4,152	4,152	-	1,496	1,496
10.2.Operating Lease Payables		-	-	-	-	-	-
10.3.Other		-	-	-	-	-	-
10.4.Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(7)	-	-	-	-	-	-
11.1.Fair Value Risk Hedging		-	-	-	-	-	-
11.2.Cash Flow Risk Hedging		-	-	-	-	-	-
11.3. Net Abroad Investment Risk Hedging		-	-	-	-	-	-
XII. PROVISIONS	(8)	356,748	20,992	377,740	293,950	19,151	313,101
12.1.General Loan Provisions		72,189	-	72,189	33,199	-	33,199
12.2.Restructuring provisions		-	-	-	-	-	-
12.3.Employee Benefits Provisions		188,345	-	188,345	166,336	-	166,336
12.4.Insurance Technical Reserves (Net)		-	-	-	-	-	-
12.5.Other Provisions		96,214	20,992	117,206	94,415	19,151	113,566
XIII. TAX LIABILITY	(9)	166,465	-	166,465	125,550	-	125,550
13.1.Current Tax Liability		166,465	-	166,465	125,550	-	125,550
13.2.Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES REGARDING ASSETS HELD FOR SALE	(10)	-	-	-	-	-	-
XV. TIER -II CAPITAL	(11)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(12)	3,850,789	(20,080)	3,830,709	3,386,648	(43,832)	3,342,816
16.1.Paid-in capital		1,250,000	-	1,250,000	1,150,000	-	1,150,000
16.2.Capital Reserves		1,220,973	6,975	1,227,948	1,279,647	148	1,279,795
16.2.1.Share Premium		-	-	-	-	-	-
16.2.2.Share Cancellation Profits		-	-	-	-	-	-
16.2.3.Marketable Securities Revaluation Fund		522	6,975	7,497	59,196	148	59,344
16.2.4.Tangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.5.Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6.Non-paid-up Shares of Subsidiaries,Associates and Joint Ventures		-	-	-	-	-	-
16.2.7.Hedging Funds (Effective portion)		-	-	-	-	-	-
16.2.8.Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.9.Other Capital Reserves		1,220,451	-	1,220,451	1,220,451	-	1,220,451
16.3.Profit Reserves		232,745	(27,055)	205,690	169,096	(43,980)	125,116
16.3.1.Legal reserves		185,564	-	185,564	121,915	-	121,915
16.3.2.Statutory Reserves		-	-	-	-	-	-
16.3.3.Extraordinary Reserves		-	-	-	-	-	-
16.3.4.Other Profit Reserves		47,181	(27,055)	20,126	47,181	(43,980)	3,201
16.4.Profit/Loss		1,147,071	-	1,147,071	787,905	-	787,905
16.4.1.Prior Years Income/Loss		282,812	-	282,812	231,139	-	231,139
16.4.2.Period Profit/Loss		864,259	-	864,259	556,766	-	556,766
16.5.Minority Interest		-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		26,585,376	7,890,178	34,475,554	21,999,964	4,897,498	26,897,462

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED OFF BALANCE SHEET ACCOUNTS

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

	Note Ref	THOUSANDS OF TRY					
		CURRENT PERIOD			PRIOR PERIOD		
		(31/12/2006)			(31/12/2005)		
	TRY	FC	Total	TRY	FC	Total	
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		4,152,993	2,934,368	7,087,361	2,911,392	1,328,988	4,240,380
I. GUARANTEES AND SURETYSHIPS	(1), (2)	1,114,486	1,978,366	3,092,852	851,956	1,266,278	2,118,234
1.1.Letters of Guarantee		1,111,572	1,598,349	2,709,921	851,698	996,140	1,847,838
1.1.1.Guarantees Subject to Public Procurement Law		174,917	1,247,056	1,421,973	272,977	794,789	1,067,766
1.1.2.Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3.Other Letters of Guarantee		936,655	351,293	1,287,948	578,721	201,351	780,072
1.2.Bank Loans		-	30,868	30,868	-	16,701	16,701
1.2.1.Import Acceptances		-	30,744	30,744	-	16,701	16,701
1.2.2.Other Bank Acceptances		-	124	124	-	-	-
1.3.Letters of Credit		19	348,691	348,710	23	253,003	253,026
1.3.1.Documentary Letters of Credit		19	348,691	348,710	23	253,003	253,026
1.3.2.Other Letters of Credit		-	-	-	-	-	-
1.4.Guarantied Prefinancings		-	-	-	-	-	-
1.5.Endorsements		-	-	-	-	-	-
1.5.1.Endorsements to Central Bank of Turkish Republic		-	-	-	-	-	-
1.5.2.Other Endorsements		-	-	-	-	-	-
1.6.Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7.Factoring Guarantees		-	-	-	-	-	-
1.8.Other guarantees		2,665	458	3,123	5	434	439
1.9.Other Suretyships		230	-	230	230	-	230
II. COMMITMENTS	(1), (2)	2,103,479	58,072	2,161,551	2,059,436	62,710	2,122,146
2.1.Irrevocable commitments		2,100,260	58,072	2,158,332	2,056,217	62,710	2,118,927
2.1.1.Forward Asset Purchase Commitments		22,644	58,072	80,716	-	62,710	62,710
2.1.2.Forward Deposit Purchase andSale Commitments		-	-	-	-	-	-
2.1.3.Capital Commitments to Subsidiaries and Associates		4,699	-	4,699	32,947	-	32,947
2.1.4.Loan Granting Commitments		-	-	-	-	-	-
2.1.5.Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6. Payment Commitments for Reserve Deposits		-	-	-	-	-	-
2.1.7.Payment Commitments for Cheques		1,198,207	-	1,198,207	1,120,099	-	1,120,099
2.1.8.Tax and Fund Dues from Export Commitments		6,776	-	6,776	4,450	-	4,450
2.1.9.Credit Card Expenditure Limit Commitments		860,543	-	860,543	892,907	-	892,907
2.1.10.Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.11.Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.12.Other Irrevocable Commitments		7,391	-	7,391	5,814	-	5,814
2.2.Revocable Commitments		3,219	-	3,219	3,219	-	3,219
2.2.1.RevocableLoan Granting Commitments		-	-	-	-	-	-
2.2.2.Other Revocable Commitments		3,219	-	3,219	3,219	-	3,219
III. DERIVATIVE FINANCIAL INSTRUMENTS	(3)	935,028	897,930	1,832,958	-	-	-
3.1.Derivative Financial Instruments for Hedging		-	-	-	-	-	-
3.1.1.Fair Value Risk Hedging Transactions		-	-	-	-	-	-
3.1.2.Cash flow Risk Hedging Transactions		-	-	-	-	-	-
3.1.3.Net Abroad Investment Risk Hedging Transactions		-	-	-	-	-	-
3.2.Transactions for Trading		935,028	897,930	1,832,958	-	-	-
3.2.1.Forward Foreign Currency Buy/Sell Transactions		5,283	5,076	10,359	-	-	-
3.2.1.1.Forward Foreign Currency Transactions-Buy		2,643	2,538	5,181	-	-	-
3.2.1.2.Forward Foreign Currency Transactions-Sell		2,640	2,538	5,178	-	-	-
3.2.2.Currency and Interest Rate Swaps		929,745	892,854	1,822,599	-	-	-
3.2.2.1.Currency Swap-Buy		-	765,954	765,954	-	-	-
3.2.2.2.Currency Swap-Sell		795,105	-	795,105	-	-	-
3.2.2.3.Interest Rate Swap-Buy		-	126,900	126,900	-	-	-
3.2.2.4.Interest Rate Swap-Sell		134,640	-	134,640	-	-	-

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

TÜRKİYE HALK BANKASI A.Ş. CONSOLIDATED OFF BALANCE SHEET ACCOUNTS

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

	THOUSANDS OF TRY						
	Note Ref	CURRENT PERIOD (31/12/2006)			PRIOR PERIOD (31/12/2005)		
		TRY	FC	Total	TRY	FC	Total
3.2.3.Currency, Interest Rate and Marketable Securities Options		-	-	-	-	-	-
3.2.3.1.Currency Call Options		-	-	-	-	-	-
3.2.3.2.Currency Put Options		-	-	-	-	-	-
3.2.3.3.Interest Rate Call Options		-	-	-	-	-	-
3.2.3.4.Interest Rate Put Options		-	-	-	-	-	-
3.2.3.5.Marketable Securities Call Options		-	-	-	-	-	-
3.2.3.6.Marketable Securities Put Options		-	-	-	-	-	-
3.2.4.Currency Futures		-	-	-	-	-	-
3.2.4.1.Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2.Currency Futures-Sell		-	-	-	-	-	-
3.2.5.Interest Rate Buy/Sell Futures		-	-	-	-	-	-
3.2.5.1.Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2.Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6.Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		89,721,094	24,249,372	113,970,466	44,036,581	5,315,089	49,351,670
IV. CUSTODIES		42,793,907	1,819,733	44,613,640	35,651,659	1,355,070	37,006,729
4.1.Assets Under Management		-	-	-	-	-	-
4.2.Custody Marketable Securities		18,226,178	187,985	18,414,163	34,628,071	1,195,921	35,823,992
4.3.Cheques in Collection Process		1,682,914	20,737	1,703,651	798,399	7,069	805,468
4.4.Commercial Notes in Collection Process		258,384	106,054	364,438	201,165	110,913	312,078
4.5.Other Assets in Collection Process		2,318	-	2,318	7,273	-	7,273
4.6.Underwritten Securities		313	-	313	40	-	40
4.7.Other Custodies		26,493	36,346	62,839	16,711	41,167	57,878
4.8.Custodians		22,597,307	1,468,611	24,065,918	-	-	-
V. PLEDGED ASSETS		46,927,187	22,429,639	69,356,826	8,384,922	3,960,019	12,344,941
5.1.Marketable Securities		49,955	97,684	147,639	23,395	817	24,212
5.2.Collateral Notes		2,025,577	146,330	2,171,907	553,181	91,319	644,500
5.3.Commodity		38,060	-	38,060	160,819	170,759	331,578
5.4.Warranty		-	-	-	-	-	-
5.5.Land and Buildings		11,651,822	2,752,704	14,404,526	6,041,367	2,438,254	8,479,621
5.6.Other Pledged Assets		31,582,859	18,695,526	50,278,385	628,583	640,072	1,268,655
5.7.Pledgees		1,578,914	737,395	2,316,309	977,577	618,798	1,596,375
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		93,874,087	27,183,740	121,057,827	46,947,973	6,644,077	53,592,050

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

TÜRKİYE HALK BANKASI A.Ş. CONSOLIDATED STATEMENT OF INCOME

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

INCOMES AND EXPENSES	Note Ref	THOUSANDS OF TRY	
		CURRENT PERIOD (01/01/2006-31/12/2006)	PRIOR PERIOD (01/01/2005-31/12/2005)
I. INTEREST INCOME	(a)	4,564,212	3,717,406
1.1. Interest on loans	a(1)	1,512,779	987,878
1.2. Interest received from reserve deposits		140,344	88,917
1.3. Interest received from banks	a(2)	53,366	27,700
1.4. Interest received from money market placements		4,237	11,350
1.5. Interest income on marketable securities	a(3)	2,848,754	2,591,839
1.5.1. Financial assets held for trading		141,115	167,790
1.5.2. Financial assets at fair value through profit and loss			
1.5.3. Financial Assets Available-for-sale		606,014	82,302
1.5.4. Investments held-to-maturity		2,101,625	2,341,747
1.6. Finance Lease Income		-	
1.7. Other interest income		4,732	9,722
II. INTEREST EXPENSE	(b)	3,194,643	2,792,658
2.1. Interest on deposits	b(3)	3,064,520	2,570,722
2.2. Interest on borrowings	b(1)	53,807	15,835
2.3. Interest on money market borrowings		51,639	33,787
2.4. Interest on marketable securities issued		-	-
2.5. Other interest expense		24,677	172,314
III. NET INTEREST INCOME (I - II)		1,369,569	924,748
IV. NET FEES AND COMMISSIONS INCOME		231,643	155,033
4.1. Fees and commissions income		280,227	182,359
4.1.1. Cash loans		28,051	18,258
4.1.2. Non-cash loans		30,016	24,259
4.1.3. Other		222,160	139,842
4.2. Fees and commissions expenses		48,584	27,326
4.2.1. Cash loans		103	-
4.2.2. Non-cash loans		1	5
4.2.3. Other		48,480	27,321
V. DIVIDEND INCOME	(c)	14,863	14,770
VI. NET TRADING PROFIT	(d)	(214,030)	223,876
6.1. Profit/Loss from Capital Market Operations(Net)		(34,173)	23,577
6.2. Foreign exchange gains/losses (net)		(179,857)	200,299
VII. OTHER OPERATING INCOME	(e)	640,947	269,682
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		2,042,992	1,588,109
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(f)	201,790	111,957
X. OTHER OPERATING EXPENSES(-)	(g)	723,158	672,471
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		1,118,044	803,681
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-

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

TÜRKİYE HALK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF INCOME

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

INCOMES AND EXPENSES	Note Ref	THOUSANDS OF TRY	
		CURRENT PERIOD (01/01/2006-31/12/2006)	PRIOR PERIOD (01/01/2005-31/12/2005)
XIII. GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(h)	1,118,044	803,681
XVI. TAX INCOME PROVISION (±)	h(1)	(253,785)	(246,915)
16.1.Current Tax Provision		(238,540)	(255,455)
16.2.Deferred Tax Provision		(15,245)	8,540
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	h(2)	864,259	556,766
17.1.Discontinued Operations		-	-
17.2.Other		-	-
XVIII. NET PROFIT/(LOSS)	(i)	864,259	556,766
18.1.Group's profit/loss		864,259	556,766
18.2.Minority interest profit/loss			
Earnings per share			

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY

	Note Ref	Paid-in Capital	Effect of Inflation Adjustments on Paid in Capital	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves
PRIOR PERIOD							
(31/12/2005)							
I. Beginning Balance		1,150,000	1,220,451			63,572	
II. Corrections according to TAS 8		-	-	-	-	-	-
2.1.The effect of corrections of errors							
2.2.The effects of changes in accounting policy.							
III. New Balance (I + II)		1,150,000	1,220,451	-	-	63,572	-
Changes in period							
IV. Increase/Decrease related to merger							
V. Marketable securities available for sale							
VI. Hedging Transactions		-	-	-	-	-	-
6.1.Cash-flow risk hedging							
6.2.13.3.Net Abroad Investment Risk Hedging Amounts Transferred							
VII. Marketable securities available for sale							
VIII.Hedging transactions		-	-	-	-	-	-
8.1.Cash-flow risk hedging							
8.2.Net Abroad Investment Risk Hedging							
IX. Net period income/(loss)							
X. Profit distribution		-	-	-	-	58,343	-
10.1. Dividends distributed							
10.2. Transfers to reserves						58,343	
10.3.Other							
XI. Capital increase		-	-	-	-	-	-
11.1.Cash							
11.2. Tangible assets revaluation increase							
11.3. Non-paid-up shares of subsidiaries , associatesand joint ventures							
11.4. Marketable securities revaluation fund							
11.5. Inflation adjustment on paid-in capital							
11.6. Marketable Securities Issued							
11.7.Foreign Exchange Differences							
11.8Other							
XII. Disposals of assets							
XIII. Reclassification of Assets							
XIV. Primary Tier-II Capital							
XV. Secondary Tier-II Capital							
XVI. The effect of change in associate's equity on Bank's equity							
Closing Balances (III+IV+...+XIV+XV+XVI)		1,150,000	1,220,451	-	-	121,915	-
CURRENT PERIOD							
(31/12/2006)							
I. Prior period closing balance		1,150,000	1,220,451			121,915	
Changes in period							
II. Increase/Decrease related to merger							
III. Marketable securities available for sale							
IV. Hedging Transactions		-	-	-	-	-	-
4.1.Cash-flow risk hedging							
4.2.Net Abroad Investment Risk Hedging Amounts Transferred							
V. Investments securities available for sale							
VI. Hedging Transactions		-	-	-	-	-	-
6.1.Cash-flow risk hedging							
6.2.Net Abroad Investment Risk Hedging							
VII. Net period income/(loss)							
VIII.Profit distribution		-	-	-	-	63,649	-
8.1. Dividends distributed							
8.2.Transfers to reserves						63,649	
8.3. Other							
IX. Capital increase		100,000	-	-	-	-	-
9.1. Cash		100,000					
9.2. Tangible assets revaluation reserve							
9.3. Non-paid-up shares of subsidiaries , associates and joint ventures							
9.4. Marketable securities revaluation fund							
9.5. Inflation adjustment on paid-in capital							
9.6. Marketable Securities Issued							
9.7.Foreign Exchange Differences							
9.8.Other							
X. Disposal of assets							
XI. Reclassification of assets							
XII. Primary Tier-II Capital							
XIII. Secondary Tier-II Capital							
XIV. The effect of change in associate's equity on Bank's equity							
Closing Balance(I+II+III+...+XII+XIII+XIV)		1,250,000	1,220,451	-	-	185,564	-

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

UNCONSOLIDATED STATEMENT OF CASH FLOWS	Note Ref	THOUSANDS OF TRY	
		CURRENT PERIOD (31/12/2006)	PRIOR PERIOD (31/12/2005)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1. Operating profit before changes in operating assets and liabilities (+)		519,315	974,092
1.1.1. Interest received (+)		3,990,488	3,902,435
1.1.2. Interest paid (-)		(3,124,450)	(2,807,238)
1.1.3. Dividend received(+)		14,102	11,828
1.1.4. Fees and commissions received (+)		280,227	182,359
1.1.5. Other income (+)		517,307	157,786
1.1.6. Collections from previously written off loans (+)		160,969	111,894
1.1.7. Cash payments to personnel and service suppliers (-)		(399,631)	(351,563)
1.1.8. Taxes paid (-)		(249,099)	(235,102)
1.1.9. Other (+/-)		(670,598)	1,694
1.2. Assets and Liabilities Subject to Banking Operations		1,016,822	(1,948,588)
1.2.1. Net (Increase) decrease in financial assets held for sale (+/-)		1,029,252	(1,299,342)
1.2.2. Net (Increase) decrease in financial assets at fair value through profit or loss (+/-)		(1,508,237)	26,567
1.2.3. Net (Increase) decrease in due from banks and other financial institutions (+/-)		(5,338,154)	(1,972,702)
1.2.4. Net (increase) decrease in loans (+/-)		(51,151)	378,612
1.2.5. Net (increase) decrease in other assets (+/-)		1,428,598	(783,840)
1.2.6. Net increase (decrease) in bank deposits (+/-)		5,220,936	1,398,866
1.2.7. Net increase (decrease) in other deposits (+/-)		391,285	206,076
1.2.8. Net increase (decrease) in loans borrowed (+/-)		-	-
1.2.9. Net increase (decrease) in matured payables (+/-)		-	-
1.2.10. Net increase (decrease) in other liabilities (+/-)		(155,707)	97,175
I. Net cash provided from banking operations (+/-)		1,536,137	(974,496)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from investing activities (+/-)		(1,136,803)	1,403,093
2.1. Cash paid for purchase of joint ventures, associates and subsidiaries(-)		(41,798)	(3,519)
2.2. Cash obtained from sale of entities joint ventures, associates and subsidiaries (+)		-	4,756
2.3. Fixed assets purchases (-)		(139,106)	(65,959)
2.4. Fixed assets sales(+)		113,381	61,667
2.5. Cash paid for purchase of financial assets available for sale (-)		(3,992,158)	(1,764,800)
2.6. Cash obtained from sale of financial assets available for sale (+)		-	-
2.7. Cash paid for purchase of investment securities (-)		(298,343)	(1,701,270)
2.8. Cash obtained from sale of investment securities (+)		3,221,221	4,872,218
2.9. Other (+/-)		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities (+/-)		(338,788)	(407,973)
3.1. Cash obtained from loans borrowed and securities issued (+)		-	-
3.2. Cash used for repayment of loans borrowed and securities issued (-)		-	-
3.3. Marketable Securities Issued (+)		100,000	-
3.4. Dividends paid (-)		(441,444)	(407,844)
3.5. Payments for finance leases (-)		2,656	(129)
3.6. Other (+/-)		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents(+/-)		2,960	(36)
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		63,506	20,588
VI. Cash and cash equivalents at beginning of the period (+)		134,234	113,646
VII. Cash and cash equivalents at end of the period (V+VI)		197,740	134,234

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

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The consolidated financial statements, related notes and explanations in this report are prepared in accordance with the Turkish Accounting Standards and Communiqué on “Banks’ Accounting Practice and Maintaining Documents”.

Accounting policies applied and valuation methods used in the preparation of the financial statements are expressed in detail below.

Accounting policies applied and valuation methods used in the preparation of the prior year financial statements are restated based on the accounting principles in conformity with the Turkish Accounting Standards and Turkish Financial Reporting Standards under the provisions of Communiqué on Conceptual Framework of No:1 “Basis of Preparation and Presentation of Financial Statements” published in the Official Gazette numbered 25702 and dated January 16, 2005 by the Turkish Accounting Standards Board. These adjustments to the prior period profits, are summarized below:

	31.12.2005	31.12.2005
	Profit For the Period	Retained Earnings
31.12.2005 net period profit/retained earnings before TAS adjustments	525,325	111,967
Receivables from asset sale on credit terms adjustment	(995)	5,119
Foreign Exchange difference adjustments for foreign associates	9,193	27,361
Short-term employee benefit adjustments	29,440	41,248
Retirement fund actual and technical deficit adjustment	-	45,939
Effects of adjustment on deferred tax	(18,132)	1,846
Withdrawal of non-paid-up-shares of associates	2,551	-
Adjustment for the equity method accounting	9,384	(2,341)
31.12.2005 net period profit/retained earnings after TAS adjustments	556,766	231,139

TRY 181,058 Thousand of prepaid tax presented under the Other Assets account in the 31.12.2005 financial statements are offset against the Current Tax Liability item in the current comparative financial statements.

Unless otherwise indicated, the term “Prior Period” used in the disclosures and notes related to the Balance Sheet, Off-Balance Sheet Commitments and Contingencies and Income Statements is referred to 31.12.2005 period.

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

1. The Parent Bank’s Strategy On Financial Instruments

Due to its historical mission, the Parent Bank focuses on granting loans to SMEs and craftsmen. Funds, generated from the redemption and coupon interest payments of the special arrangement government securities in assets in decreasing funding costs, are directed to marketable securities obtained from the market conditions as a result of business losses. In addition to the main fund source deposits, the Parent Bank can raise funds from foreign borrowing.

The Parent Bank follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Bank are evaluated in the weekly Assets and liabilities Committee meetings.

2. The Parent Bank’s Explanations on Foreign Currency Transactions

In the statutory records of the Parent Bank, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Balance sheet foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement. Exchange differences from the conversion of net investments in foreign associates are recognised in the other profit reserves account under the equity.

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The financial statements of the foreign branches of the Parent Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Parent Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Parent Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by using the average exchange rates, unless a significant foreign currency movement occurs. Foreign currency gains and losses are recognized in the other profit reserves under the equity. These exchange differences are recognized as profit or loss when the foreign operation is disposed of. Goodwill and fair value adjustments arising from the purchase of foreign operations are treated as assets and liabilities of foreign operations and converted by using the closing exchange rates.

III. INFORMATION ABOUT THE PARENT BANK AND ITS ASSOCIATES SUBJECT TO CONSOLIDATION

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated November 8, 2006 and numbered 26340 and the Turkish Accounting Standards are applied in the consolidation. Based on the communiqué, if the associate's assets are less than 1% of the Parent Bank's total assets or if the total shares of the associates under this limit do not exceed 5% of the Parent Bank's total assets, these type of associates are excluded from the consolidation. Accordingly, Halk Finansal Kiralama A.Ş., Halk Yatırım A.Ş., Birlik Sigorta A.Ş. and Birlik Hayat Sigorta A.Ş. are not included in the accompanying consolidated financial statements since their assets are less than 1% of the Parent Bank's assets and their total shares are less than 5% of the Parent Bank's total assets as of December 31, 2006.

Demir-Halkbank N.V., which is qualified as investments in associates in the current period, and was qualified as a joint venture in the previous period since it has the power to control the Parent Bank's capital and management jointly with the other shareholders, is presented in the accompanying financial statements based on the equity method .

Accounting principles used by Demir-Halkbank N.V., which is a consolidated associate by the equity method, has the same accounting principles of Parent Bank. Therefore, no adjustments and reclassifications are made for the purpose of compliance with the accounting principles used in the consolidated financials of the Parent Bank.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Parent Bank are foreign currency swaps, forward foreign currency and interest transactions. The Parent Bank has no derivative instruments decomposed from the main contract.

Derivative financial instruments are recorded with their fair values at the contract date and re-accounted with their fair values in the following reporting periods. Although some derivative transactions are qualified as economical hedging items, they do not meet all the definition requirements of hedge accounting items. Therefore, under the Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39), these derivative instruments are recognized as held for trading and gains and losses of these instruments are associated with the profit/loss statement.

V. INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

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VI. FEES AND COMMISSION INCOME AND EXPENSES

Fees and commission income/expenses are recognized on an accrual or cash basis depending on the nature of the transaction.

VII. EXPLANATIONS AND DISCLOSURES ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Bank, if the Parent Bank is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Parent Bank. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

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

The estimated fair values of financial assets have been determined by the Parent Bank using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

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

1. Cash and Banks

Cash and banks balances in foreign currencies are valued by using the Parent Bank's current period end exchange rates. Cash balances in TRY, foreign currency balances and bank balances on the balance sheet are the estimated fair values of these assets.

2. Marketable Securities:

a. Financial Assets at Fair Value Through Profit and Loss

a.1. Financial Assets Held For Trading

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

Financial Assets Held For Trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. If a price does not occur in an active market, fair value cannot be reliably determined and "Amortized Value" is determined as the fair value using the internal rate of return. Valuation gains or losses are recognized in the profit/loss accounts. Interests gained from the retention of Held For Trading Financial Assets are recognized under the interest income and dividends gained is recognized under the dividend income in the income statement. If these assets are disposed of prior to their maturity periods, loss or gain from the disposal is recognized in the income statement by using Interest Income/Expense accounts and Profit/Loss from the Capital Market Operations under the scope of Uniform Chart of Accounts.

a.2. Financial Assets At Fair Value Through Profit and Loss

Financial Assets At Fair Value Through Profit and Loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial assets held for trading.

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b. Investments Held to Maturity, Financial Assets Available for Sale

b.1. Investments held to maturity include securities with fixed or determinable payments and fixed maturity carried at fair value through profit and loss at the initial recognition where there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and available for sale non-derivative assets except for bank loans and receivables. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity are recognized in the income statement as an interest income. There are no financial assets that are classified by the Parent Bank as investments held to maturity, however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

b.2. Financial assets available for sale represent non-derivative financial assets except for bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through profit and loss by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and "Amortized Value" is determined as the fair value using the internal rate of return. Unrealized gains and losses arising from the fluctuations in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or incurring loss of those assets. Fair value differences accumulated in equity accounts arising from the application of fair value in the case of the collection from the redemption or sale of the related assets are reflected to the income statement.

3. Loans and Receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Individual and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed individual and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the income and expense accounts depending on foreign currency rates being higher or lower than opening date rates. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the income and expense accounts.

Non-performing loans are classified in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated November 1, 2006 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses - 82000/821000 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

A financial asset or a group of financial asset is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the

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reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present value of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair value of the financial assets at fair value through profit and loss or available for sale of which value decreases and increases are recognized in equity, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

For loans and receivables; the Parent Bank's management performs consistent loan portfolio reviews and if any doubts on the collectibility of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published in the Official Gazette numbered 26333 and dated November 1, 2006. The Parent Bank does not limit the provision amount with the minimum rates defined in the related regulation and allocates specific provision for this kind of loan amounts in full and they are recognized in the statement of profit/loss. Collections made related to those loans are offset against the capital and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

In accordance with the provisions of the related legislation, general loan provisions are provided by the Parent Bank in addition to specific provisions.

IX. OFFSETTING THE FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when a party currently has a legally enforceable right to set off the recognised amounts or intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

X. SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under Securities at fair value through profit or loss in the Parent Bank's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under the "Funds From Repurchase Transactions" account in liabilities. For the portion of the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognised under the "Receivables From Reverse Repo Transactions" account. For the portion of the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method. As of December 31, 2006 there are no reverse repo transactions.

XI. EXPLANATIONS ON TANGIBLE FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that meet the criteria to be classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active programme to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

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A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Parent Bank.

Intangible assets that are purchased prior to January 1, 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical, less any accumulated amortisation and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of establishment/formation expenses, software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortisation method, amortization period or residual value.

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment that are purchased prior to January 1, 2005 are carried at their December 31, 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at costs, less any accumulated depreciation and any impairment losses.

Property, plant and equipment are amortized by using the straight line method during their useful lives.

Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

Ordinary maintenance and repair expenses of property, plant and equipment items are recognized as expenses.

There are no mortgages, pledges or similar incumbrances designated for the property, plant and equipment.

Estimated useful lives of property, plant and equipment are as follows:

	Estimated Useful Lives (Year)	Depreciation Rate
Buildings	50	2%
Safe-deposit boxes	50	2%
Other movable properties	2-25	4-50%
Assets held under financial leases	4-5	20-25%

There is no change expected in the current period or to be expected in the subsequent periods to have a significant effect on the accounting estimates.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognised as liabilities in the balance sheet while the interest payable portion of the payables are recognised as a deferred amount of interest. Assets held under financial leases are recognised under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Parent Bank does not participate in the financial leasing transactions as a lessor.

Operational lease transactions are recognised in line with the related agreement on an accrual basis.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

A provision should be recognised in the financial statements when there is a present obligation 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. The amount recognised as a provision is the best estimate of the Bank's

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management for expenditure required to settle the present obligation at the balance sheet date and amortized to its present value if the amount is material.

XVI. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognised in accordance with the Turkish Accounting Standard No:19 "Employee Benefits". According to related legislation and union contracts, the Parent Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees; who resigns subsequent to her marriage within one year. The Parent Bank provides provision by estimating the present value of the future retirement pay liability. The retirement pay provision of the Parent Bank has been determined by the actuarial report of an independent valuation company.

Pamukbank Employee Pension Fund, T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Security Act (SSA) No: 5006 and their members include employees of the Parent Bank as well. Provisional article 23 of the Banking Act No: 5411 requires the Parent Bank's pension funds founded in the scope of SSA to be transferred to the Social Security Institution within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated November 30, 2006 and numbered 2006/11345 and accordingly, both pension fund foundations will be transferred to SSI. Actuarial audits were performed for both pension fund foundations based on the technical balance sheet report prepared using 10.24% technical interest rate which was determined by the public authorities, for Pamukbank Employee Pension Fund TRY 9,251 Thousand of technical provision has been allocated, whereas no technical deficit for the other pension fund was reported.

XVII. EXPLANATIONS ON TAXATION

Corporate tax amount is calculated for the year 2006 income using 20% tax rate in accordance with Article 25 of the Corporate Tax Act which was amended by the Act No: 4369.

According to the requirements defined in article 120 (bis) of the Withholding Tax Act, 20% of temporary tax was paid in February 2007 which will be offset against the current period's corporate tax payable.

Tax expense is the sum of the current tax expense and deferred tax charge.

Current year tax liability shall be calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expense or income and non-taxable and deductible items for the following years are excluded.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities other than goodwill or business combination in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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XVIII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Parent Bank borrows funds from domestic and foreign institutions when needed. These borrowing activities are recognised at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are prevented by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitisation and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

There are no convertible bonds or debt instruments issued.

XIX. EXPLANATIONS ON SHARES AND SHARE ISSUE

Share issuance related to costs are recognised as expenses. Dividend income related with the equity shares are determined by the General Assembly of the Parent Bank.

The Parent Bank did not issue any shares during 2006. In accordance with the decree of the Privatization High Council dated February 5, 2007 and numbered 2007/8, a public offering for the 25% shares pertaining to the Privatization Administration is planned as an agenda.

XX. BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Parent Bank.

XXII. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Parent Bank. The Parent Bank operates on mainly corporate banking, individual banking and investment banking. In order to increase the effectiveness and the efficiency, the Parent Bank still continues its restructuring process for an appropriate segmenting.

XXIII. OTHER MATTERS

None.

SECTION IV: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. EXPLANATIONS RELATED TO THE CONSOLIDATED CAPITAL ADEQUACY RATIO

Risk measurement methods used in the determination of consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks", which was published in the Official Gazette numbered 26333 on November 1, 2006. The Parent Bank's consolidated capital adequacy ratio calculated based on the essentials of the related communiqué is 31.58%.

In calculating the amounts subject to credit risk, the Parent Bank generally evaluates its loans according to their collateral classes based on the relevant risk weights. However, risk rate for fund loans for which the Parent Bank recognises is 0% and credit cards and cooperative loans is 100% due to having "suretyship" collateral type.

In the calculation of capital adequacy standard ratio, information prepared in accordance with the legislation on recording and accounting system is used. Additionally, market risk amount is calculated in accordance with the communiqué on the "Internal Control and Risk Management Systems of the Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

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Amounts deducted from the capital in the calculation of shareholders' equity are not considered in the calculation of risk-weighted assets, non-cash loans and contingent liabilities. In the calculation of risk weighted assets, assets subject to depreciation and impairment are carried at their carrying values less accumulated depreciation and impairment losses.

Beginning from December 31, 2004, for the calculation of the amount subject to credit risk regarding the transactions on the non-cash loans, the receivable amount from counter parties is calculated by using the conversion rates presented in Clause 2 in Article 5 of the Communiqué on "Measurement and Assessment of Banks' Capital Adequacy Ratios", less the specific provision amount set in accordance with the Communiqué on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions", if any.

In calculation of the amount subject to credit risks, receivables from counter parties arising from foreign currency and interest rate transactions are recognised using the conversion rates presented in the related communiqué mentioned above.

1. Information related to the consolidated capital adequacy ratio:

	Risk Weights							
	Bank Only				Consolidated			
	0%	20%	50%	100%	0%	20%	50%	100%
Credit Risk Base Amount								
Balance Sheet items (Net)	21,088,919	1,104,846	3,291,064	8,085,306	21,088,919	1,104,846	3,291,064	8,022,065
Cash and Cash Equivalents	197,740	23	-	-	197,740	23	-	-
Matured Marketable Securities	-	-	-	-	-	-	-	-
Turkish Republic Central Bank Balances	1,742,504	-	-	-	1,742,504	-	-	-
Domestic, Foreign Banks, Head								
Office and Branches Abroad Balances	-	1,078,543	-	-	-	1,078,543	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Receivables From Reverse Repo Transactions	-	-	-	-	-	-	-	-
Reserve Deposits	566,883	-	-	-	566,883	-	-	-
Loans	1,103,956	24,795	3,190,262	7,092,584	1,103,956	24,795	3,190,262	7,092,584
Non-performing Loans (Net)	-	-	-	15,179	-	-	-	15,179
Finance Lease Receivables	-	-	-	-	-	-	-	-
Financial Assets Available-For-Sale	5,750,435	-	-	9,661	5,750,435	-	-	9,661
Investments Held to Maturity	10,677,795	-	-	-	10,677,795	-	-	-
Receivables From the Asset Sale on Credit Terms	-	-	-	26,157	-	-	-	26,157
Sundry Debtors	1,370	-	-	25,380	1,370	-	-	25,380
Interest and Income Accruals	991,800	1,485	100,802	116,485	991,800	1,485	100,802	116,485
Subsidiaries, Associates and Joint Ventures (Net)	-	-	-	63,241	-	-	-	-
Property, Plant and Equipment	-	-	-	702,796	-	-	-	702,796
Other Assets	56,436	-	-	33,823	56,436	-	-	33,823
Off-Balance Sheet Items	50,331	887,017	342,772	1,296,848	50,331	887,017	342,772	1,296,848
Non-cash Loans and Commitments	50,331	865,113	342,772	1,296,848	50,331	865,113	342,772	1,296,848
Derivative Instruments	-	21,904	-	-	-	21,904	-	-
Non-risk Weighted Accounts	-	-	-	-	-	-	-	-
Total Risk-Weighted Assets	21,139,250	1,991,863	3,633,836	9,382,154	21,139,250	1,991,863	3,633,836	9,318,913

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2. Capital Adequacy Ratio Summary:

	Bank Only	Consolidated
	Current Period	Current Period
Credit Risk Base Amount (CRBA)	11,597,445	11,534,204
Market Risk Base Amount (MRBA)	128,988	128,988
Operational Risk Base Amount (ORBA)*	-	-
Equity	3,746,954	3,683,712
Equity/(CRBA+MRBA+ORBA)*100	31.95	31.58

CRBA: Credit Risk Base Amount

MRBA: Market Risk Base Amount

ORBA: Operational Risk Base Amount

(*) Operational risk will be considered in calculation of the capital adequacy ratio starting from June 30, 2007.

Risk measurement methods used in the determination of the consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio calculation is performed in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks ", which was published in the Official Gazette numbered 26333 on November 1, 2006. Since the related communiqué has been in effect as of November 1,2006, comparative capital adequacy ratio is not presented.

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3. Equity Items:

	Bank Only Current Period	Consolidated Current Period
CORE CAPITAL		
Paid-in Capital	1,250,000	1,250,000
Nominal capital	1,250,000	1,250,000
Capital commitments (-)	-	-
Inflation Adjustment for Paid-in Capital	1,220,451	1,220,451
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	185,564	185,564
I. Degree Legal Reserve (Turkish Commercial Code 466/1)	73,870	73,870
II. Degree Legal Reserve (Turkish Commercial Code 466/2)	111,030	111,030
Reserves per Specific Acts	664	664
Statutory Reserves	-	-
Extraordinary Reserves	21,055	20,126
Reserves allocated per General Assembly Minute	-	-
Retained Earnings (*)	47,181	47,181
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	(26,126)	(27,055)
Inflation Adjustment for the Legal, Statutory and Extraordinary Reserves	-	-
Profit	1,095,278	1,147,071
Net period profit	863,498	864,259
Retained Earnings	231,780	282,812
Portion of Free Provisions Allocated for Potential Risk up to 25% of Core Capital Amount	-	-
Subsidiary and Associate Shares and Gains on Sale of Real Estate To Be Added To Capital	-	-
Portion of Primary Tier-II Capital up to 15% of Core Capital	-	-
Losses that cannot be covered by reserves (-)	-	-
Net period loss	-	-
Accumulated loss	-	-
Leasehold Improvements (-)	12,150	12,150
Prepaid Expenses (-)	3,177	3,177
Intangible Assets (-)	1,985	1,985
Deferred Tax Asset in excess of 10% of the Core Capital (-)	-	-
Excess Amount defined in,3rd Clause, 56th Article of the Banking Act (-)	-	-
Consolidation Goodwill (Net) (-)	-	-
Total Core Capital	3,772,348	3,823,212

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	Bank Only	Consolidated
	Current Period	Current Period
SUPPLEMENTARY CAPITAL		
General Loan Provisions	72,189	72,189
45% of Movable Assets Revaluation Fund		
45% of Real Estates Revaluation Fund	-	-
Non-paid-up Shares of Subsidiaries, Associates and Joint Ventures	-	-
Proportion of Primary Tier -II Capital excluded from the Core Capital Calculation	-	-
Secondary Tier -II Capital	-	-
45% of Marketable Securities Revaluation Fund	3,374	3,374
From Subsidiaries and Associates	-	-
From Financial Assets Available For Sale	3,374	3,374
Inflation adjustments for capital reserves, profit reserves and retained earnings/accumulated losses (Except inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-	-
Total Supplementary Capital	75,563	75,563
TIER-III CAPITAL		
CAPITAL	3,847,911	3,898,774
DEDUCTIONS FROM CAPITAL (**)	100,957	215,062
Equity Shares in Banks and Financial Institutions Which Are Excluded From the Consolidation	71,411	71,411
Borrowing Instruments and Loans qualified as Tier-II Capital from and to banks, financial institutions (domestic and foreign), preferred stockholders	-	-
Equity Shares in Banks and Financial Institutions for which equity method was applied, but their assets and liabilities were not consolidated	-	114,105
Loans granted not in compliance with the provisions stated in articles 50 and 51 of the Act.	-	-
Total net book value of the Bank's real estates in excess of 50% of the equity and in accordance with Article 57 of the Act, net book value of real estates and commodities acquired in exchange of loans and receivables that should be disposed of however; have not been disposed of although it has been 5 years since the beginning of the acquisition date.	12,234	12,234
Other	-	-
Total Equity	3,746,954	3,683,712

(*) TRY 47,181 Thousand of balance is the monetary gain/loss from restatement of the 2003 period profit until April 2004 (dividend distribution date).

(**) Leaseholds improvements, prepaid expense and intangible asset items under the core capital are not included in the core capital, however; they are included in the deductions from capital in accordance with the related communiqué.

II. EXPLANATIONS RELATED TO THE CONSOLIDATED CREDIT RISK

The Parent Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Parent Bank grades all of its credits that are granted to real persons or entities and requires additional collaterals from its customers having high credit risks. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Parent Bank's risk concentration in Turkey is high, since it operates mainly in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically. For geographical regions and sectors, limit determination process is carried by the related loan departments.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

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Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are assorted in accordance with the Bank's risk management system.

As prescribed in the Communiqué on "Determining the Nature of Loan and Other Receivable Provisions Allocated By the Banks and Procedures and Principles of Allocating Provisions", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Parent Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees are suretyships, real estate mortgages, cash blockages and customer or real person cheques.

When the Parent Bank is exposed to significant credit risks, it has the tendency to cease its forward or similar type of transactions by using rights, fulfilling the requirements of the acquisitions or disposing of the acquisitions to mitigate the risk total.

Indemnified non-cash loans are subject to the same risk weight as the outstanding loans due at maturity and they are classified according to their guarantees and recognized in the non-performing loans account.

The Parent Bank is not an active participant of the international banking sector.

As of December 31, 2006, the receivables of the Group from its top 100 cash loan customers is 17.11% of its total cash loans.

As of December 31, 2006, receivables of the Group from its top 100 non-cash loan is 59.15% of its total non-cash loans.

As of December 31, 2006, share of cash and non-cash receivables of the Group from its top 100 customers is 8.73% of its total balance sheet and off- balance sheet assets.

As of December 31, 2006, general loan loss provision related to the credit risk incurred by the Parent Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 72,189 Thousand.

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Information according to geographical concentration:

	Assets	Liabilities (***)	Non-Cash Loans	Equity Investments	Net Income/Loss
Current Period					
Domestic	33,127,157	29,260,424	2,904,291	75,584	864,259
European Union Countries	805,535	519,425	180,752	119,168	-
OECD Countries (*)	29,783	-	5,267	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	1,643	-	1,487	-	-
Other Countries	316,259	864,996	1,055	425	-
Associates, Subsidiaries and Entities					
Under Common Control	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	34,280,377	30,644,845	3,092,852	195,177	864,259
Prior Period					
Domestic	26,413,435	23,111,124	1,681,207	36,960	556,766
European Union Countries	183,016	269,740	405,618	97,360	-
OECD Countries (*)	25,321	-	5,476	5,605	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	106,669	-	25,459	-	-
Other Countries	28,828	173,782	474	268	-
Associates, Subsidiaries and Entities					
Under Common Control	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
Total	26,757,269	23,554,646	2,118,234	140,193	556,766

(*) EU countries and OECD countries other than USA and Canada.

(**) Assets and liabilities that cannot be allocated on a consistent basis.

(***) Liabilities are not included in the shareholders' equity balances.

(****) Sum of assets and equity investments equals to the total balance sheet assets

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Sector concentration for cash loans:

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	486,749	4.95	6,749	0.37	141,063	2.51	7,933	1.15
Farming and Raising Livestock	467,613	4.76	2,638	0.15	129,588	2.31	4,742	0.69
Forestry, Wood and Paper	7,836	0.08	23	0.00	5,682	0.10	1,735	0.25
Fishery	11,300	0.11	4,088	0.23	5,793	0.10	1,456	0.21
Manufacturing	2,044,403	20.80	904,780	50.24	1,239,170	22.06	480,622	69.46
Mining and Quarry	52,047	0.53	22,890	1.27	28,019	0.50	14,263	2.06
Production	1,986,950	20.21	866,848	48.13	1,205,532	21.46	461,987	66.76
Electricity, Gas and Water	5,406	0.05	15,042	0.84	5,619	0.10	4,372	0.63
Construction	454,742	4.63	36,115	2.01	332,016	5.91	17,298	2.50
Services	4,078,980	41.50	815,645	45.29	2,297,913	40.90	164,264	23.74
Wholesale and Retail Trade	2,401,330	24.43	79,606	4.42	996,647	17.74	19,705	2.85
Hotel, Tourism, Food and Beverage Services	140,222	1.43	72,321	4.02	53,729	0.96	39,042	5.64
Transportation and Communication	686,910	6.99	9,465	0.53	289,979	5.16	67,218	9.71
Financial Institutions	76,160	0.77	70,676	3.92	44,607	0.79	21,424	3.10
Real Estate and Renting Services	544,642	5.54	345,531	19.19	9,060	0.16	0	0.00
Self-Employment Services	107,919	1.10	139	0.01	640,171	11.39	7,225	1.04
Education Services	29,978	0.30	13,611	0.76	32,124	0.57	6,318	0.91
Health and Social Services	91,819	0.93	224,295	12.45	231,596	4.12	3,332	0.48
Other	2,764,644	28.13	37,652	2.09	1,608,048	28.62	21,872	3.16
Total	9,829,518	100.00	1,800,941	100.00	5,618,210	100.00	691,989	100.00

III. EXPLANATIONS RELATED TO THE CONSOLIDATED MARKET RISK

The Parent Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with Section 3 of the Communiqué on "Measurement and Assessment of the Capital Adequacy of Banks" issued in the Official Gazette 2006 numbered 26333 and dated November 1 and computed the risk according to "Standard Method" as of December 31, 2006. Market risk is calculated on a daily and weekly market risk securities portfolio basis including the Parent Bank's foreign currency risks. The related risk is reported to the Parent Bank's Asset- Liability Committee.

Market risk attributable to the Parent Bank is calculated using the Standard Method and studies still continue to calculate the market risk by the application of the "Inherent Method". Weekly exchange rate risk and VAR (Value at Risk-which is calculated at the end of each month) are reported to the top management and subject to legal reporting every three months. The most important part of Parent Bank's market risk is interest rate risk. Furthermore, daily risk analysis report, daily market risk analysis report and weekly macro-economic risk analysis report are prepared and reported to the top management.

The table below represents the details of the calculation of market risk as of December 31, 2006 using the "Standard Method" under the communiqué on "Measurement and Assessment of the Capital Adequacy of Banks"

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a) Information Related to Market Risk

	Amount
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	8,662
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	1,576
(IV) Capital Requirement to be Employed For Commodity Risk - Standard Method	81
(V) Capital Requirement to be Employed For Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard Method	-
(VII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(VIII) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	10,319
(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)	128,988

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

	Current Period		Prior Period			
	Average	Maximum	Average	Maximum	Average	Maximum
Interest Rate Risk	34,439	57,354	8,662	17,875	22,978	9,852
Common Stock Risk	876	1,756	-	-	-	-
Currency Risk	1,795	3,195	1,006	858	1,501	263
Commodity Risk	20	81	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Total Value Subject to Risk	37,130	62,386	9,668	18,733	24,479	10,115

IV. EXPLANATIONS RELATED TO THE CONSOLIDATED CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Parent Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

The Parent Bank is not exposed to currency risks. However, potential currency risks are figured at weekly and monthly periods through the standard method. Thereby, currency risk can be closely followed. The Bank rarely enters into swap contracts against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Parent Bank at December 31, 2006 and the previous five working days in full TRY are as follows:

Dates	USD	EURO	YEN
29/12/2006	1.4100 TRY	1.8582 TRY	0.01182 TRY
28/12/2006	1.4000 TRY	1.8394 TRY	0.01175 TRY
27/12/2006	1.4130 TRY	1.8548 TRY	0.01188 TRY
26/12/2006	1.4130 TRY	1.8565 TRY	0.01185 TRY
25/12/2006	1.4130 TRY	1.8539 TRY	0.01187 TRY

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before December 31, 2006 are as follows:

USD: 1,4177 TRY

EURO: 1,8720 TRY

YEN: 0,01207 TRY

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	EURO	USD	YEN	Other	Total
Current Period					
Assets					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	812,209	38,474	12	3,057	853,752
Due From Other Banks and Financial Institutions	422,869	375,253	(134)	61,684	859,672
Financial Assets at Fair Value Through Profit and Loss	95,710	130,509	-	54	226,273
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	718,584	371,615	-	-	1,090,199
Loans (**)	566,994	1,271,421	-	6,953	1,845,368
Subsidiaries, Associates and Entities Under Common Control	114,105	-	-	-	114,105
Held-To-Maturity Investments (***)	1,401,043	646,208	-	-	2,047,251
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	51	-	-	16	67
Intangible Assets	-	-	-	-	-
Other Assets	6,234	1,720	-	57	8,011
Total Assets	4,137,799	2,835,200	(122)	71,821	7,044,698
Liabilities					
Bank Deposits	999	52,574	-	3	53,576
Foreign Currency Deposits	3,651,161	3,568,312	475	62,000	7,281,948
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	416,544	70,394	-	1,335	488,273
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	1,869	4,022	3	44	5,938
Derivative Financial Liabilities for Hedging Purposes	-	28,874	-	-	28,874
Other Liabilities	25,250	33,202	-	172	58,624
Total Liabilities	4,095,823	3,757,378	478	63,554	7,917,233
Net Balance Sheet Position	41,976	(922,178)	(600)	8,267	(872,535)
Net Off-Balance Sheet Position	-	892,854	-	-	892,854
Financial Derivative Assets	-	895,392	-	-	895,392
Financial Derivative Liabilities	-	2,538	-	-	2,538
Non-Cash Loans (*)	484,991	1,438,998	8,982	45,395	1,978,366
Prior Period					
Total Assets	2,759,702	2,168,675	1,057	57,542	4,986,976
Total Liabilities	2,722,734	2,162,386	1,319	55,039	4,941,478
Net Balance Sheet Position	36,968	6,289	(262)	2,503	45,498
Net Off-Balance Sheet Position	-	-	-	-	-
Financial Derivative Assets	-	-	-	-	-
Financial Derivative Liabilities	-	-	-	-	-
Non-Cash Loans	494,641	730,717	7,768	33,152	1,266,278

(*) Non-cash loans are not included in the off-balance sheet items.

(**) Contains TRY 44,427 Thousand of foreign currency indexed loans and their accruals.

(***) Contains TRY 1,761,880 Thousand of foreign currency indexed held to maturity marketable securities and their accruals

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V. EXPLANATIONS RELATED TO THE CONSOLIDATED INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by the Parent Bank and the Parent Bank's interest rate risk is calculated by using the general and specific interest rate risk statement in the standard method including the assets and liabilities and the capital adequacy standard ratio is taken into consideration as a part of the general market risk.

The first priority of the Parent Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context, are calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Parent Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budget targets. The Parent Bank's financial resource costs, such as TRY bank deposit, foreign exchange accounts, repurchase agreements are determined by the Treasury Vice Presidency.

Since the Parent Bank does not permit maturity mismatches or imposes limits on the mismatch, significant interest rate risk exposures are not expected.

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

Current Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Non-interest Over bearing	Total	
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	2,136,056	-	-	-	414,483	2,550,539	
Due From Other Banks and Financial Institutions	1,053,525	-	-	-	25,649	1,079,174	
Financial Assets at Fair Value Through Profit and Loss	2,664	253,996	70,289	214,028	212,173	753,601	
Money Market Placements	-	-	-	-	-	-	
Available-For-Sale Financial Assets	1,475,819	2,281,531	228,132	398,373	1,717,341	6,110,856	
Loans	5,453,655	1,688,017	1,396,965	815,234	2,275,606	11,630,459	
Held-To-Maturity Investments	5,705,368	3,270,269	2,299,085	-	-	11,274,722	
Other Assets (1) (2)	-	-	-	-	1,076,203	1,076,203	
Total Assets	15,827,087	7,493,813	3,994,471	1,427,635	4,205,120	1,527,428	34,475,554
Liabilities							
Bank Deposits	861,914	-	-	-	7,303	869,217	
Other Deposits	15,086,650	7,262,053	635,156	926,039	1,193	2,407,655	26,318,746
Money Market Borrowings	508,239	163,286	-	-	-	-	671,525
Sundry Creditors	4,039	-	-	-	267,331	271,370	
Marketable Securities Issued	-	-	-	-	-	-	
Funds Provided From Other Financial Institutions	691,489	19,655	22,189	28,122	241,228	-	1,002,683
Other Liabilities (3)	171,812	144,040	127,102	12,458	416,933	4,469,668	5,342,013
Total Liabilities	17,324,143	7,589,034	784,447	966,619	659,354	7,151,957	34,475,554
Balance Sheet Long Position	-	-	3,210,024	461,016	3,545,766	-	7,216,806
Balance Sheet Short Position	(1,497,056)	(95,221)	-	-	-	(5,624,529)	(7,216,806)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(1,497,056)	(95,221)	3,210,024	461,016	3,545,766	(5,624,529)	-

(1)TRY 54,854 Thousand of deferred tax asset is disclosed under the non-interest bearing column in other assets.

(2) TRY 15,179 Thousand of non-performing loans with no specific reserve are disclosed under the non-interest bearing column in other assets

(3) Shareholders' equity balance is disclosed under the non-interest bearing column.

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Prior Period (4)	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-interest bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	1,152,049	-	-	-	-	134,250	1,286,299
Due From Other Banks and Financial Institutions	751,603	-	-	-	165	-	751,768
Financial Assets at Fair Value Through Profit and Loss	46,366	789,544	223,518	335,526	442,060	515	1,837,529
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	-	1,521,546	146,714	45,194	164,265	9,544	1,887,263
Loans	345,160	690,322	811,177	1,628,512	2,835,028	-	6,310,199
Held-To-Maturity Investments	5,826,075	4,630,913	2,497,468	646,200	247,927	-	13,848,583
Other Assets (1) (2)	-	-	-	-	15,548	960,273	975,821
Total Assets	8,121,253	7,632,325	3,678,877	2,655,432	3,704,993	1,104,582	26,897,462
Liabilities							
Bank Deposits	413,941	-	-	-	-	4,917	418,858
Other Deposits	5,962,883	8,259,138	2,552,642	1,117,290	284,933	2,517,540	20,694,426
Money Market Borrowings	40,067	-	-	-	-	-	40,067
Sundry Creditors	-	-	-	203,740	-	-	203,740
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	72,872	-	-	-	395,381	-	468,253
Other Liabilities (3)	60,027	-	-	-	1,018,922	3,993,169	5,072,118
Total Liabilities	6,549,790	8,259,138	2,552,642	1,321,030	1,699,236	6,515,626	26,897,462
Balance Sheet Long Position	1,571,463	-	1,126,235	1,334,402	2,005,757	-	6,037,857
Balance Sheet Short Position	-	(626,813)	-	-	-	(5,411,044)	(6,037,857)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	1,571,463	(626,813)	1,126,235	1,334,402	2,005,757	(5,411,044)	-

(1) TRY 71,920 Thousand of deferred tax asset is disclosed under the non-interest bearing column in other assets.

(2) TRY 19,695 Thousand of non-performing loans with no specific provision are disclosed under the non-interest bearing column in other assets

(3) Shareholders' equity balance is disclosed under the non-interest bearing column.

(4) Although the Parent Bank's software works are to be completed, the aging program is still in test process. Therefore, there is no maturity schedule based on the repricing date. Initial maturity of the related balances are taken into consideration in the preparation of the maturity schedule.

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2. Average interest rates applied to monetary financial instruments

	EURO%	USD%	YEN%	TRY%
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	1.73	2.52	-	11.56
Due From Other Banks And Financial Institutions	3.61	5.26	-	18.54
Financial Assets At Fair Value Through Profit And Loss	5.55	6.06	-	19.93
Money Market Placements	-	-	-	17.50
Available-For-Sale Financial Assets	5.18	6.94	-	20.85
Loans	7.50	9.00	-	25.27
Held-To-Maturity Investments	4.57	7.41	-	21.14
Liabilities				
Bank Deposits		5.00	-	18.49
Other Deposits	2.09	2.19	-	14.73
Money Market Borrowings	-	-	-	17.93
Sundry Creditors	-	-	-	12.00
Marketable Securities Issued				
Funds Provided From Other Financial Institutions				

	EURO%	USD%	YEN%	TRY%
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	0.99	1.04	-	12.50
Due From Other Banks And Financial Institutions	2.13	2.34	-	19.15
Financial Assets At Fair Value Through Profit And Loss	6.51	5.27	-	20.88
Money Market Placements	-	1.13	-	-
Available-For-Sale Financial Assets	-	-	-	-
Loans	6.50	6.00	-	36.68
Held-To-Maturity Investments	3.58	4.33	-	25.80
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	1.97	1.80	-	17.29
Money Market Borrowings	1.10	1.07	-	-
Sundry Creditors	-	-	-	13.00
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	6.22	-	-	-

VI. EXPLANATIONS RELATED TO THE CONSOLIDATED LIQUIDITY RISK

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

Domestic and foreign markets are used to meet liquidity need. Low levels of liquidity needs, provides an easy access for borrowing from the Turkish Republic Central Bank, İstanbul Stock Exchange, Interbank Money Market, Clearing Bank and other markets. The Bank's low ratios of bank deposits and foreign currency deposits compared to other commercial banks, with the similar balance sheet total, is an indication of having a bigger share from the market when needed. Available money market debts from the foreign market, Eurobonds held in portfolio are important potential resources of the Bank.

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When funding and liquidity sources are considered, the Parent Bank covers majority of its liquidity need through deposits. In addition, securities portfolio is mainly composed of held to maturity securities.

Presentation of assets and liabilities according to their remaining maturities:

The Parent Bank follows up and measures the consistency of payments by comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current Period	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Undistributed (3)	Total
Assets								
Cash (Cash in TRY, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	197,763	1,928,346	251,819	40,962	131,464	185	-	2,550,539
Due From Other Banks and Financial Institutions	-	1,079,174	-	-	-	-	-	1,079,174
Financial Assets at Fair Value Through Profit and Loss	-	3,660	32,048	6,820	276,128	434,494	451	753,601
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	-	111,417	176,526	83,000	398,373	5,331,880	9,660	6,110,856
Loans	6,065	1,598,997	1,124,047	1,769,223	2,374,689	4,757,438	-	11,630,459
Held-To-Maturity Investments	-	265,522	116,647	496,757	2,658,607	7,737,189	-	11,274,722
Other Assets (2)	-	-	-	-	-	-	1,076,203	1,076,203
Total Assets	203,828	4,987,116	1,701,087	2,396,762	5,839,261	18,261,186	1,086,314	34,475,554
Liabilities								
Bank Deposits	7,303	861,914	-	-	-	-	-	869,217
Other Deposits	2,407,656	15,107,223	7,250,883	635,154	916,638	1,193	-	26,318,747
Funds Provided From Other Financial Institutions	-	160,788	14,870	19,201	139,253	668,571	-	1,002,683
Money Market Borrowings	-	508,239	163,286	-	-	-	-	671,525
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	267,331	4,039	-	-	-	-	-	271,370
Other Liabilities (1)	4,452,397	19,895	78,148	74,059	57,831	659,682	-	5,342,012
Total Liabilities	7,134,687	16,662,098	7,507,187	728,414	1,113,722	1,329,446	-	34,475,554
Liquidity Gap	(6,930,859)	(11,674,982)	(5,806,100)	1,668,348	4,725,539	16,931,740	1,086,314	-
Prior Period								
Total Assets	134,250	2,441,357	696,366	917,756	4,575,175	17,162,226	970,332	26,897,462
Total Liabilities	3,410,308	6,458,609	8,259,138	2,552,642	1,321,031	4,895,734	-	26,897,462
Liquidity Gap	(3,276,058)	(4,017,252)	(7,562,772)	(1,634,886)	3,254,144	12,266,492	970,332	-

(1) Shareholders' equity is disclosed under the demand column

(2) TRY 15,179 Thousand of non-performing loan, which is a funded based loan with no specific provision, is disclosed in other assets

(3) Some balances, which are necessary and cannot be converted into cash in the near future for the bank's ongoing activities, such as; tangible and intangible assets, subsidiaries, office supplies, prepaid expenses, deferred tax assets and doubtful receivables and other long term assets are disclosed under the undistributed column.

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VII. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES THROUGH FAIR VALUE

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	30,095,211	22,797,813	30,095,211	22,797,813
Money Market Placements	-	-	-	-
Due From Other Banks and Financial Institutions	1,079,174	751,768	1,079,174	751,768
Available-For-Sale Financial Assets	6,110,856	1,887,263	6,110,856	1,887,263
Held-To-Maturity Investments (*)	11,274,722	13,848,583	11,274,722	13,848,583
Loans (**)	11,630,459	6,310,199	11,630,459	6,310,199
Financial Liabilities	28,332,461	21,785,277	28,332,461	21,785,277
Bank Deposits	869,217	458,885	869,217	458,885
Other Deposits	26,318,747	20,654,399	26,318,747	20,654,399
Funds Provided From Other Financial Institutions	873,127	468,253	873,127	468,253
Marketable Securities Issued	-	-	-	-
Sundry creditors	271,370	203,740	271,370	203,740

(*) No security is listed on the stock market in the held to maturity portfolio, therefore; securities are carried at their amortised costs.

(**) TRY 15,179 Thousand of non-performing loan, which is a funded based loan with no specific provision, is not disclosed in the table above. (31 December 2005: TRY 19,695 Thousand)

SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES TO THE CONSOLIDATED ASSETS

a) Cash and balances with the Central Bank:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	127,963	69,777	88,907	45,327
Balances with the Central Bank of Turkey	1,568,824	783,952	778,879	373,170
Other	-	23	-	16
Total	1,696,787	853,752	867,786	418,513

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Unrestricted demand deposit	1,568,824	783,952	778,879	373,170
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	-
Total	1,568,824	783,952	778,879	373,170

(2) a) Financial assets at fair value through profit and loss blocked/given as collateral or subject to repurchase agreements are represented comparatively with their net values.

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b) Positive differences related to the derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	45	-	-	-
Swap Transactions	1,164	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	1,209	-	-	-

(3) a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	219,502	859,672	141,514	610,254
Domestic	169,267	7,055	100,086	146,091
Foreign	50,235	852,617	20,614	308,894
Branches and head office abroad (*)	-	-	20,814	155,269
Other Financial Institutions	-	-	-	-
Total	219,502	859,672	141,514	610,254

(*) Offset against the Other Liabilities in the current period.

b) Information on Foreign Bank Accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	805,535	168,928	-	-
USA and Canada	1,643	106,669	-	-
OECD Countries (*)	29,783	25,321	-	-
Off-shore banking regions	-	-	-	-
Other	65,891	28,590	-	-
Total	902,852	329,508	-	-

(*) European Union countries, OECD countries except for USA and Canada.

(4) a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

As of 31 December 2006, with TRY 258,195 Thousand cost and TRY 249,800 Thousand nominal value of government bond having a maturity date of 18 August 2010 is offered as a guarantee against TRY 200,000 Thousand of capital repayment by The Parent Bank. As of the balance sheet date, the Parent Bank has no financial asset available-for-sale subject to repurchase agreements

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b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	6,105,162	1,877,719
Quoted on a stock exchange	6,105,162	1,877,719
Not quoted	-	-
Share certificates	10,772	9,544
Quoted on a stock exchange	-	-
Not quoted	10,772	9,544
Impairment provision (-)	5,078	-
Total	6,110,856	1,887,263

(5) Information on loans:

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	39,040	-	30,898	-
Total	39,040	-	30,898	-

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

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-specialized loans	6,236,146	8,684	144,479	114,195
Discount notes	49	-	-	-
Export loans	785,109	6,253	1,503	111
Import loans	-	-	-	-
Loans given to financial sector	-	-	-	-
International loans	270,680	-	-	-
Consumer loans	1,883,751	-	43,210	3
Credit cards	179,822	20	34,376	13
Precious metals loans	-	-	-	-
Other	3,116,735	2,411	65,390	114,068
Specialized loans	4,817,403	86	88,343	2,261
Other receivables	211,995	168	4,465	2,234
Total	11,265,544	8,938	237,287	118,690

(*)TRY 15,179 Thousand of non-performing loan, which is a founded based loan with no specific provision, is not disclosed in the table above.

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c) Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term loans and other receivables	3,758,670	8,517	97,786	19,116
Non-specialized loans	3,332,269	8,271	86,295	18,646
Specialized loans	355,670	86	9,651	110
Other receivables	70,731	160	1,840	360
Medium and Long-term loans and other receivables	7,506,873	421	139,502	99,574
Non-specialized loans	2,903,876	413	58,185	95,549
Specialized loans	4,461,733	-	78,692	2,151
Other receivables	141,264	8	2,625	1,874
Total	11,265,544	8,938	237,287	118,690

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d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	200,630	1,673,353	1,873,983
Housing Loans	994	851,477	852,471
Car Loans	2,074	58,265	60,339
General Purpose Loans	197,562	763,611	961,173
Other	-	-	-
Consumer Loans -Indexed to FC	21	1,792	1,813
Housing Loans	-	1,768	1,768
Car Loans	21	24	45
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	208,121	-	208,121
With Instalments	826	-	826
Without Instalments	207,295	-	207,295
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans-TRY	2,133	30,247	32,380
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	2,133	30,247	32,380
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	2,180	-	2,180
With Instalments	236	-	236
Without Instalments	1,944	-	1,944
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Account-TRY (Real Person) (*)	18,788	-	18,788
Overdraft Account-FC (Real Person)	-	-	-
Total	431,873	1,705,392	2,137,265

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

	Short Term	Medium and Long Term	Total
Commercial loans with instalment facility-TRY	449,354	321,898	771,252
Business Loans	4,949	143,821	148,770
Automobile Loans	19,033	81,969	101,002
General Purpose Loans	411,183	73,693	484,876
Other	14,189	22,415	36,604
Commercial loans with instalment facility – Indexed to FC	-	1,303	1,303
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	1,303	1,303
Other	-	-	-
Commercial loans with instalment facility –FC	-	-	-
Business Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TRY	3,930	-	3,930
With Instalments	102	-	102
Without Instalments	3,828	-	3,828
Corporate Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Account-TRY (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	453,284	323,201	776,485

f) Loan distribution according to the borrowers:

	Current Period	Prior Period
Public	-	85
Private	11,630,459	6,310,114
Total	11,630,459	6,310,199

g) International and domestic loan distribution:

	Current Period	Prior Period
Domestic loans	11,354,589	6,230,357
Foreign loans	275,870	79,842
Total	11,630,459	6,310,199

(* TRY 15,179 Thousand of non-performing loan, which is a founded based loan with no specific provision, is not disclosed in the table above (31 December 2005: TRY 19,695 Thousand)

h) Loans granted to subsidiaries and investments:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	31,805	10,043
Indirect loans granted to subsidiaries and associates	-	-
Total	31,805	10,043

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i) Specific provisions provided for loans:

	Current Period	Prior Period
Loans and receivables with limited collectibility	61,975	74,833
Loans and receivables with doubtful collectibility	9,018	18,347
Uncollectible loans and receivables	998,790	1,089,040
Total	1,069,783	1,182,220

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

j.1. Information on loans and other receivables included in loans under the follow-up account which are restructured or rescheduled:

	III. Group: Loans and receivables with limited collectibility	IV. Group: Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period	7,171	19	150,500
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	7,171	19	150,500
Prior period	7,595	86	234,688
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	7,595	86	234,688

j.2. Information on the movement of loans under follow-up:

	III. Group: Loans and receivables with limited collectibility	IV. Group: Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Prior period end balance	77,228	18,447	1,106,240
Additions (+)	63,907	6,751	90,019
Transfers from other categories of loans under follow-up (+)	-	57,063	63,798
Transfers to other categories of loans under follow-up (-)	57,063	63,798	104,910
Collections (-)	15,491	8,935	136,543
Write-offs (-)	4,676	493	6,582
Current period end balance	63,905	9,035	1,012,022
Specific provision (-)	61,975	9,018	998,790
Net Balance on balance sheet	1,930	17	13,232

j.3. Information on foreign currency non-performing loans and other receivables:

None

k) Main guidelines of the liquidation policy of the Partner Bank about the uncollectible loans and receivables should be disclosed: The Parent Bank liquidates its uncollectible receivables in 3 ways by: signing financial restructuring contract under the Law No:4743, making payment protocols and presenting adequate repayment schedules for the low balance receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and capital receivables from loans.

The Parent Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted. The Parent Bank is also planning to collect its receivables in accordance with the requirements of Law No: 5569 dated on December 27, 2006 through Anadolu Yaklaşımı (protocols for non-performing loans).

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

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions

Investment securities held-to-maturity	Current Period				Prior Period			
	Historical Cost		Amortised		Historical Cost		Amortised	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Given as collateral or blocked	1,673,109	-	1,812,668	-	777,055	441,922	797,847	449,020
Subject to repo transactions	742,381	-	761,918	-	39,035	-	40,060	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from Marketable Securities Borrowing Market	-	-	-	-	-	-	-	-
Collaterals for Marketable Securities Borrowing Market	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	2,415,490	-	2,574,586	-	816,090	441,922	837,907	449,020

b) Information on public sector debt investments held-to-maturity:

	Current Period	Prior Period
Government Bonds	11,274,722	13,848,583
Treasury Bills	-	-
Other public sector debt securities	-	-
Total	11,274,722	13,848,583

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	11,274,722	13,848,583
Quoted on a stock exchange	-	-
Not quoted on a stock exchange	11,332,777	13,942,987
Provision for impairment (-)	58,055	94,404
Total	11,274,722	13,848,583

d) Movement of held-to-maturity investments within a year:

	Current Period	Prior Period
Beginning balance	13,848,583	17,450,125
Foreign currency differences on monetary assets	100,713	(100,103)
Purchases during year	895,270	2,086,243
Disposals through sales and redemptions	(3,606,194)	(5,566,847)
Impairment provision (-)	(36,350)	20,835
Closing Balance	11,274,722	13,848,583

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Information about the movement of held-to maturity securities as of December 31, 2005 and December 31, 2006

(i) TRY 115,648 Thousand of Special Issue Government Debt Securities with the transaction date of 22.01.2003 and maturity date of 15.10.2008, which was recorded in the Held to Maturity Securities between 1 January 2004 and 31 December 2004, was taken by the Treasury before the maturity and in exchange, Special Issue Government Debt Securities with a transaction date of 21.01.2004 and maturity date of 15.10.2008, with the first coupon payment on 19.01.2005 and indexed to future bids average, with the coupon payments in every 3 months is given back. TRY 55,245 Thousand of the coupon amounting TRY 110,490 Thousand in 21.01.2004 is paid in cash, and the payment of the remaining amount of TRY 55,245 Thousand is paid off through the Treasury by the securities with the maturity and interest conditions as stated above.

(ii) Furthermore, TRY 1,530,000 Thousand worth of securities issued by the Chairmanship of Privatization Administration, followed at the held to maturity portfolio, with a value date of 05.10.2004 and a redemption date of 04.10.2005 were redeemed at an earlier date of 16.06.2005. TRY 30,000 Thousand of capital payments were settled by the Chairmanship of Privatization Administration and the remaining capital payment amounting to TRY 1,500,000 Thousand will be paid out in seven years. During the first six years, TRY 200,000 Thousand will be received and in the final year, TRY 300,000 Thousand worth of seven Privatization bonds will be issued as a compensation. According to the changes in the "Restructuring Plan", it has been decided that these bonds will be redeemed at an earlier date. According to this plan the early redemptions of the 47th issuance debt securities with the maturity date of June 15, 2006 was made in 2005 while the early redemption of the 48th issuance with the maturity date of June 14, 2007 and 49th issuance with the maturity date of June 12, will be made in 2008. As of the balance sheet date, the total nominal value of debt securities is TRY 900,000 Thousand.

(iii) According to the decree dated 31 July 2004 and published in the Official Gazette number 25539, due to the transfer of Pamukbank T.A.Ş. to Türkiye Halk Bankası A.Ş. dated 16 November 2004, Pamukbank T.A.Ş.'s held to maturity securities portfolio were taken into the Parent Bank's records. To value these securities in accordance with the SDIF's Board of Directors' No: 521 decree on 14.08.2002, the Central Bank's 14.08.2002 dated sell rate for FC's is taken as a basis for calculation. TRY 58,054 Thousand of diminution in value as of December 31, 2006 resulting from the valuation of these investments is presented in the financial statements (31.12.2005: TRY 94,404 Thousand). Besides, the investments followed by Pamukbank T.A.Ş.'s as government debt notes are transferred to Türkiye Halk Bankası subsequent to the transfer of Pamukbank T.A.Ş. to the Parent Bank. Furthermore, there were redemptions from these securities with a cost value of USD 146,158 Thousand on 4 December 2005 and TRY 247,261 Thousand on September 7, 2005 and TRY 210,000 Thousand on November 11, 2006.

(iv) TRY 1,129,700 Thousand worth of government debt bonds followed under held to maturity securities were redeemed on 21.12.2005. These securities were provided by the Undersecretariat of Treasury of the Republic of Turkey to offset the Parent Bank's duty losses. Government internal debt bonds with a cost value of USD 50,000 Thousand and EUR 279,804 Thousand and TRY 1,476,626 Thousand were respectively redeemed on 17.07. 2006, 13.08. 2006 and 22.11.2006. TRY 297,791 Thousand worth of Special Arrangement Government Securities defined as TRT151008T37, TRT151008T45, TRT151008T52, TRT101208T48 and TRT101208T30, were redeemed on October 19, 2006 with their interest accruals. In exchange of these securities TRY 298,343 Thousand worth of Bid Indexed Special Arrangement Government Securities whose value date and maturity dates are October 20, 2008 and October 15, 2006 respectively and with interest payment in every 3 months (91 days). The first interest payment date is April 18, 2007.

(v) According to protocol signed between the Central Bank of Turkey, Undersecretariat of Treasury of the Republic of Turkey, Ziraat Bank BRSA and the Parent Bank, the Parent Bank has received foreign currency special disposition bonds against the foreign currency borrowings to the Central Bank of the Banks transferred to Savings Deposit Insurance Fund in 2001. These securities were redeemed on 26.10.2005 and 26.12.2005.

(vi) In 2005, eurobonds and foreign currency government internal debt bonds recorded under the held to maturity portfolio with a cost of EUR 24,584 Thousand and USD 209,976 Thousand were transferred to the available for sale portfolio. The total transfer amount in 2005 did not exceed 5% of the total held to maturity securities portfolio as of December 31, 2004.

(vii) Debenture Bonds maturing on June 14, 2006 amounting to TRY 49,705 Thousand is due to the exchange of the Treasury to a security with a maturity of 2001. Government bond with 5-years maturity, 2 coupons a year and an interest rate of LIBOR+2. 85 (yearly) is a USD denominated security. This security had been recalled by the Under Secretariat of Treasury of the Republic of Turkey by the auction dated March 21, 2006.

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d.1. Information on accounts in which held-to-maturity securities are recorded:

The breakdown of the total held to maturity securities of the Parent Bank is as follows:

	Current Period				Prior Period				
	Historical Cost		Amortised		Historical Cost		Amortised		
	TRY	FC	TRY	FC	TRY	FC	TRY	FC	
Obtained from Undersecretariat Of									
Treasury of Republic of Turkey	5,187,989	282,000	5,366,650	285,371	6,664,065	968,101	6,822,854	989,690	
Obtained from Chairmanship of									
Privatization Administration	900,000	-	999,718	-	1,300,000	-	1,402,804	-	
Obtained with the Transfer	4,307,807	-	4,622,983	-	4,531,162	-	4,632,953	-	
Other					197	85	197	85	
Total	10,395,796	282,000	10,989,351	285,371	12,495,424	968,186	12,858,808	989,775	

a) Obtained from the Under Secretariat of Treasury of Republic of Turkey:

Held to maturity securities amounting to TRY 5,469,989 Thousand as of December 31, 2006 have been obtained from the Undersecretariat of Treasury of Republic of Turkey (Treasury) against the Parent Bank's accumulated duty losses. TRY 5,187,989 Thousand of these securities are Turkish Lira denominated and TRY 742,381 of these securities are subjected to repurchase agreement transactions ; 282,000 Thousand of them are foreign currency denominated. TRY 282,000 Thousand of these foreign currency denominated securities are issued by the Treasury and given to the Parent Bank in consideration of the receivables resulting from the transfer of Emlakbank branches in 2001. These FC denominated securities were issued and given to the Parent Bank by the Treasury for the transfer of Emlakbank branches and in consideration of the loss incurred from derivatives before the restructuring of the Parent Bank.

d.1. Information on accounts in which held-to-maturity securities are recorded (cont'd):

b) Obtained from the Chairmanship of Privatization Administration:

Moreover, TRY 1,530,000 Thousand worth of securities issued by the Chairmanship of Privatization Administration, followed in the held to maturity portfolio with a value date of 05.10.2004 and a redemption date of 04.10.2005, was redeemed at an earlier date of 16.06.2005. TRY 30,000 Thousand of capital payments were settled by the Chairmanship of Privatization Administration and the remaining capital payment amounting to TRY 1,500,000 Thousand will be paid in seven years. During the first six years, TRY 200,000 Thousand will be received and in the final year, TRY 300,000 Thousand worth of seven Privatization bonds will be issued as a compensation. According to the changes in the "Restructuring Plan", it has been decided that these bonds will be redeemed at an earlier date. According to this plan early redemption of 47th issuance debt security worth of TRY 200,000 Thousand with the maturity date of June 15, 2006 was made in 2005, while early redemption of debt securities of 48th issuance with the maturity date of June 14, 2007 and 49th issuance with the maturity date of June 12, 2008 has been made in 2006. The total nominal value of debt securities as of the balance sheet date is TRY 900,000 Thousand.

c) Obtained through the transfer in accordance with the law on "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası A.Ş. and amendments to other acts":

Based on the law concerning the transfer of insolvent Pamukbank T.A.Ş. to the Bank published in the Official Gazette numbered 25539 on 31 July 2004, as a result of the transfer that took place on 16 November 2004, government bonds having a nominal value of TRY 625,000 Thousand, USD 252,568,197 and EUR 745,429,256 and TRY 2,234,924 Thousand of total cost that were followed up in the available for sale portfolio of the insolvent Pamukbank T.A.Ş., were recorded by the Parent (Bank). For the valuation of foreign currency denominated securities, the Central Bank's selling rate on 14 August, 2002, which is the date of the transfer of securities to Pamukbank T.A.Ş. as a precaution, was used in accordance with decree numbered 521 of the SDIF. Therefore, diminish in value arose from the valuation amounting to TRY 58,054 Thousand is reflected in the accompanying financial statements as of 31 December 2006 (December 31,2005: TRY 94,404 Thousand).

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TRY Debenture Bonds under held to maturity portfolio amounting to TRY 2,340,938 Thousand is due to the compensation need of the shareholders' equity deficit arising from the transfer of Pamukbank T.A.Ş. in accordance with decree No: 462 of the SDIF dated 1 September 2004 regarding law No: 5230 on the "Transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası A.Ş. and amendments to other acts". The deficit is compensated by these debenture bonds issued by the Treasury following the completion of the transfer transaction.

(7) Information on investment in associates (Net):

1.a.1. Information on investments and associates:

Description	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1 DEMİR-HALKBANK N.V.	HOLLAND	30.00	30.00
2 HALK FİNANSAL KİRALAMA A.Ş.	İSTANBUL	47.75	47.75
3 KOBİ YATIRIM A.Ş.	ANKARA	31.47	32.26
4 FİNTEK A.Ş.	ANKARA	24.00	29.76
5 ZİRAAT HALK ALTERNATİF DAĞ. KAN. A.Ş.	İSTANBUL	24.00	24.00
6 KKB KREDİ KAYIT BÜROSU A.Ş.	İSTANBUL	18.18	18.18
7 BANKALARARASI KART MERKEZİ A.Ş.	İSTANBUL	18.95	18.95

a.2. Information related to the investments and associates as sorted in (a.1): (*) (**)

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair value
3,944,734	380,349	32,801	214,113	-	27,893	29,363	-
291,725	29,902	4,203	21,036	-	7,918	2,562	-
27,431	27,346	109	1,750	1,234	2,230	3,465	-
7,219	2,779	66	253	68	256	96	-
9,069	5,266	881	104	-	2,844	628	-
16,927	14,472	1,797	1,571	-	2,671	1,838	-
10,904	5,463	3,180	554	-	2,093	624	-

(*) No investment is listed on the stock exchange.

(**) The information above (a.2) is presented on the basis of the financial data obtained from the September 30, 2006 unaudited financial statements as the investments in the December 31, 2006 financial statements could not be obtained. However, the financial data regarding Demir-Halkbank N.V. and Halk Finansal Kiralama A.Ş. were obtained from the limited reviewed of the December 31, 2006 and September 30, 2006 financial statements respectively.

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2.a. Movement of investments and associates:

	Current Period	Prior Period
Balance at the beginning of the period	24,172	28,375
Movements during the period	115,367	(4,203)
Additions (**)	99,012	6,716
Bonus shares obtained	-	4,286
Share in current year income	-	-
Disposals (*)	6,497	9,700
Revaluation increase (****)	16,745	-
Provision for impairment (**)	6,107	(5,505)
Balance at the end of the period	139,539	24,172
Capital commitments	-	32,947
Share percentage at the end of the period (%)	-	-

The Parent Bank's foreign currency denominated subsidiary Demir-Halkbank N.V. with a total value of TRY 114,105 Thousand, is accounted under the equity method in the accompanying financial statements.

(*) The Bank and Mutual Aid Foundation of the Halk Bank Employees signed a contract with the Parent Bank on November 29, 2005 for the transfer of Halk Yatırım Menkul Değerler A.Ş., Halk Finansal Kiralama A.Ş., Birlik Hayat Sigorta A.Ş. and Birlik Sigorta A.Ş. to the Parent Bank. Consequently, Birlik Sigorta A.Ş. (with 78.32% share rate) and Birlik Hayat Sigorta A.Ş. (with 94.40% share rate) are classified as subsidiaries as the related transfer was realized as of the balance sheet. "Disposals" line in the table below represents this classification with an amount of TRY 6,497 Thousand.

(**) Net book value of Halk Finansal Kiralama A.Ş. as of December 31, 2006 is TRY 59,832 Thousand and impairment provision for Halk Finansal Kiralama A.Ş. is TRY 45,554 Thousand which calculated according to the limited audited financial statements as of September 30, 2006.

(***) TRY 97,360 Thousand of the total additions is related to the Demir-Halkbank N.V.'s classification from joint ventures to associates by the change of the Parent Bank's control power on the management of the company

(****) The increase is due to the revaluation of foreign currency investments and associates.

2.b. Sectoral information and related carrying amounts on investments and associates:

	Current Period	Prior Period
Banks	114,105	-
Insurance Companies	-	5,665
Factoring Companies	-	-
Leasing Companies	14,278	8,680
Finance Companies	-	-
Other Financial Investments	11,156	9,827

2.c. Investments and associates which are quoted to a stock exchange:

None.

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(8) Information on Investment in Subsidiaries (Net):

1.a. Information on subsidiaries

Description	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1 HALK YATIRIM MENKUL DEĞERLER A.Ş.	İSTANBUL	99.93	99.95
2 BİRLİK SİGORTA A.Ş.	İSTANBUL	78.32	78.32
3 BİRLİK HAYAT SİGORTA A.Ş.	İSTANBUL	94.40	98.32

1.b Information related to the subsidiaries as sorted in (a.1):

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit/Loss	Fair value
1	33,452	22,660	523	1,067	1,468	2,289	-
2	76,573	11,328	928	12	2,528	427	-
3	42,552	24,056	142	3,285	-	7,766	-

(*) None of the subsidiaries are listed on the stock exchange.

(**)The information set out in (a.2) was presented by referring to the reviewed financial statements as of September 30, 2006; as the financial statements as at December 31, 2006 could not be presented

1.c. Table of movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	9,117	9,670
Movements during the period	36,860	(553)
Additions (**)	42,171	-
Bonus shares obtained	-	-
Share in current year income	-	-
Disposals	2,013	-
Revaluation increase	-	-
Provision for impairment (*)	3,298	553
Balance at the end of the period	45,977	9,117
Capital commitments (***)	4,699	-
Share percentage at the end of the period (%)		

(*) As of December 31,2006, impairment provision for Halk Yatırım Menkul Değerler A.Ş. with a net book value of TRY 23,882 Thousand is calculated as TRY 1,238 Thousand. As of December 31,2006, impairment provision for Birlik Sigorta A.Ş. is TRY 3,206 Thousand and its net book value is TRY 12,078 Thousand. For impairment losses calculation, limited audited financial tables of the companies as of September 30, 2006 are taken into consideration.

(**) The Bank and Mutual Aid Foundation of the Halk Bank Employees signed a contract with the Parent Bank on November 29, 2005 for the transfer of Halk Yatırım Menkul Değerler A.Ş., Halk Finansal Kiralama A.Ş., Birlik Hayat Sigorta A.Ş. and Birlik Sigorta A.Ş. to the Parent Bank. Share of Halk Yatırım Menkul Değerler A.Ş. has increased as TRY 11,037 Thousand and Birlik Sigorta A.Ş. and Birlik Hayat Sigorta A.Ş. classified as subsidiaries as the related transfer was realized as of March 31, 2006. Total amount classified to subsidiaries is TRY 28,284 Thousand; TRY 22,619 Thousand of this classification is related to the share increase of Birlik Hayat Sigorta A.Ş. and Birlik Sigorta A.Ş. in 2006 as a result of the afore-mentioned transfer.

(***) The amount of capital commitment for Birlik Sigorta A.Ş. is TRY 4,699 Thousand

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1.d. Sectoral information on subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	23,333	-
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	22,644	9,117
Other Financial Subsidiaries	-	-

1.e. Subsidiaries quoted in the stock exchange: None.

(9) Information on joint ventures:

None (2005: Demir-Halkbank N.V.: TRY 97,360 Thousand)

(10) Information on finance lease receivables (Net): None.

(11) Information on derivative financial assets for hedging purposes: None.

(12) Information on tangible assets (Net):

	Land and Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period End:					
Cost	716,870	93,768	8,808	472,452	1,291,898
Accumulated Depreciation (-)	209,681	66,184	4,221	310,152	590,238
Net Book Value	507,189	27,584	4,587	162,300	701,660
Current Period End:					
Net Book Value as of January 1,2006	507,189	27,584	4,587	162,300	701,660
Additions	25,651	13,005	-	100,450	139,106
Disposals (-)	(47,472)	(3)	(973)	(64,934)	(113,382)
Transfer to Held for Sale Assets	(52,506)	-	-	(24,997)	(77,503)
Impairment Loss	(1,324)	-	-	1,727	403
Depreciation Charge (-)	14,011	14,283	281	19,791	48,366
Foreign Currency Differences from Foreign Sub.(-)	-	-	-	-	-
Period End Cost	641,219	106,770	7,835	484,698	1,240,522
Period End Accumulated Depreciation (-)	201,167	80,467	4,508	316,854	602,996
Depreciation of Transfer to Held for Sale Assets	(23,033)	-	-	(275)	(23,308)
Period End Accumulated Depreciation (-) (Net)	178,134	80,467	4,508	316,579	579,688
Period End Net Book Value	463,085	26,303	3,327	168,119	660,834

(13) Information on intangible assets:

	Current Period
Opening Balance	11,552
Internally Generated	6,794
Additions from Mergers, Transfers and Acquisitions	-
Disposals and Out of Uses	-
Amounts Added to the Revaluation Fund Because of the increase or decrease in value	-
Impairment Values Recorded to the Income Statement	-
Impairments Deducted from the Income Statement	-
Amortization Expense (-)	3,858
Foreign Currency Differences from Foreign Sub.(-)	-
Other Changes in Net Book Values	(353)
Period End	14,135

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(14) Information on deferred tax assets, if any

	Current Period December 31,2006 Deferred Tax	Prior Period December 31,2005 Deferred Tax
Retirement Pay Provision and Unused Vacation Prov.	37,669	49,901
Difference Between IRR and Market Value of Available for Sale Mar. Securities	-	17,803
Credit Card Bonus Provision	4,214	1,200
Amortization Difference Between the Tax Procedure Law and Communiqué on Accounting Policies	-	1,073
Net Rediscount Expense for Derivative Instruments	7,413	-
Possible Actuarial Shortage of Pamukbank Fund	2,452	-
Other	4,461	2,964
Total Deferred Tax Asset	56,209	72,941
Amortization Difference Between the Tax Procedure Law and Communiqué on Accounting Policies	(1,355)	-
Other	-	(1,021)
Deferred Tax Liability	(1,355)	(1,021)
Deferred Tax Asset (Net)	54,854	71,920

(15) Information on assets held for sale:

	Current Period December 31,2006
Cost	77,504
Accumulated Depreciation	23,308
Net Book Value	54,196
Opening Balance	-
Acquisitions (Transfers)	54,196
Disposals (-), net	-
Depreciation Charge (-)	-
Closing net book value	54,196

(16) Information on other assets:

Total balance of other assets is TRY 91,489 Thousand (December 31,2005: TRY 40,345 Thousand) and except for the off-balance sheet commitments, other assets do not exceed 10% of the balance sheet total.

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SECTION V: EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

II. EXPLANATIONS AND NOTES TO THE CONSOLIDATED LIABILITIES

(1) Information on maturity structure of deposits/funds collected

1.a.) For deposit banks:

Current Period	Demand	7 day call accounts	Up to 1 month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and over	Accumulated Deposits	Total
Saving deposits	483,553	-	5,296,433	5,360,348	576,747	153,137	11,514	-	11,881,732
Foreign currency deposits	882,841	-	2,670,343	2,016,780	568,921	870,941	240,472	-	7,250,298
Residents in Turkey	863,721	-	2,387,545	1,645,032	507,922	578,092	237,644	-	6,219,956
Residents abroad	19,120	-	282,798	371,748	60,999	292,849	2,828	-	1,030,342
Public Sector Deposits	149,567	-	420,262	160,372	8,736	182	17	-	739,136
Commercial Inst. Deposits	631,003	-	1,297,426	1,254,005	99,334	15,345	203	-	3,297,316
Other Inst. Deposits	260,692	-	784,740	1,529,432	220,246	86,080	438	-	2,881,628
Precious Metals	-	-	-	-	-	-	-	-	-
Interbank deposits	7,303	-	861,914	-	-	-	-	-	869,217
TRCB	-	-	-	-	-	-	-	-	-
Domestic Banks	2,167	-	861,850	-	-	-	-	-	864,017
Foreign Banks	5,005	-	-	-	-	-	-	-	5,005
Participation Banks	131	-	64	-	-	-	-	-	195
Other	24,100	-	113,077	102,996	14,709	11,234	2,521	-	268,637
Total	2,439,059	-	11,444,195	10,423,933	1,488,693	1,136,919	255,165	-	27,187,964

Prior Period	Demand	7 day call accounts	Up to 1 month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and over	Accumulated Deposits	Total
Saving deposits	450,339	-	3,118,510	5,189,294	1,561,809	385,148	23,007	-	10,728,107
Foreign currency deposits	702,676	-	1,309,241	909,438	681,335	609,599	258,071	-	4,470,360
Residents in Turkey	685,587	-	1,273,162	863,319	632,802	407,790	254,964	-	4,117,624
Residents abroad	17,089	-	36,079	46,119	48,533	201,809	3,107	-	352,736
Public Inst. Deposits	146,892	-	313,518	264,605	1,663	4,067	15	-	730,760
Commercial Inst. Deposits	1,034,512	-	649,075	781,509	137,461	53,113	215	-	2,655,885
Other Inst. Deposits	183,121	-	485,677	1,017,790	150,556	54,543	2,165	-	1,893,852
Precious Metals Deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	4,706	-	63,941	-	-	-	-	-	68,647
TRCB	-	-	-	-	-	-	-	-	-
Domestic Banks	1,953	-	63,941	-	-	-	-	-	65,894
Foreign Banks	2,753	-	-	-	-	-	-	-	2,753
Participation Banks	-	-	-	-	-	-	-	-	-
Other	211	-	436,862	96,502	19,818	10,820	1,460	-	565,673
Total	2,522,457	-	6,376,824	8,259,138	2,552,642	1,117,290	284,933	-	21,113,284

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b) Information on Saving Deposits/Special Current and Participation Accounts in the scope of Saving Deposits Insurance Fund:

1) Amounts exceeding insurance limit:

a) Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	6,384,003	5,960,292	5,480,451	4,757,034
Foreign Currency Saving Deposits	2,087,339	1,933,592	4,458,420	2,352,789
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at foreign branches and under the guarantee of foreign authorities' insurance	22,955	14,688	-	-
Deposits at off-shore banking regions' and under foreign authorities' insurance	-	-	-	-

(*) In accordance with the BRSA's decision numbered 1083 published in the Official Gazette No. 25157 on July 3, 2003, all saving deposit amounts (100%) at banks were taken under the guarantee of the Saving Deposits Insurance Fund until July 5, 2004. After July 5, 2004, up to TRY 50 Thousand of saving deposits at banks are taken under the guarantee of Saving Deposit Insurance Fund.

The Parent Bank made Saving Deposits Insurance Funds premium payments as half of the 0.15% of the calculated liability in accordance with the amended article published in the Official Gazette dated October 5, 2002 and numbered 24897 of the communiqué on the "Mergers and Takeovers Attributable To Banks", which was published in the Official Gazette numbered 24445 on July 27, 2001. This amended article denotes that "Conditional to all merged or taken over banks' authority to accept deposits, based on the authorization given in Clause 6 in Article 15 of the Banking Act No: 4389, insurance premium liability of the taken-over bank or newly established bank merged by the combination of more than one bank is paid for two years starting from the Council's degree of the publication date in the Official Gazette, which grants the authorization to companies merge or takeover as per the paragraph in the additional decree No: 2000/862 issued on 1 June, 2000 stating that "Half of the rates defined in Article 4 of the Decree on Saving Deposits Under Insurance Guarantee and Premiums To Be Collected by the Saving Deposits Insurance Fund are applied". This exception was ended as of November 2006 and the Parent Bank has started to pay Saving Deposits Insurance Fund Premiums by using 0.15% rate without incurring any additional penalty rates as of 2006 year-end.

b) Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

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

	Current Period	Prior Period
Saving Deposits at Foreign Branches	698,862	180,073
Saving Deposits at Off-shore Banking Regions'	-	-

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(2) Information on Derivative Financial Liabilities Held For Trading:

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

Derivative Financial Liabilities Held For Trading	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	-	26	-	-
Swap Transactions	9,400	28,848	-	-
Future Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	9,400	28,874	-	-

(3) a) Banks and Other Financial Institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Borrowings from TRCB	-	-	-	-
Domestic Banks and Institutions	97,837	76,748	45,030	28,058
Foreign Banks, Institutions and Funds	287,017	411,525	179,016	216,149
Total	384,854	488,273	224,046	244,207

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term	97,837	93,008	45,030	27,842
Medium and Long-Term	287,017	395,265	179,016	216,365
Total	384,854	488,273	224,046	244,207

c) Additional disclosures related to the intensive liabilities of the Parent Bank are made. Intensive liabilities, fund providing customers, sector groups and other risk intensive criteria:

Main liability of the Parent Bank is deposit of which composing 44% of it is saving deposits and 27% of it is foreign currency deposits. In order to fulfil the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from foreign institutions especially used in the financing of individual loans at assets. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

(4) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and ministry or institution funds owner. There are funds containing funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Undersecretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

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(4).a. Maturity Structure of Funds:

Current Period		Prior Period	
Short-term	Long-term	Short-term	Long-term
1,989	1,000,694	104,735	919,229

(5) Information on Other Liabilities:

Other liabilities balance in the balance sheet amounts to TRY 51,545 Thousand and does not exceed 10% of the balance sheet total. (December 31,2005: TRY 265,191 Thousand)

(6) Information on Finance Lease Payables (Net)

As of December 31, 2006, the Parent Bank's finance lease payable balance is TRY 4,152 Thousand and payments are made at the maturity dates instalments. Balance is mainly attributable to the information system equipment acquired.

(7) Information on Derivative Financial Liabilities for Hedging:

None.

(8) Explanations on Provisions:

a. Information on General Loan Provisions:

	Current Period	Prior Period
General Loan	72,189	33,199
Allocated for Group- I Loans and Receivables	61,313	31,070
Allocated for Group- II Loans and Receivables	3,493	-
Allocated for non-cash loans	7,378	2,118
Other	5	11

b. Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables

None.

c. Specific provisions for unindemnified non-cash loans

The Parent Bank's specific provisions for unindemnified non-cash loans balance is TRY 57,407 Thousand as of December 31,2006 and 100% of provision has been allocated for non cash loans. TRY 20,500 Thousand of the related provision has been allocated for non-cash loans of companies of which cash loans are transferred to the Saving Deposits Insurance Fund in accordance with and the protocol designed based on the Act No:5230 and the related provision is managed by the SDIF .

d. Information on Other Provisions

Total other provision balance amounting to TRY 117,206 Thousand consists of TRY 57,407 Thousand of specific provisions for unindemnified non cash loans and TRY 59,799 Thousand of provision for legal cases against the Parent Bank, SDIF premium, performing cash loans of risky companies taken over from Pamukbank, expenditure bonuses accumulated on credit cards provided by the Parent Bank and social aid pension fund provision and free provision allocated for this fund as a reserve.

(9) Explanations related to tax liabilities:

a. Information on Current Tax Liability

As of December 31,2006, the Parent Bank's corporate tax provision is TRY 238,540 Thousand which is offset against TRY 150,862 of temporary tax paid within the current period. Therefore, the remaining corporate tax payable is TRY 87,678 Thousand.

1. Information on Tax Provision:

As of December 31, 2006, the Parent Bank's corporate tax provision is TRY 238,540 Thousand. For the forth temporary taxation period, corporate tax payable is TRY 87,678 Thousand.

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2. Information on Taxes Payable:

	Current Period	Prior Period
Corporate Tax Payable	87,678	74,396
Income on Securities Tax	58,067	36,159
Real Estate Income Tax	165	180
Banking and Insurance Transactions Tax (BITT)	9,889	5,611
Foreign Exchange Transactions Tax	441	297
Value Added Tax Payable	45	661
Other	7,483	5,872
Total	163,768	123,176

3. Information on Premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	5	7
Social Security Premiums-Employer	7	11
Bank Social Aid Pension Fund Premium-Employee	1,029	902
Bank Social Aid Pension Fund Premium-Employer	1,433	1,256
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	-	-
Unemployment insurance-Employer	-	-
Other	223	198
Total	2,697	2,374

(10) Information on liabilities regarding assets held for sale
None.

(11) Details on the number, maturity, interest rate, borrowing institution, conversion option attributable to the Parent Bank's Tier –II
Capitals, if any:
None

(12) Information on Shareholders' Equity

a. Presentation of Paid-in capital:

	Current Period	Prior Period
Common stock	1,250,000	1,150,000
Preferred stock	-	-

b. Application of registered capital system and registered capital ceiling amount:

Capital System	Paid-in capital	Ceiling
Registered Capital System	-	-

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

Date of increase	Amount of increase	Cash	Profit Reserves Used	Capital Reserves Used
31.05.2006	100,000	100,000	-	-

d. Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

e. Information on additions from capital reserves to capital in the current period:

None.

f. Prior period indicators about the Parent Bank's income, profitability and liquidity, and estimated effects of the future assumptions on the equity that are developed considering the uncertainties in these indicators:

Profitability structure of the Parent Bank still continues, equity structure related to the profitability is developing and there are no uncertainties that will effect this situation.

g. Preferred Stocks:

None.

h. Information on Marketable Securities Revaluation Fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Subsidiaries, Associates and Joint Ventures	-	-	-	-
Revaluation difference	522	6,975	59,196	148
Total	522	6,975	59,196	148

III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

a) Information On Off-Balance Sheet Liabilities:

1.Amount and Type of Irrevocable Loan Commitments:

Types of Irrevocable Commitments	Current Period	Prior Period
Credit Card Expenditure Limit Commitments	860,543	892,907
Two days forward foreign exchange buy/sell transactions	80,716	62,710
Other Irrevocable Commitments	7,391	5,814
Capital Commitments to Subsidiaries and Associates (*)	4,699	32,947
Tax and Fund Dues from Export Commitments	6,776	4,450
Payment Commitments for Cheques	1,198,207	1,120,099
Total	2,158,332	2,118,927

(*) In the current period, there is TRY 4,699 Thousand of capital commitment for the Parent Bank's subsidiary, Birlik Sigorta A.Ş.

In the prior period, TRY 32,947 thousand of remaining sales amount of the taken over companies from the Mutual-Aid Foundation of the Halk Bankası Employees which is TRY 33,947 Thousand of total takeover base sales amount less TRY 1,000 Thousand paid in advance amount, were presented under the other irrevocable commitments item in the off balance sheet liabilities. The takeover sales base amount was calculated by using the arithmetic averages of three different sales amount determined by three

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different companies based on the report prepared on January 26, 2006 in order to measure the book value of the taken over companies by using their audited financial statements as of November 30, 2005. This amount was paid in cash in the year 2006, however, it was recognised as a commitment in the prior period.

2. Amount and Structure of Probable Losses and Commitments from the off-balance sheet items including the below mentioned,

2.1 Non - cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current Period December 31, 2006	Prior Period December 31,2005
Bank Acceptance Loans	30,868	16,701
Letters of Credit	348,710	253,026
Other Guarantees	3,353	669
Total	382,931	270,396

2.2. Certain guarantees, tentative guarantees, suretyships and similar transactions:

	Current Period December 31, 2006	Prior Period December 31,2005
Bid bonds	94,624	22,583
Performance bonds	1,351,445	683,174
Letters of advance guarantees	313,078	439,597
Letters of guarantee given to customs offices	37,634	135,763
Other letters of guarantee	913,140	566,721
Total	2,709,921	1,847,838

2.3. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	72,214	50,137
Within one year or less original maturity	-	-
Within more than one year maturity	72,214	50,137
Other non-cash loans	3,020,638	2,068,097
Total	3,092,852	2,118,234

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2.4. Non cash loans risk intensity distribution based on sectors:

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	8,768	0.78	1,050	0.05	8,972	1.05	489	0.04
Farming and Raising Livestock	6,825	0.61	885	0.04	7,414	0.87	299	0.02
Forestry	1,496	0.13	0	0.00	1,370	0.16	190	0.02
Fishery	447	0.04	165	0.01	188	0.02	0	0.00
Industry	416,006	37.33	599,665	30.31	332,305	39.01	374,605	29.59
Mining and Quarry	30,093	2.70	790	0.04	16,115	1.89	5,458	0.43
Manufacturing	377,705	33.89	547,878	27.69	309,989	36.39	316,001	24.96
Electricity, Gas and Water	8,208	0.74	50,997	2.58	6,201	0.73	53,146	4.20
Construction	301,825	27.08	319,196	16.13	213,611	25.07	248,103	19.59
Service	364,648	32.72	825,002	41.70	274,997	32.28	248,212	19.61
Wholesale and Retail Trade	255,362	22.91	121,924	6.16	151,565	17.79	63,000	4.98
Hotel and Food Services	5,570	0.50	2,408	0.13	6,168	0.72	1,359	0.11
Transportation and Communication	31,955	2.87	106,254	5.37	25,344	2.97	20,789	1.64
Financial Institutions	25,501	2.29	56,234	2.84	28,669	3.37	41,350	3.27
Real Estate and Leasing Services	33,751	3.03	109,921	5.56	1,239	0.15	33	0.00
Self-employment	2,237	0.20	261	0.01	52,339	6.14	119,391	9.43
Educational Services	4,710	0.42	3,223	0.16	5,343	0.63	1,574	0.12
Health and Social Services	5,562	0.50	424,777	21.47	4,330	0.51	716	0.06
Other	23,239	2.09	233,453	11.81	22,071	2.59	394,869	31.18
Total	1,114,486	100.00	1,978,366	100.00	851,956	100.00	1,266,278	100.00

2.5. Non-cash loans classified in Group I and II

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash loans	1,065,192	1,909,215	49,294	69,151
Letters of Guarantee	1,062,313	1,532,805	49,259	65,544
Bill Guarantees and Acceptances	-	29,971	-	897
Letters of Credit	19	345,981	-	2,710
Endorsements	-	-	-	-
Purchase guarantees on marketable security underwritings	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Suretyships	2,860	458	35	-

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3. Derivative financial instruments:

Types of trading transactions	Current Period	Prior Period
	31.12.2006	31.12.2005
Foreign currency related derivative transactions (I)	1,571,418	-
Forward Foreign Currency Buy/Sell Transactions	10,359	-
Currency Buy/Sell Swap	1,561,059	-
Currency Futures	-	-
Currency Put/Call Options	-	-
Interest related derivative transactions (II)	261,540	-
Interest Rate Contracts	-	-
Interest Rate Buy/Sell Swap	261,540	-
Interest Rate Put/Call Options	-	-
Interest Rate Buy/Sell Futures	-	-
Other trading derivative transactions (III)	-	-
A. Total trading derivative transactions (I+II+III)	1,832,958	-
Types of derivative transactions for hedging		
Fair Value Fluctuations Hedging	-	-
Cash flow Risk Hedging	-	-
FC Investment in Associates Risk Hedging	-	-
B. Total derivative transactions for hedging	-	-
Total Derivative Transactions (A+B)	1,832,958	-

4. Information on contingent liabilities and assets:

The Parent Bank does not allocated any provision as a reserve for the disputed legal cases filed by various persons and institutions.

5. Services supplied on behalf of others: None.

IV.EXPLANATIONS RELATED TO THE CONSOLIDATED INCOME STATEMENT

a) Information on Interest Income:

1) Information on interest income on loans:

	Group I		Group II	
	TRY	FC	TRY	FC
Interest on Loans	1,373,429	89,576	48,833	941
Short term loans	452,395	32,443	16,085	334
Medium and long term loans	822,746	57,133	29,253	607
Interest on non-performing loans	98,288	-	3,495	-
Premiums from Resource Utilization Support Fund	-	-	-	-

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2) Interest received from banks

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Central Bank of the Turkish Republic	-	3,274	-	783
Domestic Banks	9,004	3,797	12,658	450
Foreign Banks	5,055	32,236	3,359	10,450
Head office and Branches	-	-	-	-
Total	14,059	39,307	16,017	11,683

3) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets held for trading	126,300	14,815	139,497	28,293
Financial assets at fair value through profit and loss	-	-	-	-
Financial assets available-for-sale	574,521	31,493	76,977	5,325
Investments held-to-maturity	2,059,848	41,777	2,241,505	100,242
Total	2,760,669	88,085	2,457,979	133,860

4) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest income from subsidiaries and associates	431	289

b) Information on Interest Expenses:

1) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	33,274	16,159	5,109	9,837
Central Bank of the Turkish Republic	-	-	-	-
Domestic Banks	8,904	2,834	3,885	1,038
Foreign Banks	24,370	13,325	1,224	8,799
Head office and Branches	-	-	-	-
Other Institutions	4,374	-	889	-
Total	37,648	16,159	5,998	9,837

2) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	779	488

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3) Maturity structure of interest expense on deposits

Account Name	Demand Deposits	Time Deposits				
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year
TRY						
Bank Deposits	150	27,215	-	-	-	-
Saving Deposits	13,277	769,269	868,576	124,578	62,404	2,439
Public Deposits	567	72,971	37,588	684	64	2
Commercial Deposits	24,765	194,520	128,231	39,526	8,779	29
Other Deposits	1,075	232,279	226,612	38,058	10,506	181
7 day call accounts	-	-	-	-	-	-
Total	39,834	1,296,254	1,261,007	202,846	81,753	2,651
FC						
Foreign Currency Deposits	6,891	81,568	39,068	19,637	24,861	8,085
Bank Deposits	65	-	-	-	-	-
7 day call accounts	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-
Total	6,956	81,568	39,068	19,637	24,861	8,085
Grand Total	46,790	1,377,822	1,300,075	222,483	106,614	10,736

c) Information on Dividend Income:

	Current Period	Prior Period
Financial assets held for trading	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available-for-sale	1,010	378
Other	13,853	14,392
Total	14,863	14,770

d) Information on Trading Profit/Loss (Net):

	Current Period	Prior Period
Profit	1,792,449	7,375,664
Profit from the Capital Market Operations	137,142	78,183
Profit on derivative financial instruments	80,987	20,742
Other	56,155	57,441
Foreign Exchange Gains	1,655,307	7,297,481
Loss (-)	2,006,479	7,151,788
Loss from the Capital Market Operations	171,315	54,606
Loss on derivative financial instruments	155,429	20,136
Other	15,886	34,470
Foreign Exchange Gains	1,835,164	7,097,182

e) Information on Other Operating Income:

The Parent Bank's other operating expenses consist of commission income increased due to the loan volume increase, gains from sale of real estate, income on cancellation of specific provisions for the collection of non-performing capital loans.

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f) Loans and other receivables impairment losses:

	Current Period	Prior Period
Specific Loans and Receivables Provisions	129,990	94,437
Group- III Loans and Receivables	43,990	70,668
Group- IV Loans and Receivables	2,014	3,853
Group-V Loans and Receivables	83,986	19,916
General Loan Provision	38,997	9,479
Provision Expenses for Possible Losses	-	-
Marketable Securities Impairment Losses	8,557	-
Financial assets at fair value through profit and loss	7,445	-
Financial assets available for sale	1,112	-
	Current Period	Prior Period
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held-to-Maturity	3,677	3,519
Investment and Associates	379	2,965
Subsidiaries	3,298	554
Joint Ventures	-	-
Investments and Securities Held-to-Maturity	-	-
Other	20,569	4,522
Total	201,790	111,957

g) Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	399,631	378,100
Reserve for employee termination benefits	22,008	15,316
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	4,537	-
Depreciation expenses of fixed assets	47,506	48,973
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	3,858	126
Shares (capital method applied) impairment expense	-	-
Impairment expense for investment securities that will be disposed of	-	-
Amortization expenses of investment securities that will be disposed of	860	842
Impairment expense for property and equipment held for sale purposes	-	-
Other operating expenses	146,271	123,701
Operational leasing expenses	4,191	5,800
Maintenance expenses	5,900	6,268
Advertisement expenses	10,362	4,753
Other expenses	125,818	106,880
Loss on sales of assets	9,674	7,347
Other	88,813	98,066
Total	723,158	672,471

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h) Information profit/loss before tax:

1. Information on income tax provisions:

As of December 31,2006, the Parent Bank's income tax provision amounting TRY 253,785 Thousand consists of TRY 238,540 Thousand of current tax charge and TRY 15,245 Thousand of deferred tax charge.

2. Information on net operating income/expense after tax:

As of December 31, 2006, net operating income after tax amounts to TRY 864,259 Thousand.

i) Information on net profit/loss:

a. Income and Expenses from ordinary banking operations: There is no need for any specific disclosures in order to understand the Parent Bank's performance for the January 1, 2006-December 31, 2006 period.

b. Effects of changes in accounting estimates on the current and future periods' profit/loss: There are no issues required to be disclosed.

c. Other items do not exceed 10% of the income statement.

V.EXPLANATIONS RELATED TO THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

a. Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on April 28, 2005, inflation accounting applied in the banking system has been ceased as of January 1, 2005 in accordance with the BRSA decree numbered 1623 and dated April 21,2005.

According to this circular, TRY 1,220,451 Thousand of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which had been recognised in "Paid-in Capital Inflation Adjustment" account before December 31, 2005. However, inflation adjustments related to other equity items are presented on the related equity item.

b. Explanations on exchange differences:

Foreign currency associates recognised in accordance with the acquisition cost basis are presented in the balance sheet with their foreign currency acquisition cost multiplied by the exchange rates as of the balance sheet date. Exchange differences related to these foreign currency associates are recognise in the "Capital reserves" account under equity.

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VI. EXPLANATIONS RELATED TO THE CONSOLIDATED CASH FLOW STATEMENT

Disclosures on the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement are given.

a. Items of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency are defined as cash and cash equivalents.

b. The effect of any change in accounting policies: None

Period beginning cash and cash equivalents balance:

	Current Period	Prior Period
Cash		
Cash in TRY and in Foreign Currency	134,234	113,646
Total cash and cash equivalents	134,234	113,646

Period closing cash and cash equivalents balance:

	Current Period	Prior Period
Cash		
Cash in TRY and in Foreign Currency	197,740	134,234
Total cash and cash equivalents	197,740	134,234

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE PARENT BANK

1) Volume of the Parent Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Current Period:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables	-	-	-	-	-	-
Beginning Balance	10,043	27,261	-	-	-	-
Closing Balance	31,805	24,023	-	-	-	-
Interest and Commissions Income	154	277	-	-	-	-

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

b) Prior Period:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables	-	-	-	-	-	-
Beginning Balance	202	24,506	-	-	-	-
Closing Balance	10,043	27,261	-	-	-	-
Interest and Commissions Income	152	137	-	-	-	-

2) Deposits held by the Bank's risk group:

Risk Group	Subsidiaries, Associates and Joint Ventures		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Beginning Balance	11,691	15,507	-	-	-	-
Closing Balance	63,013	11,691	-	-	-	-
Interest expense on deposits	779	488	-	-	-	-

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

	Quantity	Number of Employees	Country	Total Assets	Legal Capital
Domestic Branches	553	10824			
Agencies Abroad	5	17	1-Vienna/AUSTRIA 2-Köln/GERMANY 3-Mannheim/GERMANY 4-Dortmund/GERMANY 5-Tehran/IRAN		
Foreign Branches	2	10	1-Nicosia/TRNC 2- Famagusta/TRNC	39,660 9,055	2,426
Off-Shore Branches	1	3	1-Manama/BAHRAIN	701,096	

IX. SUBSEQUENT EVENTS

As per the decree of the Higher Council of Privatization numbered 2007/8 and dated February 5,2007, up to 25% of the public shares that were previously transferred to the Privatization Administration on August 11,2006 is decided to be privatized by a public offering and this public offering decided to be concluded by the end of 2007.

TÜRKİYE HALK BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

(Amounts expressed in Thousand of the New Turkish Lira (TRY) unless otherwise stated.)

SECTION VI: EXPLANATIONS ON THE INDEPENDENT AUDITOR'S REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The consolidated financial statements as of December 31,2006 and for the period then ended were audited independently by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu) and Independent Auditors' Report dated March 8, 2007 is presented before the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

ADDRESSES

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Financial Consolidation and External Reporting Department
Foreign Operations Department
Disciplinary Board
Artisans and Craftsmen Banking Department
Training Department
General Accounting Department
Legal Counsel
Internal Control Department
Administrative Services and Procurement Department
Human Resources Department
Premises-Real Estate and Appraisal Department
Credit Risk Monitoring Department
Corporate Loans Department
Financial Control Department
Deposits and Banking Services Department
Organization Department
Project Evaluation and Financial Analysis Department
Risk Collection and Liquidation Department
Risk Management Department
Strategic Planning Department
Branch Operations Department
Public Relations Department
Board of Inspectors
Commercial-SME Loans Department
Commercial-SME Marketing Department
Secretariat to the Board of Directors

Head Office (Support Unit)

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Consumer Banking Department
General Accounting Department
Entrepreneur-SME Loans Department
Entrepreneur-SME Marketing Department
Specialized Loans Department
Risk Collection Department
Risk Liquidation Department
Technological Architecture Management Department
Software Development Department

Head Office (Support Unit)

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Treasury Operations Department
Treasury Management Middle Office Department
Financial Institutions Department
Money and Capital Markets Department
International Banking and Structured Finance Department

Head Office (Support Unit)

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Payment Card System and
Alternative Distribution Channels Department
Corporate Marketing Department

HALKBANK INTERNATIONAL NETWORK

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