MNG BANK ANONİM ŞİRKETİ

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006

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

INDEPENDENT AUDITOR'S REPORT

1. We have audited the accompanying consolidated financial statements of MNG Bank A.Ş. (the "Bank") and its subsidiaries (together the "Group"), which comprise the balance sheet as at 31 December 2006 and the income statement, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

6. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2006 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

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

Member of **DELOITTE TOUCHE TOHMATSU**

Istanbul, 30 March 2007

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MNG BANK A.Ş.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

ASSETS	Note	31 December 2006 TRY'000	31 December 2005 TRY'000
LIQUID ASSETS	5	3,713	2,567
BALANCES WITH THE CENTRAL BANK	6	14,974	6,151
BALANCES WITH BANKS	7	58,366	14,558
INTERBANK MONEY MARKET PLACEMENTS		-	4,200
FUNDS LENT UNDER SECURITIES RESALE AGREEMENTS		-	2,840
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (NET)	8	97,966	135,780
DERIVATIVE FINANCIAL ASSETS	27	51	4
RESERVE DEPOSITS AT THE CENTRAL BANK	6	21,658	19,201
LOANS (NET)	9	300,512	355,713
INVESTMENT SECURITIES (NET)	10	2,336	79
PREMISES AND EQUIPMENT (NET)	11	7,009	8,052
INTANGIBLE ASSETS (NET)	12	286	604
OTHER ASSETS	13	1,885	2,974
DEFERRED TAX ASSET (NET)	18	1,422	905
ASSETS HELD FOR SALE	14	133,481	-
TOTAL ASSETS		643,659	553,628

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

MNG BANK A.Ş.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

LIABILITIES	Note	31 December 2006 TRY'000	31 December 2005 TRY'000
DEPOSITS			
Demand		25,824	41,313
Time		311,602	227,553
	15	337,426	268,866
INTERBANK MONEY MARKET BORROWINGS		5,006	-
OBLIGATIONS UNDER REPURCHASE AGREEMENTS	16	15,040	58,743
BORROWINGS	17	87,672	96,005
DERIVATIVE FINANCIAL LIABILITIES	27	4	5
FACTORING OBLIGATIONS (NET)		-	39,896
CORPORATE TAX	18	-	359
PROVISIONS	19	2,329	1,848
OTHER LIABILITIES	20	5,756	13,480
LIABILITIES RELATED TO ASSETS HELD FOR SALE	14	116,202	-
TOTAL LIABILITIES		569,435	479,202
EQUITY			
Share capital	21		
Nominal capital		35,000	35,000
Inflation adjustment to capital		148,164	148,164
Total paid-in capital		183,164	183,164
Legal reserves	21	5,847	5,317
(Accumulated Losses)		(118,082)	(115,867)
Equity attributable to the equity holders of the parent		70,929	72,614
Minority Interest	21	3,295	1,812
TOTAL EQUITY		74,224	74,426
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		643,659	553,628
COMMITMENTS AND CONTINGENCIES	26	445,904	465,207

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

MNG BANK A.Ş.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 TRY'000	2005 TRY'000
CONTINUING OPERATIONS			
INTEREST INCOME			
Interest on loans		41,385	27,760
Interest on interbank money market placements		311	178
Interest on securities		11,770	20,341
Interest received from banks		1,163	902
Other interest income		1,798	1,026
		56,427	50,207
INTEREST EXPENSES			
Interest on deposits		(36,633)	(23,128)
Interest on borrowings		(3,947)	(3,113)
Other interest expenses		(4,529)	(4,791)
		(45,109)	(31,032)
NET INTEREST INCOME		11,318	19,175
Fee and commission income		7,758	7,133
Fee and commission expenses		(927)	(874)
Net fee income / (expenses)		6,831	6,259
Net foreign currency gains / (losses)		860	1,253
Net securities trading gains / (losses)		(429)	2,857
TOTAL TRADING INCOME / (LOSS)		7,262	10,369
Impairment losses		(2,747)	(404)
NET OPERATING INCOME AFTER IMPAIRMENT LOSSES		15,833	29,140
Other operating income	22	2,870	1,318
Other operating expenses	23	(23,511)	(23,401)
INCOME/(LOSS) BEFORE MONETARY GAIN/(LOSS)		(4,808)	7,057
NET (LOSS) ON MONETARY POSITION		-	(2,380)
INCOME / (LOSS) BEFORE TAXATION		(4,808)	4,677
TAXATION	18	934	(3,107)
NET INCOME / (LOSS) FROM CONTINUING OPERATIONS		(3,874)	1,570
DISCONTINUED OPERATIONS			
NET INCOME / (LOSS) FROM DISCONTINUED OPERATIONS	24	3,653	3,941
NET INCOME / (LOSS)		(221)	5,511
NET INCOME / (LOSS) ATTRIBUTABLE TO:			
Equity holders of the parent		(1,685)	4,964
Minority interest		1,464	547
		(221)	5,511

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

MNG BANK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Share Capital TRY'000	Inflation Adjustment To Capital TRY'000	Legal Reserves TRY'000	Accumulated Losses TRY'000	Equity Attributable to the Equity Holders of the Parent TRY'000	Minority Interest TRY'000	Total TRY'000
Balance as of 1 January 2005	35,000	148,164	5,029	(120,543)	67,650	1,265	68,915
Transfers to reserves	-	-	288	(288)	-	-	-
Income for the period	-	-	-	4,964	4,964	547	5,511
Balance as of 31 December 2005	35,000	148,164	5,317	(115,867)	72,614	1,812	74,426
Balance as of 1 January 2006	35,000	148,164	5,317	(115,867)	72,614	1,812	74,426
Transfers to reserves	-	-	530	(530)	-	-	-
Change in minority	-	-	-	-	-	19	19
Income/(Loss) for the period	-	-	-	(1,685)	(1,685)	1,464	(221)
Balance as of 31 December 2006	35,000	148,164	5,847	(118,082)	70,929	3,295	74,224

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

MNG BANK A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	1 January – 31 December 2006 TRY'000	1 January – 31 December 2005 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) for the period		(1,685)	4,964
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11, 12	1,520	1,557
Increase / (decrease) in impairment losses		1,518	(457)
Increase / (decrease) in retirement pay provisions	19	679	192
Increase / (decrease) in other provisions	19	(21)	225
Accrued income / expense		4,218	10,440
Operating profits before changes in operating assets/liabilities		6,229	16,921
Changes in operating assets and liabilities:			
(Increase) / decrease in marketable securities		30,075	(63,526)
(Increase) in loans		(80,875)	(125,290)
(Increase) / decrease in other assets		6,497	799
(Increase) / decrease in deferred tax asset		(523)	637
Increase in deposits		71,787	69,263
Increase /(decrease) in other liabilities		(45,162)	(5,601)
		(18,201)	(123,718)
Income taxes paid		(4,730)	(3,078)
Net Cash (Used In) Operating Activities		(16,702)	(109,875)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/decrease in reserve deposit at Central Bank		(2,457)	1,737
(Additions) to property and equipment (net)	11	213	(421)
(Additions) to intangible assets (net)	12	66	(225)
Net cash (used in) investing activities		(2,178)	1,091
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in borrowings		74,612	41,877
Net cash provided from financing activities		74,612	41,877
NET INCREASE IN CASH AND CASH EQUIVALENTS		55,732	(66,907)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		23,276	90,183
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		79,008	23,276

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 31 December 2006, the Bank has 10 branches in Turkey.

As detailed in Note 30, 50% of the Bank's shares has been sold to Arap Bank Plc and 41% to BankMed Sal. As of the date of this report, Mehmet Nazif Günal is no longer the main shareholder of the Bank but only retained 9% shares.

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 the periods beginning from 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. The amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 4 “Insurance Contracts”, IAS 21 “The Effects of Changes in Foreign Exchange Rates” and IAS 39 “Financial Instruments: Recognition and Measurement” had no material effect on the Group’s accounting policies. IFRS 6 “Exploration for and Evaluation of Mineral Resources” is not relevant to the Group’s operations.

IFRS and IFRIC Interpretations not yet effective

The Group has not applied the following IFRS and IFRIC Interpretations that have been issued but are not yet effective:

IFRS 7 “Financial Instruments-Disclosures”- This Standard supersedes IAS 30 and disclosure requirements of IAS 32 and is effective for annual periods beginning on or after 1 January 2007.

IFRS 8 “Operating Segments” – This Standard is effective for periods beginning on or after 1 January 2009.

IFRIC 7 “First-time Adoption of IAS 29” – This Interpretation is effective for annual periods beginning on or after 1 March 2006.

IFRIC 8 “Scope of IFRS 2” – This Interpretation is effective for annual periods beginning on or after 1 May 2006.

IFRIC 9 “Financial Instruments; Reassessment of Embedded Derivatives” – This Interpretation is effective for annual periods beginning on or after 1 June 2006

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

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

IFRS and IFRIC Interpretations not yet effective (cont'd)

IFRIC 10 "Interim Financial Reporting and Impairment" – This Interpretation is effective for annual periods beginning on or after 1 November 2006.

IFRIC 11 "Group and Treasury Share Transactions" – This Interpretation is effective for periods beginning on or after 1 March 2007

IFRIC 12 "Service Concession Arrangements" – This Interpretation is effective for periods beginning on or after 1 January 2008.

The Group expects that adoption of the pronouncements listed above will have no material impact on the Group's financial statements in the period of initial application other than presentation of additional disclosures on financial instruments as required by IFRS 7.

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 Statistical Institute (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 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	31 December 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 investment which is 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.	Settlement and Custody Bank	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 31 December 2006 and 31 December 2005 foreign currency assets and liabilities of the Group are mainly in US Dollar and Euro. As at 31 December 2006 and 31 December 2005 exchange rates of US Dollar and Euro are as follows:

	31 December 2006	31 December 2005
1 US Dollar	1.4056	1.3418
1 Euro	1.8523	1.5950

Average rates are as follows:

	1 January – 31 December 2006	1 January – 31 December 2005
1 US Dollar	1.4300	1.3403
1 Euro	1.7993	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

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value. The Group determines the classification of its financial assets at initial recognition.

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 2005 the Group has sold a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

Investments (cont'd)

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.

Investments that do 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 as of 31 October 2006 and 1% for any subsequent increase, 0.1% general provision for non-cash loans as of 31 October 2006 and 0.2% for any subsequent increase.

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.

3.10 Assets Held for Sale and Discontinued Operations

Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. Held for sale assets are not amortized and presented separately in the financial statements. In order to classify an asset as held for sale, only when the sale is highly probable, experienced quite often and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low. Various circumstances and conditions could extend the completion period of the sale more than one year. If such delay happened due to the circumstances and conditions beyond the control of the Group and if there is enough evidence that the sale plan of the related asset (or disposal group of asset) of the Group is still in process, the delay in the sales process does not prevent the classification of the asset (or disposal group of asset) as an asset held for sale.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Assets Held for Sale and Discontinued Operations (cont'd)

A discontinued operation is a division of a group that is either disposed or held for sale. Results of discontinued operations are included separately in the income statement.

As per 10 August 2006 dated Board resolution of the Parent Bank, 52.3% share of MNG Factoring Hizmetleri A.Ş., 76% share of MNG Finansal Kiralama A.Ş., 46.5% share of MNG Menkul Kıymetler A.Ş. were decided to be sold to Mehmet Nazif Günal, subsequent to approvals to be obtained from related authorities in regulations.

MNG Bank A.Ş. and Mehmet Nazif Günal signed off a "Share Purchase Agreement" on 31 August 2006 about the sale of subsidiaries.

The sale of MNG Menkul Kıymetler A.Ş. is approved with 1 November 2006 dated and B.02.1.SPK.0.16-1744 numbered decision of Capital Markets Board of Turkey.

The sales of MNG Finansal Kiralama A.Ş. and MNG Factoring Hizmetleri A.Ş. are authorized by BRSA with 2nd article of 29 December 2006 dated and BRSA.UYI 47.1.02-15229 numbered letter. Sales transactions are realized on 29 January 2007.

Because of this sales transaction, subsidiaries of the Parent Bank are classified as assets held for sale in the accompanying financial statements, in the current period.

3.11 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Leasing (cont'd)

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.

3.12 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.

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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 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.

3.14 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.

3.15 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 25.

3.16 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Taxation (cont'd)

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.

3.17 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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 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.

3.19 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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.20 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.

3.21 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.

3.22 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

	1 January-31 December 2006		1 January-31 December 2005	
	Continuing Operations (Banking) TRY'000	Disposal Group (Brokerage, Factoring, Leasing) TRY'000	Continuing Operations (Banking) TRY'000	Disposal Group (Brokerage, Factoring, Leasing) TRY'000
Interest income	56,427	25,080	50,207	17,271
Interest expenses	(45,109)	(12,757)	(31,032)	(6,869)
Net interest income / (loss)	11,318	12,323	19,175	10,402
Net fee and commission income/(expenses)	6,831	-	6,259	-
Net foreign currency gains/(losses)	860	100	1,253	124
Net securities trading gains/(losses)	(429)	146	2,857	(347)
Net trading income / (loss)	7,262	246	10,369	(223)
Impairment losses	(2,747)	(2,106)	(404)	-
Net operating income/(loss) after impairment	15,833	10,463	29,140	10,179
Other operating income	2,870	723	1,318	1,093
Other operating expenses	(23,511)	(5,799)	(23,401)	(5,068)
Income/(loss) before tax and monetary gain/(loss)	(4,808)	5,387	7,057	6,204
Monetary gain/(loss)	-	-	(2,380)	(447)
Taxation	934	(1,734)	(3,107)	(1,816)
Net income/(loss)	(3,874)	3,653	1,570	3,941

4. SEGMENTAL INFORMATION (cont'd)

BALANCE SHEET	Continuing Operations (Banking) TRY'000	Disposal Group (Brokerage, Factoring, Leasing) TRY'000	Total TRY'000
At 31 December 2006			
Total assets	510,178	133,481	643,659
Liabilities	453,233	116,202	569,435
Shareholders' equity before net income	72,614	-	72,614
Net income	(1,685)	-	(1,685)
Minority interest	3,295	-	3,295
Total shareholders' equity (*)	74,224	-	74,224
Total liabilities and shareholders' equity	527,457	116,202	643,659

*The total shareholders' equity is shown under "Banking" column.

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

	31 December 2006 TRY'000	31 December 2005 TRY'000
Cash balances – New Turkish Lira ("TRY")	538	711
Cash balances – Foreign currencies ("FC")	3,175	1,856
	3,713	2,567

6. BALANCES WITH THE CENTRAL BANK

a) Balances with the Central Bank

	31 December 2006 TRY'000	31 December 2005 TRY'000
Demand deposits – New Turkish Lira ("TRY")	14,503	5,769
Demand deposits – Foreign Currency ("FC")	471	382
	14,974	6,151

b) Reserve Deposits at the Central Bank

	31 December 2006 TRY'000	31 December 2005 TRY'000
Foreign currency reserves	21,658	19,201
	21,658	19,201

Under the regulations of the Central Bank of Turkish Republic ("Central Bank"), banks are required to deposit to the Central Bank a proportion of all deposits taken from customers and other liabilities, other than domestic interbank deposits. Such rates are 6% for Turkish Lira deposits and 11% for foreign currency 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.

7. BALANCES WITH BANKS

	31 December 2006 TRY'000	31 December 2005 TRY'000
Domestic Banks		
Demand deposits – New Turkish Lira	18	108
Demand deposits – Foreign currency	2,453	707
Time deposits – New Turkish Lira	10,015	2,506
Time deposits – Foreign currency	2,812	811
	15,298	4,132
Banks Abroad		
Demand deposits – Foreign currency	4,397	2,190
Time deposits – Foreign currency	38,671	8,236
	43,068	10,426
Total	58,366	14,558

As at 31 December 2006, foreign currency denominated time deposits at foreign banks mature in 3 days and have interest rates within the range of 5.22% to 5.32% and time deposits at domestic banks mature in 3 days and have interest rate at 5.28%. (2005: interest rates for time deposits at foreign banks within the range of 1.80 % to 4.45% and at domestic banks at 13.5%).

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

	31 December 2006 TRY'000	31 December 2005 TRY'000
Government bonds & Treasury bills	98,561	135,600
Equity shares	208	-
Investment funds	187	180
Less: Impairment Losses	(990)	-
	97,966	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 16,542 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 31 December 2006 are as follows:

	31 December 2006 Nominal Value TRY'000	31 December 2006 Carrying Value TRY'000	31 December 2005 Nominal Value TRY'000	31 December 2005 Carrying Value TRY'000
Government bonds	40,640	34,494	14,650	11,903
	40,640	34,494	14,650	11,903

9. LOANS (NET)

	31 December 2006 TRY'000	31 December 2005 TRY'000
Short term loans	282,489	313,875
Medium and long term loans	18,988	41,642
Overdue loans	6,246	5,889
	307,723	361,406
Less: Specific provision for loan losses	(5,528)	(4,426)
Less: Portfolio provision for loan losses	(1,683)	(1,267)
	(7,211)	(5,693)
	300,512	355,713

Movements in provisions for loan losses are as follows:

	31 December 2006 TRY'000	31 December 2005 TRY'000
As at 1 January	5,693	5,939
Charge for the period	1,681	702
Provision released	(163)	(691)
Monetary effect	-	(257)
As at 31 December	7,211	5,693

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

Currency	31 December 2006 TRY'000	31 December 2005 TRY'000
New Turkish Lira	152,956	219,017
Foreign currency (TRY equivalent)	148,521	136,500
	301,477	355,517

Sectoral analysis of loans is as follows:

Sector	31 December 2006 %	31 December 2005 %
Trade	4	3
Construction	9	9
Financial sector	14	12
Manufacturing	18	36
Transportation and tourism	27	12
Consumer loans	2	2
Other	26	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 4.3% and 11.6% for foreign currency loans per annum during the period.

TRY 273 thousand of the cash loans are extended to MNG Group companies (31 December 2005: TRY 76 thousand). MNG Group companies have TRY 7,704 thousand non-cash loan risk (31 December 2005: TRY 8,674 thousand).

The Bank extended TRY 126,766 thousand cash loans and TRY 162,330 thousand non-cash loans to various third party groups (31 December 2005: TRY 99,590 thousand, TRY 212,764 thousand). These loans constitute 42% of the total cash loans book and 39% of the non-cash loans book.

Lease receivables are classified under assets held for sale as of 31 December 2006 since such receivables are from subsidiaries disposed subsequent to the balance sheet date (Lease receivables are classified under loans as of 31 December 2005).

Finance lease receivables are as follows:

Years	31 December 2006 TRY'000	31 December 2005 TRY'00
Less than 1 year	7,002	5,540
1-4 years	7,324	7,747
More than 4 years	-	105
Gross lease receivables	14,326	13,392
Less: Unearned interest income	(1,928)	(1,928)
	12,398	11,464

Foreign currency analysis of finance lease receivables as follows:

Foreign Currency	31 December 2006 Amount	Equivalent in TRY'000	31 December 2005 Amount	Equivalent in TRY'000
US Dollars	2,144,792	3,015	2,420,629	3,248
Euro	4,238,750	7,851	4,769,134	7,571
TRY	1,532,054	1,532	645,000	645
Total		12,398		11,464

10. INVESTMENT SECURITIES (NET)

	31 December 2006 TRY'000	31 December 2005 TRY'000
Investments available for sale	2,336	79
	2,336	79

	31 December 2006 TRY'000	31 December 2005 TRY'000
Investments available for sale:		
Equity shares	79	79
Eurobonds of Turkish Republic	2,257	-
Less: Impairment losses	-	-
Total Investment Securities	2,336	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 government bonds from the held to maturity portfolio as of 27 December 2005 which causes the Bank not to classify any assets as held to maturity in the following 2 years according to IAS 39. The remaining securities in the held to maturity portfolio has been reclassified 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	-	255	7	-	-	65	327
Disposals	-	-	-	-	-	(114)	(114)
Reclassification to assets held for sale	-	(1,509)	(260)	(259)	(1,299)	(422)	(3,749)
Closing balance, 31 December 2006	5,207	1,938	619	480	4,264	6,321	18,829
Accumulated depreciation							
Opening balance, 1 January 2006	447	2,258	581	589	4,630	5,808	14,313
Additions	105	419	101	70	292	204	1,191
Disposals	-	-	-	-	-	-	-
Reclassification to assets held for sale	-	(1,523)	(253)	(207)	(1,279)	(422)	(3,684)
Closing balance, 31 December 2006	552	1,154	429	452	3,643	5,590	11,820
Net book value, 31 December 2005	4,760	934	291	150	933	984	8,052
Net book value, 31 December 2006	4,655	784	190	28	621	731	7,009

12. INTANGIBLE ASSETS (NET)

	Software	Other intangibles	Total
	TRY'000	TRY'000	TRY'000
Acquisition cost			
Opening balance, 1 January 2006	4,251	569	4,820
Additions	63	3	66
Disposals	-	-	-
Reclassification to assets held for sale	(331)	(572)	(903)
Closing balance, 31 December 2006	3,983	-	3,983
Accumulated amortization			
Opening balance, 1 January 2006	3,678	538	4,216
Additions	299	30	329
Disposals	-	-	-
Reclassification to assets held for sale	(280)	(568)	(848)
Closing balance, 31 December 2006	3,697	-	3,697
Net book value, 31 December 2005	573	31	604
Net book value, 31 December 2006	286	-	286

13. OTHER ASSETS

	31 December 2006	31 December 2005
	TRY'000	TRY'000
Prepaid taxes	390	321
Receivables from brokerage activities	-	1,884
Prepaid expenses	1,286	439
Advances given	-	5
VAT carried forward	-	59
Other	209	266
	1,885	2,974

14. ASSETS HELD FOR SALE

As per 10 August 2006 dated Board resolution of the Bank, 52,3% share of MNG Factoring Hizmetleri A.Ş., 76% share of MNG Finansal Kiralama A.Ş., 46,5% share of MNG Menkul Kıymetler A.Ş. were decided to be sold to Mehmet Nazif Günal, subsequent to approvals to be obtained from related authorities in regulations.

MNG Bank A.Ş. and Mehmet Nazif Günal signed off a "Share Purchase Agreement" on 31 August 2006 about the sale of subsidiaries .

The sale of MNG Menkul Kıymetler A.Ş. is approved with 1 November 2006 dated and B.02.1.SPK.0.16-1744 numbered decision of Capital Markets Board of Turkey.

The sales of MNG Finansal Kiralama A.Ş. and MNG Factoring Hizmetleri A.Ş. are authorized by BRSA with 2nd article of 29 December 2006 dated and BRSA.UYI 47.1.02-15229 numbered letter. Sales transactions were realized on 29 January 2007.

In the current period, the total assets and total liabilities of the subsidiaries of the Parent Bank after the consolidation eliminations are classified and presented in the assets held for sale account as detailed below:

Assets held for sale:

	31 December 2006 TRY'000
Liquid assets	4
Balances with banks	1,364
Interbank money market placements	1,379
Factoring receivables	118,175
Lease receivables	12,398
Other assets	2,267
Provision on assets held for sale	(2,106)
Total	133,481

Liabilities related to assets held for sale:

	31 December 2006 TRY'000
Borrowings	79,572
Factoring obligations	32,523
Provisions	460
Tax liabilities	419
Other liabilities	3,228
Total	116,202

15. DEPOSITS

	Demand TRY'000	Time TRY'000	31 December 2006 Total TRY'000	31 December 2005 Total TRY'000
Saving deposits, TRY	1,427	158,711	160,138	88,814
Saving deposits, FC	3,962	74,991	78,953	78,405
Public, commercial and other enterprises, TRY	9,225	27,912	37,137	55,984
Public, commercial and other enterprises, FC	11,210	49,988	61,198	45,663
	25,824	311,602	337,426	268,866

The time deposits have maturity periods of less than or equal to one year, predominantly within 1 month. During the period, the Bank applied interest rates to New Turkish Lira time deposits between the range of 11% - 21.75%. Interest rates applied for foreign currency time deposits vary between the range of 1% - 6.3%.

16. 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	16,542	15,040	15,061
	16,542	15,040	15,061

	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 three days. The Group has applied interest rates of 17.49 - 18.40%. Included in the carrying value of the obligations under repurchase agreements, the interest accrued amounted to TRY 24 thousand (2005: TRY 49 thousand).

17. BORROWINGS

	31 December 2006 TRY'000	31 December 2005 TRY'000
Borrowings from abroad:		
Foreign banks – FC - short-term	77,545	29,106
Foreign banks – FC - long-term	1,266	6,784
	78,811	35,890
Local bank borrowings:		
Borrowings from local banks – TRY –short term	4,197	53,271
Borrowings from local banks – FC – short term	4,664	6,844
	8,861	60,115
	87,672	96,005

Borrowings from local banks denominated in Turkish Lira have interest rates within the range of 12% - 17.73% (2005: 12% - 18%) maturing between January 2007 - June 2007. Foreign currency borrowings from local banks bear varying interest rates within the range of 3.85% - 6.28% (2005: 2.9% - 6.68%) maturing in January 2007 - July 2007. Borrowings from foreign banks bear interest rates within the range of 3.56% - 6.53% (2005: 2.8% - 7.3%) maturing in January 2007 - October 2008.

18. 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.

18. 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 Group has no future plan to use investment incentive.

18. TAXATION (cont'd)

Inflation Adjusted Tax Calculation

For 2003 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 2003 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

	31 December 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)	(1,422)	(905)

b) Income Statement:

	31 December 2006 TRY'000	31 December 2005 TRY'000
Current income tax from continuing operations	-	(2,818)
Deferred tax benefit/(charge) from continuing operations	934	(289)
	934	(3,107)
Current income tax from discontinued operations	(1,723)	(1,533)
Deferred tax benefit/(charge) from discontinued operations	(11)	(283)
	(1,734)	(1,816)

18. TAXATION (cont'd)

Temporary differences and corresponding deferred taxes are as follows:

	31 December 2006 Timing Differences TRY'000	31 December 2006 Deferred Tax (Asset) / Liability TRY'000
Useful life difference on fixed assets	274	55
Retirement pay provision	(1,030)	(206)
General loan loss provisions	(2,103)	(421)
Carry forward tax losses	(4,186)	(838)
Others	(66)	(12)
	(7,111)	(1,422)

	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 provisions	(1,717)	(515)
Others	(1,330)	(401)
	(3,016)	(905)

Movement of deferred tax (asset) / liability:

	31 December 2006 TRY'000	31 December 2005 TRY'000
Opening balance at 1 January	(488)	(1,542)
Monetary gain / (loss)	-	65
Current year charge / (benefit)	(1,645)	572
Effect of tax rate change	711	-
Subtotal	(1,422)	(905)
Reclassification to assets held for sale	-	417
Closing balance at period end	(1,422)	(488)

18. TAXATION (cont'd)

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

Reconciliation of Taxation	31 December 2006 TRY'000	31 December 2005 TRY'000
Income/(loss) before taxation and minority interest, after monetary gain/(loss)	(4,808)	7,057
Tax at the domestic income tax rate of 20% (2005: 30%)	962	(2,117)
Tax effect of restatement of non monetary items	-	(1,223)
Tax effect of undeductable expenses	(57)	(332)
Tax effect of income that is deductible in determining taxable income and other adjustments	740	565
Effect of tax rate change	(711)	-
Tax benefit / (charge) per income statement	934	(3,107)

19. PROVISIONS

	31 December 2006 TRY'000	31 December 2005 TRY'000
PROVISION FOR RETIREMENT PAY		
At 1 January	528	336
Provision for the period (release)	679	208
Indexation effect (net)	-	(16)
Reclassification to payables related to assets held for sale	(177)	-
At 31 December	1,030	528
PROVISION FOR NON-CASH EXPOSURES		
At 1 January	1,070	984
Provision for the period (release)	(651)	129
Indexation effect (net)	-	(43)
At 31 December	419	1,070
OTHER PROVISIONS		
At 1 January	250	322
Provision for the period (release)	630	(58)
Indexation effect (net)	-	(14)
At 31 December	880	250
TOTAL PROVISIONS	2,329	1,848

19. 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 31 December 2006 of TRY 1,857.44 (31 December 2005: TRY 1,727.15) (in full TRY) per month. As the maximum liability is revised semi annually, the maximum amount of TRY 1,960.69 effective from 1 January 2007 has been taken into consideration in the calculation of retirement pay provision. 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	11%	12%
Expected rate of increase in salaries and eligible ceiling	5%	6.175%
Factor for expected forfeitures of retirement pay rights (per year)	0%	0%

20. OTHER LIABILITIES

	31 December 2006 TRY'000	31 December 2005 TRY'000
Taxes and Dues Payable	1,519	1,766
Trade Payables and Advances	971	976
Clearing House Account	705	3,638
Payables to Government Funds	130	298
Blocked Money	1,649	3,323
Unearned Income	504	1,492
Other	278	1,987
	5,756	13,480

21. 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 shown separately is disclosed as a separate component of equity. As at the balance sheet date the minority interest is as follows:

	31 December 2006 TRY'000	31 December 2005 TRY'000
Capital	3,448	2,874
Reserves	521	224
Retained earnings / (accumulated losses)	(2,138)	(1,833)
Current period net income / (loss)	1,464	547
	3,295	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.

22. OTHER OPERATING INCOME

	2006 TRY'000	2005 TRY'000
Dividend income	30	12
Release of loan loss provisions	157	691
Release of other expense accruals	2,153	58
Other	530	557
	2,870	1,318

23. OTHER OPERATING EXPENSES

	2006 TRY'000	2005 TRY'000
Personnel expenses	12,646	12,172
Taxes and dues paid	509	448
Depreciation and amortization	1,520	1,184
Rent expenses	1,119	965
Administrative expenses and other	7,717	8,632
	23,511	23,401

24. NET INCOME / (LOSS) FROM DISCONTINUED OPERATIONS

As detailed in note 14, the combined results of the discontinued operations included in the income statement are set out below. The comparative profit from discontinued operations, has been re-presented to include those operations classified as discontinued in the current period.

	2006 TRY'000	2005 TRY'000
Interest income	25,080	17,271
Interest expenses	(12,757)	(6,869)
Net interest income / (loss)	12,323	10,402
Net foreign currency gains/(losses)	100	124
Net securities trading gains/(losses)	146	(347)
Net trading income / (loss)	246	(223)
Impairment losses	(2,106)	-
Net operating income/(loss) after impairment	10,463	10,179
Other operating income	723	1,093
Other operating expenses	(5,799)	(5,068)
Income/(loss) before tax	5,387	6,204
Monetary gain/(loss)	-	(447)
Taxation	(1,734)	(1,816)
Net income/(loss) from discontinued operations	3,653	3,941

24. NET INCOME / (LOSS) FROM DISCONTINUED OPERATIONS (cont'd)

The combined cash flow results of the discontinued operations included in the statement of cash flow are set out below:

	2006 TRY'000
Net cash flows from operating activities	(28,305)
Net cash flow from investing activities	(3)
Net cash flows from financing activities	29,345
	1,037

25. RELATED PARTY TRANSACTIONS AND BALANCES

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

	31 December 2006 TRY'000	31 December 2005 TRY'000
Due from related parties:		
Cash loans	273	76
Non-cash loans	7,704	8,674
Leasing receivables	2,958	1,008
Factoring receivables	591	-
Due to related parties:		
Deposits	8,412	11,139
Other payables	384	-
Transactions with related parties:		
Interest income on leasing	280	305
Interest income on cash loans	-	43
Commission income on non-cash loans	167	144
Interest expense on deposits	744	1,362
Advertising and other expenses	1,951	1,379

26. COMMITMENTS AND CONTINGENCIES

	31 December 2006 TRY'000	31 December 2005 TRY'000
Letters of guarantee	288,480	291,671
Other commitments	94,528	93,795
Letters of credit	62,896	79,741
	445,904	465,207

27. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2006 Assets TRY'000	31 December 2006 Liabilities TRY'000	31 December 2005 Assets TRY'000	31 December 2005 Liabilities TRY'000
Forward foreign exchange contracts	10	4	4	<1
Currency swaps	41	-	<1	5
	51	4	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:

	31 December 2006 TRY'000	31 December 2005 TRY'000
Forward foreign exchange contracts – buy	2,374	1,395
Forward foreign exchange contracts – sell	2,326	1,391
Swaps – buy	9,303	2,233
Swaps – sell	9,262	2,223

28. DIVIDENDS

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

29. 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 31 December 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	-	-	-	3,713	3,713
Balance with the Central Bank	-	-	-	14,974	14,974
Balances with banks	51,498	-	-	6,868	58,366
Interbank money market placements	-	-	-	-	-
Funds lent under securities resale agreements	-	-	-	-	-
Financial assets at fair value through profit or loss	97,779	-	187	-	97,966
Derivative financial assets	51	-	-	-	51
Reserve deposits at the Central Bank	21,658	-	-	-	21,658
Loans (net)	147,051	134,473	18,988	-	300,512
Investment securities (net)	2,257	-	79	-	2,336
Premises and equipment (net)	-	-	-	7,009	7,009
Intangible assets (net)	-	-	-	286	286
Other assets	-	-	-	1,885	1,885
Deferred tax asset (net)	-	-	-	1,422	1,422
Assets held for sale	133,481	-	-	-	133,481
Total	453,775	134,473	19,254	36,157	643,659
LIABILITIES					
Deposits	296,194	15,408	-	25,824	337,426
Interbank money market borrowings	5,006	-	-	-	5,006
Obligations under repurchase agreements	15,040	-	-	-	15,040
Borrowings	7,258	79,137	1,277	-	87,672
Derivative financial liabilities	4	-	-	-	4
Factoring Obligations (net)	-	-	-	-	-
Corporate tax	-	-	-	-	-
Provisions	-	-	-	2,329	2,329
Other liabilities	5,756	-	-	-	5,756
Liabilities related to assets held for sale	116,202	-	-	-	116,202
Share capital	-	-	-	183,164	183,164
Reserves	-	-	-	5,847	5,847
Retained earnings / (accumulated losses)	-	-	-	(118,082)	(118,082)
Equity attributable to Equity Holders of Parent	-	-	-	70,929	70,929
Minority interest	-	-	-	3,295	3,295
Total	445,460	94,545	1,277	102,377	643,659

29. 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

29. 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:

31 December 2006

	Total Assets TRY'000	%	Total Liabilities TRY'000	%	Other Credit Related Commitments TRY'000	%
Turkey	599,289	93	483,136	85	439,938	99
Other Countries	44,370	7	86,299	15	5,966	1
	643,659		569,435		445,904	

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.

29. 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 summarizes the Group's exposure to interest rate risks as at 31 December 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	-	-	-	3,713	3,713
Balance with the Central Bank	-	-	-	14,974	14,974
Balances with banks	51,498	-	-	6,868	58,366
Interbank money market placements	-	-	-	-	-
Funds lent under securities resale agreements	-	-	-	-	-
Financial assets at fair value through profit or loss	12,547	32,647	52,424	348	97,966
Derivative financial assets	51	-	-	-	51
Reserve deposits at the Central Bank	21,658	-	-	-	21,658
Loans (net)	244,657	37,670	18,185	-	300,512
Investment securities (net)	10	26	2,221	79	2,336
Premises and equipment (net)	-	-	-	7,009	7,009
Intangible assets (net)	-	-	-	286	286
Other assets	-	-	-	1,885	1,885
Deferred tax asset (net)	-	-	-	1,422	1,422
Assets held for sale	133,481	-	-	-	133,481
Total	463,902	70,343	72,830	36,584	643,659
LIABILITIES					
Deposits	296,194	15,408	-	25,824	337,426
Interbank money market borrowings	5,006	-	-	-	5,006
Obligations under repurchase agreements	15,040	-	-	-	15,040
Borrowings	7,258	79,137	1,277	-	87,672
Derivative financial liabilities	4	-	-	-	4
Factoring obligations (net)	-	-	-	-	-
Corporate tax	-	-	-	-	-
Provisions	-	-	-	2,329	2,329
Other liabilities	5,756	-	-	-	5,756
Liabilities related to assets held for sale	116,202	-	-	-	116,202
Share capital	-	-	-	183,164	183,164
Legal reserves	-	-	-	5,847	5,847
Retained earnings / (accumulated losses)	-	-	-	(118,082)	(118,082)
Equity attributable to Equity Holders of Parent	-	-	-	70,929	70,929
Minority interest	-	-	-	3,295	3,295
Total	445,460	94,545	1,277	102,377	643,659

29. RISK MANAGEMENT (cont'd)

Interest Rate Risk (cont'd)

The below table summarizes 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 31 December 2006 and 31 December 2005, summary of average interest rates for different assets and liabilities are as follows:

	31 December 2006			31 December 2005		
	EURO %	USD %	TRY %	EURO %	USD %	TRY %
Assets						
Cash and balances with the Central Bank of Turkey	1.7	2.5	13.1	1.1	2.0	10.3
Due from banks and other financial institutions	-	5.4	-	1.8	4.1	14.4
Financial assets at fair value through profit or loss	-	-	20.7	-	-	14.4
Investments available for sale	-	6.8	-	-	-	-
Loans	7.4	7.9	22.7	5.9	6.0	19.1
Investments held-to-maturity	-	-	-	-	-	21.0
Liabilities						
Interbank Deposits	-	-	-	-	-	-
Other Deposits	3.9	5.7	22.5	4.3	4.8	18.8
Borrowings	2.6	6.2	16.3	3.5	5.3	16.2

29. 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 31 December 2006:

	TRY'000				
	EURO	USD	Yen	Other Foreign Currencies	Total
Assets					
Liquid assets including Central Bank	1,113	2,432	-	101	3,646
Balances with banks	2,448	44,778	157	950	48,333
Financial assets at fair value through profit or loss	41	-	-	-	41
Reserve deposits at the Central Bank	4,646	17,012	-	-	21,658
Loans (net)	53,454	95,067	-	-	148,521
Investment securities (net)	-	2,257	-	-	2,257
Other assets	8,626	3,109	-	-	11,735
Total Assets	70,328	164,655	157	1,051	236,191
Liabilities					
Bank deposits	1,234	633	-	-	1,867
Foreign currency deposits	44,722	93,526	6	29	138,283
Borrowings	5,707	77,768	-	-	83,475
Other liabilities	9,047	3,480	-	3	12,530
Total Liabilities	60,710	175,407	6	32	236,155
Net Balance Sheet Position	9,618	(10,752)	151	1,019	36
Off Balance Sheet Position					
Forwards and swaps to buy agreements	-	10,780	-	-	10,780
Forwards and swaps to sell agreements	(10,743)	(845)	-	-	(11,588)
Net Off Balance Sheet position	(10,743)	9,935	-	-	(808)
Net Position	(1,125)	(817)	151	1,019	(772)

29. 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 buy agreements	3,350	278	-	-	3,628
Forwards to sell 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.

29. RISK MANAGEMENT (cont'd)

Fair values of financial instruments

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

	31 December 2006		31 December 2005	
	Carrying Value TRY'000	Fair Value TRY'000	Carrying Value TRY'000	Fair Value TRY'000
Balances with banks	58,366	58,366	14,558	14,558
Interbank money market placements	-	-	4,200	4,200
Financial assets at fair value through profit or loss	97,966	97,966	135,780	135,780
Available for sale securities	2,336	2,336	79	79
Held to maturity investment securities	-	-	-	-
Loans	300,512	300,512	355,713	355,713
Financial assets	459,180	459,180	510,330	510,330
Deposits	337,426	337,426	268,866	268,866
Borrowings	87,672	87,672	96,005	96,005
Financial liabilities	425,098	425,098	364,871	364,871

30. SUBSEQUENT EVENTS

In accordance with the BRSA resolution dated 28 December 2006 with 2075 number, BRSA authorized the transfer of 50 % of the Bank's shares to Arap Bank Plc, 41% of the Bank's shares to BankMed Sal as per the Article 18 of the Banking Act No: 5411. However, the transfer of shares was realized on 29 January 2007. As a result of the transfer of the shares occurred in 2007, the share of Mehmet Nazif Günal in the Bank decreased from 99.72% to 9%.

As per 10 August 2006 dated Board resolution of the Parent Bank, 52,3% share of MNG Factoring Hizmetleri A.Ş., 76% share of MNG Finansal Kiralama A.Ş., 46,5% share of MNG Menkul Kıymetler A.Ş. were decided to be sold to Mehmet Nazif Günal, subsequent to approvals to be obtained from related authorities in regulations.

MNG Bank A.Ş. and Mehmet Nazif Günal signed off a "Share Purchase Agreement" on 31 August 2006 about the sale of subsidiaries.

The sale of MNG Menkul Kıymetler A.Ş. is approved with 1 November 2006 dated and B.02.1.SPK.0.16-1744 numbered decision of Capital Markets Board of Turkey.

The sales of MNG Finansal Kiralama A.Ş. and MNG Factoring Hizmetleri A.Ş. are authorized by BRSA with 2nd article of 29 December 2006 dated and BRSA.UYI 47.1.02-15229 numbered letter. Sales transactions were realized on 29 January 2007.

Because of this sales transaction, subsidiaries of the Parent Bank are classified as assets held for sale in the accompanying financial statement, in the current period.

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements based to the accompanying financial statements were approved by the Board of Directors on 28 January 2007.