TURKLANDBANK
ANONİM ŞİRKETİ
(FORMERLY KNOWN AS
MNG BANK A.Ş.)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007

To the Board of Directors and Shareholders of
Turklandbank A.Ş.
İstanbul, Turkey

INDEPENDENT AUDITOR'S REPORT

1. We have audited the accompanying financial statements of Turklandbank A.Ş. (formerly "MNG Bank A.Ş.") (the "Bank") which comprise the balance sheet as at December 31, 2007 and the income statement, statement of changes in equity and cash flow 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. 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. 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.

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

Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2007 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**

İstanbul, March 21, 2008

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TURKLANDBANK ANONİM ŞİRKETİ
BALANCE SHEET AS OF DECEMBER 31, 2007

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

	Notes	December 31, 2007	December 31, 2006
ASSETS			
Cash and cash equivalents	4	25,488	62,079
Balances with Central Bank	5	39,314	36,632
Financial assets at fair value through profit and loss	6	127,137	97,966
Derivative financial instruments	15	-	51
Loans and advances to customers	7	416,388	300,512
Investment securities:	6	79	2,336
- Available-for-sale		79	2,336
- Held-to-maturity		-	-
Premises and equipment	8	6,169	7,009
Intangible assets	9	820	286
Deferred tax asset	14	1,596	1,422
Other assets	10	17,574	1,885
Non-current assets held for sale	3	-	133,481
Total assets		**634,565**	**643,659**
LIABILITIES AND EQUITY			
LIABILITIES			
Customers' deposits	11	330,025	335,553
Deposits from banks	11	1,446	1,873
Obligations under repurchase agreements	6	22,032	15,040
Interbank money market borrowings		-	5,006
Derivative financial instruments	15	399	4
Funds borrowed	12	146,005	87,672
Other liabilities and provisions	13	28,174	8,085
Income taxes payable	14	-	-
Liabilities related to assets held for sale	3	-	116,202
Total liabilities		**528,081**	**569,435**
EQUITY			
Equity attributable to equity holders of the parent			
Share capital issued	16	218,164	183,164
Legal reserves	17	5,207	5,847
Accumulated losses	17	(116,887)	(118,082)
Minority interest		-	3,295
Total equity		**106,484**	**74,224**
Total liabilities and equity		**634,565**	**643,659**

The accompanying policies and explanatory notes are an integral part of these financial statements.

TURKLANDBANK ANONİM ŞİRKETİ
INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007

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

	Notes	December 31, 2007	December 31, 2006
Interest income	19	77,143	56,427
Interest expenses	20	(50,972)	(45,109)
Net interest income		**26,171**	**11,318**
Fees and commissions and other operating income			
Fees and commissions income		5,968	7,758
Fees and commissions expenses		(515)	(927)
Net fees and commissions income		**5,453**	**6,831**
Trading income		424	(429)
Provisions for impairment of loan receivables		(5,177)	(2,747)
Foreign exchange gain / (loss)		2,459	860
Other income	21	3,747	2,870
Operating expenses	22	(32,701)	(23,511)
Operating profit		**376**	**(4,808)**
Income from associates		5	-
Gain/ (loss) on sale of investments	3	69	-
Profit before income Tax		**450**	**(4,808)**
Income tax – current	14	-	-
Income tax – deferred	14	174	934
Net profit/ (loss) from continuing operations		**624**	**(3,874)**
Discontinued operations:			
Net income / (loss) from discontinued operations	23	(69)	3,653
Net profit/ (loss) of the year		**555**	**(221)**
Attributable to :			
Equity holders of the parent		555	(1,685)
Minority interest		-	1,464

The accompanying policies and explanatory notes are an integral part of these financial statements.

TURKLANDBANK ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2007

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

	Share capital	Adjustment to share capital	Legal Reserves	Retained earnings	Total	Minority interest	Total equity
At January 1, 2006	**35,000**	**148,164**	**5,317**	**(115,867)**	**72,614**	**1,812**	**74,426**
Transfer to reserves	-	-	530	(530)	-	-	-
Net profit for the year	-	-	-	(1,685)	(1,685)	1,464	(221)
Changes in minority	-	-	-	-	-	19	19
At December 31, 2006/ January 1, 2007	**35,000**	**148,164**	**5,847**	**(118,082)**	**70,929**	**3,295**	**74,224**
Disposal of subsidiaries	-	-	(640)	640	-	(3,295)	(3,295)
Net profit for the year	-	-	-	555	555	-	555
Capital increase	35,000	-	-	-	35,000	-	35,000
At December 31, 2007	**70,000**	**148,164**	**5,207**	**(116,887)**	**106,484**	**-**	**106,484**

The accompanying policies and explanatory notes are an integral part of these financial statements.

TURKLANDBANK ANONİM ŞİRKETİ
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

	Notes	2007	2006
Cash flow from operating activities			
Net profit/loss for the year		555	(1,685)
Adjustments for:			
Depreciation and amortization	8-9	1,469	1,520
Provision for losses on loans and advances		5,177	1,518
Provision for employment termination benefits		161	679
Other provision expenses		322	(21)
(Gains) /losses on sale of subsidiaries	3	(69)	-
Accrued interest, net		(5,583)	4,218
(Gains) /losses on sale of premises & equipment		174	(351)
Operating profits before changes in operating assets/liabilities		**2,206**	**5,878**
Changes in operating assets and liabilities:			
Net (increase)/decrease in reserve deposit at Central Bank		(6,497)	(2,457)
Net (increase) / decrease in marketable securities		(18,978)	30,075
Net increase from loans and advances		(122,341)	(80,875)
Net (increase)/decrease in other assets		(17,455)	6,532
Net increase in deposits		(5,378)	71,787
Net increase/(decrease) in other creditors, taxes & liabilities		18,966	(45,162)
Income taxes paid		-	(4,730)
Net cash provided by/(used in) operating activities		**(149,477)**	**(18,952)**
Cash flows from investing activities			
(Additions) to premises and equipment		(3,594)	(327)
(Additions) to intangible assets	9	(841)	(66)
Proceeds from disposal of premises and equipment		4,537	465
Proceeds from disposal of subsidiaries	3	9,876	-
Net cash provided by/(used in) investing activities		**9,978**	**72**
Cash flows from financing activities			
Proceeds from borrowed funds, net		62,149	74,612
Issue of share capital	16	35,000	-
Net cash provided by / (used in) financing activities		**97,149**	**74,612**
Net (decrease)/increase in cash & cash equivalents		**(42,350)**	**55,732**
Effect of inflation on cash and cash equivalents			
Cash & cash equivalents at the beginning of the year	4	79,008	23,276
Cash & cash equivalents at the end of the year	4	36,658	79,008

The accompanying policies and explanatory notes are an integral part of these financial statements.

1. CORPORATE INFORMATION

Turklandbank Anonim Şirketi ("the Bank") was established in 1991 in İstanbul under the name of "Bahreyn ve Kuveyt Bankası Anonim Şirketi" (BB&K). Its name was changed as "Tasarruf ve Kredi Bankası Anonim Şirketi" with its acquisition by Doğuş Group in 1992. After the change in the name of the bank as "Garanti Yatırım ve Ticaret Bankası Anonim Şirketi" in 1994, Mehmet Nazif Günal (the main shareholder of MNG Group Companies) has acquired the Bank in 1997 and the name of the Bank has been changed as "MNG Bank Anonim Şirketi".

An agreement has been made with Arab Bank and BankMed upon the sale of 91% of MNG Banks shares in mid of 2006 and this agreement was approved by Banking Regulation and Supervision Agency (BRSA) on December 29, 2006. In this regard, while Arab Bank and BankMed purchasing 50% and 41% of MNG bank shares respectively, Mehmet Nazif Günal retained 9% of the shares. Transfer of the Bank was done at January 29, 2007. The title of the Bank has been changed as "Turkland Bank Anonim Şirketi" with the amendment to the Articles of Association by the decision of the Extraordinary General Assembly at the meeting at March 22, 2007. New title of the Bank was registered at April 3, 2007

On April 3, 2007, "MNG BANK Anonim Şirketi" title of the bank was registered as "TURKLAND BANK Anonim Şirketi".

As of December 31, 2007, the Bank has 16 branches in Turkey and its head office is at 19 Mayıs Mah. 19 Mayıs Cad. Şişli Plaza A Blok No: 7 Şişli-İstanbul.

The financial statements of the Bank were authorized for issue by the management on March 21, 2008. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Presentation of Financial Statements

The accompanying 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 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 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 Bank'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.

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 Bank'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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of Consolidation

The Bank consolidated the financial statements of its subsidiaries in the previous year financial statements. However, as explained in note 3 Discontinued Operations, the Bank disposed these subsidiaries on January 29, 2007. The balances related to subsidiaries were classified as assets held for sale in the balance sheet and discontinued operations in the income statement as of December 31, 2007 and 2006.

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 Bank.

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the equity therein.

The financial statements of the entities below have been consolidated with those of the Bank in the accompanying financial statements as of December 31, 2006. The ownership percentages stated below comprise the total of the Bank's direct and indirect holdings:

Entity	Sector	December 31, 2006 The Bank's 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

2.3 Use of Estimates and Judgments

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Functional and Presentation Currency

Functional and presentation currency of the Bank is the New Turkish Lira (TRY).

Financial statements for the year ended December 31, 2005 were restated for the changes in the general purchasing power of the functional currency based on International Accounting Standard No. 29 ("IAS 29") "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Three years inflation rate in Turkey was 36% as of December 31, 2005, based on the Turkish nation-wide wholesale price indices announced by the State Statistics Association ("SSA"). However, IAS 29 does not establish the rate of 100% as an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgment when restatement of financial statements in accordance with IAS 29 becomes necessary. Moreover, hyperinflation is also indicated by characteristics of the economic environment of a country.

As hyperinflationary conditions in Turkey no longer existed starting from January 1, 2006, New Turkish Lira ("TRY") has been treated as a more stable currency since that time and the financial statements of the Bank and those of the subsidiaries located in Turkey prepared in accordance with IFRSs are not required to be adjusted for hyperinflationary accounting.

2.5 Foreign Currency Transactions and Translation

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

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

	EUR / TRY	USD / TRY
December 31, 2005	1.5950	1.3418
December 31, 2006	1.8523	1.4056
December 31, 2007	1.7044	1.1593

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 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	20%-33%
Leasehold Improvements	20%

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.

2.7 Intangible Assets

Computer Software Development Costs:

The Bank 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 Bank, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investments and Other Financial Assets

The Bank 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 (net of transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value). The Bank determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost; change in value is not recognized.

a) Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in this category. Trading securities are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exist. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on investments held-for-trading are recognized in income and include any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 25.

b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgments. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example selling an insignificant amount close to maturity - it will be required to classify the entire class as available-for-sale. The investments would therefore be measured at fair value; not amortized cost. During 2005, the Bank has sold a certain portion of it's held to maturity securities and therefore will not be able to carry such portfolio in the following 2 years as per IAS 39.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Interest earned whilst holding held to maturity securities is reported as interest income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investments and Other Financial Assets (continued)

c) Loans and 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.

d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses on remeasurement to fair value are recognized as a separate component of equity until the investment is derecognized, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. However, interest calculated on available-for-sale financial assets using effective interest method is reported as interest income.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive payments is established. The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

For investments that are traded in an active market, fair value is determined by reference to stock exchange or current market bid prices, at the close of business on the balance sheet date. For investments where there is no market price or market price is not indicative of the fair value of the instrument, fair value is determined by reference to the current market value of another instrument which is substantially the same, recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used.

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

e) Repurchase and Resale 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Offsetting Financial Instruments

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.

2.10 Cash and Cash Equivalents

For the purposes of the cash flows statement, cash and cash equivalents comprise cash and balances with central banks (excluding obligatory reserve deposits), deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

2.11 Impairment of Financial Assets

At each balance sheet date, the Bank 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 Bank 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.

2.12 Non-current assets held for sale

Certain non-current assets primarily related to the collateral collected on non-performing loans are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable 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 within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Borrowings

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 Bank's accounting policy for borrowing costs.

2.14 Employee Benefits – Defined Benefit Plans

Defined Benefit Plans:

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

Such defined benefit plan is unfunded since there is no funding requirement in Turkey. The cost of providing benefits under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 13 are reviewed regularly. The carrying value of employee termination benefit provisions as of December 31, 2007 is TRY 807 (December 31, 2006 - TRY 655)

2.15 Provisions

Provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank 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.

2.16 Leases

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 Bank as Lessee

Assets held under finance leases are recognized as assets of the Bank 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 Bank's general policy on borrowing costs.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Income and Expense Recognition

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, throughout the period to the next repricing date. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

2.18 Income Tax

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 Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Bank 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 Bank intends to settle its current tax assets and liabilities on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Derivative Financial Instruments

The Bank'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 Bank 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 variety of activities including placements, lending and securities investment. The majority of the counterparties in the Bank's derivative transactions are banks and other financial institutions.

The Bank 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 Bank's policies approved by the board of directors, on the use of financial derivatives consistent with the Bank'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.

2.20 Fiduciary Assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Adoption of New and Revised Standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Bank's accounting policies in the following areas:

IFRS 7, "Financial instruments: Disclosures"

IAS 1, "Presentation of financial statements"

IFRS 7, "Financial instruments: Disclosures"
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Bank's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1, "Presentation of financial statements"
This amendment requires the Bank to make new disclosures to enable users of the financial statements to evaluate the Bank's objectives, policies and processes for managing capital.

Standards, amendments and interpretations effective in 2007 but not relevant:

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Bank's operations:

IFRS 4, "Insurance contracts",
IFRIC 7, "Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies",
IFRIC 8, "Scope of IFRS 2",
IFRIC 9, "Reassessment of embedded derivatives",
IFRIC 10, "Interim financial reporting and impairment".

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Adoption of New and Revised Standards (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRIC 11, "IFRS 2 – Group and treasury share transactions"	Effective for annual periods beginning on or after March 1, 2007
IAS 23, "(Amendment) Borrowing costs"	Effective for annual periods beginning on or after January 1, 2009
IFRS 8, "Operating segments"	Effective for annual periods beginning on or after January 1,2009
IFRIC 12, "Service concession arrangements"	Effective for annual periods beginning on or after January 1, 2008
IFRIC 13, "Customer loyalty programmes"	Effective for annual periods beginning on or after July 1,2008
IFRIC 14, "IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction"	Effective for annual periods beginning on or after January 1, 2008
IFRS 2, "Share-based Payment" Amendment relating to vesting conditions and cancellations	Effective for annual periods beginning on or after January 1, 2009
IFRS 3, "Business Combinations" IAS 27, "Consolidated and Separate Financial Statements" IAS 28, "Investments in Associates" IAS 31 "Interests in Joint Ventures" Comprehensive revision on applying the acquisition method	Effective for annual periods beginning on or after July 1, 2009
IAS 1, "Presentation of Financial Statements" IAS 32, "Financial Instruments: Presentation" Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	Effective for annual periods beginning on or after January 1, 2009
IAS 1, "Presentation of Financial Statements"	Effective for annual periods beginning on or after January 1, 2009

The Bank's management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Bank.

3. 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 cancelling 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.

As per August 10, 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 August 31, 2006 about the sale of subsidiaries .

The sale of MNG Menkul Kıymetler A.Ş. is approved with November 1, 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 December 29, 2006 dated and BRSA.UYI 47.1.02-15229 numbered letter. Sales transactions were realized on January 29, 2007.

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

3. DISCONTINUED OPERATIONS (continued)

In the previous 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:

	December 31, 2006
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)
	133,481
Borrowings	(79,572)
Factoring obligations	(32,523)
Provisions	(460)
Tax liabilities	(419)
Other liabilities	(3,228)
	(116,202)
Net assets disposed of	**17,279**
Minority interest	(3,295)
Intercompany balances	(2,739)
Gain / (loss) on disposal	-
Consideration paid in cash and cash equivalents	**11,245**

	December 31, 2007
Consideration paid in cash and cash equivalents	11,245
The Bank’s share on profit/ (loss) of equity investments	69
Less cash and cash equivalent balances	(1,438)
Net cash inflow on disposal	**9,876**

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

4. CASH AND CASH EQUIVALENTS

	December 31, 2007	December 31, 2006
Cash on hand	**5,359**	**3,713**
Demand deposits – Turkish Lira	15	18
Demand deposits- Foreign Currency	3,525	6,850
Time deposits	16,589	51,498
Deposits with banks and other financial institutions	**20,129**	**58,366**
Cash and cash equivalents	**25,488**	**62,079**

The effective interest rates on deposits and placements are as follows:

	December 31, 2007		December 31, 2006	
	Effective interest rate		Effective interest rate	
	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency
Deposits with banks and other financial institutions	-	3.35% -5.06%	18.00%-18.40%	5.22%-5.32%

5. BALANCES WITH CENTRAL BANK

	December 31, 2007	December 31, 2006
Balances with Central Bank	11,170	14,974
Reserve deposits	28,144	21,658
Balances with Central Bank	**39,314**	**36,632**

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

As of December 31, 2007 under the prevailing regulation the Bank has to maintain the following requirements of the Central Bank of Turkey related to reserve deposits:

Reserve deposits represent the minimum deposits maintained with the Central Bank. The rates used by the Central Bank to determine the required amount of deposits are 6% for New Turkish Lira deposits and 11% for foreign currency deposits. Reserve deposits earn approximately interest at 11.81% for TRY deposits and 1.80% and 1.95% for US$ and Euro, respectively (December 31, 2006 – 13.12% and 1.73% - 2.52% for TRY, US$ and Euro, respectively).

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

6. INVESTMENTS IN FINANCIAL INSTRUMENTS

Financial assets at fair value through profit and loss:

	December 31, 2007	December 31, 2006
Debt instruments		
Turkish government bonds	-	1
Turkish treasury bills	123,323	97,618
Eurobonds issued by the Turkish government	3,814	-
Equity instruments –listed	-	160
Others	-	187
Total financial assets at fair value through profit and loss	**127,137**	**97,966**

Investment Securities:

	December 31, 2007	December 31, 2006
Available- for-sale securities _ Unquoted		
Turkish government bonds	-	-
Turkish treasury bills	-	-
Eurobonds issued by the Turkish government	-	2,257
Equity instruments	79	79
Total available for sale securities	**79**	**2,336**
Total investment securities	**79**	**2,336**

Unlisted equity securities classified as available-for-sale securities represent the Bank's equity holdings in the companies, shares of which are not publicly traded. Consequently they are reflected at cost less reserve for impairment, as a reliable estimate of their fair values could not be made.

Securities Pledged Under Repurchase Agreements:

Carrying value of debt instruments given as collateral under repurchase agreements which are classified as loaned securities and related liabilities are:

	December 31, 2007	December 31, 2006
Financial assets at fair value through profit and loss	24,161	17,378
Available for sale securities	-	-
Held to maturity securities	-	-
Carrying value of securities under repurchase agreements	24,161	17,378
Related liability	**22,032**	**15,040**

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

6. INVESTMENTS IN FINANCIAL INSTRUMENTS (continued)

Repurchase agreements mature within one month.

In addition, as of December 31, 2007, government securities with carrying values of TRY 44,696 (December 31, 2006 – TRY 38,175) are pledged to the Central Bank and the IMKB Takas ve Saklama Bankası A.Ş. (Istanbul Stock Exchange Clearing and Custody Bank) for regulatory requirements and as a guarantee for stock exchange and money market operations.

TRY 7,297 (December 31, 2006 TRY 1,693) of debt securities included in the trading, investment and loaned securities portfolios have floating interest rates, whereas the rest of the debt securities have fixed interest rates

7. LOANS AND ADVANCES

	December 31, 2007			December 31, 2006		
	Amount	Effective interest rate		Amount	Effective interest rate	
		New Turkish Lira	Foreign Currency		New Turkish Lira	Foreign Currency
Corporate loans	366,757	15.00%-48.00%	5.25%-11.64%	-	-	-
Small business loans	45,099	15.6%-54.00%	5.41%-8.50%	-	-	-
Consumer loans	6,430	15.00%-48.00%	7.20%-10.20%	-	-	-
Other (*)	-	-	-	301,477	15.00%-43.20%	4.32%-11.64%
Total performing loans	**418,286**			**301,477**		
Non performing loans	9,151			6,246		
Less: Specific reserve for impairment	(8,532)			(5,528)		
Less: Portfolio reserve for impairment	(2,517)			(1,683)		
Total	**416,388**			**300,512**		

(*) Segmental distributions of previous year figures could not be obtained from the system.

Non performing loans represent impaired loans and advances on which interest is not being accrued and loans overdue generally for more than 90 days for which interest is suspended.

	Corporate	Small Business	Consumer	Other	Total
Neither past due nor impaired	364,770	44,103	6,430	-	415,303
Past due not impaired	1,987	996	-	-	2,983
Individually impaired	7,598	236	1,317	-	9,151
Total Gross	374,355	45,335	7,747	-	427,437
Less: allowance for individually impaired loans	(7,142)	(236)	(1,154)	-	(8,532)
Less: allowance for collectively impaired loans	(2,211)	(267)	(39)	-	(2,517)
Total Allowance for impairment	(9,353)	(503)	(1,193)	-	(11,049)
Total net	365,002	44,832	6,554	-	416,388

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

7. LOANS AND ADVANCES (continued)

A reconciliation of the allowance for individually impaired loans by classes is as follows;

	Corporate	Small Business	Consumer	Other	Total
At January 1, 2007	4,186	541	801	-	5,528
Charge for the year	3,569	-	393	-	3,962
Recoveries	(613)	(305)	(40)	-	(958)
Amounts written off	-	-	-	-	-
At December 31, 2007	7,142	236	1,154	-	8,532

Movements in the allowance for impaired loans:

	December 31, 2007	December 31, 2006
At January 1	7,211	5,693
Provision for impairment	4,796	1,681
Recoveries	(958)	(163)
Provision net recoveries	3,838	1,518
Loans written off during the year	-	-
At December 31	11,049	7,211

Movements in the allowance for impaired loans:

	Individual Impairment	Collective Impairment	Total
At January 1, 2007	5,528	1,683	7,211
Charge for the year	3,962	834	4,796
Recoveries	(958)	-	(958)
Amounts written off	-	-	-
At December 31, 2007	8,532	2,517	11,049

The fair value of collateral that the Bank holds relating to loans individually determined to be impaired at December 31, 2007 is TRY 2,196 (2006: 9,102).

Collaterals and credit enhancements obtained during the year is amounting to TRY 774 .

Aging analysis of past due but not impaired loans per class of financial statements

	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and advances to customers					
Corporate lending	1,987	-	-	-	1,987
Small business lending	958	-	38	-	996
Consumer lending	-	-	-	-	-
Other	-	-	-	-	-
Total	2,945	-	38	-	2,983

Of the total aggregate amount of gross past due but not yet impaired loans and advances to customers, the fair value of collateral that the Bank held as at December 31, 2007 was TRY 27,434 (2006: TRY 23,560)

Loans and advances amounting to TRY 314,041 have floating interest rates and the rest have fixed interest rates. (December 31, 2006 – TRY 183,415)

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

8. PREMISES AND EQUIPMENT

	Buildings	Machinery and Equipment	Furniture and Fixture	Vehicles	Leasehold Improvements	Others	Total
Acquisition Cost							
At January 1, 2006	5,207	3,192	872	739	5,563	6,792	22,365
Additions	-	255	7	-	-	65	327
Impairment	-	-	-	-	-		
Disposals	-	-	-	-	-	(114)	(114)
Reclassification to assets held for sale	-	(1,509)	(260)	(259)	(1,299)	(422)	(3,749)
At December 31, 2006	5,207	1,938	619	480	4,264	6,321	18,829
Accumulated Depreciation							
At January 1, 2006	447	2,258	581	589	4,630	5,808	14,313
Charge for the year	105	419	101	70	292	204	1,191
Impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Reclassification to assets held for sale	-	(1,523)	(253)	(207)	(1,279)	(422)	(3,684)
At December 31, 2006	552	1,154	429	452	3,643	5,590	11,820
At December 31, 2006	**4,655**	**784**	**190**	**28**	**621**	**731**	**7,009**
Acquisition Cost							
At January 1, 2007	5,207	1,938	619	480	4,264	6,321	18,829
Additions	-	241	480	-	1,602	2,710	5,033
Impairment	-	-	-	-	-	-	-
Disposals	(5,207)	(20)	(286)	(305)	(91)	(164)	(6,073)
At December 31, 2007	-	2,159	813	175	5,775	8,867	17,789
Accumulated Depreciation							
At January 1, 2007	552	1,154	429	452	3,643	5,590	11,820
Charge for the year	43	333	97	28	447	214	1,162
Impairment	-	-	-	-	-	-	-
Disposals	(595)	(8)	(263)	(305)	(60)	(131)	(1,362)
At December 31, 2007	-	1,479	263	175	4,030	5,673	11,620
At December 31, 2007	**-**	**680**	**550**	**-**	**1,745**	**3,194**	**6,169**

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

9. INTANGIBLE ASSETS

	Software	Other intangibles	Total
Acquisition Cost			
At January 1, 2006	4,251	569	4,820
Additions	63	3	66
Disposals	-	-	-
Reclassification to assets held for sale	(331)	(572)	(903)
At December 31, 2006	3,983	-	3,983
Accumulated Depreciation			
At January 1, 2006	3,678	538	4,216
Charge for the year	299	30	329
Disposals	-	-	-
Reclassification to assets held for sale	(280)	(568)	(848)
At December 31, 2006	3,697	-	3,697
At December 31, 2006	**286**	**-**	**286**
Acquisition Cost			
At January 1, 2007	3,983	-	3,983
Additions	841	-	841
Disposals	-	-	-
At December 31, 2007	4,824	-	4,824
Accumulated Depreciation			
At January 1, 2007	3,697	-	3,697
Charge for the year	307	-	307
Disposals	-	-	-
At December 31, 2007	4,004	-	4,004
At December 31, 2007	**820**	-	**820**

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

10. OTHER ASSETS

	December 31, 2007	December 31, 2006
Prepaid taxes	-	390
Prepaid expenses	1,390	1,286
Advances	3,344	3
Clearing account	12,693	-
Other	147	206
Total	**17,574**	**1,885**

11. DEPOSITS

Deposits from banks	**December 31, 2007**			**December 31, 2006**		
	Amount	**Effective interest rate**		**Amount**	**Effective interest rate**	
		New Turkish Lira	**Foreign Currency**		**New Turkish Lira**	**Foreign Currency**
Demand	446	-	-	1,873	-	-
Time	1,000	16.65%	-	-	-	-
Total	**1,446**			**1,873**		

Deposits from customers	**December 31, 2007**			**December 31, 2006**		
	Amount	**Effective interest rate**		**Amount**	**Effective interest rate**	
		New Turkish Lira	**Foreign currency**		**New Turkish Lira**	**Foreign Currency**
Saving						
Demand	17,204	0.00%-5.00%	-	14,732	0.00%-5.00%	-
Time	267,228	12.00%-19.00%	1.00%-6.00%	283,689	11.00%-21.75%	1.00%-6.30%
	284,432			298,421		
Commercial and other						
Demand	17,520	0.00%-5,00%	-	9,219	0.00%-5.00%	-
Time	28,073	12.00%-19.00%	1.50%-5.75%	27,913	13.50%-21.75%	1.50%-6.05%
	45,593			37,132		
Total	**330,025**			**335,553**		

All deposits have fixed interest for the years ended December 31, 2007 and 2006.

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

12. FUNDS BORROWED

	December 31, 2007	December 31, 2006
Borrowings	146,005	87,672
Total	**146,005**	**87,672**

	December 31, 2007		
		Effective interest rate	
	Amount	**New Turkish Lira**	**Foreign currency**
Short-term			
Fixed interest	20,950	14.00%-16.00%	3.80%-5.92%
Floating interest	118,726	-	5.72%
Medium/long-term	-		
Fixed interest	5,808	-	5.49%
Floating interest	521	-	5.58%-5.93%
Total	**146,005**		

	December 31, 2006		
		Effective interest rate	
	Amount	**New Turkish Lira**	**Foreign currency**
Short-term			
Fixed interest	19,374	11.00%-16.00%	3.50%-6.53%
Floating interest	64,959	-	6.33%-6.37%
Medium/long-term			
Fixed interest	-	-	-
Floating interest	3,339	-	5.05%-6.06%
Total	**87,672**		

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

12. FUNDS BORROWED (continued)

Repayment plan of medium and long term borrowings is as follows:

	December 31, 2007		December 31, 2006	
	Fixed rate	**Floating rate**	**Fixed rate**	**Floating rate**
2007	-	-	-	2,074
2008	5,808	521	-	1,265
Total	**5,808**	**521**	**-**	**3,339**

The Bank has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants during 2007 (2006 – none).

13. OTHER LIABILITIES AND PROVISIONS

	December 31, 2007	December 31, 2006
Other liabilities		
Taxes and dues payable	1,922	1,519
Trade Payables and Advances	1,035	971
Cheques clearance account	16,772	705
Payables to Government Funds	164	130
Blocked Money	1,587	1,649
Obligations under finance leases	1,260	-
Others liabilities	2,622	782
	25,362	5,756
Provisions		
Employee termination benefits	807	655
Unused vacation provision	433	375
Provision on lawsuits	362	250
Provision on non-cash loans	1,210	1,049
	2,812	2,329
Total	**28,174**	**8,085**

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

13. OTHER LIABILITIES AND PROVISIONS (continued)

Employee Termination Benefits

In accordance with existing social legislation, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TRY 2,030, and TRY 1,857 at December 31, 2007, 2006 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2007, the Bank reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date. The annual ceiling has been increased to TRY 2,088 effective January 1, 2008.

The principal actuarial assumptions used in the calculation of the total liability at the balance sheet dates are as follows:

	December 31, 2007	**December 31, 2008**
Discount rate for pension plan liabilities	11%	11%
Inflation	5%	5%

Movements in the defined benefit obligations and unused vacation provision in the current period were as follows:

	December 31, 2007	**December 31, 2006**
Opening	1,030	528
Current service cost	308	654
Interest cost	67	25
Actuarial (gains)/ losses	(30)	-
Benefits paid	(135)	-
Reclassification to payables related to assets held for sale	-	(177)
Closing	**1,240**	**1,030**

14. INCOME TAXES

The Bank is subject to corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Bank's results for the period.

Corporate 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: 20% in 2007 and 2006.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was 20% for 2007 (2006: 20%).

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profits of the following years. However, losses incurred cannot be deducted from the profits incurred in the prior years retrospectively. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1st to 25th of the fourth month 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 was 10% starting from April 24, 2003. This rate was changed to 15% with the Decree of the Council of Ministers of the Republic (Decree No. 2006/10731) commencing from July 23, 2006. 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 April 24, 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 Bank. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from January 1, 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years as of December 31, 2005 so as to be deducted from taxable income of subsequent profitable years. However companies can deduct 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 companies can use in case of deducting tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Bank chooses not to use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be cancelled.

As the management of the Bank does not plan to use the investment incentive, the corporate tax rate was used as 20% as of December 31, 2007.

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

14. INCOME TAXES (continued)

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

Balance Sheet: Corporate tax

	December 31, 2007	31 December, 2006
Corporate taxes and funds	-	-
Deferred tax (asset) / liability (net)	(1,596)	(1,422)

Income Statement:

	December 31, 2007	31 December, 2006
Current income tax from continuing operations	-	-
Deferred tax benefit/(charge) from continuing operations	174	934
	174	934
Current income tax from discontinued operations	(122)	(1,723)
Deferred tax benefit/(charge) from discontinued operations	(10)	(11)
	(132)	(1,734)

Temporary differences and corresponding deferred taxes are as follows:

	December 31, 2007 Timing Differences	December 31, 2007 Deferred Tax (Asset)/Liability
Useful life difference on premises & equipment and intangible assets	757	151
Retirement pay and unused vacation provision	(1,240)	(248)
Portfolio reserve	(2,922)	(584)
Carry forward tax losses	(4,186)	(837)
Amortised cost fair value difference	(390)	(78)
	(7,981)	(1,596)

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

14. INCOME TAXES (continued)

	December 31, 2006 Timing Differences	**December 31, 2006 Deferred Tax (Asset)/Liability**
Useful life difference on fixed assets	274	55
Retirement pay and unused vacation provision	(1,030)	(206)
Portfolio reserve	(2,103)	(421)
Carry forward tax losses	(4,186)	(837)
Amortised cost fair value difference	(66)	(13)
	(7,111)	(1,422)

Movement of deferred tax (asset) / liability:

	December 31, 2007	**31 December, 2006**
Opening balance at 1 January	(1,422)	(488)
Current year charge / (benefit)	(174)	(1,645)
Effect of tax rate change	-	711
Subtotal	(1,596)	(1,422)
Reclassification to assets held for sale	-	-
Closing balance at period end	(1,596)	(1,422)

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

	December 31, 2007	**December 31, 2006**
Reconciliation of Taxation		
Income/(loss) before taxation and minority interest	450	(4,808)
Tax at the domestic income tax rate of 20% (2006: 20%)	(90)	962
Tax effect of undeductable expenses	(599)	(57)
Tax effect of income that is deductible in determining taxable income and other adjustments	515	740
Effect of tax rate change	-	(711)
Tax benefit / (charge) per income statement	(174)	934

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

15. DERIVATIVES

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. The table below shows the fair values of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	December 31, 2007			December 31, 2006		
	Fair value assets	Fair value liabilities	Notional amount in New Turkish Lira equivalent	Fair value assets	Fair value liabilities	Notional amount in New Turkish Lira equivalent
Derivatives held-for-trading						
Currency swap contracts	-	399	86,910	41	-	18,565
Other	-	-	-	10	4	4,700
	-	**399**	**86,910**	**51**	**4**	**23,265**

Fair value hedges

As of December 31, 2007, the Bank has no fair value hedges (2006 - none).

Cash flow hedges

As of December 31, 2007, the Bank has no cash flow hedges (2006 - none).

Hedge of net investment in foreign operations

As of December 31, 2007, the Bank has no hedge of net investment in foreign operations (2006 - none).

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

16. SHARE CAPITAL

	December 31, 2007	December 31, 2006
Total number of shares, TRY 0.1 par value	700 Million	350 Million
Total number of shares	**700 Million**	**350 Million**

As of December 31, 2007 and 2006, the composition of shareholders and their respective % of ownership are summarized as follows:

	December 31, 2007	
	Amount	**%**
Arap Bank PLC	35,000	50.00%
Bankmed, SAL	28,700	41.00%
Mehmet Nazif Günal	6,300	9.00%
Restatement effect	148,164	
Total	**218,164**	

	December 31, 2006	
	Amount	**%**
Mehmet Nazif Günal	34,902	99.72%
Hasan Arıca	17.5	0.05%
MNG Holding A.Ş.	17.5	0.05%
Günal İnşaat ve Ticaret A.Ş:	17.5	0.05%
Mapa İnşaat ve Ticaret A.Ş.	17.5	0.05%
Ayşegül Özkaplan	14	0.04%
Ahmet Serdar Özkazanç	14	0.04%
Restatement effect	148,164	
Total	**183,164**	

Based on the decision at the meeting of the Extraordinary General Assembly on July 30, 2007, the Bank decided to increase the paid-in capital of the Bank to TRY 70,000 by TRY 35,000. This increase was registered with Istanbul Trade Registry Office on August 16, 2007 and the procedures for the capital increase were completed. The Bank's capital increase was approved by BRSA's October 3, 2007 dated and 13892 numbered correspondence. As of October 2007, the paid in capital of the Bank is TRY 70,000.

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

17. RESERVES, RETAINED EARNINGS AND DIVIDENDS PAID AND PROPOSED

Movement in legal reserves and retained earnings are as follows:

	Legal Reserves	Retained Earnings	Total
At January 1, 2006	5,317	(115,867)	(110,550)
Transfer from retained earnings	530	(530)	-
Dividends paid	-	-	-
Net profit for the period (year)	-	(1,685)	(1,685)
At December 31, 2006	5,847	(118,082)	(112,235)
Transfer from retained earnings	-	-	-
Dividends paid	-	-	-
Net profit for the period (year)	-	555	555
Disposal of subsidiaries	(640)	640	-
At December 31, 2007	5,207	(116,887)	(111,680)

Legal Reserves

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

Dividends Paid and Proposed

The Bank did not propose dividends per share subsequent to the balance sheet date. Profit appropriation will be resolved in the General Assembly meeting which has not yet been conducted as of the date of the accompanying financial statements are authorized for issue.

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

18. RELATED PARTIES

A party is related to an entity if: the party controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries) ; has an interest in the entity that gives it significant influence over the entity or has joint control over the entity. Related parties also include individuals that are principal owners, management and members of the Bank's Board of Directors and their families and also post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Transactions with key management personnel:

Key management personnel comprise of the Bank's directors and key management executive officers.

In addition to their salaries, the Bank also provides non-cash benefits to directors.

Total compensation provided to key management personnel is:

	December 31, 2007	December 31, 2006
Salaries and Short-term benefits	6,591	3,732

December 31, 2007	Cash loans	Non-cash loans	Deposits taken	Deposit with banks	Other Receivables	Other Liabilities	Interest income	Interest expense	Net operating Income/ (expense)
	494	12,142	24,652	6	149	1,743	694	(1,257)	213
TOTAL	494	12,142	24,652	6	149	1,743	694	(1,257)	213

December 31, 2006	Cash loans	Non-cash loans	Deposit s taken	Deposit with banks	Other Receivables	Other Liabilities	Interest income	Interest expense	Net operating Income/ (expense)
	273	7,704	8,412	-	3,549	384	280	(744)	(1,784)
TOTAL	273	7,704	8,412	-	3,549	384	280	(744)	(1,784)

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

19. INTEREST INCOME

	2007	2006
Loans and advances	49,333	41,385
Investment securities	22,335	11,770
Deposits with banks and other financial institutions	2,821	1,163
Other interest income	2,654	2,109
Total	**77,143**	**56,427**

20. INTEREST EXPENSES

	2007	2006
Customer deposits	(40,709)	(36,633)
Funds borrowed and deposits from other banks	(7,035)	(3,947)
Other interest expenses	(3,228)	(4,529)
Total	**(50,972)**	**(45,109)**

21. OTHER INCOME

	2007	2006
Gains/(losses) on sale of premises & equipment	(174)	351
Income from other banking services	587	283
Other	3,334	2,236
Total	**3,747**	**2,870**

22. OPERATING EXPENSES

	2007	2006
Administrative expenses		
Staff costs	(19,121)	(12,646)
Defined benefit obligation	(210)	(679)
Impairment on securities	-	990
Depreciation and amortization	(1,469)	(1,520)
Provision expense for lawsuits	(112)	-
Rent expenses	(1,903)	(1,119)
Others	(9,886)	(8,537)
Total	(32,701)	(23,511)

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

23. NET INCOME LOSS FROM DISCONTINUED OPERATIONS

As detailed in note 3, 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.

	2007	2006
Interest income	2,162	25,080
Interest expenses	(1,267)	(12,757)
Net interest income / (loss)	895	12,323
Foreign exchange gain/(loss)	(378)	100
Trading income	40	146
Net trading income / (loss)	(338)	246
Provisions for impairment of loan receivables	-	(2,106)
Net operating income/(loss) after impairment	557	10,463
Other income	74	723
Operating expenses	(568)	(5,799)
Profit/(loss) before tax	63	5,387
Taxation	(132)	(1,734)
Net profit/(loss) from discontinued operations	(69)	3,653

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

	2006
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

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

24. COMMITMENTS AND CONTINGENCIES

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

	December 31, 2007	December 31, 2006
Letters of guarantee issued	284,273	288,480
Letters of credit	72,984	62,896
Acceptance credits	10,303	12,496
Other	10,766	38,586
Total non-cash loans	378,326	402,458
Other commitments	30,770	18,617
Credit card limit commitments	1,463	1,564
Total	**410,559**	**422,639**

Fiduciary Activities

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

The Bank also manages two investment funds, which were established under the regulations of the Turkish Capital Markets Board. In accordance with the funds' charters, the Bank purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

Litigation

In the normal course of its operations, the Bank can be constantly faced with legal disputes, claims and complaints, which in most cases stem from normal insurance operations. The necessary provision, if any, for those cases are provided based on management estimates and professional advice.

25. FINANCIAL RISK MANAGEMENT

Organization of the Risk Management Function

The Bank's activities involve some degree of risk or combination of risks. Therefore, procedures and operations throughout the Bank are designed towards contributing to effective addressing of this matter reflecting the disciplined and prudent risk management culture of the Bank. The Bank Risk Management supervises the risk management process of the Bank.

The mission of Bank Risk Management function is to ensure together with executive management that risks taken by the Bank align with its policies and are compatible with its profitability and credit-rating objectives.

The risk management process consists of the stages of defining and measuring the risks; establishing the risk policies and procedures and their implementation; and the analysis, review, reporting, research, recognition and assessment of risks within the framework of the basis set by the Board and the Audit Committee.

In 2007 new limits for Credit Risk, Market Risk, Economic Capital, VAR and stop-loss limits for Treasury positions are set by the Board of Directors. Economic capital calculations cover all types of risk classes; credit, market and operational risk. All limits are calculated and monitored by Risk Management Group and reported to senior management and Audit Committee.

25. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and causes to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank.. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

Risks and limits related to treasury activities and customer based commercial activities are monitored daily. Moreover, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

The credit worthiness of the debtors of the loans and other receivables is monitored regularly as prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

The percentage of the top 100 cash loan clients of the Bank to the total loan portfolio is 64.66%.

The percentage of the top 100 non-cash loan clients of the Bank to the total loan portfolio is 72.40.%.

The percentage of the total cash and non-cash loans balances of the top 100 clients to the total of assets and off-balance sheet items is 18.22%.

Derivatives:

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

25. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Credit-related commitments:

Credit-related commitments include commitments to extend credit, letters of credit, guarantees and acceptances, other irrevocable commitments which are designed to meet the requirements of the Bank's customers.

Letters of credit, guarantees and acceptances commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The Bank monitors the maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Bank sets out the following sound practices so as to minimize risk in credit-related commitments like in cash credits by,

(i) establishing an appropriate credit risk environment;
(ii) operating under a sound credit-granting process;
(iii) maintaining an appropriate credit administration, measurement and monitoring process; and ensuring adequate controls over credit risk.

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

25. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

An industry sector analysis of the Bank's financial assets, before taking into account collateral held or other credit enhancements is as follows;

	December 31, 2007	December 31, 2006
Agricultural	37,668	25,807
Farming and Raising Livestock	28,354	18,884
Forestry, Wood and Paper	9,290	6,691
Fishery	24	232
Manufacturing	201,835	93,252
Mining and Quarry	59,996	22,834
Production	110,933	31,005
Electricity, Gas and Water	30,906	39,413
Construction	198,219	178,467
Services	427,916	408,165
Wholesale and Retail Trade	62,994	28,142
Hotel, Tourism, Food and Beverage Services	20,367	9,784
Transportation and Communication	93,820	101,573
Financial Institutions	231,376	250,125
Real Estate and Renting Services	286	-
Self-Employment Services	3,325	-
Education Services	398	13
Health and Social Services	15,350	18,528
Other	119,824	191,153
Total	985,462	896,844

The table below shows the maximum exposure to credit risk for the components of the balance sheet;

Gross maximum exposure	**December 31, 2007**	**December 31, 2006**
Central Bank	11,170	14,974
Due from banks	20,129	58,366
Financial assets at fair value through profit and loss	127,137	97,966
Derivative financial instruments	-	51
Loans and advances to customers	416,388	300,512
Securities available-for-sale	79	2,336
Total	574,903	474,205
Contingent liabilities	378,326	402,458
Commitments	32,233	20,181
Total	410,559	422,639
Total credit risk exposure	985,462	896,844

The maximum credit risk exposure to any client or counterparty as of December 31 2007 for cash loans and non cash loans was TRY 18,479 and TRY 19,826 respectively. (December 31, 2006: TRY 18,273, TRY 24,042) before taking account of collateral and other credit enhancements and TRY 17,947 and TRY 19,826 (December 31,2006: TRY 18,273 for cash loans, TRY 24,042) net of such protection.

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

25. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Credit quality per class of financial assets as of December 31, 2007 is as follows;

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	20,129	-	20,129
Financial assets designated at fair value through profit or loss	127,137	-	127,137
Loans and advances to customers			
Corporate lending	362,559	2,443	365,002
Small business lending	43,836	996	44,832
Consumer lending	6,391	163	6,554
Other	-	-	-
Total	560,052	3,602	563,654
Financial investments			
Quoted – Government debt securities	-	-	-
Quoted – Other debt securities	-	-	-
Unquoted – Debt securities	-	-	-
Total	-	-	-
Total	560,052	3,602	563,654

	Internal/External Grades	Share of exposure %	Total TRY
High Grade			
Risk rating class 1	A+ Excellent	0.93%	3,898
Risk rating class 2	A- Excellent	0.08%	341
Risk rating class 3	B+ Very Good	3.36%	14,059
Risk rating class 4	B- Very Good	9.01%	37,704
Standard Grade			
Risk rating class 5	C+ Good	18.42%	77,046
Risk rating class 6	C- Good	22.75%	95,142
Sub Standard Grade			
Risk rating class 7	D+ Ordinary	16.00%	66,910
Risk rating class 8	D- Ordinary	14.71%	61,517
Impaired			
Risk rating class 9	E Bad	4.01%	16,765
Risk rating class 10	F Very Bad	1.62%	6,778
Unrated		9.11%	38,126
TOTAL		100.00%	418,286

(*) Prior period data cannot be obtained by the system..

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

25. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

The Bank use 3 main factors for internal loan rating system. These are financial data, non-financial data and specialist decisions. Financial data consist of liquidity, financial structure, profitability, growth ratios and turnover rate. Non financial data consist of loan client business, relation with finance sector and sector analysis. The Bank measures the credit rating of companies by making comparisons regarding the financial data and non financial-data.
In the above internal loan rating table, Loans rated as D+ and D- contain customers that are operating in construction, sea transportation and car-rental businesses. Their proportions in the D+ and D- rated loans are 28%, 14% and 14% respectively. There are specific features in the financials of these businesses to affect the rating. Due to these companies operating with a high leverage and negative working capital especially in the sea transportation and car rental businesses, these borrowing customers are rated D despite their high credit worthiness. Construction firms are classified as D+ and D- because of the sector characteristics. In the existing rating system, financial institutions are not rated. In the un-rated section, 22% of TRY 38,126 Thousand balance consists of financial institutions.

In the existing rating system, the collateral assigned to loans are not taken into account in the rating.

The Bank made an agreement with Consulting Company which is authorized distributor of Dun and Bradstreet ltd to establish a new Credit Scoring model which is applicable to Small Business and commercial/corporate segments to compatible to Basel II and cure determined defaults that will be in use starting from mid 2008.

Carrying amount per class of financial assets whose terms have been renegotiated

	December 31, 2007	**December 31, 2006**
Due from banks	-	-
Financial assets designated at fair value through profit or loss	-	-
Loans and advances to customers	176	409
Corporate lending	120	-
Small business lending	56	409
Consumer lending	-	-
Other	-	-
Total	176	409

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

Liquidity Risk

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

The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period.

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TRY and foreign currency assets and liabilities on the balance sheet and their costs.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. The ratios calculated on a standalone basis during the year were as follows;

	December 31, 2007 %	December 31, 2006 %
December 31	532.11%	116.87%
Average during the period	340.84%	123.46%
Highest	700.46%	139.73%
Lowest	107.23%	107.10%

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

25. FINANCIAL RISK MANAGEMENT (continued)

Analysis of financial liabilities by remaining contractual maturities;

	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Adjustments	Total
As of December 31, 2007							
Due to banks	1,447	-	-	-	-	(1)	1,446
Other deposits	241,854	81,760	9,305	116	-	(3,010)	330,025
Obligations under repurchase agreements	22,042	-	-	-	-	(10)	22,032
Interbank money market borrowings	-	-	-	-	-	-	-
Debt issued and funds borrowed	11,520	4,668	134,391	-	-	(4,574)	146,005
Total	276,863	86,428	143,696	116	-	(7,595)	499,508
As of December 31, .2006							
Due to banks	1,873	-	-	-	-	-	1,873
Other deposits	246,545	76,461	16,150	-	-	(3,603)	335,553
Obligations under repurchase agreements	15,056	-	-	-	-	(16)	15,040
Interbank money market borrowings	5,012	-	-	-	-	(6)	5,006
Debt issued and funds borrowed	5,069	4,436	79,876	1,412	-	(3,121)	87,672
Total	273,555	80,897	96,026	1,412	-	(6,746)	445,144

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

25. FINANCIAL RISK MANAGEMENT (continued)

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments;

	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
As of December 31, 2007						
Net settled:						
Interest rate swaps	-	-	-	-	-	-
Foreign exchange forward contracts	-	-	-	-	-	-
Gross settled:	43,633	-	-	-	-	43,633
Foreign exchange forward contracts	-	-	-	-	-	-
Currency swaps	43,633	-	-	-	-	43,633
Total	43,633	-	-	-	-	43,633
As of December 31, 2006						
Net settled:						
Interest rate swaps	-	-	-	-	-	-
Foreign exchange forward contracts	-	-	-	-	-	-
Gross settled:	11,588	-	-	-	-	11,588
Foreign exchange forward contracts	2,326	-	-	-	-	2,326
Currency swaps	9,262	-	-	-	-	9,262
Total	11,588	-	-	-	-	11,588

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

25. FINANCIAL RISK MANAGEMENT (continued)

Net liquidity gap:

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates. Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Presentation of assets and liabilities according to their remaining maturity:

	Demand	Up to 1 Month	1 to 3 month	3 months to 1 year	Over 1 year	Unallocated	Total
As at December 31, 2007							
Assets:							
Cash and cash equivalents	8,899	16,589	-	-	-	-	25,488
Banks with Central bank	11,169	21,125	5,405	1,615	-	-	39,314
Financial assets at fair value through profit and loss	-	-	-	50,809	76,328	-	127,137
Derivative financial instruments	-	-	-	-	-	-	-
Loans and advances to customers (Net)	-	344,828	19,433	32,423	19,085	619	416,388
Investment securities	-	-	-	-	-	79	79
Premises and equipment	-	-	-	-	-	6,169	6,169
Intangible assets	-	-	-	-	-	820	820
Deferred tax asset	-	-	-	-	1,596	-	1,596
Other assets	-	17,574	-	-	-	-	17,574
Total Assets	**20,068**	**400,116**	**24,838**	**84,847**	**97,009**	**7,687**	**634,565**
Liabilities:							
Deposits from customers	34,724	206,084	80,167	8,951	99	-	330,025
Deposits from banks	446	1,000	-	-	-	-	1,446
Obligations under repurchase agreements	-	22,032	-	-	-	-	22,032
Derivative financial instruments	-	399	-	-	-	-	399
Funds borrowed	-	8,108	4,612	133,285	-	-	146,005
Other	-	24,160	75	351	776	109,296	134,658
Total Liabilities	**35,170**	**261,783**	**84,854**	**142,587**	**875**	**109,296**	**634,565**
Net liquidity gap	**(15,102)**	**138,333**	**(60,016)**	**(57,740)**	**96,134**	**(101,609)**	**-**
As at December 31,2006							
Total assets	25,555	375,901	77,874	134,473	19,254	10,602	643,659
Total liabilities	25,824	366,694	78,766	94,545	1,277	76,553	643,659
Net liquidity gap	**(269)**	**9,207**	**(892)**	**39,928**	**17,977**	**(65,951)**	**-**

25. FINANCIAL RISK MANAGEMENT (continued)

Market Risk

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

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

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to VAR calculated by using the standardised method (summarised below) is taken into consideration. Beside the standardised method, market risk (VAR) is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by two different methods which are historic simulation, parametric method, and these results are also reported daily to the management.

VaR Analysis

The VaR risk measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers include the historical and variance covariance approaches.

While VaR captures the Bank's exposure under normal market conditions, sensitivity and scenario analysis, and in particular stress testing, is used to add insight to the possible outcomes under abnormal market conditions. The Bank assesses various stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, and consequently reflects the decline in liquidity that frequently accompanies market shocks.

VAR limits have been established for all trading operations and exposures are reviewed daily against the limits by management.

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

25. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk

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

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

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

The carrying amount of the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	EURO	USD	Other FC	Total
As of December 31, 2007				
Assets				
Cash and cash equivalents	4,846	18,361	1,194	24,401
Banks with Central bank	6,700	21,914	-	28,614
Financial assets at fair value through profit and loss	36	3,777	-	3,813
Loans and advances to customers (Net)	97,374	106,254	-	203,628
Other assets	171	154	-	325
Total assets	**109,127**	**150,460**	**1,194**	**260,781**
Liabilities:				
Deposits from customers	44,429	70,949	50	115,428
Deposits from banks	29	10	12	51
Derivative financial instruments	-	399	-	399
Funds borrowed	16,843	126,385	-	143,228
Other liabilities and provisions	3,177	162	5	3,344
Total Liabilities	**64,478**	**197,905**	**67**	**262,450**
Net on balance sheet position	44,649	(47,445)	1,127	(1,669)
Net off balance sheet position	(43,633)	43,277	-	(356)
Derivative financial assets	-	43,277	-	43,277
Derivative financial liabilities	43,633	-	-	43,633
As of December 31, 2006				
Total assets	70,328	164,655	1,208	236,191
Total liabilities	60,710	175,407	38	236,155
Net on balance sheet position	9,618	(10,752)	1,170	36
Net off balance sheet position	(10,743)	9,935	-	(808)
Derivative financial assets	-	10,780	-	10,780
Derivative financial liabilities	10,743	845	-	11,588

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

25. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity

The Bank is mainly exposed to EUR and USD currencies.

The following table details the Bank's sensitivity to a 10% increase or decrease in the TRY against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. Positive/ (negative) number indicates a change in profit or loss and other equity where USD and EUR increase/ decrease %10 against TRY.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
USD	10	(417)	(82)	-	-
EUR	10	102	(113)	-	-

25. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

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

Risk Management Department performs duration, maturity and sensitivity analysis to measure the effect of interest rate volatility and report to the Asset-Liability Committee
Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.
The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

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

Interest rate sensitivity

If interest rates had been increased by 0.5% in TRY and by % 0.5 in FC and all other variables were held constant, the Bank's:

- Net profit would decrease by TRY 293. The main reason of this is fair value change of held for trading government bonds that the Bank holds.
- Bank Shareholders' equity amount would not be affected..

Interest rate swap contracts

The Bank does not have any interest rate swap contracts outstanding as of balance sheet date.

Other Price Risks

The Bank does not invest in share certificates quoted on a stock exchange hence it is not subject to share price risk.

Capital Adequacy

To monitor the adequacy of its capital, the Bank uses ratios established by Banking Regulation and Supervision Agency (BRSA). The minimum ratio is 8% (12% if a bank operates in offshore markets). These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. As of December 31, 2007, its capital adequacy ratio on an unconsolidated basis is above 12%.

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

25. FINANCIAL RISK MANAGEMENT (continued)

Fair Value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

• The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
• The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

The Bank considers that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

	Carrying value		Fair value	
	December 31, 2007	**December 31, 2006**	**December 31, 2007**	**December 31, 2006**
Financial assets	**436,596**	**361,214**	**436,126**	**361,214**
Banks	20,129	58,366	20,129	58,366
Available-For-Sale Financial Assets	79	2,336	79	2,336
Loans	416,388	300,512	415,918	300,512
Financial liabilities	**477,476**	**425,098**	**477,185**	**425,098**
Bank Deposits	1,446	1,873	1,446	1,873
Other Deposits	330,025	335,553	329,734	335,553
Funds Borrowed From Other Financial Institutions	146,005	87,672	146,005	87,672

26. SUBSEQUENT EVENTS

The Bank decided to increase its paid-in capital from TRY 70,000 to TRY 170,000 by TRY 100,000 at the 466/B numbered Board of Directors decision on December 14, 2007. Based on a decision at the meeting of Extraordinary General Assembly on February 12, 2008, the Bank increased its paid-in capital from TRY 70,000 to TRY 170,000.