MNG BANK ANONİM ŞİRKETİ

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2006

To the Board of Directors of
MNG Bank A.Ş.

<u>İstanbul</u>

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

1. We have reviewed the accompanying consolidated balance sheet of MNG Bank A.Ş. (the "Bank") and its subsidiaries (together the "Group") as of 30 June 2006 and the related consolidated statements of income, shareholders' equity and cash flows for the six month period then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these financial statements based on our review.

2. We conducted our review in accordance with the International Standard on Review Engagements 2400 applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with International Financial Reporting Standards.

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

İstanbul, 14 September 2006

MNG BANK A.Ş.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006

ASSETS	Note	30 June 2006 TRY'000	31 December 2005 TRY'000
LIQUID ASSETS	5	2,973	2,567
BALANCES WITH THE CENTRAL BANK	6	14,856	6,151
BALANCES WITH BANKS	7	9,042	14,558
INTERBANK MONEY MARKET PLACEMENTS		-	4,200
FUNDS LENT UNDER SECURITIES RESALE AGREEMENTS		144	2,840
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (NET)	8	129,491	135,780
DERIVATIVE FINANCIAL ASSETS	25	127	4
RESERVE DEPOSITS AT THE CENTRAL BANK	6	21,892	19,201
LOANS (NET)	9	414,397	355,713
INVESTMENT SECURITIES (NET)	10	15,073	79
PREMISES AND EQUIPMENT (NET)	11	7,934	8,052
INTANGIBLE ASSETS (NET)	12	508	604
OTHER ASSETS	13	2,461	2,974
DEFERRED TAX ASSET (NET)	17	779	905
TOTAL ASSETS		619,677	553,628

The accompanying notes form an integral part of these financial statements.

MNG BANK A.Ş.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006

LIABILITIES	Note	30 June 2006 TRY'000	31 December 2005 TRY'000
DEPOSITS			
Demand		28,959	41,313
Time		309,142	227,553
	14	338,101	268,866
OBLIGATIONS UNDER REPURCHASE AGREEMENTS	15	51,048	58,743
BORROWINGS	16	108,885	96,005
DERIVATIVE FINANCIAL LIABILITIES	25	372	5
FACTORING OBLIGATIONS (NET)		39,634	39,896
CORPORATE TAX	17	-	359
PROVISIONS	18	1,944	1,848
OTHER LIABILITIES	19	10,222	13,480
TOTAL LIABILITIES		550,206	479,202
EQUITY			
Share capital	20		
Nominal Capital		35,000	35,000
Inflation Adjustment To Capital		148,164	148,164
Total Paid-In Capital		183,164	183,164
Legal reserves	20	5,715	5,317
(Accumulated Losses)		(121,885)	(115,867)
Equity Attributable To The Equity Holders Of The Parent		66,994	72,614
Minority Interest	20	2,477	1,812
TOTAL EQUITY		69,471	74,426
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		619,677	553,628
COMMITMENTS AND CONTINGENCIES	24	558,631	465,207

The accompanying notes form an integral part of these financial statements.

MNG BANK A.Ş.

CONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD ENDED 30 JUNE 2006

	Note	2006 TRY'000	2005 TRY'000
INTEREST INCOME			
Interest On Loans		16,539	13,962
Interest On Interbank Money Market Placements		171	49
Interest On Securities		4,425	8,572
Interest Received From Banks		324	333
Interest On Financial Leases		684	385
Interest On Factoring		8,689	6,184
Other Interest Income		1,219	1,328
		32,051	30,813
INTEREST EXPENSEs			
Interest On Deposits		(14,938)	(9,858)
Interest On Borrowings		(5,807)	(4,815)
Other Interest Expenses		(1,992)	(1,711)
		(22,737)	(16,384)
NET INTEREST INCOME		9,314	14,429
Fee and commission income		4,096	3,552
Fee and commission expenses		(301)	(522)
Net fee income / (expenses)		3,795	3,030
Net foreign currency gains / (losses)		(99)	1,336
Net securities trading gains / (losses)		(434)	1,707
TOTAL TRADING INCOME / (LOSS)		3,262	6,073
Impairment losses		(5,703)	(377)
NET OPERATING INCOME AFTER IMPAIRMENT LOSSES		6,873	20,125
Other operating income	21	1,740	1,136
Other operating expenses	22	(13,442)	(12,971)
INCOME/(LOSS) BEFORE MONETARY GAIN/(LOSS)		(4,829)	8,290
NET (LOSS) ON MONETARY POSITION		-	(2,074)
INCOME / (LOSS) BEFORE TAXATION		(4,829)	6,216
TAXATION	17	(126)	(3,154)
NET INCOME / (LOSS)		(4,955)	3,062
NET INCOME / (LOSS) ATTRIBUTABLE TO:			
Equity holders of the parent		(5,620)	3,032
Minority interest		665	30
		(4,955)	3,062

The accompanying notes form an integral part of these financial statements.

MNG BANK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 30 JUNE 2006

	Share Capital TRY'000	Inflation Adjustment To Capital TRY'000	Legal Reserves TRY'000	Accumulated (Losses) TRY'000	Minority Interest TRY'000	Total TRY'000
Balance as of 1 January 2005	35,000	148,164	5,029	(120,543)	1,265	68,915
Cash increase in Capital	-	-	-	-	-	-
Transfers to reserves	-	-	288	(288)	-	-
Change in minority	-	-	-	-	-	-
Income for the period	-	-	-	3,032	30	3,062
Balance as of 30 June 2005	35,000	148,164	5,317	(117,799)	1,295	71,977
Balance as of 1 January 2006	35,000	148,164	5,317	(115,867)	1,812	74,426
Cash increase in Capital	-	-	-	-	-	-
Transfers to reserves	-	-	398	(398)	-	-
Income/(Loss) for the period	-	-	-	(5,620)	665	(4,955)
Balance as of 30 June 2006	35,000	148,164	5,715	(121,885)	2,477	69,471

The accompanying notes form an integral part of these financial statements.

MNG BANK A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2006

	1 January – 30 June 2006 TRY'000	1 January – 30 June 2005 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) for the period	(5,620)	3,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	706	807
Increase / (decrease) in impairment losses	5,703	377
Increase / (decrease) in retirement pay provisions	53	128
Increase / (decrease) in other provisions	43	(68)
Accrued income / expense	13,873	8,004
Operating profits before changes in operating assets/liabilities	14,758	12,280
Changes in operating assets and liabilities:		
(Increase) / decrease in marketable securities	(18,839)	(27,800)
(Increase) in loans	(72,087)	(61,290)
(Increase) / decrease in other assets	7,159	(1,802)
(Increase) / decrease in deferred tax asset	126	257
Increase in deposits	72,181	1,736
Increase /(decrease) in other liabilities	(6,987)	(5,618)
	(18,447)	(94,517)
Income taxes paid	(3,183)	(2,397)
Net Cash (Used In) Operating Activities	(6,872)	(84,634)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in reserve deposit at Central Bank	(2,691)	1,836
(Additions) to property and equipment (net)	(423)	(397)
(Additions) to intangible assets (net)	(69)	(2,734)
Net cash (used in) investing activities	(3,183)	(1,295)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	13,650	10,157
Net cash provided from financing activities	13,650	10,157
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,595	(75,772)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	23,276	90,184
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	26,871	14,412

The accompanying notes form an integral part of these financial statements.

1. ACTIVITIES OF THE BANK AND THE GROUP

MNG Bank Anonim Şirketi ("the Bank") was incorporated in Turkey, in 1991 and its head office is at Cumhuriyet Caddesi No: 139 Elmadağ, İstanbul /Turkey.

The Bank was incorporated in 1991 under the name of Bank of Bahrain and Kuwait Bankası Anonim Şirketi (BB&K). In 1992, Doğuş Group acquired ownership of the Bank and the name of the Bank was changed to Tasarruf ve Kredi Bankası Anonim Şirketi. In February 1994, the name of the Bank was changed to Garanti Yatırım ve Ticaret Bankası Anonim Şirketi. In October 1997, Mehmet Nazif Günal (the ultimate owner of MNG Group companies) acquired the Bank and the name of the Bank was changed to MNG Bank Anonim Şirketi. As of 30 June 2006, the Bank has 10 branches in Turkey.

The Bank holds direct equity participations mainly operating in the financial sector. These participations are listed below. The Bank and its consolidated subsidiaries are hereinafter referred as "the Group".

Entity	Sector	Ownership %
MNG Menkul Kıymetler Yatırım A.Ş.	Securities Brokerage	84.56
MNG Finansal Kiralama A.Ş.	Leasing Services	76.00
MNG Factoring Hizmetleri A.Ş.	Factoring Services	76.09

2. BASIS OF FINANCIAL STATEMENTS

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

Basis of Presentation of Financial Statements:

The Bank maintains its books of account and prepares its financial statements in New Turkish Lira, which is the currency of the primary economic environment in which the Bank operates, in accordance with the Banking Act, based on accounting principles regulated by the Banking Regulation and Supervision Agency ("BRSA"), the other relevant rules and regulations regulated by the Turkish Commercial Code and Turkish tax legislation and relevant accounting rules and regulations. The Bank's consolidated subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with regulations prevailing in their area of specialization, commercial practice and tax legislation.

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

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

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

Basis of Presentation of Financial Statements: (cont'd)

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

Certain reclassifications have been made to the prior year figures to comply with the current year presentation.

Adoption of New and Revised IFRSs

In the current year, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for periods beginning 1 January 2006.

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

IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IAS 1	Presentation of Financial Statements – Additional disclosures related to the Entity's capital

New Turkish Lira

A new law number 5083 was enacted with effect from 1 January 2005, which deletes six zeroes from the former currency of the Turkish Republic, the Turkish Lira ("TL"), to form a new currency the New Turkish Lira ("TRY"). Thus 1 TRY = 1,000,000 TL. The New Turkish Lira is divided into 100 New Turkish cents ("YKr"). The accompanying financial statements including comparatives are presented in New Turkish Lira ("TRY") since it is the official currency as at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the accompanying financial statements are as follows:

3.1 Accounting Convention

The accompanying financial statements have been prepared in accordance with IFRS. The financial statements have been prepared on the historical cost basis except for those items measured at fair value. Effect has been given in the financial statements to adjustments and reclassifications which have not been entered in the general books of account of the Bank and its subsidiaries maintained in conformity with accounting practices prevailing in Turkey as set out in note 2.

3.2 Application of Financial Reporting in Hyperinflationary Economies Prior to 1 January 2006

Financial statements of the Company as of 31 December 2005 include restatement to reflect changes in the purchasing power of the Turkish Lira as required by IAS 29. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date.

Major characteristics those necessitate the application of IAS 29 are:

(a) The general population prefers to keep its wealth in nonmonetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;

(b) The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

(c) Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;

(d) Cumulative three-year inflation rate approaching or exceeding 100%.

Although the cumulative rate in Turkey was 35.61% for the three years ended 31 December 2005, other characteristics were valid and improvements in the economic indicators were not yet led to an assured conclusion that the economy was no longer hyperinflationary as of 31 December 2005. However, it has been concluded that the economy is no longer hyperinflationary as of 1 January 2006. Consequently, the accompanying financial statements are adjusted for the effect of changes in the general purchasing power of TRY prior to 1 January 2006.

IAS 29 requires that financial statements be stated in terms of the measuring unit current at the balance sheet date and corresponding figures for previous periods be restated in the same terms by applying a general price index. The restatement adjustments as of 31 December 2005 are based on the nationwide wholesale price index ("WPI") published by Turkish State Institute of Statistics (1994=100).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Financial Reporting in Hyperinflationary Economies (cont'd)

Such index and corresponding conversion factors used to restate accompanying financial statements as of the end of 31 December 2005 are given below:

	Index	Conversion Factor
31 December 2002	6,478.8	1.3561
31 December 2003	7,382.1	1.1901
31 December 2004	8,403.8	1.0454
31 December 2005	8,785.7	1.0000

The comparative rates of currency devaluation of the Turkish Lira against the US Dollar, compared with the rates of general price inflation in Turkey at each year end according to the WPI are set out below:

Year:	06/2006	2005	2004	2003	2002
Currency Devaluation US $	19.45%	(0.02)%	(3.9)%	(14.6)%	13.6%
WPI Inflation	11.68%	4.5%	13.8%	13.9%	30.8%

The principal adjustments related with inflation accounting are as follows:

- All amounts as of 31 December 2005 not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI). Corresponding figures for previous periods are similarly restated.

- As of 31 December 2005, monetary assets and liabilities are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.

- As of 31 December 2005, non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value. Depreciation is calculated at their restated amounts. The components of shareholders' equity are restated by applying the applicable general price index from the dates when components were contributed or otherwise arose.

- As of 31 December 2005, all items in the statement of income are restated by applying the relevant conversion factors, except for restatement of certain specific income statement items which arise from the restatement of non-monetary assets and liabilities like amortization and gain or loss on sale of fixed assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The financial statements of the entities below have been consolidated with those of the Bank in the accompanying financial statements. The ownership percentages stated below comprise the total of the Bank's direct and indirect holdings:

Entity	Sector	30 June 2006 The Bank's Ownership %	31 December 2005 The Bank's Ownership %
MNG Menkul Kıymetler Yatırım A.Ş.	Securities Brokerage	84.56	84.56
MNG Finansal Kiralama A.Ş.	Leasing Services	76.00	76.00
MNG Factoring Hizmetleri A.Ş.	Factoring Services	76.09	76.09

The following equity investments which are shown under securities available for sale have been accounted for at cost:

Entity	Sector	The Bank's Ownership %
İMKB Takas ve Saklama Bankası A.Ş.	Banking	0.025

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Income and Expense Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Interest and other income and expenses are recognized on an accrual basis, except for fees and commissions for various banking services rendered which are recognized as income when received. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income on overdue loans is recognized on a cash basis when collected. Income and expenses are recognized at fair value or amortized cost basis. For the purpose of convenience, certain income and expenses are recognized on a straight line basis wherever does not materially differ from fair value or amortized cost method.

3.5 Foreign Currencies

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

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and swaps (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

As at 30 June 2006 and 31 December 2005 foreign currency assets and liabilities of the Group are mainly in US Dollar and Euro. As at 30 June 2006 and 31 December 2005 exchange rates of US Dollar and Euro are as follows:

	30 June 2006	31 December 2005
1 US Dollar	1.5697	1.3418
1 Euro	2.0026	1.5950

Average rates are as follows:

	1 January – 30 June 2006	1 January – 31 December 2005
1 US Dollar	1.3877	1.3403
1 Euro	1.7099	1.6702

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments

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

Investments

All regular way purchases of investments are recognized on a settlement day basis. The settlement date is the date that an asset is delivered to or by the Group. Regular way purchases or sales are sales or purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place concerned. Change in the fair value of the asset to be received during the period between the trade date and the settlement date are accounted for in the same way accounted for as the acquired assets. The change in value is not recognized for assets carried at cost or amortized cost; it is recognized in profit or loss for assets classified as financial assets at fair value through profit or loss; and it is recognized in equity for assets classified as available for sale.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized. During the 2005 the Group has sold certain portion of its held to maturity securities and therefore will not be able to carry such portfolio in the following 2 years as per IAS 39.

Investments other than held-to-maturity debt securities are classified as either financial assets at fair value through profit/loss or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are financial assets at fair value through profit/loss, gains and losses arising from changes in fair value are included in profit or loss for the period. Interest income on debt instruments with fixed or floating rates in the available for sale investments is included in the interest income. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

Investments (cont'd)

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Loans and other Receivables

Loans and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Off balance sheet commitments and contingencies

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

Derivative financial instruments and hedge accounting

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

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

The use of financial derivatives is governed by the Group's policies approved by the board of directors, on the use of financial derivatives consistent with the Group's risk management strategy.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

Fair value considerations

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

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

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

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

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

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

Securities investments: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

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

Deposits: Estimated fair value of demand deposits, saving deposits and interbank deposits is the amount payable on demand at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

Fair value considerations (cont'd)

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

3.7 Investments under resale or repurchase transactions

Purchases or sales of investments under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Sales of investments under agreements of repurchase ("Repos") are retained in the balance sheet and corresponding counterparty commitment is included separately under liabilities. The income and expenses on repo transactions are separately recognized as interest income accrued in accordance with its classification as financial assets at fair value through profit or loss, investments held to maturity or investments available for sale, and interest expense is accounted for on an accrual basis over the period of the transactions.

Purchases of securities under agreements of resale ("reverse repos") are separately disclosed under assets as "funds lent under securities resale agreements" and interest income on such transactions is accounted for on an accrual basis over the period of transactions.

3.8 Loans and loan loss provisions

Loans are financial instruments extended by the Bank and accounted for at amortized cost using the effective interest rate method, except for certain loans wherever straight line accrual basis does not materially differ from amortized cost method.

Based on its evaluation of the current status of the loans granted, the Bank makes specific loan loss provisions which it considers are adequate to cover estimated uncollectible amounts in the loan portfolio and losses under guarantees and commitments. The estimates are reviewed periodically and, as adjustments become necessary, they are reflected in the statement of income in the periods in which they become known.

The Bank classifies any loan which is not adequately collateralized or the management believing borrowers lost their creditworthiness into overdue loans. The Bank ceases to recognize income on overdue loans and receivables.

The loan loss provisions and the general loan provision follow the requirements as specified by Turkish Banking regulations. In accordance with the prevailing provisioning legislation, banks in Turkey should appropriate 0.5% general provision for cash loans and other receivables and 0.1% general provision for non-cash loans.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and impairment as at the reporting date. Premises and equipment, except land that is deemed to have indefinite life, are depreciated on a straight-line basis using the following main rates which write off the assets over their expected useful lives:

Buildings	2%
Safes	2%-10%
Vehicles, Furniture and Fittings, Computer Sofware	20%-33%
Leasehold Improvements	20%
Intangibles	20%-33%

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Leasing

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

The Group as Lessor

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

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

The Group as Lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3.11 Impairment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Impairment (cont'd)

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

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

3.12 Provisions

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

3.13 Retirement Benefits

Under Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. Such payments are based on number of years' service and final salary at the date of retirement or leaving.

International Accounting Standard No. 19 "Employee Benefits" ("IAS 19") has been applied in the accompanying financial statements. A provision is maintained for the present value of the defined benefit obligation, in respect of service up to the balance sheet date, based on the projected unit credit method. The charge in the income statement comprises current service cost and interest on the obligation.

3.14 Related Parties

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

During the conduct of its business the Group had various significant transactions and balances with Related Parties during the year. Certain significant balances and transactions with Related Parties as at the balance sheet date are set out in note 23.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Business and Geographical Segments

Business Segments

For management purposes, the Group is currently organized into the operating divisions of banking, leasing, factoring and stock broking. These divisions are the basis on which the Group reports its primary segment information.

Principal activities of the Group are as follows:

Banking: All corporate, commercial and retail banking activities including accepting customer deposits.

Leasing: Leasing of vehicles, business machines, equipment and property rental.

Factoring: Factoring services on trading transactions of mainly the customers of the Bank.

Stock broking: Intermediary stock broking activities, portfolio management and investment management services.

Geographical Segments

The Group's operations are mainly located in Turkey.

3.17 Use of Estimates

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

3.18 Offsetting

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

3.19 Client Assets

Client assets, except for deposits accepted and other cash proceeds obtained, held under custody, in fiduciary, agency or intermediary capacity are not recognized in the accompanying financial statements as customers have ownership of such assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.21 Internally-generated Intangible Assets

Computer Software Development Costs:

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

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

4. SEGMENTAL INFORMATION

	Banking TRY'000	Brokerage TRY'000	Factoring TRY'000	Leasing TRY'000	Combined TRY'000	Eliminations and adjustments TRY'000	TOTAL TRY'000
30 June 2006							
Interest income	22,557	608	8,690	698	32,553	(502)	32,051
Interest expenses	(18,165)	(6)	(4,529)	(437)	(23,137)	400	(22,737)
Net interest income / (loss)	4,392	602	4,161	261	9,416	(102)	9,314
Net fee and commission income/(expenses)	3,717	-	-	-	3,717	78	3,795
Net foreign currency gains/(losses)	(434)	-	21	39	(374)	275	(99)
Net securities trading gains/(losses)	(436)	2	-	-	(434)	-	(434)
Net trading income / (loss)	2,847	2	21	39	2,909	353	3,262
Impairment losses	(5,703)	-	-	-	(5,703)	-	(5,703)
Net operating income/(loss) after impairment	1,536	604	4,182	300	6,622	251	6,873
Other operating income	1,873	78	-	126	2,077	(337)	1,740
Other operating expenses	(11,132)	(972)	(1,121)	(303)	(13,528)	86	(13,442)
Income/(loss) before tax and monetary gain/(loss)	(7,723)	(290)	3,061	123	(4,829)	-	(4,829)

4. SEGMENTAL INFORMATION (cont'd)

	Banking TRY'000	Brokerage TRY'000	Factoring TRY'000	Leasing TRY'000	Combined TRY'000	Eliminations and adjustments TRY'000	TOTAL TRY'000
30 June 2005							
Interest income	24,259	209	6,825	428	31,721	(908)	30,813
Interest expenses	(13,166)	(29)	(3,759)	(338)	(17,292)	908	(16,384)
Net interest income / (loss)	11,093	180	3,066	90	14,429	-	14,429
Net fee and commission income/(expenses)	3,030	-	-	-	3,030	-	3,030
Net foreign currency gains/(losses)	1,040	-	15	281	1,336	-	1,336
Net securities trading gains/(losses)	1,707	-	-	-	1,707	-	1,707
Net trading income / (loss)	5,777	-	15	281	6,073	-	6,073
Impairment losses	(377)	-	-	-	(377)	-	(377)
Net operating income/(loss) after impairment	16,493	180	3,081	371	20,125	-	20,125
Other operating income	987	156	-	-	1,143	(7)	1,136
Other operating expenses	(10,491)	(1,032)	(900)	(555)	(12,978)	7	(12,971)
Income/(loss) before tax and monetary gain/(loss)	6,989	(696)	2,181	(184)	8,290	-	8,290

4. SEGMENTAL INFORMATION (cont'd)

BALANCE SHEET	Banking TRY'000	Brokerage TRY'000	Factoring TRY'000	Leasing TRY'000	Combined TRY'000	Eliminations and adjustments TRY'000	TOTAL TRY'000
At 30 June 2006							
Total assets	509,984	3,259	115,429	17,235	645,907	(26,230)	619,677
Liabilities	439,766	209	104,295	13,750	558,020	(7,814)	550,206
Shareholders' equity before net income	77,726	3,687	8,072	3,357	92,842	(20,228)	72,614
Net income	(7,508)	(637)	3,062	128	(4,955)	(665)	(5,620)
Minority interest	-	-	-	-	-	2,477	2,477
Total shareholders' equity	70,218	3,050	11,134	3,485	87,887	(18,416)	69,471
Total liabilities and shareholders' equity	509,984	3,259	115,429	17,235	645,907	(26,230)	619,677

BALANCE SHEET	Banking TRY'000	Brokerage TRY'000	Factoring TRY'000	Leasing TRY'000	Combined TRY'000	Eliminations and adjustments TRY'000	TOTAL TRY'000
At 31 December 2005							
Total assets	464,717	5,272	105,609	15,002	590,600	(36,972)	553,628
Liabilities	386,992	1,584	97,537	11,645	497,758	(18,556)	479,202
Shareholders' equity before net income	73,175	4,408	4,855	3,821	86,259	(18,609)	67,650
Net income	4,550	(720)	3,217	(464)	6,583	(1,619)	4,964
Minority interest	-	-	-	-	-	1,812	1,812
Total shareholders' equity	77,725	3,688	8,072	3,357	92,842	(18,416)	74,426
Total liabilities and shareholders' equity	464,717	5,272	105,609	15,002	590,600	(36,972)	553,628

5. LIQUID ASSETS

	30 June 2006 TRY'000	31 December 2005 TRY'000
Cash balances – New Turkish Lira ("TRY")	666	711
Cash balances – Foreign currencies ("FC")	2,307	1,856
	2,973	2,567

6. BALANCES WITH THE CENTRAL BANK

a) Balances with the Central Bank

	30 June 2006 TRY'000	31 December 2005 TRY'000
Demand deposits – New Turkish Lira ("TRY")	14,411	5,769
Demand deposits – Foreign Currency ("FC")	445	382
	14,856	6,151

b) Reserve Deposits at the Central Bank

	30 June 2006 TRY'000	31 December 2005 TRY'000
Foreign currency reserves	21,892	19,201
	21,892	19,201

Under the regulations of the Central Bank Turkish Republic ("Central Bank"), banks are required to deposit with the Central Bank a proportion of all deposits taken from customers and other liabilities, other than domestic interbank deposits. These reserves are not available funds to finance the operations of the Bank. Such New Turkish Lira and foreign currency reserves maintained with the Central Bank earn interest at the interest rates determined by the Central Bank.

As at 30 June 2006 under the prevailing regulation the Bank has to maintain the following requirement:

Reserve deposits with the Central Bank of Turkey:

Reserve deposits represent the minimum deposits maintained with the Central Bank of Turkey calculated on the basis of the customer deposits taken, at the rates determined by the Central Bank of Turkey. Such rates are 6% for Turkish Lira deposits and 11% for foreign currency deposits.

7. BALANCES WITH BANKS

	30 June 2006 TRY'000	31 December 2005 TRY'000
Domestic Banks		
Demand deposits – New Turkish Lira	225	108
Demand deposits – Foreign currency	873	707
Time deposits – New Turkish Lira	-	2,506
Time deposits – Foreign currency	-	811
	1,098	4,132
Banks Abroad		
Demand deposits – Foreign currency	2,918	2,190
Time deposits – Foreign currency	5,026	8,236
	7,944	10,426
Total	9,042	14,558

As at 30 June 2006, foreign currency denominated time deposits at foreign banks mature in 3 days and have interest rate 5.19 % and there are no time deposits at domestic banks. (2005: interest rates for time deposits at foreign banks within the range of 1.80 % to 4.45%).

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (NET)

	30 June 2006 TRY'000	31 December 2005 TRY'000
Government bonds & Treasury bills	133,490	135,600
Equity Shares	1,113	-
Investment funds	180	180
Less: Impairment Losses	(5,292)	-
	129,491	135,780

Income on debt instruments at fair value is included in the statement of income as interest income. Gains and losses on other investments held for trading are included in the trading income.

The above government bonds and treasury bills include those pledged under securities repurchase agreements with customers amounting to TRY 59,079 thousand. (2005: TRY 62,650 thousand).

The blocked securities kept in the Central Bank, the İstanbul Stock Exchange and Merkezi Kayıt Kuruluşu A.Ş. for the purposes of trading guarantee on interbank, bond, repurchase and reverse repurchase markets and custody services as at 31 December 2005 and 30 June 2006 are as follows:

	30 June 2006 Nominal Value TRY'000	30 June 2006 Carrying Value TRY'000	31 December 2005 Nominal Value TRY'000	31 December 2005 Carrying Value TRY'000
Government bonds	36,650	30,467	-	-
	36,650	30,467	-	-

9. LOANS (NET)

	30 June 2006 TRY'000	31 December 2005 TRY'000
Short term loans	362,481	313,875
Medium and long term loans	51,921	41,642
Overdue loans	5,891	5,889
	420,293	361,406
Less: Specific provision for loan losses	(4,444)	(4,426)
Less: Portfolio provision for loan losses	(1,452)	(1,267)
	(5,896)	(5,693)
	414,397	355,713

Movements in provisions for loan losses are as follows:

	30 June 2006 TRY'000	31 December 2005 TRY'000
As at 1 January	5,693	5,939
Charge for the period	268	702
Provision released	(65)	(691)
Monetary effect	-	(257)
As at 30 June (31 December)	5,896	5,693

Loans can be analyzed by currency as follows excluding loans in arrears;

Currency	30 June 2006 TRY'000	31 December 2005 TRY'000
New Turkish Lira	249,033	290,091
Foreign currency (TRY equivalent)	165,369	65,426
	414,402	355,517

Sectoral analysis of loans is as follows:

Sector	30 June 2006 %	31 December 2005 %
Trade	5	3
Construction	7	9
Financial sector	17	12
Manufacturing	40	36
Transportation and tourism	12	12
Consumer loans	2	2
Other	17	26
	100	100

9. LOANS (NET) (cont'd)

Interest rates charged for loans varied between 1.25% and 35% for New Turkish Lira loans and 4% and 9% for foreign currency loans per annum during the period.

TRY 4,330 thousand of the cash loans are extended to MNG Group companies (31 December 2005: TRY 1,084 thousand). MNG Group companies have TRY 9,378 thousand non-cash loan risk (31 December 2005: TRY 8,674 thousand).

The Bank extended TRY 120,253 thousand of cash loans and TRY 221,053 thousand of non-cash loans to various groups (31 December 2005: TRY 99,590 thousand, TRY 212,764 thousand). These loans constitute 29% of the total cash loans book and 40% of the non-cash loans book.

Lease receivables are classified under loans. Finance lease receivables are as follows:

Years	30 June 2006 TRY'000	31 December 2005 TRY'00
Less than 1 year	7,197	5,540
1-4 years	7,819	7,747
More than 4 years	-	105
Gross lease receivables	15,016	13,392
Less: Unearned interest income	(2,036)	(1,928)
	12,980	11,464

Foreign currency analysis of finance lease receivables are as follows:

Foreign Currency	30 June 2006 Amount	Equivalent in TRY'000	31 December 2005 Amount	Equivalent in TRY'000
US Dollars	2,033,814	3,260	2,420,629	3,248
Euro	4,310,027	8,661	4,769,134	7,571
TRY	1,059,000	1,059	645,000	645
Total		12,980		11,464

10. INVESTMENT SECURITIES (NET)

	30 June 2006 TRY'000	31 December 2005 TRY'000
Investments available for sale	15,073	79
	15,073	79

	30 June 2006 TRY'000	31 December 2005 TRY'000
Investments available for sale:		
Equity shares	79	79
Eurobonds of Turkish Republic	14,994	-
Less: Impairment losses	-	-
Total Investment Securities	15,073	79

Estimated fair values for Government bonds and Treasury bills that are traded on a stock exchange were calculated based on the prices quoted on the İstanbul Stock Exchange.

The Group has sold TRY 4,024 thousand of the government bonds from the held to maturity portfolio as of 27.12.2005 which causes the Bank not to invest in such securities in the following 2 years according to IAS 39. The remaining securities in the held to maturity portfolio has been classified to the trading portfolio by the Bank after the sale occurred.

The Group's available for sale equity investments are as follows:

Investee	Ownership %	2006 Acquisition Cost TRY'000	2005 Acquisition Cost TRY'000
İMKB Takas ve Saklama Bankası A.Ş.	0.025	79	79
		79	79

11. PREMISES AND EQUIPMENT (NET)

	Buildings TRY'000	Machinery and equipment TRY'000	Furniture and fixtures TRY'000	Vehicles TRY'000	Leasehold improvements TRY'000	Others TRY'000	Total TRY'000
Acquisition cost							
Opening balance, 1 January 2006	5,207	3,192	872	739	5,563	6,792	22,365
Additions	-	156	4	-	-	365	525
Disposals	-	(3)	-	-	-	(102)	(105)
Closing balance, 30 June 2006	5,207	3,345	876	739	5,563	7,055	22,785
Accumulated depreciation							
Opening balance, 1 January 2006	447	2,258	581	589	4,630	5,808	14,313
Additions	52	167	50	37	147	88	541
Disposals	-	(3)	-	-	-	-	(3)
Closing balance, 30 June 2006	499	2,422	631	626	4,777	5,896	14,851
Net book value, 31 December 2005	4,760	934	291	150	933	984	8,052
Net book value, 30 June 2006	4,708	923	245	113	786	1,159	7,934

12. INTANGIBLES (NET)

	Software	Other intangibles	Total
	TRY'000	TRY'000	TRY'000
Acquisition cost			
Opening balance, 1 January 2006	4,251	569	4,820
Additions	66	3	69
Disposals	-	-	-
Closing balance, 30 June 2006	4,317	572	4,889
Accumulated amortization			
Opening balance, 1 January 2006	3,678	538	4,216
Additions	150	15	165
Disposals	-	-	-
Closing balance, 30 June 2006	3,828	553	4,381
Net book value, 31 December 2005	573	31	604
Net book value, 30 June 2006	489	19	508

13. OTHER ASSETS

	30 June 2006	31 December 2005
	TRY'000	TRY'000
Prepaid taxes	919	321
Receivables from brokerage activities	450	1,884
Prepaid expenses	426	439
Advances given	66	5
VAT carried forward	42	59
Other	558	266
	2,461	2,974

14. DEPOSITS

	Time TRY'000	Demand TRY'000	30 June 2006 Total TRY'000	31 December 2005 Total TRY'000
Saving deposits, New Turkish Lira	117,330	2,235	119,565	88,814
Saving deposits, Foreign Currency	86,390	5,594	91,984	78,405
Public, commercial and other enterprises, New Turkish Lira	39,903	8,988	48,891	55,984
Public, commercial and other enterprises, Foreign Currency	65,519	12,142	77,661	45,663
	309,142	28,959	338,101	268,866

The time deposits have maturity periods of less than or equal to one year, predominantly within 1 months. During the period, the Bank applied interest rates to New Turkish Lira time deposits between the range of 10% - 22.5%. Interest rates applied for foreign currency time deposits vary between the range of 1% - 6.6%.

15. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

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

	2006 Carrying Value of Underlying Securities TRY'000	2006 Carrying Value of Corresponding Liability TRY'000	2006 Repurchase Value TRY'000
Financial assets at fair value through profit or loss	59,079	51,048	51,114
	59,079	51,048	51,114

	2005 Carrying Value of Underlying Securities TRY'000	2005 Carrying Value of Corresponding Liability TRY'000	2005 Repurchase Value TRY'000
Financial assets at fair value through profit or loss	62,650	58,743	58,752
	62,650	58,743	58,752

The repurchase agreements have maturity period of two days. The Group has applied interest rates of 13.18 - 17.40%. Included in the carrying value of the obligations under repurchase agreements, the interest accrued amounted to TRY 37 thousand (2005: TRY 49 thousand).

16. BORROWINGS

	30 June 2006 TRY'000	31 December 2005 TRY'000
Borrowings from abroad:		
Foreign banks – Foreign currency short-term	29,622	29,116
Foreign banks – Foreign currency long-term	4,614	6,783
	34,236	35,899
Local bank borrowings:		
Borrowings from local banks – New Turkish Lira	63,629	53,271
Borrowings from local banks – Foreign currency	11,020	6,835
	74,649	60,106
	108,885	96,005

Borrowings from local banks denominated in Turkish Lira have interest rates within the range of 15.59% - 25.75% (2005: 12% - 18%) maturing between July 2006 - December 2006. Foreign currency borrowings from local banks bear varying interest rates within the range of 3.5% - 7.32% (2005: 2.9% - 6.68%) maturing in July 2006 - February 2007. Borrowings from foreign banks bear interest rates within the range of 2.75% - 7.35% (2005: 2.8% - 7.3%) maturing in July 2006 - October 2008.

17. TAXATION

Corporate Tax

The Bank and its subsidiaries are subject to Turkish corporation taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the year. Tax legislation in Turkey does not allow companies file their tax returns on a consolidated basis but on a stand alone basis. Accordingly, the corporation tax in the accompanying financial statements is calculated on the results of each consolidated entity separately.

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

The effective rates of tax are as follows:

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

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

17. TAXATION (cont'd)

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

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

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21 June 2006. However, until the resolution of council of ministers, it will be used as 10%. According to decision of council of ministers published in the Official Gazette on 23 July 2006 the income withholding tax has increased from 10% to 15%. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.

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

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

The corporate tax rate of %20 has been applied as the Company has no future plan to use investment incentive.

17. TAXATION (cont'd)

Inflation Adjusted Tax Calculation

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

Deferred Tax

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

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

a) Balance Sheet: Corporate tax

	30 June 2006 TRY'000	31 December 2005 TRY'000
Corporate taxes and funds	-	4,351
Advance taxes	-	(3,992)
Net	-	359
Deferred tax (asset) / liability (net)	(779)	(905)

b) Income Statement:

	30 June 2006 TRY'000	30 June 2005 TRY'000
Current income tax	-	2,942
Deferred tax charge / (benefit)	126	212
	126	3,154

17. TAXATION (cont'd)

Temporary differences and corresponding deferred taxes are as follows:

	30 June 2006 Timing Differences TRY'000	30 June 2006 Deferred Tax (Asset) / Liability TRY'000
Useful life difference on fixed assets	244	49
Retirement pay provision	(573)	(115)
General loan loss provision	(1,922)	(384)
Others	(1,645)	(329)
	(3,896)	(779)

	31 December 2005 Timing Differences TRY'000	31 December 2005 Deferred Tax (Asset) / Liability TRY'000
Useful life difference on fixed assets	575	173
Retirement pay provision	(528)	(157)
Leasing obligations	(16)	(5)
General loan loss provision	(1,717)	(515)
Others	(1,330)	(401)
	(3,016)	(905)

Movement of deferred tax (asset) / liability:

	30 June 2006 TRY'000	31 December 2005 TRY'000
Opening balance at 1 January	(905)	(1,542)
Monetary gain / (loss)	-	65
Current year charge / (benefit)	(264)	572
Effect of tax rate change	390	-
Closing balance at period end	(779)	(905)

17. TAXATION (cont'd)

Current income tax can be reconciled to the profit per statement of income as follows:

Reconciliation of Taxation	30 June 2006 TRY'000	30 June 2005 TRY'000
Income/(loss) before taxation and minority interest, after monetary gain/(loss)	(4,829)	6,216
Tax at the domestic income tax rate of 20% (2005: 30%)	(966)	1,865
Tax effect of loss making companies	1,843	618
Tax effect of undeductable expenses	18	574
Tax effect of income that is deductible in determining taxable income and other adjustments	(379)	97
Effect of tax rate change	(390)	-
Tax charge / (benefit) per income statement	126	3,154

18. PROVISIONS

	30 June 2006 TRY'000	31 December 2005 TRY'000
PROVISION FOR RETIREMENT PAY		
At 1 January	528	336
Provision for the period (release)	53	208
Indexation effect (net)	-	(16)
At 30 June 2006 (31 December 2005)	581	528
PROVISION FOR NON-CASH EXPOSURES		
At 1 January	1,070	984
Provision for the period (release)	43	129
Indexation effect (net)	-	(43)
At 30 June 2006 (31 December 2005)	1,113	1,070
OTHER PROVISIONS		
At 1 January	250	322
Provision for the period (release)	-	(58)
Indexation effect (net)	-	(14)
At 30 June 2006 (31 December 2005)	250	250
TOTAL PROVISIONS	1,944	1,848

18. PROVISIONS (cont'd)

Retirement Pay Provision:

Lump sum payments are made to all employees who retire from the Group or whose employment is terminated for reasons other than misconduct. The amount payable is 30 days' gross pay for each year of eligible service. The eligible gross pay is subject to a ceiling as at 30 June 2006 of TRY 1,770.62 (31 December 2005: TRY 1,727.15) (in full TRY) per month. The ceiling was raised to TRY 1,815 (in full TRY) per month on 1 July 2006. There is no separate pension fund and there are no plan assets: the payments are made directly by the Group and are unfunded.

A provision is recognized in the balance sheet for the present value of the defined benefit obligation. The provision is calculated based on the amount that would have been payable had all employees been terminated at the balance sheet date, discounted to reflect the time period until the expected retirement date of each employee and reduced by a factor to reflect the fact that some employees will resign from the Group and will therefore forfeit their right to such payments.

The principal assumptions used for the purpose of the calculations are as follows:

	2006	2005
Discount rate	12%	12%
Expected rate of increase in salaries and eligible ceiling	6.175%	6.175%
Factor for expected forfeitures of retirement pay rights (per year)	0%	0%

19. OTHER LIABILITIES

	30 June 2006 TRY'000	31 December 2005 TRY'000
Taxes and Dues Payable	1,462	1,766
Trade Payables and Advances	548	976
Clearing House Account	4,459	3,638
Payables to Government Funds	532	298
Blocked Money	567	3,323
Unearned Income	1,603	1,492
Other	1,051	1,987
	10,222	13,480

20. EQUITY

Share capital

Shareholders	%	2006 Authorised Capital TRY'000	2006 Paid-Up Capital TRY'000	%	2005 Authorised Capital TRY'000	2005 Paid-Up Capital TRY'000
Mehmet Nazif Günal	99.72	34,902	34,902	99.72	34,902	34,902
Hasan Arıca	0.05	17.5	17.5	0.05	17.5	17.5
MNG Holding A.Ş.	0.05	17.5	17.5	0.05	17.5	17.5
Günal İnşaat ve Ticaret A.Ş.	0.05	17.5	17.5	0.05	17.5	17.5
Mapa İnşaat ve Ticaret A.Ş.	0.05	17.5	17.5	0.05	17.5	17.5
Ayşegül Özkaplan	0.04	14	14	0.04	14	14
Ahmet Serdar Özkazanç	0.04	14	14	0.04	14	14
	100.00	35,000	35,000	100.00	35,000	35,000
Components of Capital						
Nominal capital		35,000	35,000		35,000	35,000
Effect of inflation		148,164	148,164		148,164	148,164
		183,164	183,164		183,164	183,164

Minority interest:

In accordance with the revised standards of IFRS, minority interest which used to be separately shown is disclosed as a separate component of equity. As at the balance sheet the minority interest is as follows:

	30 June 2006 TRY'000	31 December 2005 TRY'000
Capital	2,874	2,874
Reserves	224	224
Retained earnings / (accumulated losses)	(1,286)	(1,833)
Current period net income / (loss)	665	547
	2,477	1,812

Legal reserves:

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

21. OTHER OPERATING INCOME

	2006 TRY'000	2005 TRY'000
Dividend income	28	112
Release of loan loss provisions	65	319
Release of other expense accruals	988	61
Other	659	644
	1,740	1,136

22. OTHER OPERATING EXPENSES

	2006 TRY'000	2005 TRY'000
Personnel expenses	7,330	6,269
Taxes and dues paid	448	434
Depreciation and amortization	706	807
Rent expenses	572	482
Administrative expenses and other	4,386	4,979
	13,442	12,971

23. RELATED PARTY TRANSACTIONS AND BALANCES

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

	30 June 2006 TRY'000	31 December 2005 TRY'000
Due from related parties:		
Cash loans	508	76
Leasing receivables	3,822	1,008
Non-cash loans	9,378	8,674
Due to related parties:		
Deposits	9,647	11,139
Transactions with related parties:		
Interest income on leasing	150	305
Interest income on cash loans	2	43
Commission income on non-cash loans	73	144
Interest expense on deposits	377	1,362
Advertising and other expenses	936	1,379

24. COMMITMENTS AND CONTINGENCIES

	30 June 2006 TRY'000	31 December 2005 TRY'000
Letters of guarantee	287,138	291,671
Other commitments	178,770	93,795
Letters of credit	92,723	79,741
	558,631	465,207

25. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2006 Assets TRY'000	30 June 2006 Liabilities TRY'000	31 December 2005 Assets TRY'000	31 December 2005 Liabilities TRY'000
Forward foreign exchange contracts	-	302	4	<1
Currency swaps	127	70	<1	5
	127	372	4	5

The Group is party to a variety of foreign currency forward contracts and swaps in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the balance sheet date, the total notional amount of outstanding derivatives to which the Group is committed are as follows:

	30 June 2006 TRY'000	31 December 2005 TRY'000
Forward foreign exchange contracts - buy	11,404	1,395
Forward foreign exchange contracts - sell	11,876	1,391
Swaps – buy	30,388	2,233
Swaps – sell	30,213	2,223

26. DIVIDENDS

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

27. RISK MANAGEMENT

Through its normal operations, the Group is exposed to a number of risks, the most significant of which are liquidity, credit, operational and market risk. Risk management department exercises its functions according to the Internal Risk Management Policies of the Group, and directly reports to Board of Directors. Responsibility for the management of these risks rests with the Board of Directors, which delegates the operational responsibility to the Group's general management and appropriate sub-committees.

Liquidity risk

Liquidity risk is a substantial risk in Turkish markets, which exhibit significant volatility. The Group is exposed to a certain degree of mismatch between the maturities of its assets and liabilities.

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

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

As at 30 June 2006 the estimated maturity analysis for certain assets and liabilities is as follows:

	Up to 3 Months TRY'000	3 to 12 Months TRY'000	Over 1 Year TRY'000	No Maturity TRY'000	Total TRY'000
ASSETS					
Liquid assets	445	-	-	2,528	2,973
Balance with the Central Bank	-	-	-	14,856	14,856
Balances with banks	5,866	-	-	3,176	9,042
Interbank money market placements	-	-	-	-	-
Funds lent under securities resale agreements	144	-	-	-	144
Financial assets at fair value through profit or loss	129,311	-	180	-	129,491
Derivative financial assets	127	-	-	-	127
Reserve deposits at the Central Bank	21,892	-	-	-	21,892
Loans (net)	231,882	151,423	30,395	697	414,397
Investment securities (net)	14,994	-	79	-	15,073
Premises and equipment (net)	-	-	-	7,934	7,934
Intangible assets (net)	-	-	-	508	508
Other assets	450	-	-	2,011	2,461
Deferred tax asset (net)	-	-	-	779	779
Total	405,111	151,423	30,654	32,489	619,677
LIABILITIES					
Deposits	279,105	29,512	525	28,959	338,101
Obligations under repurchase agreements	51,048	-	-	-	51,048
Borrowings	76,880	29,656	2,349	-	108,885
Derivative financial liabilities	372	-	-	-	372
Factoring Obligations (net)	39,634	-	-	-	39,634
Corporate tax	-	-	-	-	-
Provisions	-	-	-	1,944	1,944
Other liabilities	9,115	8	102	997	10,222
Share capital	-	-	-	183,164	183,164
Reserves	-	-	-	5,715	5,715
Retained earnings / (accumulated losses)	-	-	-	(121,885)	(121,885)
Equity attributable to Equity Holders of Parent	-	-	-	66,994	66,994
Minority interest	-	-	-	2,477	2,477
Total	456,154	59,176	2,976	101,371	619,677

27. RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

As at 31 December 2005 the estimated maturity analysis for certain assets and liabilities is as follows:

	Up to 3 Months TRY'000	3 to 12 Month TRY'000	Over 1 Year TRY'000	No Maturity TRY'000	Total TRY'000
ASSETS					
Liquid assets	-	-	-	2,567	2,567
Balance with the Central Bank	382	-	-	5,769	6,151
Balances with banks	11,553	-	-	3,005	14,558
Interbank money market placements	4,200	-	-	-	4,200
Funds lent under securities resale agreements	2,840	-	-	-	2,840
Financial assets at fair value through profit or loss	135,600	-	180	-	135,780
Derivative financial assets	4	-	-	-	4
Reserve deposits at the Central Bank	19,201	-	-	-	19,201
Loans (net)	210,185	105,171	40,357	-	355,713
Investment securities (net)	-	-	79	-	79
Premises and equipment (net)	-	-	-	8,052	8,052
Intangible assets (net)	-	-	-	604	604
Other assets	2,001	-	-	973	2,974
Deferred tax asset (net)	-	-	-	905	905
Total	385,966	105,171	40,616	21,875	553,628
LIABILITIES					
Deposit	197,527	27,959	2,066	41,314	268,866
Obligations under repurchase agreements	58,743	-	-	-	58,743
Borrowings	60,291	30,341	5,373	-	96,005
Derivative financial liabilities	5	-	-	-	5
Factoring obligations (net)	39,896	-	-	-	39,896
Corporate tax	-	-	-	359	359
Provisions	-	-	-	1,848	1,848
Other liabilities	12,443	205	40	792	13,480
Share capital	-	-	-	183,164	183,164
Reserves	-	-	-	5,317	5,317
Retained earnings / (accumulated losses)	-	-	-	(115,867)	(115,867)
Equity attributable to Equity Holders of Parent				72,614	72,614
Minority interest				1,812	1,812
Total	368,905	58,505	7,479	118,739	553,628

27. RISK MANAGEMENT (cont'd)

Credit risk

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

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

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

30 June 2006

	Total Assets TRY'000	%	Total Liabilities TRY'000	%	Other Credit Related Commitments TRY'000	%
Turkey	611,033	99	515,970	94	526,506	94
Other Countries	8,644	1	34,236	6	32,125	6
	619,677		550,206		558,631	

31 December 2005

	Total Assets TRY'000	%	Total Liabilities TRY'000	%	Other Credit Related Commitments TRY'000	%
Turkey	543,066	98	440,597	92	457,406	98
Other Countries	10,562	2	38,605	8	7,801	2
	553,628		479,202		465,207	

Market risk

Market risk is the risk that changes in the level of interest rates, currency exchange rates or the price of financial assets and other financial contracts will have an adverse financial impact. The primary risks within the Group's activities are interest rate and exchange rate risk. Turkish interest rates can be volatile, and a substantial part of the Group's balance sheet is denominated in currencies other than the New Turkish Lira (principally the US dollar and Euro-zone currencies).

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

27. RISK MANAGEMENT (cont'd)

Interest Rate Risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest sensitive assets and liabilities. In Turkey, the interest rates are highly volatile and this may result in significant changes in prices of financial instruments including government bonds and treasury bills. The major sources of funding are customer deposits. Because of the duration gap between funding liabilities and interest earning assets a significant increase in interest rates may cause the Group to incur significant costs. Interest rate sensitivity of the assets, liabilities and off-balance sheet items are managed by the Group. Progressive forecasting is determined with simulation reports, interest rate fluctuations effect are identified with sensitivity reports and scenario analysis.

The below table summarises the Group's exposure to interest rate risks as at 30 June 2006:

	Up to 3 Months TRY'000	3 to 12 Month TRY'000	Over 1 Year TRY'000	No Interest Rate TRY'000	Total TRY'000
ASSETS					
Liquid assets	445	-	-	2,528	2,973
Balance with the Central Bank	-	-	-	14,856	14,856
Balances with banks	5,866	-	-	3,176	9,042
Interbank money market placements	-	-	-	-	-
Funds lent under securities resale agreements	144	-	-	-	144
Financial assets at fair value through profit or loss	32,761	23,397	72,245	1,088	129,491
Derivative financial assets	127	-	-	-	127
Reserve deposits at the Central Bank	21,892	-	-	-	21,892
Loans (net)	342,754	48,767	22,179	697	414,397
Investment securities (net)	14,994	-	-	79	15,073
Premises and equipment (net)	-	-	-	7,934	7,934
Intangible assets (net)	-	-	-	508	508
Other assets	450	-	-	2,011	2,461
Deferred tax asset (net)	-	-	-	779	779
Total	419,433	72,164	94,424	33,656	619,677
LIABILITIES					
Deposits	279,105	29,512	525	28,959	338,101
Obligations under repurchase agreements	51,048	-	-	-	51,048
Borrowings	76,880	29,656	2,349	-	108,885
Derivative financial liabilities	372	-	-	-	372
Factoring obligations (net)	39,634	-	-	-	39,634
Corporate tax	-	-	-	-	-
Provisions	-	-	-	1,944	1,944
Other liabilities	9,115	8	102	997	10,222
Share capital	-	-	-	183,164	183,164
Legal reserves	-	-	-	5,715	5,715
Retained earnings / (accumulated losses)	-	-	-	(121,885)	(121,885)
Equity attributable to Equity Holders of Parent	-	-	-	66,994	66,994
Minority interest	-	-	-	2,477	2,477
Total	456,154	59,176	2,976	101,371	619,677

27. RISK MANAGEMENT (cont'd)

Interest Rate Risk (cont'd)

The below table summarises the Group's exposure to interest rate risks as at 31 December 2005:

	Up to 3 Months TRY'000	3 to 12 Month TRY'000	Over 1 Year TRY'000	No Interest Rate TRY'000	Total TRY'000
ASSETS					
Liquid assets	-	-	-	2,567	2,567
Balance with the Central Bank	382	-	-	5,769	6,151
Balances with banks	11,554	-	-	3,004	14,558
Interbank money market placements	4,200	-	-	-	4,200
Funds lent under securities resale agreements	2,840	-	-	-	2,840
Financial assets at fair value through profit or loss	11,554	46,247	77,799	180	135,780
Derivative financial assets	4	-	-	-	4
Reserve deposits at the Central Bank	19,201	-	-	-	19,201
Loans (net)	300,648	32,151	22,914	-	355,713
Investment securities (net)	-	-	-	79	79
Premises and equipment (net)	-	-	-	8,052	8,052
Intangible assets (net)	-	-	-	604	604
Other assets	2,001	-	-	973	2,974
Deferred tax asset (net)	-	-	-	905	905
Total	352,384	78,398	100,713	22,133	553,628
LIABILITIES					
Deposits	197,527	27,959	2,066	41,314	268,866
Obligations under repurchase agreements	58,743	-	-	-	58,743
Borrowings	71,732	17,839	6,434	-	96,005
Derivative financial liabilities	5	-	-	-	5
Factoring Obligations (net)	39,896	-	-	-	39,896
Corporate tax	-	-	-	359	359
Provisions	-	-	-	1,848	1,848
Other liabilities	12,443	205	40	792	13,480
Share capital	-	-	-	183,164	183,164
Legal reserves	-	-	-	5,317	5,317
Accumulated loss	-	-	-	(115,867)	(115,867)
Equity attributable to Equity Holders of Parent				72,614	72,614
Minority interest				1,812	1,812
Total	380,346	46,003	8,540	118,739	553,628

As at 30 June 2006 and 31 December 2005, summary of average interest rates for different assets and liabilities are as follows:

	30 June 2006			31 December 2005		
	EURO %	USD %	TRY %	EURO %	USD %	TRY %
Assets						
Cash and balances with the Central Bank of Turkey	1.2	2.4	12.9	1.1	2.0	10.3
Due from banks and other financial institutions	-	5.3	-	1.8	4.1	14.4
Financial assets at fair value through profit or loss	-	-	20.3	-	-	14.4
Investments available for sale	-	6.8	-	-	-	-
Loans	5.7	6.5	23.1	5.9	6.0	19.1
Investments held-to-maturity	-	-	-	-	-	21.0
Liabilities						
Interbank Deposits	-	5.5	-	-	-	-
Other Deposits	4.3	5.9	18.7	4.3	4.8	18.8
Borrowings	4.0	6.1	12.1	3.5	5.3	16.2

27. RISK MANAGEMENT (cont'd)

Currency risk

Assets and liabilities denominated in foreign currencies together with purchase and sale commitments give rise to foreign currency exposure. The Group is trying to limit its exposure to foreign exchange risk, short or long position because of uncertainties and volatility of the markets. In the circumstances of foreign exchange risk due to client transactions, the Group takes contrary position not to have foreign exchange risk.

The below tables summarize foreign currency position of the Group as at 30 June 2006:

	TRY'000				
	EURO	USD	Yen	Other Foreign Currencies	Total
Assets					
Liquid assets including Central Bank	1,121	1,517	-	114	2,752
Balances with banks	1,017	6,669	232	899	8,817
Financial assets at fair value through profit or loss	-	-	-	-	-
Reserve deposits at the Central Bank	7,137	14,507	-	-	21,644
Loans (net)	68,072	97,297	-	-	165,369
Investment securities (net)	-	14,994	-	-	14,994
Other assets	226	35	-	-	261
Total Assets	77,573	135,019	232	1,013	213,837
Liabilities					
Bank deposits	88	15,000	-	-	15,088
Foreign currency deposits	46,979	107,319	32	227	154,557
Borrowings	19,573	25,683	-	-	45,256
Other liabilities	30	453	-	-	483
Total Liabilities	66,670	148,455	32	227	215,384
Net Balance Sheet Position	10,903	(13,436)	200	786	(1,547)
Off Balance Sheet Position					
Forwards and swaps to sell agreements	8,010	22,152	-	-	30,162
Forwards and swaps to buy agreements	(22,229)	(11,380)	-	-	(33,609)
Net Off Balance Sheet position	(14,219)	10,772	-	-	(3,447)
Net Position	(3,316)	(2,664)	200	786	(4,994)

27. RISK MANAGEMENT (cont'd)

Currency risk (cont'd)

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

	TRY'000				
	EURO	USD	Yen	Other Foreign Currencies	Total
Assets					
Liquid assets including Central Bank	927	1,270	-	41	2,238
Balances with banks	3,251	7,843	88	763	11,945
Financial assets at fair value through profit or loss	-	-	-	-	-
Reserve deposits at the Central Bank	4,574	14,411	-	-	18,985
Loans (net)	37,004	99,261	-	235	136,500
Investment securities (net)	-	-	-	-	-
Other assets	13	97	-	-	110
Total Assets	45,769	122,882	88	1,039	169,778
Liabilities					
Bank deposits	136	1,354	-	-	1,490
Foreign currency deposits	36,180	86,119	-	279	122,578
Borrowings	10,548	31,951	-	235	42,734
Other liabilities	130	635	2	3	770
Total Liabilities	46,994	120,059	2	517	167,572
Net Balance Sheet Position	(1,225)	2,823	86	522	2,206
Off Balance Sheet Position					
Forwards to sell agreements	3,350	278	-	-	3,628
Forwards to buy agreements	-	(3,336)	-	(278)	(3,614)
Net Off Balance Sheet position	3,350	(3,058)	-	(278)	14
Net Position	2,125	(235)	86	244	2,220

Operational risk

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

27. RISK MANAGEMENT (cont'd)

Fair values of financial instruments

As at 30 June 2006 and 31 December 2005, fair values of financial assets and liabilities are as follows:

	30 June 2006		31 December 2005	
	Carrying Value TRY'000	Fair Value TRY'000	Carrying Value TRY'000	Fair Value TRY'000
Balances with banks	9,042	9,042	14,558	14,558
Interbank money market placements	-	-	4,200	4,200
Financial assets at fair value through profit or loss	129,491	129,491	135,780	135,780
Available for sale securities	15,073	15,073	79	79
Held to maturity investment securities	-	-	-	-
Loans	414,397	414,397	355,713	355,713
Financial assets	568,003	568,003	510,330	510,330
Deposits	338,101	338,101	268,866	268,866
Borrowings	108,885	108,885	96,005	96,005
Financial liabilities	446,986	446,986	364,871	364,871

28. SUBSEQUENT EVENTS

As of 11 July 2006, the Bank borrowed USD 40.000.000 syndicated loan with the due date of 3 July 2007.

Subsequent to the balance sheet date, one of the subsidiaries, MNG Factoring Hizmetleri A.Ş., passed a resolution on 17 August 2006 at the Extraordinary General Meeting to increase the company's capital by TRY 3,500 thousand. TRY 3,384 thousand of the increase is expected to be made through accumulated profit and the remaining through capital injection from shareholders.

Subsequent to the balance sheet date, 91% of the Bank shares have been agreed to be sold to Arab Bank, based in Jordan, with 50% and BankMed, based in Lebanon, with 41%. The parties have applied to the Banking Regulation and Supervision Agency for the authorization of the sale agreement.

29. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorized for issue on 14 September 2006.