

Turkey's bank
Annual Report 2006



İŞBANK

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Ever since 1924

we've worked hard to be one of the world's best banks.

Founded in Ankara in 1924, İşbank has continuously contributed to the Turkish economy at an ever-increasing pace in the 82 years since its inception. As the author of numerous "firsts", İşbank is the acknowledged founder and symbol of modern banking in Turkey. Undertaking key roles at every stage of the cycle of economic and commercial activity, İşbank embraces every segment of society in keeping with its mission summed up in the expression "Turkey's bank" and by doing so it has become the bank of every customer group.

İşbank today serves more than ten million customers in the retail, corporate, commercial, and SME segments. According to end-2006 figures, the bank's shareholders' equity was TRY 9.4 billion while its total assets were worth TRY 75.2 billion. These numbers make İşbank Turkey's leading bank.

İşbank's leadership is not limited to its national market. In Forbes magazine's list of the world's 2,000 largest companies,* İşbank ranks 319th and it numbers among the biggest banks in developing markets around the world. İşbank is the only Turkish company in the top 500 of Forbes' list and also the only Turkish bank in The Banker magazine's "Top 100 Brands in Banking" league table.**

İşbank's service delivery network consists of:

- 18,729 employees
- 883 domestic branches
- 11 international branches
- 2,092 Bankamatiks
- 742 Bankamatiks + machines
- 911 Netmatiks***
- 103 Kasamatiks****

This extensive reach is what defines the bank's superior scale and gives İşbank the ability to provide perfect service. İşbank is a bank that is able to respond to every financial product or service need without exception. The bank's financial services subsidiaries, which are active in everything from investment banking to portfolio management and from leasing to private pensions, make the bank's ability to supply banking products and services unchallenged.

İşbank controls a portfolio of equity stakes in leading companies that are active in a wide range of endeavors from glass to telecommunications.

(*) Forbes magazine's list of publicly-traded companies in 2006.

(**) The Banker magazine's "Top 1000 World Banks" survey conducted by UK-based Brand Finance on the basis of end-2005 figures.

(***) Netmatik: Device that allows users to perform all the banking transactions that are possible over the internet (that is, other than withdrawing and depositing cash) to be performed with just an ATM or credit card and without the need to have entered into an interactive banking agreement with the bank.

(****) Kasamatik: Device that accepts cash and allows the user to deposit money and perform other transactions such as paying credit card and other bills.

Just as in the past so too in the future,
we will continue to strive to further increase our customers'
satisfaction.

Seeking to provide its customers with only the best and with the highest quality at all times, İşbank is undergoing a strategic transformation process. A battery of strategic transformation projects have been brought together under the bank's Customer Focused Transformation (in Turkish, MOD) Program.

MOD is a transformation strategy whose objective is to further increase customer satisfaction simultaneously with İşbank's productivity and effectiveness. Calling for radical changes on a broad range of fronts from İşbank's organizational structure to its technology and product and service gamut, MOD is a program that puts the customer at the focal point of everything.

MOD's other objectives include further increasing İşbank's competitive strength, reducing its cost base, and improving its employees' performance.

As the common denominator of all these objectives, MOD will aid İşbank to create increasingly more value for shareholders, customers, and employees while reinforcing its identity as Turkey's leading bank.

... With the very same sense of trust

More focused

İşbank is focused on its customer.

For İşbank, the customer is special and valued in everything that it does. This point of view finds expression in all the specially designed products and services that the bank offers to different customer groups ranging from entrepreneurs to pensioners and from employees to students.

İşbank employees' first priority is to focus on our customers' expectations and their primary goal is to exceed our customers' expectations.

More quality

Seeking to do better is an ingrained mode of behavior at İşbank.

Quality at İşbank begins at the door. Greeting our customers with a warm smile, our aim is to provide them with better service in every aspect from products to non-branch delivery channels.

İşbank invests continuously in human resources, technology, and delivery channels in order to consistently fulfill its quality commitment to its customers and keep offering them something better.

More attentive

İşbank is attentive about every aspect of its product and service processes.

Attentiveness is one of the building blocks of customer satisfaction. Our customers sense our attentiveness towards them in even the smallest details when they deal with us in a branch, at an ATM, on the phone, or over the internet and they recognize that this is the difference in our approach to service.

Customer satisfaction is constantly being assessed at İşbank so as to ensure that its products and services as well as their perceptions, expectations, and satisfaction are all successfully managed.

More accessible

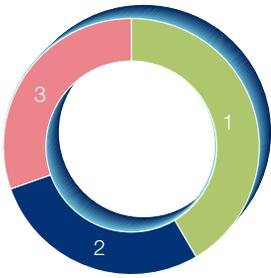
İşbank is always accessible to its customers.

Standing by our customers at all times and striving to meet their needs is the core of İşbank's customer service approach. We are a good friend, a good neighbor, and a good business partner for our customer.

İşbank knows the people of its country very well and it owes that familiarity to its own deep-rooted past, to its friendly service approach, and to its ease of accessibility resulting from an extensive network of branch and non-branch delivery channels that give it a national and international reach.

İşbank's Shareholder Structure and Principal Financial Indicators

Shareholder structure of İşbank as of 31 December 2006 (%)



1 İşbank Personnel Supplementary Pension Fund	41.54
2 Atatürk shares (Republican People's Party)	28.09
3 Free float	30.37

No changes occurred in the bank's shareholder structure in 2006.

Directors, Chief Executive Officer, statutory auditors or executive vice presidents do not control more than a negligible shareholding interest in the bank.

At İşbank we work hard to help our customers, our employees, and our shareholders to achieve their own goals.

Our continued success means that we can produce even more value for all our stakeholders and grow.

18%

Total Assets

In 2006, İşbank's total assets increased 18% and reached TRY 75.2 million.

36%

Total Loans

Reaching TRY 29.8 billion, the growth rate of İşbank's total loans was 36% in 2006.

25%

Total Deposits

In 2006, İşbank's deposits increased 25% and reached TRY 46,4 million.

23.87%

Capital Adequacy Ratio

İşbank's Capital Adequacy Ratio is 23.87% as of end of 2006.

(TRY million)	31.12.2006	31.12.2005	Change (%)
KEY FINANCIAL HIGHLIGHTS			
Total Assets	75,205	63,755	18
Total Loans	29,818	21,859	36
Total Deposits	46,399	37,222	25
Shareholders' Equity	9,410	9,288	1
Gross Profit	2,540	2,661	-5
Net Profit/Loss	1,109	1,162	-5

(USD million)*	31.12.2006	31.12.2005	Change (%)
KEY FINANCIAL HIGHLIGHTS			
Total Assets	53,910	46,435	16
Total Loans	21,375	15,920	34
Total Deposits	33,261	27,110	23
Shareholders' Equity	6,746	6,765	0
Gross Profit	1,821	1,938	-6
Net Profit/Loss	795	847	-6

(*) USD 1 = TRY 1.395 as of 31.12.2006

USD 1 = TRY 1.373 as of 31.12.2005

(%)	31.12.2006	31.12.2005
KEY FINANCIAL RATIOS		
Interest Earning Assets/Total Assets	90.0	87.9
Loans/Total Assets	39.6	34.3
Loans/Deposits	64.3	58.7
NPL Ratio	3.8	4.6
Demand Deposits/Total Deposits	16.5	18.2
Return on Average Assets	1.6	2.3
Return on Average Equity	11.9	13.7
Operational Expenses/Operational Revenues (Net)	42.0	43.6

Milestones in İşbank's History

1924

İşbank was founded by Mustafa Kemal Atatürk.

In line with the mission given to it by Atatürk at its founding, İşbank has been a part of every great transformation that our country has gone through and has played key roles in periods of momentous historical development and change.

Establishment

İşbank was established on 26 August 1924 upon a directive by President Atatürk in line with a resolution passed at the First İzmir Economic Congress.

In just three months, the name, charter, headquarters, and staff of the new Turkish Republic's new national bank were readied and under the leadership of its first director-general, Celal Bayar, it went into service with two branches and 37 personnel. The bank's first customer in Ankara was the Grand National Assembly of Turkey. Shortly afterwards, the two Ankara branches were joined by two more: the Yenicami branch in İstanbul and a branch in Bursa.

In the midst of extreme economic and social hardships, İşbank was founded with a startup capitalization of one million Turkish liras. In this initial period, the bank contributed actively in the economic reconstruction of Turkey and played a tremendous role in the country's development.

The first Turkish bank to open branches outside the country

As the years went by, İşbank continued to grow steadily as its customer base expanded and diversified.

In 1932 İşbank opened its first branches outside Turkey in the cities of Hamburg (Germany) and Alexandria (Egypt). These were the first international branches opened by a Turkish bank in the history of the country's banking industry. The Hamburg and Alexandria branches were followed by another in Lefkoşe (Cyprus).

Over the years, the bank's international organization continued to grow. Frankfurt-based İşbank GmbH, founded in 1992, today is the proud representative of the "İş" trademark in the EU, serving customers through 16 branches in four different countries.

Continuous growth

By the 1950s, İşbank had become the leader of Turkey's privately-owned banking industry. Its real growth corresponded to the period of national economic plans and rapid industrialization after 1963. During the 60s and 70s the bank accelerated the expansion of its branch network and by 1980, there were 872 İşbank branches located all over the country.

Despite intensive competition in the 80s and 90s, when the number of banks in the country nearly doubled, İşbank remained the sector's leader.

As the only Turkish company to make it into the top 500 of Forbes' list of the world's 2,000 biggest companies, in just one year's time the bank shot up 108 places from 427 in 2005.

2006

From Ankara to İstanbul

In 2000 the bank relocated its headquarters from Ankara to İstanbul. Its new home, İş Kuleleri, is Turkey's tallest building and marked the bank's new course: Grow even more as a regional force...

İşbank continues to rise rapidly in world league tables.

In its October 2006 issue, The Banker magazine ranked İşbank 50th in its list of Europe's 300 biggest banks on the basis of their tier-1 capital reported in the 2005 consolidated financial statements. In the same list, İşbank also ranked first among all banks in Turkey.

The same year Forbes, one of the world's most respected business and management magazines, ranked İşbank 319th in its survey of the world's 2,000 biggest companies. As the only Turkish company to make it into the top 500 of Forbes' list, in just one year's time the bank shot up 108 places from 427 in 2005.

In a report published by The Banker, İşbank was the only Turkish bank to make it into that magazine's "Top 100 Brands in Banking" league table.

By joining the ranks of the world's top brands in banking, İşbank once again demonstrated that it was advancing steadily towards becoming an international financial institution whose strength transcended the borders of Turkey.

According to the "World Bank Atlas" that was compiled by Moody's Investors Service on the basis of 2005 results for Euromoney and published in the August 2006 issue of that magazine, İşbank was the third biggest bank from the standpoint of shareholders' equity in Europe's developing markets and first among all Turkish banks.

What all these assessments point to is that İşbank has reinforced its stature as Turkey's strongest financial institution through balanced and healthy growth and that it is moving sure-footedly on its course of becoming an important regional force in the world.

The undisputed leader of the Turkish banking industry, İşbank will continue to grow and create value by remaining faithful to the fundamental tenets to which it has adhered since its inception in 1924.

Some of the “firsts” Introduced to the Turkish Banking Industry by İşbank...

Turkey’s bank, İşbank, has been the pioneer of its sector for 82 years.

The bank continues to be the steadfast choice of millions of customers and to earn praise for its customer-focused products and services as much for the many “firsts” that it has introduced in the course of its history, including:

- The “İşbank moneybox”, which played a big role in inculcating notions of saving in Turkey
- The first checks used in making ordinary expenditures, which significantly changed people's habits of carrying around cash
- The first “Bankamatik” ATMs, which pioneered electronic banking in our country and became a trademark
- The first Turkish bank's branches in Europe and Cyprus
- The first investment account service in Turkey
- The first mutual funds offered to customers in Turkey
- The first in-house trading in investment securities for customers to put their savings to work
- The first telephone and internet banking systems
- The first internet banking kiosks (Netmatik), which allow customers without access to a PC to take advantage of internet banking as well
- The first WAP banking applications in Turkey
- “Maximum Cash Point”, a brand-new delivery channel in the Turkish banking industry.

İşbank experiences the justified pride of being the “first” along with its stakeholders as it advances confidently and strongly into the future.

Our Vision and Objectives

Our vision

To be the most preferred bank in Turkey by customers, shareholders and employees by maintaining its leading, pioneering, and trusted position.

Our objectives

For our customers:

- To be the bank that is the most preferred as a service provider in all the sectors and customer groups that we target
- To provide our customers complete, reliable, and high-quality service by means of our capable employees, extensive branch network, and non-branch banking channels
- To abide by our high business ethics and principles without exception.

For our shareholders:

- To consistently increase the value of our shares
- To manage risk effectively in whatever we do.

For our employees:

- To be a preferred employer and offer employees programs and training opportunities that will foster their personal and professional development
- To propagate our customer-focused approach among all our personnel
- To support and reward loyalty, responsibility-taking, and creativity
- To deploy a hiring, evaluation, appointment, and advancement system that is based on competencies and performance and is fair and trustworthy.

To sum up:

İşbank's goal is to consistently increase the value that it creates for its shareholders by being a bank which responds to its customers' needs quickly, effectively, and with high-quality solutions and which encourages its employees to achieve high levels of performance in their jobs.

Chairman's Message



Having exceeded the year's targets by a substantial margin, İşbank entered 2006 into its long record of successes in letters of gold. Our bank was again the sector's leader from the standpoint of assets and remained the unchallenged front-runner in different lines of banking.

82 years

İşbank is a bank that has known Turkey, its sectoral particulars, its institutions, its companies, and its people for 82 years, in the course of which time its very existence has been intimately associated with them all.

Esteemed shareholders, customers, and employees:

Our 82nd year of operation was a steppingstone that will be remembered as much by us all as we continue our long journey as by the generations that pick up from where we leave off.

İşbank was Turkey's leading bank in 2006.

In last year's annual report we announced that 2005 had been the best-performing year in our history. It gives me great pride today to say that we have moved our "best year" forward to 2006. Having exceeded the year's targets by a substantial margin, İşbank entered 2006 into its long record of successes in letters of gold. Our bank was again the sector's leader from the standpoint of assets and remained the unchallenged front-runner in different lines of banking.

I wish to extend my sincerest thanks to our shareholders, our customers, our employees, and the subsidiaries that make up the İşbank Group for the confidence, support, preference, dedicated effort, and cooperation that they all evinced in achieving this excellent results that made Turkey's bank the leader of its sector.

İşbank inaugurated its MOD Program in 2006.

Another important issue that made 2006 an exceptional year was the Customer Focused Transformation (MOD) Program that was inaugurated in 2006 and whose objective is to restructure our bank with a customer-focused approach.

MOD is a project to redefine change management, which is a fundamental and constant matter of concern at our bank, so as to give it a customer-focused perspective and to implement it accordingly. MOD is quite a comprehensive undertaking and requires substantial amounts of human and material resources. This project, which encompasses all aspects and levels of our

bank, defines the smallest details needed to achieve customer focus and it redefines the path that leads to customer and employee satisfaction by quantifying the performance of our human resources, our services, and our effectiveness in light of existing conditions.

Ever since it was founded in 1924, İşbank has always listened to its customers, stood by them, and responded to all their financial needs under the best possible conditions. MOD's fundamental objective is to provide each and every customer with even better service on the one hand while contributing increasingly more to the added value that the bank creates for all of its stakeholders in the years ahead.

İşbank is a large and extensive institution whose tremendous competitive strength is second to none.

İşbank is a bank that successfully delivers service right alongside the international players that have joined the Turkish banking industry in recent years and are the main reason why competition there has become so keen. Our bank's competitive edge is defined by the sound foundations that it constructed in its deep-rooted past.

İşbank is a bank that has known Turkey, its sectoral particulars, its institutions, its companies, and its people for 82 years, in the course of which time its very existence has come to be intimately associated with them all. Our bank has been present at every developmental stage of the Turkish economy, been the engine of its economic growth, and played key roles in the emergence of strong Turkish companies that have a global reach. İşbank has stood by its customers and continued to serve them in bad times as well as good. In short, İşbank has existed together with Turkey and continues into the future as a bank created by the people of this country.

Chairman's Message

İşbank is a Turkish bank at the service of the whole world. İşbank has embarked upon a process of making a more active effort to maintain its standing as Turkey's bank in the intense competition being experienced in the banking industry and it will continue to do so increasingly more so.

Turkey's leader, İşbank has the most extensive branch network of any privately-owned bank in Turkey. At a time when the rules of the game are being set on a global scale, our bank has moved quickly into the league of the world's biggest companies. Through the worldwide relationships that it has established, İşbank communicates and cooperates with just about every point on the globe today.

One of the most highly-valued companies quoted on the İstanbul Stock Exchange, İşbank's shares rank among the equities most sought after by foreign investors in Turkey and their ability to generate value is acknowledged by international rating agencies. Recognized as a most important business partner by foreign investors in Turkey, more than two-thirds of İşbank's publicly traded stock is held in the portfolios of international investors.

All of these attributes make İşbank a Turkish bank that is at the service of the whole world. In the fiercely competitive climate of its sector today, İşbank is actively engaged in an effort not just to maintain its position as "Turkey's bank" but to build upon it.

Our basic business is lending and thus continuously contributing to capital formation.

When considered from the standpoint of the added value generated for the economy, we see that in 2006 İşbank further increased its basic function-lending-to a substantial degree.

Among all the products and services that our bank supplies, the most important value added creating activity that our bank engages in at the macroeconomic level is lending: in particular lending that leads to capital formation. Our lending activities contribute towards the capital accumulation that a developing economy such as ours is in great need of and also to the robustness of the Turkish economy and its ability to act independently. One must never forget that major institutions like İşbank play an important role in the shaping of economic life through the decisions they make and that, for this very reason, they bear a huge responsibility.

Just as in the past so too in the future, İşbank will regard lending as its principal business activity and continue to contribute increasingly more to economic life.

The İşbank Group is a leading economic actor.

İşbank owns direct stakes in 35 companies that are active in different lines of business. The bank's subsidiaries and affiliates were also successful in 2006 and increased the contributions they made to our overall added value creation process.

İşbank's subsidiaries and affiliates portfolio is managed according to the principle of productivity and it evolves along two main axes. The first of these is businesses with which we create synergetic collaborations and complement our own ability to deliver products and services to customers. The second is businesses whose industrial and services activities make them strong contenders in both national and international markets. When our subsidiaries and affiliates portfolio is considered as a whole, we see that the companies in it account for significant shares of Turkey's total employment, productive power, and exports.

Another matter that I want to stress at this point is the progress that one of our industrial concerns, Türkiye Şişe ve Cam Fabrikaları A.Ş., has been making as a global company. This subsidiary has risen to a leading position in Russia by virtue of its investment and production activities and its ventures in our country's hinterland are a source of pride not just for our stakeholders but for our whole country.

İşbank is committed to further developing its subsidiaries and affiliates and to expanding their activities in different areas by taking developments in Turkey and the world into account.

New opportunities and undertakings await us all in 2007.

In 2006 Turkey successfully maintained its stable appearance while the country's economic growth and development proceeded as expected.

We anticipate that 2007 will be another year of stability but also a more dynamic one.

2007 will be an election year. Notwithstanding what that means from the standpoint of hotly debated economic and political

expectations, from the standpoint of the banking industry, it is going to lead to new opportunities and undertakings. Similarly 2007 is also going to be a busy year for our sector in terms of bringing itself into compliance with the new rules that lawmakers have laid down for it.

Since the day it was founded, İşbank has made it its duty to be the best practitioner of ethical values and of the principle of institutionalization in Turkey. It strives willingly and eagerly to be an institutional model for full compliance with the sector's new legal framework and continuously increases its effort to fulfill all of its dictates. Another aspect of this issue to which we give importance is the obligations that the new legal framework imposes on our customers. At a time when the customer-bank relationship is being redefined under its MOD program, İşbank must be focused on its mission of being both a guide and an adviser to help its customers fully understand and fulfill the legal obligations that are incumbent upon them under the new rules.

Our next objective will be to maintain our leadership as we move even higher in world league tables.

We all know that accomplishing that is much harder than rising to first place. What we need to do now is to work even harder and to make an even greater effort. Foremost among the issues we must be mindful of during this process is to carefully fine-tune our risk perceptions without ceasing to be prudent and to structure the mechanisms that protect us against external factors in ways such that they do not thwart the development of a healthy İşbank balance sheet.

To the degree that it succeeds in doing this, İşbank will remain the leader and will protect the value that it creates for its stakeholders and take it even further.

In the competitive environment that is taking shape, İşbank is the most advantaged bank of all.

The fundamental reason for that is that we have some of the best information available about how the people taking advantage of our services benefit from them and what they expect of those services. By making the best possible use of this advantage, İşbank will continue to be the first choice of its customers.

Esteemed shareholders, customers, and employees:

Given a healthy balance sheet, a high capital adequacy ratio, equity resources capable of nourishing growth, an ability to deliver service that is both fast and high-quality, a battery of ongoing projects, and the motivation that comes of being Turkey's bank, our expectations about the future are of the highest order. With the support which you have always given us and which we believe will further increase as time goes by and with the courage, innovativeness, and corporate spirit that all of us at İşbank possess, we are determined to carry Turkey's bank on into the future while continuing to make its shareholders richer, to deliver better service to its customers, to satisfy its employees, to increase its contributions to the national economy, and to fulfill its social responsibilities.

Yours sincerely,



Prof. Dr. Ahmet Kirman
Chairman of the Board of Directors

CEO's Message



Our bank has risen to the first place in the sector in terms of assets.

In 2006 İsbank carried the record of its success to an even higher level to become Turkey's leading bank. Our long-term strategy of focusing on steady growth continued to bear fruit on the financial and operational dimensions in our 82nd year of business.

TRY 9.4 billion

İşbank's shareholders' equity increased to TRY 9.4 billion while its capital adequacy ratio was 23.87%.

Esteemed shareholders, customers, colleagues, and business partners:

Leadership and performance

In 2006 İşbank carried the record of its success to an even higher level to become Turkey's leading bank. Our long-term strategy of focusing on steady growth continued to bear fruit on the financial and operational dimensions in our 82nd year of business and our bank has risen to first place in the sector in terms of assets.

Total assets last year grew 18% and reached TRY 75.2 billion. During the same twelve months, the assets that our more than ten million depositors entrust to our bank rose 25% bringing our total deposits to TRY 46.4 billion. Our total lendings rose 36% compared with 2005 and amounted to TRY 29.8 billion. As a result of all its activities in 2006 our bank booked a gross profit of TRY 2,540 million and a net profit of TRY 1,109 million.

Not only did İşbank become the sector's leader in 2006, it also continued to protect and increase its shareholders' equity as well. The bank's total equity reached TRY 9.4 billion in value while its capital adequacy ratio was a solid 23.87%

We do business in a sector that is easily and quickly affected by volatilities caused by both internal and external factors. As an unavoidable consequence of this, it is very important that we possess a financial structure that is balanced, easy to control, and conservative to the degree that it needs to be. So long as we shape all of İşbank's activities with this point of view, our operational performance will continue to be excellent and our profitability will be sustained.

İşbank's position in Turkey and the world

İşbank's reputation, social identification, and brand value are all high.

Founded in the Anatolian heartland by the people of Turkey our bank has grown and developed to become the leading institution it is today. In the wake of the sometimes sweeping changes witnessed in banks' shareholder structures in Turkey in recent years, our own bank has acquired a quite unique status. Despite the increasing presence of foreign investment inflows into the sector in recent years, İşbank continues to grow and increase its share of that sector. In that respect, İşbank is a strong and trusted business partner for international players who do not themselves have a presence in Turkey.

The best revelation of how our bank is perceived around the world is provided by the assessments made of it by independent organizations. The latest international ratings all confirm that İşbank is Turkey's number one bank.

Our wide-reaching network of relationships at the international level gives us an important global advantage in service. The great respect that we command in international syndication and structured finance markets makes it possible for us to do business on the best possible terms available.

This unique position of İşbank in Turkey and the world is what will provide the foundation for its long-term growth.

CEO's Message

Putting the customer at the focal point of everything.

The Customer Focused Transformation Program that was launched in 2006 seeks to increase customer satisfaction on many different fronts.

İşbank: Three stages of development

The first period of İşbank's history is the years of its inception in which its development was sparked and shaped by the strong personal initiatives of individuals such as its founder Mustafa Kemal Atatürk and others. This period also corresponds to the successful efforts to reconstruct Turkey's economy, efforts towards which our bank made many contributions.

Paralleling its growth and development, in the course of time the process of institutionalization got under way at İşbank and this led to the emergence of our country's most deeply entrenched and rooted corporate structure and of its strongest trademark. This second period corresponds to the years in which the bank's corporate wisdom, effective implementation of technological processes, and transaction focus all took shape. During these years İşbank became the first preference of millions of individuals, strengthened its ability to shape the course of economic activity, and gained the competencies that enabled it to provide effective service at whatever scale it might be needed.

In the 2000s the rules governing competition in the Turkish banking industry changed radically and our bank embarked upon the third stage of its evolution. In response to this, İşbank adopted an approach that sought to shape demand and in which marketing and sales gained greater weight. This change in attitude is what will make it possible for us to more easily contend with global banks on a level playing field in our own market while continuing to strengthen our international maturity as well.

Customer Focused Transformation Program

Our business philosophy in this third stage is summed up in the Customer Focused Transformation Program (in Turkish, MOD) that was launched in 2006 with the approval of the bank's board: Put the customer at the focal point of everything.

Listening to and understanding each and every customer and offering the right solutions in the most effective way possible lie at the foundation of how we do business. This streamlined approach seeks to increase customer satisfaction on many different fronts and in this way to strengthen customer loyalty while also taking İşbank's growth capacity and competitive strength to a whole new level. In nutshell, MOD is a facilitator; and what it will facilitate is cultural change at İşbank.

MOD will bring about a long-term transformation in which all of our bank's infrastructure and superstructure, business processes, product designing, and even technology will have to be restructured. This is going to be a labor-intensive project and will require the participation of our more than 18,000 employees in different aspects of it as well as their training and, more importantly, their involvement in its implementation. MOD is the most comprehensive change project ever undertaken in the Turkish banking industry.

Finally I want to touch on a point that I think is very important. İşbank is undertaking and carrying out this change project employing its own intellectual and material resources and without the need for the capital or knowledge of an international partner. The ability to do this is a fundamental difference that sets İşbank apart from other players and the true wellspring of its own institutional strength.

To derive even more benefit from an expanding market

We believe that Turkey harbors tremendous potential for future growth and development in banking. We see this potential along two separate axes: our own national market on the one hand and our country's hinterland on the other.

Though great progress has been made in our country, the low rates at which banking products and services are still being used signal that there is a huge potential for growth in the national market. Turkey's hinterland meanwhile is a dynamic region in which important global opportunities and structurings are possible in everything from energy to international trade.

In the years ahead we believe that there will be an increase in regional structurings in the financial sector centered in our country. International capital entering our country through strategic shareholder changes in the future will be focusing on growth at the regional level as well.

In this process, İşbank's goal must be to pursue growth along both axes without sacrificing its national identity or its corporate mission. Our clear lead in different lines of banking will bolster our front-rank position through synergetic cooperations that we develop with our financial subsidiaries and will enable us to grow by reaching out to still more customers.

The added value of our non-financial subsidiaries

Another issue playing a very important role in the shareholder value that İşbank creates is the growth and development that our non-financial subsidiaries have been achieving.

The point that I particularly want to lay emphasis on here is the exceptional and leading position of our subsidiary, Türkiye Şişe ve Cam Fabrikaları (Şişecam). The founder of Turkey's glass industry, Şişecam has achieved enormous growth in recent years thanks to major investments in our own country as well as in Russia, Bulgaria, and Bosnia & Herzegovina. This growth supplies significant momentum for our group's own rapid growth strategies as much as it plays a most important role in fulfilling our commitments to our shareholders. This in turn points to the multidimensional growth potential and strength that the İşbank Group possesses both nationally and internationally.

For continued leadership

In 2006 İşbank booked exceptional results that all of its steadfast shareholders, customers, and employees can admire and take pride in.

Through policies and practices that keep pace with change and continue to develop, we-and by that I mean Turkey's bank-will be the ones supplying the future needs of Turkish society for banking products and services. As the institution with the richest banking culture in Turkey and bearing the greatest responsibility, we consider that to be our inescapable duty and a natural outcome of the historical and social dimensions of our corporate mission.

In line with that mission, in 2007 İşbank will seek to:

- **Further increase its shares of the credit and deposit markets**
- **Keep providing uninterrupted support to the real sector**
- **Further strengthen its sustainable sources of income by increasing its non-interest income in all lines of business**
- **Increase the number of its branches and rapidly expand the breadth and depth of its alternative delivery channels.**

İşbank's leading position in its sector in 2006 was the outcome of a long-term, patient effort on the part of all concerned. The performance demonstrated by our team in 2006 is a source of pride for us all. In addition to their superior performance as a team however, at the individual level each and every İşbank employee completely fulfilled the duties incumbent upon them as a part of this institution.

With the support and guidance of our shareholders and Board of Directors, İşbank employees will continue to rack up even greater successes that we shall be able to report in the years ahead.

In closing, I extend my thanks to all the national and international customers, correspondents, and investors who have chosen to work with us.

And I assure you all that our race to deliver the best to our shareholders and customers will never end

Yours sincerely,



H. Ersin Özince
Director and Chief Executive Officer

The Economic Environment in 2006

It is estimated that the world economy grew on the order of 5.1% in 2006. An important contributor to this favorable picture was lively economic activity in the Eurozone and in Japan.

The world economy

The world economy demonstrated strong growth performance...

It is estimated that the world economy grew on the order of 5.1% in 2006. The two most important contributors to this favorable picture were lively economic activity in the Eurozone and in Japan on the one hand and, on the other, the rather limited impact that the financial market volatilities experienced in the first half of the year had on developing economies.

...While growth continued in the USA and Eurozone.

Growth in the United States is thought to have been around 3.4%. The rate of growth was dampened primarily by higher interest rates, higher energy prices, and a slowdown in housing starts.

In the Eurozone, the rate of growth in 2006 is estimated to have been on the order of 2.4%, due largely to the momentum that was gained in the second half of the year that paralleled a rise in investment and private sector consumption outlays. Japan's economy is also thought to have grown some 2.7% in 2006 in line with rising exports and investment expenditures.

With market interest rates on the rise...

The Federal Reserve Bank, which serves as the US central bank, raised short-term interest rates from their 4.25% level at end-2005 to 5.25% during the first half of 2006. Having raised rates repeatedly since June 2004, the Fed ceased doing so in August 2006. In the Eurozone, interest rates continued to go up however as the European Central Bank raised them from 2.00% to 3.50%. Even Japan's central bank, which had kept the interest rate close to zero, nudged it up to 0.25% in July 2006.

...The US dollar depreciates against the euro...

In 2006 the US dollar depreciated against the euro. Expectations that the Fed had reached the end of its interest rate hikes, a narrower gap between US interest rates and those in other countries, and a decision on the part of some countries to alter their foreign currency reserve compositions in favor of the euro were among the most important factors contributing to this development.

...While oil prices reach their highest level in August.

In response to strong demand resulting from increased strong growth in the world economy combined with geopolitical risks, oil prices rose as high as USD 78 a barrel in August. In the last quarter of the year, oil prices began to subside once again however as supply-related concerns were assuaged.

Global growth in 2007 is projected at 4.9%...

Paralleling the slowdown in the US economy and relatively high interest rates, it is expected that global growth will lose some of its momentum in 2007 and that it will be around the 4.9% level.

...While the increase in the volume of world trade will be 7.6%.

Similarly, it is thought that the growth in the volume of world trade will slip from its 8.9% level in 2006 to about 7.6% in 2007.

As a result of a more sluggish housing market and the adverse impact of higher interest rates on consumer spending, it is expected that the slowdown in the US economy will continue and that economic growth in that country will be on the order of 2.9%.

It is thought that the rate of growth will also contract in the Eurozone as well. In addition to higher interest rates, the anticipated hike

5.7%

In the first nine months periods of 2006 the Turkish economy grew 5.7%.

in Germany's VAT rate in 2007 will likely slow down growth there and result in an overall growth rate of about 2% in the Eurozone.

A slowdown in the United States in 2007 will likely adversely effect Japan, whose economy is so heavily dependent on exports, and bring the country's growth rate down to the 2.1% level.

With the Fed being cautious about raising interest rates...

Seeking to follow a balanced policy in the face of slower economic growth and higher inflation risks, it is thought that the Fed will "make haste slowly" in its interest rate decisions and that it may even cut rates by a moderate amount in 2007. Both the European Central Bank and the Japanese Central Bank are likely to act cautiously with respect to interest rate hikes in 2007 as well.

...The EUR/USD parity will follow an volatile course...

In the period ahead the fact that US and European monetary authorities' base their short-term interest rate decisions on announced figures will not be enough to provide markets with the guidance that they need. Short-term liquidity movements have increased substantially in today's global markets and it is believed that this will encourage volatility in the EUR/USD parity all year long.

...While oil prices will likely contract...

While it is projected that the worldwide demand for oil will fall in 2007, the actual decline in oil prices may be limited if OPEC countries take measures to cut back supply in the face of shrinking profits.

The Turkish economy

The private sector was the engine of economic growth in 2006...

In the first three quarters of 2006 the Turkish economy grew 5.7%.

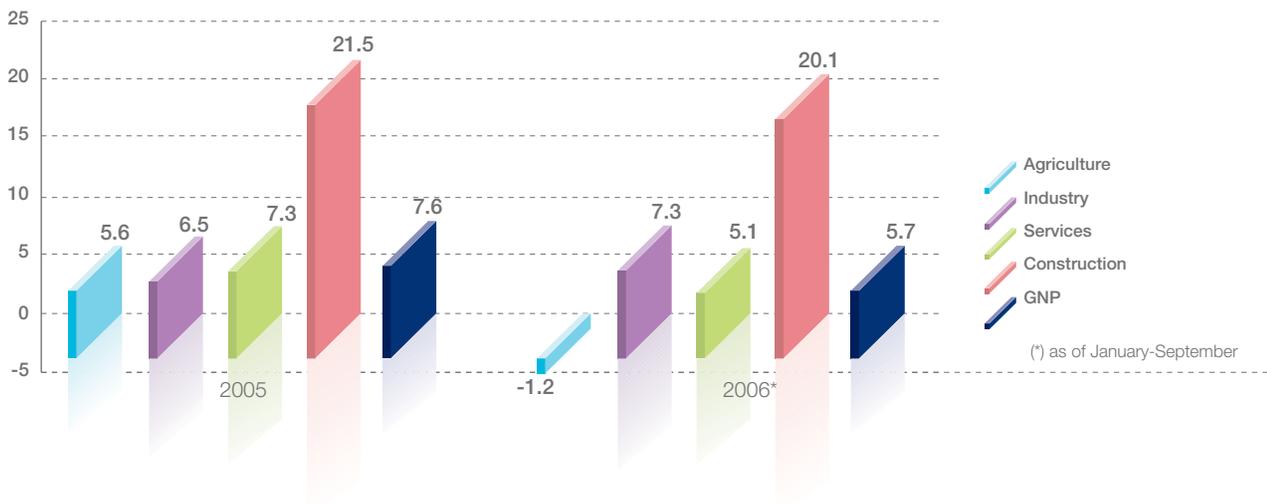
Private sector consumption and investment outlays continued to be the primary sources of this growth. During the same nine months, the overall contribution of the public sector to growth shrank and expenditures on the public side went more to consumption than to investment. While the manufacturing performed strongly during this period, services appeared to lose some of their momentum.

... While Turkey's foreign trade continued to develop.

Exports in 2006 were up 15.9% year-on and reached USD 85.1 billion in value while imports increased a slightly faster 17.3% and weighed in at USD 137 billion.

The growth in imports was driven largely by increased use of imported inputs and by high international commodity prices, particularly that of oil. Exports for their part gained momentum brought on by a weak Turkish lira in the wake of market volatilities in May and by a relative cutback in domestic demand resulting from higher interest rates. Demand generated by a lively economy in EU countries was another factor that had a positive impact on Turkey's exports in 2006.

GNP Growth by Sectors (%)



The Economic Environment in 2006

Foreign direct investment contributes a greater share of current account financing...

The current account deficit reached USD 31.3 billion in 2006. In previous years, the country's current account deficit was largely financed by portfolio investments and by loans secured by banks and other private sector companies from abroad. In contrast to this, some 60.2% of it was financed by foreign direct investment in 2006.

... The Treasury's domestic debt roll over rate contracts.

While the central budget showed an overall TRY 4 billion deficit, the primary surplus amounted to TRY 42 billion. Such a huge primary surplus helped reduce the rate at which the Treasury had to roll over the amount of public debt needing to be financed.

Inflation begins to pick up speed once again...

In response to lively domestic demand in the first four months of 2006, to price intransigence in services, and to high raw material and food prices, inflation began to rise once again. The depreciation in the Turkish lira beginning in May also contributed towards the upwards pressure on inflation as well. The 12-month rise in inflation as measured in producer prices was 11.58%; in terms of consumer prices it was 9.65%, almost double the government's target of 5% for 2006.

... Short-term interest rates are up...

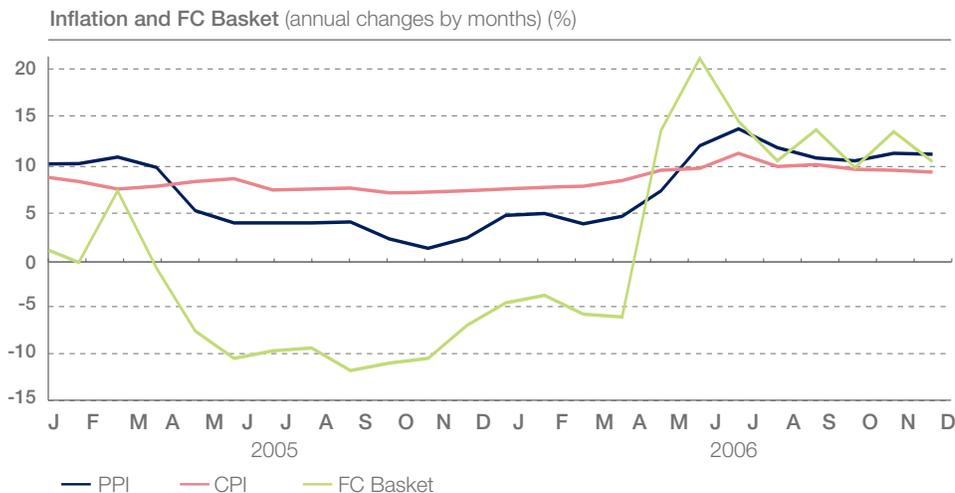
In a climate of political and economic stability and with expectations that inflation would continue to subside, the Central Bank's (TCMB) overnight borrowing rate, which was 13.50% at the beginning of the year, slipped to 13.25% in April.

In May however, market uncertainties that were provoked by domestic concerns and were accelerated by changes in global risk perceptions forced TCMB to take measures and in the May to June period, its short-term interest rates were raised 425 basis points to the 17.50% level.

Similarly, the compound yield on benchmark government borrowing instruments went from around 13.8% at the beginning of 2006 to the 21% level by year-end. On the other hand, the risk premium on Turkish eurobonds, which was 223 basis points at end-2005, contracted to 207 basis points by end-2006, though it followed a rather unsteady course getting there.

... Exchange rates destabilize.

During the first five months of the year, foreign currency rates looked solid and on course. This appearance changed in the wake of the market volatilities of May and the depreciation of the Turkish lira. As of year-end, the Turkish lira had lost 5.2% of its value against the US dollar, 16.9% against the euro, and 10.8% against a basket worth USD 1.00 + EUR 0.77. The real exchange rate as measured in CPI prices declined 6.5%.



The banking industry's total assets, which amounted to TRY 397 billion at end-2005, reached TRY 499.7 billion as of end-2006.

The banking industry

Loans account for a bigger share of the sector's balance sheet...

The banking industry's total assets, which amounted to TRY 397 billion at end-2005, reached TRY 499.7 billion as of end-2006. The share of loans in the sector's overall balance sheet continued to rise as it has been doing now for several years in a row while banks' investment securities portfolios seemed to grow somewhat slimmer.

... The growth in lending to consumers and SMEs continues.

Continued economic growth and lower interest rates in the early months of the year increased the demand for credit with the result that there was an overall 40.4% expansion in the banking industry's volume of lending in 2006. The biggest contributors to this expansion were consumer loans (particularly to finance housing purchases) and lending to small to medium-sized enterprises (SMEs).

Signs of healthy growth in the sector's balance sheet...

An increased share of loans in their total assets, broader-based lending policies, a perceptible decline in the ratio of non-performing loans to the total, and a reduction of investment securities in total assets all signaled that the Turkish banking industry was undergoing a process of healthy growth and development.

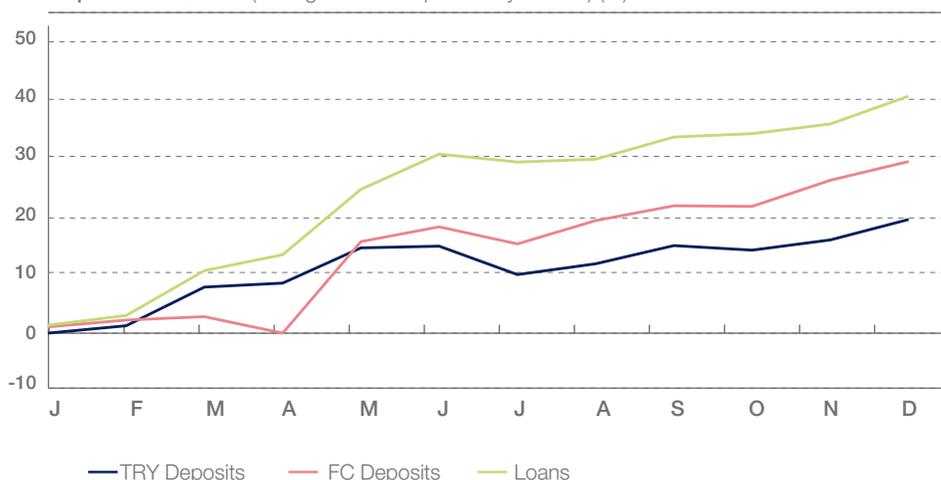
... Turkish lira deposits follow an erratic course.

The banking industry's total deposits increased 22.4% year-to-year in 2006. In the wake of the market volatilities experienced in May and June however, there was a rise in foreign currency deposits on a USD basis while movements in Turkish lira deposits were rather erratic. Paralleling these developments, the share of Turkish lira deposits to the total contracted to 61.3% last year.

In 2007

- The government's targets for 2007 include 5% real growth, 4% inflation as measured in consumer prices, and a non-interest surplus on the public side equal to 6.5% of GNP.
- The primary sources of risk in 2007 are developments in Turkey's EU accession process, upcoming presidential and parliamentary elections, political uncertainties in the Middle East, and developments taking place in global growth and liquidity. In a country whose high current account deficit remains an element of fragility, outflows of funds resulting from political instability and changes in global risk perceptions could cause deviations from macroeconomic forecasts by deepening volatilities that would otherwise have been seen as being just temporary.
- With the Treasury needing to borrow less, the banking industry will continue to provide more and more financing to the real sector in 2007 and the years that follow. In the aftermath of the volatilities experienced in May and June 2006, the demand for credit began showing a gradually rising trend that is expected to continue in 2007 as well. In view of the heavily-fraught political and economic calendar in 2007, the possibility of movement towards foreign currencies from time to time cannot be ruled out but it is not anticipated that the Turkish lira/foreign currency composition of the sector's deposits will change significantly.
- Sustained and stable economic growth, the rising proportion of the 15-64 age group in the total population, greater use of banking products in all segments of society, and progress in combating the country's unregistered economy are the most important issues that will support the continued growth of Turkey's banking industry.

Deposits and Loans (Changes over the previous year-end) (%)



İşbank in 2006

General assessment

İşbank's corporate objectives are to continuously increase its market shares, customer numbers, business volumes, and profitability in different lines of business and maintain its position as Turkey's leading bank.

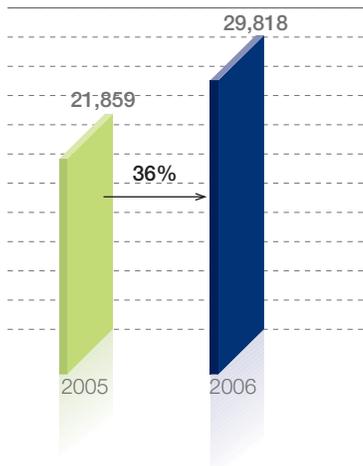
In 2006 İşbank:

- Registered an 18% rate of growth. At year-end 2006 the bank's total assets had reached TRY 75.2 billion in value.
- Continued to grow in retail, corporate, and commercial banking. Total lending was up 36% at TRY 29.8 billion while total deposits rose 25% to TRY 46.4 billion.
- Remained the sector's leader in deposits, consumer loans, and company salary payments made through the bank.
- Continued to fine-tune its approach to corporate and commercial banking in line with market conditions and customers' needs and increased its market shares in these segments.
- Continued to increase its support for SMEs and the agricultural sector, two crucially important elements of our national economy.
- Continued to be the consistent leader of Turkey's capital markets. İşbank registered clear increases in mutual fund, company share, bond & bill, and repo trading and once again unmistakably demonstrated its overt lead.

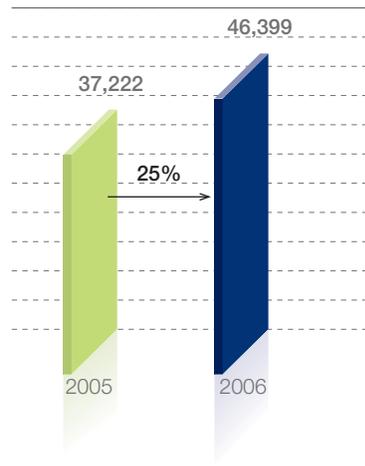
- Redesigned many of its retail banking products and services under the "Hayat Maksimumda" ("There's life in Maximum") slogan and offered them to customers.
- Continued to grow steadily in credit and bank cards and increased its market shares there.
- Continued to undertake record-breaking syndications in international markets and provide structured financing.
- Increased the number of its branches in the country to 883.
- Continued to enrich the functions of its non-branch delivery channels with an eye on practicality, security, and customer appeal.

In line with its corporate objectives, İşbank is determined to continuously and unambiguously increase the value it creates for shareholders, customers, employees, society, and the environment in 2007 and the years beyond.

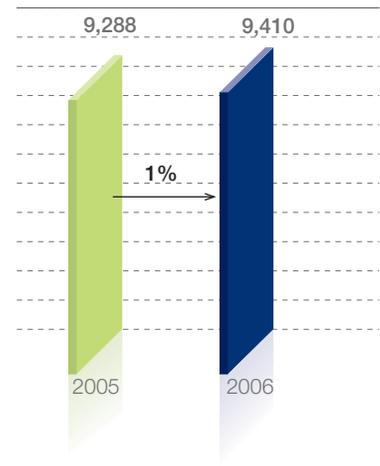
Total Loans (TRY million)



Total Deposits (TRY million)



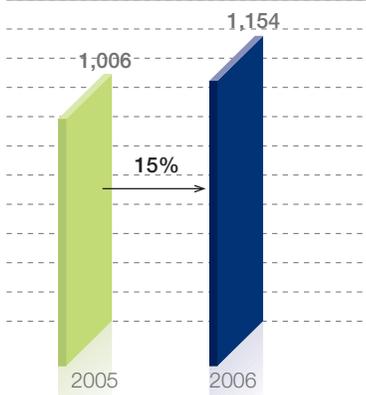
Shareholders' Equity (TRY million)



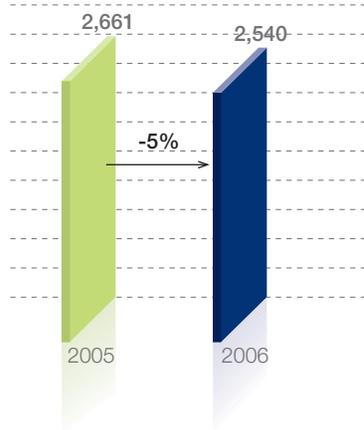
36%

İşbank's total lending was up 36% in 2006.

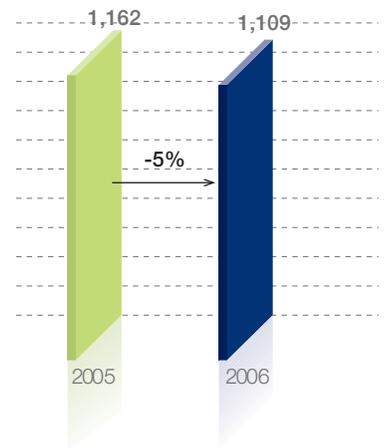
Gross Fees and Commissions Income (TRY million)



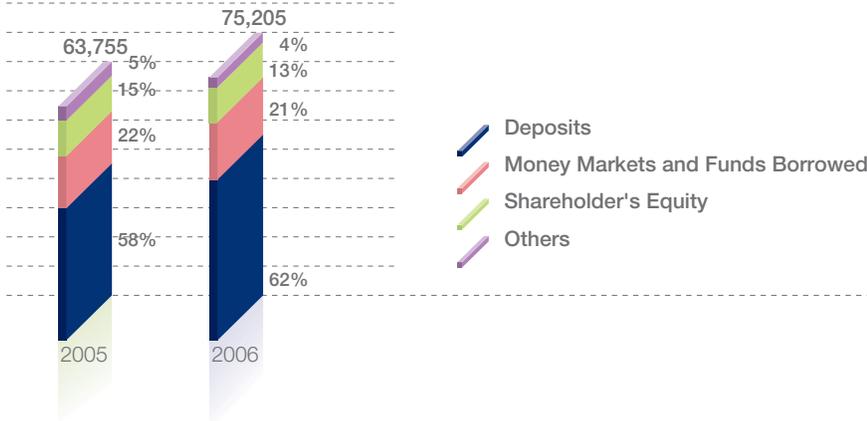
Gross Profit (TRY million)



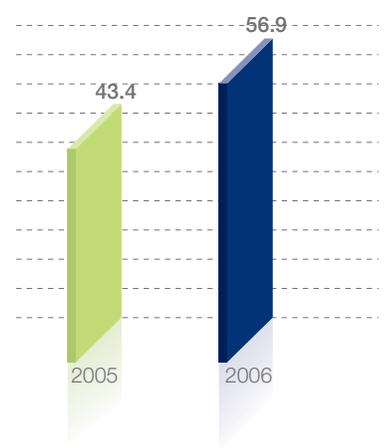
Net Profit (TRY million)



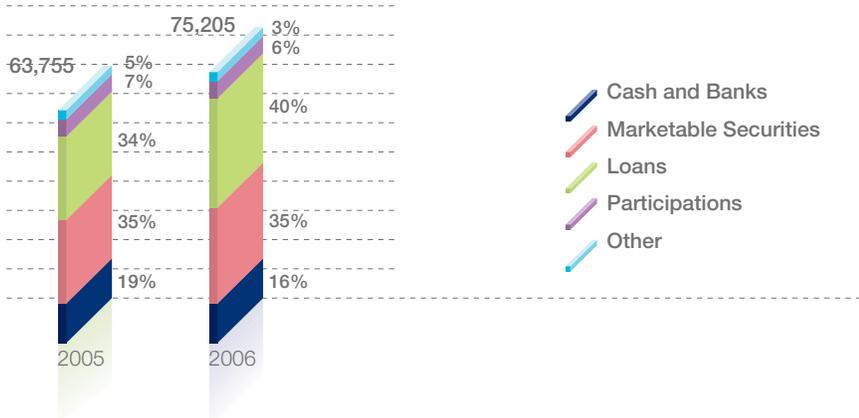
Liabilities Composition (TRY million)



Net Fees and Commissions Income/Operational Expenses (%)



Asset Composition (TRY million)



İşbank in 2006

For İşbank, the customer is the foundation and focal point of everything. This attitude is continuously reflected in and is a critical factor of İşbank's approach to business, its organizational structure, its technological infrastructure, and its product and service lines.

Retail banking

Serving every segment of society

İşbank serves its retail customers through 883 branches located all over the country and via 10 different non-branch delivery channels. Reaching out to every segment of society from blue-collar worker to retiree and from entrepreneur to student, the bank offers the banking products and services that people need at different stages of their lives and always with the same high-quality approach.

İşbank is a symbol.

Retail banking is one of the business lines in which İşbank is the country's leader.

In the 82 years since 1924, İşbank has taken a pioneering approach to providing products and services that make a difference in the day-to-day lives of individuals. İşbank is a bank that has become a national symbol. İşbank's "moneybox" changed the country's saving habits, its Bankamatiks put an end to the need to carry cash around, and its WAP banking transformed mobile phones into bank branches. These and many other innovations introduced by İşbank are the building-blocks of its leadership and identity.

The customer is the focal point of everything.

For İşbank, the customer is the foundation and focal point of everything.

This attitude is continuously reflected in and is a critical factor of İşbank's approach to business, its organizational structure, its technological infrastructure, and its product and service lines.

İşbank's goal is to stand by its retail customers always and everywhere, meet all their financial needs, help them plan their investments, and contribute towards their future well-being. This is İşbank's retail banking mission.

İşbank's retail banking products and services are a perfect synthesis of its unrivalled scale, technological superiority, and approach to service that knows no bounds. In addition to such "classic" banking products as deposits, credit cards, and personal loans, İşbank also supplies its retail customers with insurance products, investment products, and private pension products as well.

Numbers that speak for themselves...

İşbank is the undisputed leader in deposits among all privately-owned banks. According to end-2006 figures, the bank controlled a 15% market share of total deposits. Last year İşbank's total deposits reached TRY 46.4 billion while its savings deposits amounted to TRY 26.1 billion. Of the latter, TRY 13.8 billion worth was in Turkish lira accounts and the remaining TRY 12.3 billion in foreign currency accounts. The rise in İşbank's savings deposits in 2006 was greater than the overall growth in such deposits in the sector.

The total volume of İşbank's personal lending increased 31% in 2006 and reached TRY 9.2 billion.

İşbank's "Maximum" brand continues to make sure-footed and solid progress. At year-end 2006 the number of cards issued under this program reached 3.8 million. The bank's share of the credit card market in terms of cards issued increased half a point last year to 11.5%.

Another line of retail banking in which İşbank is the undisputed leader by a wide margin is company salary payments made through the bank. According to end-2006 figures, the number of people receiving their salaries through İşbank rose 9.8% last year and reached 1,367,563.

13.3%

The bank's credit card turnover approached TRY 14.5 billion, which corresponded to a credit card turnover market share of 13.3% in 2006.

Under the heading of automatic utility bill payments, the number of instructions given to İşbank rose 15.2% in 2006. New payment agreements were entered into with thirty concerns last year. At year-end, the number of automatic utility bill payment instructions given to the bank was on the order of 5.1 million.

In its insurance and private pension products, İşbank continued to focus on marketing last year. In the year to end-2006, there was a 64.6% increase in the number of private pension accounts opened in the name of the bank's customers and they reached 132,000.

Credit cards

Maximum's stable development continues

Credit cards were a business line in which there was intense competition in 2006 among banks. A new law governing bank cards and credit cards that went into effect on March 1st of the year introduced new rules that had the effect of restricting banks' ability to take on new credit card customers. One outcome of this was that the numerical growth in the sector's credit card accounts last year was somewhat slower than what it had been in previous years.

Despite this however, İşbank increased the number of its credit card customers to 3,741,007, achieving a rate of growth that was above the sector average. The bank's credit card turnover approached TRY 14.5 billion in 2006, which corresponded to a credit card turnover market share of 13.3%.

Maximum card: The key to retail banking

Offering its holders attractive advantages and opportunities that go beyond what is expected of a credit card, İşbank's Maximum card has become the keystone of its retail banking business line.

Last year Maximum underwent a radical change in look and corporate identity. In 2006 the card was equipped with chip technology that brought it into compliance with EMV standards. The process of changeover took place without a hitch.

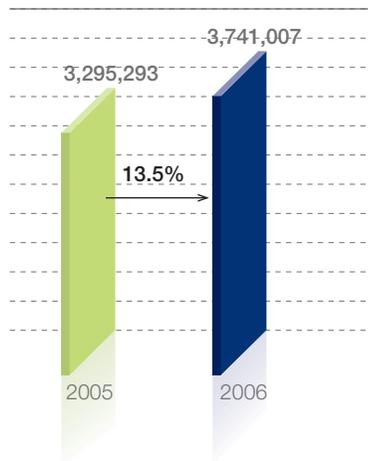
As of May 2006, all İşbank-issued personal and company credit cards had been replaced with EMV-compliant IC ("chip") cards.

chip&PIN

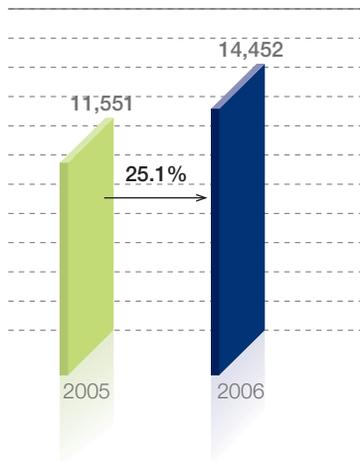
The chip&PIN initiative, which can reduce credit card fraud by a wide margin by means of IC credit cards was launched in Turkey on 31 March 2006. In the changeover to the use of PIN authentication when using İşbank cards to make payments, customers were provided with all the support they needed and the new procedure went into effect without any interruptions in service on the part of the bank or card-accepting vendors.

When making the move to the chip&PIN system, İşbank introduced special service modules such as POS devices with special software and interactive telephone steps so that its customers could conveniently learn and change their PINs.

Number of Credit Cards



Credit Card (TRY million)



İşbank in 2006

In 2006 İşbank authored another first by enabling the use of credit cards in capital market transactions. The bank allowed those placing orders for shares to use their credit cards to pay for them.

“Hayat Maksimumda” (“There's life in Maximum”)

In an intensive promotional campaign with the slogan “Hayat Maksimumda” (“There's life in Maximum”) based on the theme of making the individual's life easier, the Maximum card's new image was reflected in many other retail banking products that were offered to customers such as “Maximum Account”, “Maximum Home Package”, and “Maximum Insurance”.

Continuously enhancing customer satisfaction

During 2006 the bank continued to organize a variety of campaigns under its Maximum card program and to diversify the features offered to customers in order to further enhance customer satisfaction and strengthen customer loyalty.

In this context,

- An “All Flights on Maximum” campaign was launched. This campaign makes it possible for credit card customers to use their MaxiPoints to purchase economical airplane tickets.
- In addition to personalized campaigns, campaigns were organized that allow credit card customers to earn extra installments or MaxiPoints during special days or periods of time. These and similar campaigns were designed to encourage customers to keep using their cards both in Turkey and abroad in order to earn extra points.
- It was decided to extend the Millennium Lounge program that was begun at the İstanbul Atatürk International Lines Terminal in 2000 to include the Ankara and İzmir airports as well.
- Campaigns were conducted to ensure continued communication with and card use by university students, who make up an important part of the Young Adult segment.
- An automatic payment campaign was organized to encourage customers to have their credit card repayments made automatically

from their current accounts. Customers were also encouraged to agree to receive their credit card statements by e-mail.

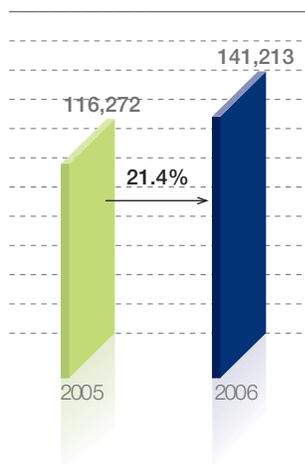
- A campaign was organized to promote and encourage use of automatic payment instructions and of the Toll Card System, which automates bridge and highway toll payments and allows customers to replenish their prepaid toll cards from their Maximum card account.

İşbank has begun sending summarized credit card statement information by SMS text message to customers' mobile phones as a reminder the day before the payment-due date.

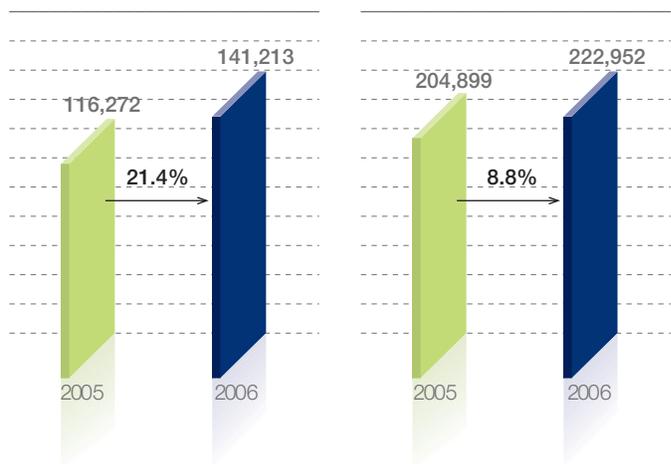
Still more member merchants and Maximum points

Throughout the year İşbank continued to work intensively to add important retailers to its member merchant network and to more

Number of Maximum Points



Number of Member Merchants



20%

In the 12 months to end-2006, the aggregate transaction volume of all İşbank member merchants rose 20% and reached TRY 12.7 billion.

effectively deliver the message of the value of cooperating with the bank as a way of increasing use of its Maximum cards. As a result of these efforts, the number of Maximum points around the country reached 141,213 in 2006.

Member merchant transaction volumes up 20%.

In the 12 months to end-2006, the aggregate transaction volume of all İşbank member merchants rose 20% and reached TRY 12.7 billion.

To further increase member merchant transaction volume

To increase the use of Maximum Card, İşbank continues to organize campaigns with high brand value Maximum places of business on special days of the year such as New Year's, holidays, Mother's Day, and Father's Day as well as at times when there are usually turnover increases in particular sectors.

In 2006 the bank continued its efforts to enhance its brand visibility, its place of business relationship management program, and its "Maximum Development Club".

Credit cards in public offerings

In 2006 İşbank authored another first by enabling the use of credit cards in capital market transactions. The bank allowed those placing orders for shares in the Turkish Airlines flotation last year to use their credit cards to pay for them by clicking the credit card option and entering their card information. The bank accepted all valid MasterCard and VISA credit cards without regard for the issuing bank.

At the service of Maxinet member merchants

Work was completed in 2006 to open the 3-D Secure system, which provides the highest level of security available today in electronic payments and whose İşbank implementation of the protocol is called "Maxinet", for the use of the bank's member merchants in addition to its credit card customers, who were already using it. A pilot project for the system is now under way.

Maximum Cash Point

The Maximum Cash Point system that was introduced in late 2005 was further extended in 2006 to reach out to more customers from more points.

Maximum Cash Point is another in the line of İşbank products that make people's lives easier. Using this system, a customer can take care of their cash needs in places where there is no access to an ATM by using a POS device instead.

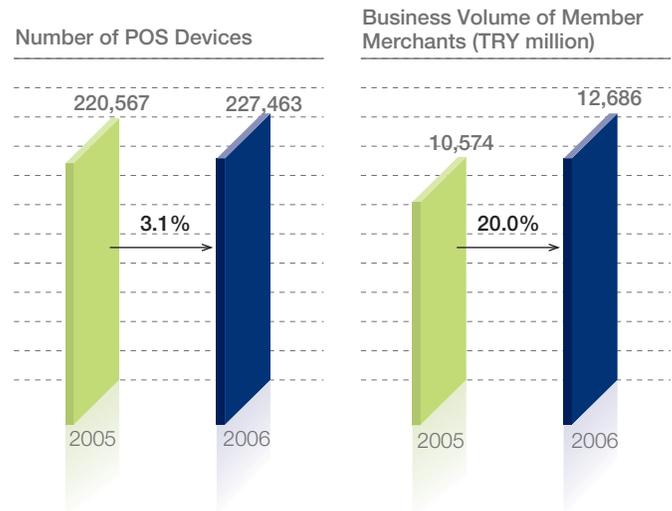
In 2006 the Maximum Cash Point network was expanded with the addition of new participating places of business. The number of cash points in the system has reached 330, 322 of which are POAŞ dealerships and another 8 are Avea dealerships that are taking part in a pilot project.

Sectoral cooperation in credit cards

İşbank continues to follow its strategy of allowing other banks' credit card programs to make use of Maximum's trademark infrastructure.

In this context,

- İşbank is cooperating with OYAK Bank in the area of credit cards. After completing technological integration, OYAK Bank credit cards started to be issued under a Maximum license. These cards have all the features of İşbank-issued cards and qualify for the same benefits at all Maximum member merchants.
- Another example of inter-bank cooperation in the business of credit cards is the joint POS system, the scope of which is



İşbank in 2006

İşbank is the leading supplier of consumer loans in Turkey.

İşbank responds to the different needs for financing that individuals have at different stages of their lives by taking a pioneering, high-quality, rapid service approach.

continuing to expand. The synergetic cooperation that began with GarantiBank in the joint use of POS devices was joined in last year by Yapı Kredi Bank and Akbank.

İşbank will continue to develop and diversify its collaborations with other banks in the business of credit cards in line with its objectives of increasing:

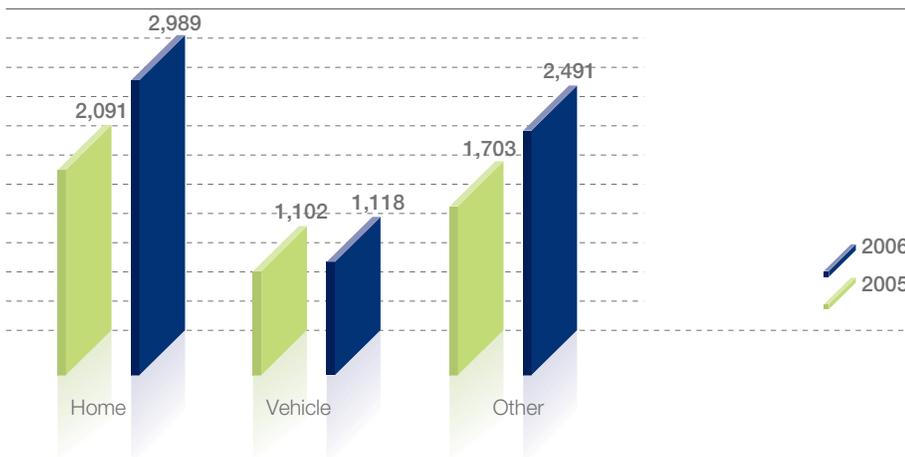
- Maximum brand awareness
- The effectiveness of its campaigns involving member merchants
- Its member merchants' business volumes
- Its own market share.

Privia Card

The "Privia Card" brand was created in order to set the standards of the service quality that İşbank provides its high net worth customers and to facilitate the implementation of those standards.

Privia was designed in line with İşbank's goals of deepening its relationships with its private banking customers in the high net worth segment and of increasing customer loyalty among them. In January 2006 the card was issued to such customers as a card that can be used to identify themselves as Privia customers of the bank.

Consumer Loans (TRY million)



Consumer loans

Leading, pioneering, high-quality service

İşbank is the leading supplier of consumer loans in Turkey.

İşbank responds to the different needs for financing that individuals have at different stages of their lives by taking a pioneering, high-quality, rapid service approach.

İşbank's consumer loan portfolio increased 35% in value in 2006 and reached TRY 6.6 billion. As a result of its consumer lending during the year, İşbank effectively met the needs of 649,227 retail customers for a variety of consumer loans.

A two-part year

From the standpoint of consumer loans, 2006 needs to be considered in terms of its two separate halves. In the first half-year, the demand for consumer credit was high and was dominated by home financing loans. In the second, the growth in the demand for consumer credit slowed down as interest rates rose in the wake of the market volatilities experienced just before mid-year.

In 2006 the shares of home-finance and cash loans in the bank's consumer loan portfolio increased while that of automobile-finance loans declined.

TRY 46.4 billion

Long the leading privately-owned bank in terms of deposits in Turkey, at end-2006 İşbank's total deposits stood at TRY 46.4 billion and its savings deposits at TRY 26.1 billion.

Rapid growth in cash and home-finance loans

During 2006 İşbank organized a variety of campaigns to market consumer loans in line with its customers' needs, such as around holidays. As a result of these efforts, there was a year-on rise of 46% in the bank's cash loans last year.

The year-to-year increase in İşbank's home finance loans in 2006 was 43%.

Developments in deposits

Increase in personal deposit accounts

During 2006 İşbank continued to both enlarge and broaden its deposit base and increased its share of the extremely competitive deposit account market.

The Bank's range and scale, and its ability to deliver quality service and to create customer satisfaction played an important role in this growth. At the same time, İşbank's trademark, which is synonymous with trustworthiness, was highly influential in encouraging an increasing number of customers to entrust their corporate and personal savings to the bank.

Long the leading privately-owned bank in terms of deposits in Turkey, at end-2006 İşbank's total deposits stood at TRY 46.4 billion and its savings deposits at TRY 26.1 billion. Of the latter, TRY 13.8 billion were in Turkish lira accounts and TRY 12.3 billion were in foreign currency accounts. İşbank controlled a 15% share of the banking industry's total deposits and its growth in savings deposits last year was well above the sector's average.

Salary payments

A service that creates cross-sale opportunities

The salary payment service that İşbank provides for the salaried employees of organizations in both the public and private sectors is an activity that creates high levels of customer loyalty as well as many cross-sale opportunities.

According to end-2006 figures, İşbank was providing salary payment services to 1,367,563 people. These same people are also provided with a variety of other banking products and services ranging from personal loans to automatic bill payments. Salary payment services provide an opportunity for increasingly more people to become acquainted with İşbank's retail banking service approach and quality.

Insurance and private pensions

Synergetic collaboration

İşbank supplies insurance products and private pension products and services to its customers through the synergetic collaboration that it has developed with its two subsidiaries, Anadolu Sigorta and Anadolu Hayat Emeklilik.

In 2006 the number of private pension accounts that were opened in the name of İşbank customers increased 64.6% and reached 132,000. Thanks to the importance given by the bank to this business line and to its marketing activities carried out together with its subsidiaries, both Anadolu Hayat Emeklilik and Anadolu Sigorta completed the year as the leaders of their respective sectors.

The bank will continue to provide greater numbers of insurance and private pension products even more effectively to its customers in 2007 and beyond.

Special programs in retail banking

Technology-intensive products

Deploying its own excellent technological infrastructure, İşbank delivers solutions that have been specially-designed for different retail customer groups.

E-wallets for university students: The bank has introduced e-wallet projects based on no-contact intelligent card technology to help reduce the use of cash at universities.

Prepaid toll cards: Under the prepaid card-based toll collection system (KGS) that allows tolls to be paid on bridges and toll roads using smart-card technology, the number of KGS cards issued by İşbank to its customers has approached a quarter of a million. Last year İşbank further strengthened its leading position in the KGS market in terms of both the number of cards in use and the volume of tolls collected with them.

The enduring leader

İşbank is determined to continue offering increasingly more retail banking products and services to customers and increase its market share in this business line while always being mindful of customer satisfaction and long-term relationships.

The bank's advanced technological infrastructure, superior human resources, extensive branch network, rich array of products and services, and correctly structured strategies will continue to be the principal elements supporting its uninterrupted growth, development, and success in the business of retail banking.

İşbank in 2006

Expertly blending its technological muscle with its ability to reach out and serve customers, İşbank is one of the most active and effective users of non-branch banking channels in Turkey.

Non-branch banking channels

Multi-channel service delivery competencies

Expertly blending its technological muscle with its ability to reach out and serve customers, İşbank is one of the most active and effective users of non-branch banking channels in Turkey.

The Bank serves its customers through ten non-branch channels:

- Internet banking
- Telephone banking
- Mobile banking
- Call center
- ATMs
- Bankamatik (+) units
- Internet banking kiosks
- Automatic cash-deposit machines
- WAP-GPRS banking
- Maximum Cash Points.

Highlights...

In 2006:

- İşbank's ATM network reached 2,834 machines, 742 of which are Bankamatik + units.* The number of Netmatiks (internet banking kiosks) located in branches rose to 911.
- The most heavily used non-branch banking channel was Bankamatik, the İşbank ATM, whose usage ratio was 25.69%.**
- A total of 696,328,610 transactions were performed by means of İşbank ATMs.***
- The second highest usage ratio (22.46%) among non-branch banking channels was the İşbank internet branch.
- The İşbank Call Center responded to an average of 364,722 calls a month.
- A total of 194,543 messages reaching the bank in a variety of ways throughout the year on issues related to customer complaints, suggestions, and requests for information. These queries were responded to and finalized with an average response time of 4.16 days.
- İşbank received a total of TRY 40.5 million in commission income from the use of its non-branch channels.

(*) Bankamatik + units perform all the transactions that Bankamatiks can but also allow users to deposit money in their demand TRY account and make online credit card and utility bill payments by depositing cash.

(**) The Bankamatik usage ratio includes automatic cash-deposit machines.

(***) The total number of Bankamatik transactions includes automatic cash-deposit machines.

Usage Ratios of Delivery Channels (%)



2,834

İşbank's ATM network reached 2,834 machines, 742 of which are Bankamatik + units. The number of Netmatiks located in branches rose to 911.

New functions increase customer satisfaction.

İşbank seeks to continuously develop the effectiveness of its non-branch banking channels as well as their user-friendliness.

In 2006 the bank again continued to develop its non-branch banking channels in order to provide its customers with easily accessible service under the best possible conditions.

To this end, İşbank expanded the scope of the Bankamatik + unit's ability to accept deposited cash, a function that the bank's customers use quite heavily. It is now possible for them to make credit card payments in cash from a Bankamatik +.

The same machines can also be used to pay utility bills in cash as well. Technical infrastructure work to make it possible for bills to be paid without instructions having been previously given was completed last year and as of end-2006, it was possible to pay bills owed to a number of companies from Bankamatik + units and İşbank automatic cash-deposit machines. The bank plans to increase the number of companies whose bills can be paid in this way during 2007.

Work to bring the bank's ATMs into compliance with EMV (Europay, Master Card, Visa Chip Cards) standards was accelerated in 2006 and by year-end the number of EMV-compliant machines had reached 2,247 units.

For a securer transaction environment

Work continued during 2006 on infrastructure designed to provide customers with a securer platform on which to conduct their virtual banking transactions and also prevent fraud.

İşbank customers were given the option of setting daily transaction limits for money transfers made from the internet branch. If a transfer exceeds the customer-specified limit, notification of this is sent to the customer's mobile phone by SMS. A "Mobile Confirmation" feature was also added in which money transfers made to previously undefined recipients must be confirmed by means of the customer's mobile phone.

News on the İşbank internet branch

For the purpose of increasing the quality of service that it provides via its non-branch channels and also of enhancing customer satisfaction, İşbank has enriched the menu of its internet branch with the addition of new options.

- Customers can apply to join the Prepaid Card Based Toll Collection System from the internet branch and also view payments that have been made from their account.
- A tax-registration information step was added to the Investments menu.
- It was made possible for customers to enter their national identification numbers from the internet branch, which are required under the new rules governing trading in mutual fund shares.

Work on making the İşbank internet branch accessible to customers in a language other than Turkish continued last year. As of December 2006, it was possible to perform 31 different banking transactions in English.

The future of non-branch banking channels

The ability to reach more customers via non-branch banking channels and to supply them with nothing but the best is what defines the competitive edge in banking today. At the same time, non-branch banking channels are also pointing to what banking is going to be like in the future.

In addition to its unmatched national scale, İşbank is also the leader in its ability to deliver non-branch service through many different channels. İşbank's goal is to continuously increase the usage ratios of all its non-branch banking channels and to offer the Turkish market state-of-the-art applications that will advance customer satisfaction even further and in a way that befits its identity as a trail-blazing institution.

İşbank in 2006

İşbank is a bank that comes to the support of every form of economic endeavor. For 82 years it has been at the service of Turkish industry, services, and agriculture and it has contributed to economic growth everywhere.

Corporate and commercial banking

Support for every sector

At the time of its inception, İşbank fulfilled the functions of an investment and development bank as well. In the 82 years since then, the bank has been at the service of Turkey's industrial, services, and agricultural sectors and has contributed significantly towards the country's economic growth and development.

İşbank is a bank that comes to the support of every form of economic endeavor. The bank not only supplies financing and support to industrial sectors ranging from sugar to petroleum, from iron & steel to textiles, and from automotives to glass and cement but also to services-sector enterprises as diverse as financial services, insurance, transportation, and tourism.

Under the heading of its corporate and commercial banking activities, İşbank offers its customers a wide range of financial solutions from foreign trade finance to short-term operating loans and cash management services.

Sound development in the loan portfolio

At end-2006, the total amount of corporate commercial cash loans extended to its customers amounted to TRY 20.6 billion, 39% higher than what it had been at the end of 2005.

That growth was nourished to a considerable degree by Turkish lira loans, which were up 35% year-on and reached TRY 13.1 billion in value. The rise in Turkish lira lending stemmed particularly from installment-based commercial loans mainly to small to medium-sized enterprises and general-purpose cash loans.

İşbank's foreign currency lending was up 47% year-on and reached TRY 7.5 billion in value. Such loans accounted for a 36% share of the bank's corporate and commercial loan portfolio, with Turkish lira loans supplying a 64% share by value.

A 13.45% sector share in cash loans

İşbank's share of total corporate and commercial cash loans made by the sector as of 31 December 2006 was 13.45%, up marginally from its previous year's level of 13.18%.

Distribution of Corporate and Commercial Loans by Branches (31.12.2006) (%)

Transportation and warehousing	9.9
Energy	9.1
Food and beverages	7.6
Metal products	7.1
Textiles and leather	6.6
Other services	6.0
Financial institutions	5.6
Public administration and defense	5.5
Construction	5.4
Automotive	5.4
Agriculture and breeding	4.7
Electronics-IT	4.0
Trade	3.7
Stone and soil based industries	3.1
Health	2.8
Plastics and packaging	2.4
Tourism	1.9
Chemistry	1.6
Machinery and equipment	1.4
Furniture	1.2
Other	5.0
Total	100

(*) excluding interest income accruals and rediscounts

Non-Cash Loans (TRY million)

	31.12.2005	31.12.2006	Change (%)
Letters of guarantee in FC	2,425	2,746	13.2
Letters of guarantee in TRY	2,301	2,561	11.3
Acceptance credits, letters of credit and other guarantees	2,155	1,993	(7.5)
Total non-cash loans	6,881	7,300	6.1

Growth in non-cash credit

There was a 6.1% year-on rise in the volume of non-cash credit extended by İşbank to its corporate and commercial customers.

Increased demand for cash management services

İşbank's cash management services, consisting primarily of Direct Debiting and Dealership Cards, were further expanded in 2006 and substantial gains were made on such fronts as the volume of transactions handled, the number of new customers taken on, the funds taken in and average deposit sizes, and commission income earned.

Commercial deposits continue to grow.

İşbank's commercial deposit portfolio continued to grow in 2006 and it reached TRY 12.5 billion in value, TRY 8.1 billion of which consisted of Turkish lira accounts and TRY 4.4 billion foreign currency accounts. Commercial deposits accounted for about a 27% share of the bank's total deposits.

An active role in project finance

In a year characterized by new investments and privatizations and by mergers and acquisitions, İşbank continued to develop its project finance activities and increase its market share in this business line.

The bank took part in a number of big-ticket syndicated loans in keeping with its project finance principles as a lead bank and arranger and it handled a substantial volume of project finance business during the year.

In 2006 the bank received requests for USD 5,721 million in cash and USD 206 million in non-cash credit for 85 investment projects whose total value was put at USD 15,694 million. Of these requests 36 were selected on the basis of their feasibility studies for further consideration in light of the bank's project financing principles and credit limits worth a total of USD 809 million (USD 605 million cash and USD 204 million non-cash) were assigned to 18 projects deemed to be worthy of support.

Including the TÜPRAŞ and Erdemir privatization credit limits that were allocated in 2005 and wound up in 2006, last year the bank incurred a total of USD 1,072 million worth of new risk exposure, of which USD 901 million consisted of cash loans.

In the area of project finance, İşbank will continue to come up with high added value solutions for the broadest possible range of corporate and commercial customers in both the public and the private sectors. Expertise, product design competencies, and a strong position in the retail segment are the features which distinguish project finance in İşbank's perspective from traditional lending concepts and which inform its competitive advantage.

Developments in the corporate branch structure

The pilot project launched in 2005 to set up a corporate banking branch structure that will provide high-quality service only to corporate customers satisfying specified criteria and to maximize the benefits of the relationship for all concerned, continued successfully in 2006.

İşbank in 2006

SMEs make up one of İşbank's most important customer segments. Providing SMEs with continuous support in line with their needs is one of the fundamental tenets of İşbank's overall lending policy.

Under the bank's strategy of expanding the scope of this program, which began with the Güneşli and Maslak corporate banking branches in İstanbul, the İstanbul, Kozyatağı, Ege, and Kayseri corporate branches began serving customers.

In July 2006, the Akdeniz corporate banking branch commenced operations. This branch has been created to specialize in tourism-related enterprises so as to better serve the numerous five-star hotels and holiday villages located along the Turkish Mediterranean between Fethiye and Alanya as well as corporate customers in the city of Antalya itself.

The new corporate branch structure has already produced favorable results from the standpoint of customer satisfaction and the pilot branches performed above the bank's overall averages in terms of their foreign trade finance and lending volumes.

İşbank is carrying out its corporate banking branch project in coordination with the customer-focused transformation program (MOD) that is currently being implemented throughout the bank.

SMEs: One of the cornerstones of our customer portfolio

At the heart of Turkey's economic development process and increasingly more vital to it, small to medium-sized enterprises (SMEs) make up one of İşbank's most important customer segments. Providing SMEs with continuous support in line with their needs is one of the fundamental tenets of İşbank's overall lending policy.

With dimensions and with employment and management structures that are quite different from corporate and commercial customers, SMEs need a bank that is able to move as nimbly as they can and also recognizes the importance and value of long-term solution partnerships.

İşbank's SME service approach has been developed in light of these realities and is supported by the bank's mission of acting as a financial consultant. İşbank provides the full range of financial products and services to tens of thousands of SMEs in many different sectors through branches located all over the country.

İşbank's basic business principle is to stand by its customers in good times and bad and it continued to support its SME customers without interruption despite the financial volatilities experienced in 2006.

A ground-breaking, model lending program

The İşbank Small Business Loan, which is regarded as a ground-breaking and model lending program in the Turkish banking industry, is a financing model that the bank developed for small to medium-sized enterprises. Under this program, İşbank extends sector-diversified credit to tradesmen and artisans and to the members of chambers of industry and commerce and of professional organizations.

At end-2006 the total amount of lending made under the Small Business Loan program stood at TRY 7,956 million. Under the same program the bank also continued to extend Small Business Export Foreign Currency and Small Business Investment Finance loans in 2006 as well and the volume of this lending reached TRY 33 million.

A leading bank with a nearly 29% market share in installment-based commercial lending

In addition to providing SMEs with investment financing and operating capital, İşbank also supports their purchases of commercial vehicles and places of business with credit as well. These loans, which are repaid in installments, contributed TRY 7,335 million towards the bank's commercial lending portfolio as of year-end 2006.

Such loans appeal to an extensive customer group and by means of them, the bank gives SMEs access to the financing they need as quickly as possible. İşbank is the sector leader in this product category, in which it controls a 28.5% market share.

Continuing to support agriculture

İşbank continues to stand by the country's farmers, supplying them with increasingly more resources through loan products specially designed for the agricultural sector. A total of TRY 536 million was lent last year under four ongoing programs:

- Small and Medium-Sized Agricultural Enterprise Loans for farmers who are members of a chamber of agriculture to meet their financing needs at planting time
- Small Enterprise Hothouse Loans, currently being extended on a regional basis
- Loans extended under an agreement signed with the Turkish Grain Board
- Tractor Loans and Agricultural Equipment Loans intended to finance purchases of agricultural machinery and equipment.

A new program introduced in 2006 provides credit financing for purchases of pick-up model motor vehicles.

Increasing importance of the logistics

Logistics sector make up one of the vital arteries of a developing economy. Our country's logistics sector has grown tremendously in the last ten years and it remains one of the focal points of interest of both domestic and foreign investment.

Believing that there is tremendous untapped potential in logistics sector, in 2006 İşbank put together a logistic sector package and has begun offering it to customers. This package includes Logistic Enterprise, Logistic Investment, Licensing, Professional Qualification Training, Invoiced Technology, Business Premises, Commercial Vehicle and Fleet loans, letters of guarantee, shipper's liability insurance, warehouser's liability insurance, commodity insurance, and collision insurance products.

Taking a sectoral approach to reach more SMEs

The competition and restructuring that the Turkish banking industry has been experiencing in recent years have brought with them a new focus on the country's small to medium-sized enterprises and there has been a substantial increase in the resources supplied by banks to firms in that category.

İşbank sees SME banking as a central landmark on the roadmap of the banking industry's future growth and determines its strategy in respect. As a consequence of its mission, İşbank has stood by industrialists and businessmen ever since it was established. The packages of products and services designed by taking a sectoral approach will continue to make İşbank the bank, the consultant, and the business partner of choice for SMEs.

İşbank in 2006

20.62%

The 19.26% mutual funds market share that İşbank commanded at end-2005 increased nearly a point and a half to 20.62% in 2006.

Capital Market Transactions (TRY million)

	Total Market Trading Volume			İşbank's Trading Volume		
	2005	2006	Change (%)	2005	2006	Change (%)
Stocks	539,863	650,263	20.45	33,918*	41,836*	23.34
Bills, bonds, repos	5,345,368	6,632,433	24.08	855,731	971,103	13.48

(*) İşbank acts as an agent for İş Yatırım Menkul Değerler A.Ş. in stocks trading market.

Capital markets

The unvarying leader of capital markets

The unvarying leader of Turkey's capital markets for years, in 2006 İşbank once again registered unmistakable increases in its mutual fund, stock, bond & bill, and repo trading.

Product diversity, competitive pricing policies, a rich array of non-branch delivery channels (ATMs, internet banking kiosks, and internet branch) as well as a branch network encompassing all of Turkey, and the ability to offer and deliver uninterrupted and high-quality service are the basic elements that support İşbank's strength in capital markets.

First in corporate share trading

İş Yatırım, an İşbank subsidiary brokerage house for which the bank acts as an agent as required by law, registered a 23.3% increase in its business volume in 2006.

Controlling a 6.4% market share, İş Yatırım defended its first-place position among the 105 brokerages licensed to do business on the İstanbul Stock Exchange (ISE) equities market.

An active player in the fixed-income securities market

The bank continued to play an active role in the ISE bond & bill market in 2006, successfully defending its high market share in a market in which 145 banks and brokerages are active.

The market leader in mutual funds

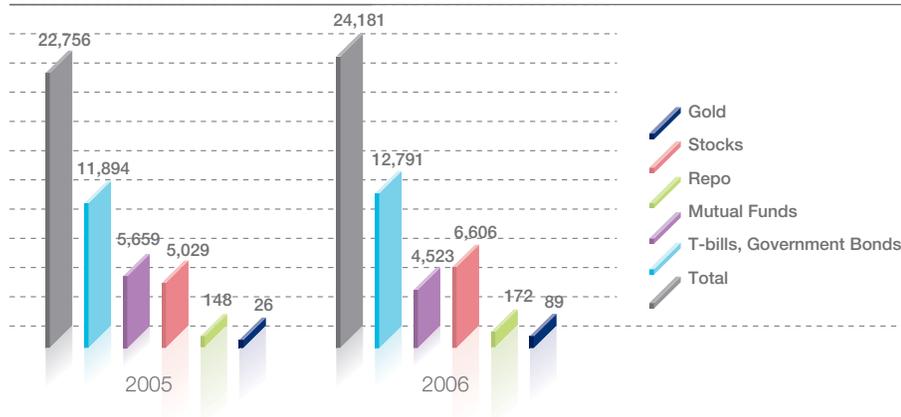
İşbank is also the leader of the mutual funds market, serving its investment products customers with 17 mutual funds, each with its own risk vs return profile.

While the economic volatilities experienced in May 2006 led to an overall 25% contraction in the mutual fund segment of the market, the volume of assets under management in İşbank's own mutual funds shrank much less than that. The 19.26% mutual funds market share that the bank commanded at end-2005 increased nearly a point and a half to 20.62% in 2006.

With 85,396 participants, the İşbank "Moneybox Fund" is the type-A fund most preferred by investors. This fund, which is also the first in Turkey to be targeted specifically at children, increased its portfolio 33% in 2006 and raised its total value to TRY 73 million.

In the period ahead, İşbank will be undertaking new initiatives in capital markets in light of developments in the Turkish economy and new changes in capital market rules and regulations and to further strengthen its leading, innovative position in this business line.

Developments of Assets in Investment Accounts (TRY million)



Treasury management

Global growth and liquidity

Uncertainties about global growth and liquidity were the primary factors determining the course of international markets in 2006. Throughout the year there was considerable volatility in exchange rates and interest rates in both developed and developing countries everywhere.

By May of the year, the course that international markets would be taking had started to become clear and this had a considerable impact on market dynamics in all developing countries, Turkey among them. In the face of the short-term volatilities that did occur however, it was to be observed that the Turkish economy and the Turkish banking industry had grown measurably stronger in recent years and had become much more resilient to internal and external fragilities.

The balance sheet structure of the banking industry

The steady growth in the banking industry's Turkish lira assets that is a natural outcome of the reverse currency substitution that has been going on in the Turkish economy over the last few years was interrupted as a result of the adverse developments taking place in May 2006. Interest rates, which had been declining since the end of the country's high-inflation environment and in response to sustainable economic policies, began to rise again in reaction to international market volatilities. TCMB increased its short-term lending rate a total of 425 basis points in a series of interest rate hikes.

İşbank's treasury management strategy

In the face of the market conditions summarized above, the banking industry's net interest margin shrank considerably overall. İşbank on the other hand managed to sustain its growth by focusing on its net interest margin by means of proactive treasury strategies and well-defined risk vs return objectives.

The bank continued to add steadily to its own share of the sector's total deposits. Taking advantage of the flexibility afforded by a dynamic yet guarded pricing policy as in previous years, the bank was able to increase both its size and its profitability.

Continued growth and development in lending

Looking at the composition of the bank's balance sheet assets, one observes that the steady growth in its loan portfolio driven largely by retail lending, continued in 2006 as well. At the same time, İşbank also carefully managed its investment securities portfolio in order to take advantage of changes in the economic climate and contribute towards its balance sheet revenues.

Effective and productive balance sheet management

The İşbank Treasury Management Unit is responsible for managing the bank's asset and liability positions on a day-to-day basis in both the short and long terms in line with the decisions of the Assets and Liabilities Committee and for ensuring that there are sufficient resources available to meet the needs of all the products and services that are delivered to millions of customers everywhere throughout the branch network.

Effective risk management is of great importance in treasury operations and both national and international market developments and risk parameters are continuously monitored and evaluated. İşbank makes effective use of capital market vehicles in its liquidity management while also taking advantage of derivatives to the degree that market conditions dictate.

International borrowing

Having demonstrated its effectiveness in the international arena, İşbank makes use of a variety of financial instruments both as a way of diversifying its sources of funding and in order to increase its integration with international markets and create alternatives for itself. During 2006 the bank once again employed syndications, securitizations, and other structured financing techniques to tap international markets for the funding it requires.

USD 1.5 billion from syndication markets

As a result of its systematic efforts to broaden and expand the pool of its international resources, in 2006 İşbank under two credit syndications worth a total of USD 1.5 billion. This is the highest amount of credit that the bank has ever obtained through syndications in a single year in its history.

The one-year syndicated loan in the amount of USD 600 million obtained in the first half of the year was also the lowest-costing loan ever received by the bank. A total of 23 banks from different countries took part in this syndication.

İşbank in 2006

In 2006 İşbank continued with its structured finance activities.

In the last three years, the bank has obtained a total of USD 2.1 billion in long-term funding for the Turkish economy through the securitizations that it has arranged.

The second syndication in the amount of USD 900 million that was completed in September was also the biggest USD-denominated loan ever received by the bank. This is also a one-year loan but İşbank has the option of rolling it over for another year at maturity.

The narrowness of the interest rate margins in both syndications is a clear indication of the confidence that international markets have both in İşbank and in the Turkish economy. A natural outcome of the lower cost of these resources is that they can be supplied to real sector companies to finance their exports in keeping with bank's mission of continued support for the development of the national economy. Already able to obtain better terms (both amount and total cost) in syndicated credit markets than any other Turkish bank, İşbank continues its efforts to borrow under even better conditions.

USD 2.1 billion in long-term resources from the securitization of international fund transfers in three years' time

In 2006 İşbank continued with its structured finance activities aimed primarily at international institutional investors. An active player in securitization markets since 2000, in the last three years alone the bank has obtained a total of USD 2.1 billion in long-term funding for the Turkish economy through the securitizations that it has arranged.

In 2004 İşbank arranged its first securitization backed by its international fund transfers in the amount of USD 600 million and a second one in May 2005 in the amount of USD 700 million. In June, the bank organized its third securitization, this time for USD 800 million, on terms ranging between five and eight years.

These syndications, the last of which was completed at a time when the rise in global liquidity was beginning to lose momentum and international markets were experiencing volatilities, are not just indications of İşbank's skill in tapping international markets for long-term, low-cost resources: they are also international financial markets' affirmation of the strong and unmistakable role that the bank plays in its own national economy.

An active role in project finance operations in which the Turkish Treasury is either the borrower or the guarantor

İşbank has long been active in project finance operations in which the Turkish Treasury is either the borrower or the guarantor. In line with its mission of contributing towards the development of the national economy, the bank took part in such project financing during 2006 and continued to provide resources for a variety of projects.

Under this heading, İşbank signed credit agreements with the Turkish Treasury worth a total of USD 486 million for the financing of the İstanbul Taksim-Yenikapı Metro, the Gümüşova-Gerede Highway (Bolu Mountain Pass), the Black Sea Coastal Highway, and the İzmir-Aydın Highway projects.

International banking

Nonstop, high-quality service

The multidimensional and strong business relationships that İşbank has developed with its extensive network of correspondents and international markets makes it possible for the bank to supply its customers with nonstop, high-quality service under any and all market conditions.

İşbank provides foreign trade finance services to customers through 100 fully authorized, a large number of partially authorized, and six free zone branches in Turkey as well as through international branches nine of which are located in the Turkish Republic of Northern Cyprus and one in Bahrain and one in London.

When delivering its foreign trade finance services, İşbank also makes use of the service network of its subsidiary İşbank GmbH, which has sixteen branches of its own located in four EU countries.

During 2006 İşbank was again an active player in foreign trade finance and its service quality and strong international relations continued to make the bank a leader and role model for the Turkish banking industry.

Expansion in our international organization

İşbank continue to expand its international organization in 2006.

Under this heading the bank opened two new branches in TRNC (Uluslararası Kıbrıs Üniversitesi and Çarşı-Girne) and one in China (Shanghai).

More than 1,400 correspondent banks

Steadily developing its strong and effective position in international banking, İşbank engages in a multidimensional collaboration with more than 1,400 correspondent banks in 123 countries. This extensive correspondent network means that İşbank can offer its customers the best, the fastest, and the most competitively-priced service available worldwide.

International transfers up 18% on a 14% rise in foreign trade financing

Supported by the bank's extensive national, correspondent, and international reach, experienced personnel, and advanced technological infrastructure, the volume of İşbank's foreign trade finance increases year after year.

Total international transfers handled by the bank in 2006 were up 18% year-on and reached USD 59 billion while the volume of its foreign trade finance also grew 14% and was worth USD 23.7 billion.

International recognition of İşbank's service quality

At İşbank, quality is of the utmost importance at every stage of every service process.

The awards and recognitions that the bank has received are as much evidence of the level of its service quality in international trade finance as is the steadily increasing volume of business in handles.

Both the superior automation that İşbank has achieved in foreign currency transfers made abroad and its zero rate of transaction error have been cited repeatedly by some of the world's leading banks.

The recipient of more quality awards than any other bank in Turkey today, in 2006 İşbank also received awards from three of the world's biggest banks: Bank of New York, JP Morgan Chase Bank, and Citibank.

The growth in the Turkish lira and foreign currency accounts that international banks open with İşbank is yet another indication of the high level of the bank's service quality.

Paralleling the importance that e-commerce has gained internationally, İşbank has commissioned the first stage of its project to move all of its FX transactions into an electronic environment. This project, which will contribute towards faster and more effective service, is being undertaken within the framework of the overall "E-Transformation Turkey Project" that is intended to fully adapt the country's information technologies to the demands of global competition.

A sound and rational growth strategy

İşbank's growth strategy is to expand its international organization by rationally and methodically taking advantage of business opportunities as they present themselves in different countries and regions.

In keeping with its objective of being the biggest and best bank in its hinterland, in 2007 İşbank will be further developing its relations with banks that are active in markets that are important for the Turkish economy and seeking out and exploiting opportunities to cooperate with them. Within the framework of this approach, which it calls "Cross Border Banking Strategies", İşbank will accelerate its efforts to gain a presence for itself in such rapidly developing markets as Russia, the Turkic republics, and the countries of Eastern Europe.

İşbank in 2006

Adding value to our country's cultural, artistic, and social life has always been one of İşbank's highest priorities. The bank creates value through its support for educational institutions, scientific and scholarly research, sports, the arts, and cultural activities.

İşbank's social responsibility

Adding value to our country's cultural, artistic, and social life has always been one of İşbank's highest priorities. One of Turkey's biggest economic actors, the bank creates value not just for the country's economy but also for its people by supporting its:

- Educational institutions
- Scientific and scholarly research
- Sports
- Arts
- Cultural activities.

Chess: Our children today, for tomorrow

With its acknowledged mission of supporting national efforts in sports, İşbank was the author of yet another first in Turkey by becoming an official sponsor of the Turkish Chess Federation.

Conducted under the slogan "Our children today, for tomorrow", the number of chess classes sponsored by İşbank in state primary schools reached 39 in 2006. The basic objective of this campaign is to give millions of children access to the enjoyment as well as the demonstrated intellectual benefits of chess as an educational tool.

Under this program, chess is offered in primary schools as an elective. The class's textbook, printed by the bank's publishing house, Türkiye İş Bankası Kültür Yayınları, has been distributed all over the country. As part of the same project, a chess tournament for children under the age of eight was organized for the first time in Turkey. Garry Kasparov, acknowledged by a great many chess experts to be the best player ever, came to Turkey in November as the bank's guest and he conducted a seminar. Kasparov also promoted the Turkish translation of his book *My Great Predecessors* published by Türkiye İş Bankası Kültür Yayınları.

"Towards the Republic: On the Road to Freedom and Independence 1919-1923"

On the occasion of the celebration of the 125th year of Atatürk's birth, in 2006 İşbank organized an exhibition in which the formation of the Turkish Republic was related by means of a highly innovative approach. On display in "Cumhuriyet'e Doğru: 1919-1923 Özgürlük ve Bağımsızlık Yolunda" ("Towards the Republic: On the Road to Freedom and Independence 1919-1923") were many works that had never been exhibited before.

The exhibition was held in what is soon to be the Türkiye İş Bankası Museum located in the building of the bank's historically important Yenicami branch. The object of intense public interest, the exhibition attracted some 2,000 visitors in the first week. In order to encourage children to see the exhibition, transportation was provided for schools that requested it. As part of this exhibition, Türkiye İş Bankası Kültür Yayınları also published a book *Barış Adli Çocuk* ("A Kid Named Barış") by Bilgin Adalı that was handed out to children attending the event.

"Golden Youths"

İşbank once again handed out its "Golden Youth" awards to students who placed highest on the national university entrance examinations as it does every year. The award was given to the 82 students who scored highest on the exam.

İş Sanat

İş Sanat, acknowledged to be one of the most important and prestigious of İstanbul's centers of culture and the arts, continued to be a venue at which many nationally and internationally famous artists and İstanbul art lovers had a chance to get together. More than 40,000 people attended a total of 108 events (44 concerts and 64 plays) at İş Sanat during the 2005-2006 season.

Türkiye İş Bankası Kültür Yayınları

A fundamental social responsibility project of the bank and its publishing arm, Türkiye İş Bankası Kültür Yayınları celebrated its 50th year in 2006. To date it has published nearly a thousand works on a variety of subjects including culture, art, history, and economics. Most of its publications are regarded as reference works.

Subsidiaries and Affiliates

General assessment

Ever since its inception, İşbank has contributed greatly to Turkey's industrial development as well as to its financial services sector. At end-2006, the bank controlled direct stakes in 35 firms.

In the course of its 82 years of life, the bank has participated in the equity of a total of 288 companies and has divested itself of 253 of them. At end-2006, the bank controlled direct stakes in 35 firms that are active primarily in financial services, glass, telecoms, and manufacturing & services. Of these companies, 25 are closely-held subsidiaries, 4 are minority stakes, and 6 are in the investment securities available for sale portfolio.

Six of the companies in the S&A portfolio representing 61% of its aggregate value are publicly-traded concerns registered on the ISE. This portfolio corresponds to 6% of İşbank's total assets and 50% of its shareholders' equity.

İşbank's equity stake policy is erected on the foundations of productivity and profitability. In keeping with this, the bank gives special importance to taking advantage of alternatives that will increase the productivity of its subsidiaries and affiliates portfolio in line with market opportunities and the requirements of law when considering investments of this nature.

Within the framework of its strategy of focusing on the financial services sector, İşbank will continue its efforts to enhance the productivity of its S&A portfolio to the degree that market conditions allow in 2007 while also exploring opportunities to create more resources for itself by means of such alternatives as taking its closely-held subsidiaries public and increasing the percentage of publicly-traded shares in those that already have been.

Highlights from İşbank's major subsidiaries and affiliates in 2006

Financial services

İşbank controls equity stakes in companies that are active in the areas of banking, insurance, private pensions, capital market brokerage, asset management, venture capital, factoring, reinsurance, financial leasing, investment banking, and real estate investment. The depth and breadth of this structure enriches the range of products and services that the bank can supply its millions of customers all over the country while also giving it unrivaled strength in making cross and complementary sales.

Türkiye Sınai Kalkınma Bankası

Investment and development banking

Türkiye Sınai Kalkınma Bankası (TSKB) is an industrial development and investment bank founded with the mission of supporting private sector investment, particularly in industry, and of helping local and foreign capital to participate in Turkish companies. While successfully pursuing its investment and development banking

activities in 2006, the bank was invited to become a shareholder in the European Investment Fund, which is focused on supporting the development of SMEs and which is jointly owned by the European Commission, the European Investment Bank, and 24 of Europe's leading banks and financial intermediaries. Last year Fitch Ratings raised TSKB's long-term Turkish currency credit rating to "BB" and its long-term national credit rating to "A+(tur)". At year-end 2006, TSKB had TRY 4,062 million in assets and TRY 588 million in shareholders' equity.
www.tskb.com.tr

İşbank GmbH

Commercial banking

Founded to conduct İşbank's European banking operations, İşbank GmbH is one of the leading Turkish-owned financial institutions in Europe.

Headquartered in Frankfurt, İşbank GmbH is subject to German law and has 16 branches located in Germany (12), Holland (2), France (1), and Switzerland (1) through which it supplies trade finance, corporate banking, and retail banking products and services to customers in Turkey as well as in Europe. As of September 2006, İşbank GmbH had EUR 325 million in assets and EUR 60 million in shareholders' equity.
www.isbank.de

Anadolu Hayat Emeklilik

Private pensions and life insurance

Turkey's first life insurer, Anadolu Hayat Emeklilik is also the country's only publicly-traded private pension and life insurance company. The undisputed leader of the life insurance industry, Anadolu Hayat Emeklilik ranked first in the private pension sector with a market share of 18.65% and a total of TRY 465 million in private pension accounts that had been channeled into investment. As of September 2006, Anadolu Hayat Emeklilik had TRY 2,163 million in assets and TRY 312 million in shareholders' equity.
www.anadoluhayat.com.tr

Anadolu Sigorta

Non-life insurance

Anadolu Sigorta is one of Turkey's top non-life insurance companies and has been the sector's leader in terms of premium production every year since 2002. As of September 2006, the company had TRY 1,122 million in assets and TRY 482 million in shareholders' equity.
www.anadolusigorta.com.tr

Millî Reasürans

Reinsurance services

The first and only reinsurance company in Turkey, Millî Reasürans (Millî Re) is able to supply between 30-35% of the Turkish insurance industry's need for reinsurance services on its own. In early 2006 Millî Re received a "B+/Very Good" financial strength rating from

Subsidiaries and Affiliates

A. M. Best Company, the world's most highly respected rating agency in insurance. At year-end 2006, Millî Re had TRY 1,132 million in assets and TRY 537 million in shareholders' equity. www.millire.com

İş Leasing

Financial leasing services

One of the pioneers of its sector, İş Finansal Kiralama is a leasing company that focuses on building and managing a portfolio of high-quality leasing contracts. At year-end 2006, the company's portfolio was worth TRY 772 million and its shareholders' equity amounted to TRY 157 million. www.isleasing.com.tr

İş GYO

Real estate investment

İş GYO is Turkey's biggest real estate investment trust in terms of the value of its market capitalization and net assets. While continuing to increase the quality of its existing portfolio, the company also develops projects as well. At year-end 2006, İş GYO had TRY 886 million in assets and TRY 828 million in shareholders' equity. www.isgyo.com

İş Yatırım Menkul Değerler

Capital market brokerage and investment banking

Offering a complete line of national and international capital market products that include all investment vehicles, underwriting public offerings, repo and reverse repo contracts, margin trading, securities lending, forwards, and options, in 2006 İş Yatırım Menkul Değerler ranked first in terms of business volume among 105 brokerages licensed to operate on the ISE equities market. The company is a leading market-maker on TurkDEX, the Turkish Derivatives Exchange and also provides its customers with corporate finance, investment consulting, and private portfolio management services as well. At year-end 2006, İş Yatırım Menkul Değerler had TRY 542 million in assets and TRY 153 million in shareholders' equity. www.isyatirim.com.tr

İş Portföy Yönetimi

Asset management services

Founded to manage corporate customers' portfolios of capital market vehicles, İş Portföy Yönetimi ranked second in the mutual funds market in 2006 while also further strengthening its leading position in the pension funds market in terms of both portfolio dimensions and number of participants. The company is confidently positioned to defend its leading position in the asset management sector in 2007 as well. As of September 2006, the company had TRY 23 million in assets and TRY 22 in shareholders' equity. www.isportfoy.com.tr

Glass

Şişecam Group

Flat glass, glassware, glass packaging, and chemicals

The founder and leader of Turkey's glass industry, Türkiye Şişe ve Cam Fabrikaları is the flagship company of the Şişecam Group, which consists of 52 companies active in five lines of business: flat glass, glassware, glass packaging, chemicals, and services.

The Şişecam Group continues to increase its production strength and enhance its effectiveness in the sector through investments that it is undertaking to create new capacity in countries such as Bosnia-Herzegovina, Bulgaria, Georgia, and Russia, while also continuously developing its effectiveness in its own hinterland.

The Şişecam Group numbers among the biggest companies in its industry both in Europe and the world, ranking anywhere from third to twelfth on the basis of different criteria.

As of September 2006, the company had total consolidated assets worth TRY 4.9 billion and shareholders' equity amounting to TRY 2.3 billion.

www.sisecam.com.tr

Telecommunications

AVEA

Mobile telecommunications services

Avea is Turkey's only GSM-1800 mobile communications operator. With more than 7 million subscribers, the company has achieved about a 15% share of the Turkish market for mobile telecommunications services. The company's investments are continuing as are its rapid growth and development.

Logistics

NEMTAŞ

Shipowning & management, chartering, shipbroking

Nemtaş Nemrut Liman İşletmeleri is active in the areas of ship owning, ship management, chartering, and broking. The company employs a fleet of six vessels with a total capacity of 213,325 DWT in the conduct of its logistical services. Nemtaş controls a 51% stake in Gempport Gemlik Liman ve Depolama İşletmeleri, Turkey's first privately-owned port operations company. At year-end 2006, the company had TRY 266 million in assets and TRY 166 million in shareholders' equity.

www.nemtas.com.tr

Statement of Compliance for the Annual Report

TÜRKİYE İŞ BANKASI A.Ş.
ANNUAL REPORT

Compliance Opinion

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

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

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

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

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



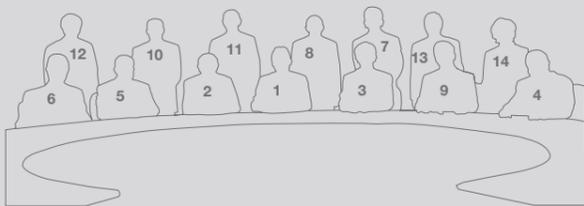
Hüseyin Gürer
Partner

İstanbul, 9 March, 2007

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- 2 PROF. DR. M. BARAN TUNCER, Deputy Chairman
- 3 H. ERSİN ÖZİNCE, Director and Chief Executive Officer
- 4 M. NAİL YAĞCI, Director
- 5 DR. A. YAVUZ EGE, Director
- 6 Av. NAİL GÜRMAN, Director
- 7 ALİ EKBER GÜVENÇ, Director
- 8 KÖKSAL BURKAN, Director
- 9 CANER ÇİMENBİÇER, Director
- 10 SALİH KÜRTULUŞ, Director
- 11 PROF. DR. SAVAŞ TAŞKENT, Director
- 12 PROF. DR. TURKAY BERKSOY, Auditor
- 13 H. AHMET ERGENEKON, Auditor
- 14 A. TACİSER BAYER, Reporter



Board of Directors and Auditors

Information About the Meetings of the Board of Directors

In general, meetings of the Board of Directors are held monthly in our bank. Extra meetings are arranged when necessary. Agendas of the meeting are determined in accordance with the proposals submitted by the departments. Various reports requested by the Board from the Executive Committee and matters brought up by the directors are also put on the agenda. Agenda and relevant files are given out to all directors 5 days before the meeting.

During 2006, 19 meetings were held. Meetings are generally held with the participation of all board members. All members were present at 16 meetings held, however three meetings were held with one missing member.

Apart from the meetings, the Board of Directors also resolves through the individual analysis of board members on various files. During 2006, other than resolutions brought up at meetings, 937 loan files and 381 files on other matters were analyzed and resolutions were taken accordingly.



PROF. DR. AHMET KIRMAN**Chairman**

Born in 1958 in Ankara, Prof. Dr. Ahmet Kirman graduated from the Faculty of Law at Ankara University. He received his Masters degree in European Union Law of Competition and Ph.D. degree in Private Law/Commercial Law from the Social Sciences Institute of the same university in 1981 and 1989, respectively. He became an associate professor of Public/Finance Law at the Faculty of Political Sciences, Ankara University in 1994 and a full professor in 2000. Prof. Dr. Ahmet Kirman, served as an academic and as the head of the Finance Department at the Faculty of Political Sciences and Institute, Ankara University. He is currently serving as an academic in the Faculty of Law at Galatasaray University.

Prof. Dr. Ahmet Kirman, having worked in the banking and insurance sector for a long time and having lots of book and articles in his field, has served as a financial consultant at İşbank and has taught at the Central Bank of the Turkish Republic, the Banks Association of Turkey and Turkish Insurance and Reinsurance Companies Association. He is currently the chairman of the Board of Directors and the Audit Committee of İşbank and the chairman of Şişecam and Millî Reasürans Company. Prof. Dr. Ahmet Kirman has served on the boards of various industrial and financial institutions.

PROF. DR. M. BARAN TUNCER**Deputy Chairman**

Born in 1934 in Bayburt, Prof. Dr. M. Baran Tuncer graduated from the Faculty of Political Sciences at Ankara University. He received his Masters degree from Kansas University in the USA and his Ph.D. degree from the Faculty of Political Sciences at Ankara University. He had post-graduate studies at California University in the USA and obtained his full professorship in 1976 in economics. He served on the academic staff of Boğaziçi and Ankara Universities and also taught at Middle East Technical, Hacettepe and Bilgi Universities. He worked as a researcher and visiting professor at Yale and Minnesota Universities in the USA. In the 1960s, he served as the Head of the Economic Planning Department at the State Planning Organization. He was the Minister of Customs and Monopolies in 1974 and a Board Member at Eczaolbaşı Holding during the 1970s. Between 1980 and 1995, he served at the World Bank at various departments such as Eastern Africa, Southeastern Asia, and Latin America. He also was the Chief Economist responsible for the Central American countries. Subsequent to his leave, he served temporarily as an advisor to India, Russia, Kazakhstan and Azerbaijan. He is currently the Chairman of the Turkish Family Health and Planning Foundation. He is the author of an economic column at a prominent Turkish daily. Prof. Dr. M. Baran Tuncer was elected to a seat on İşbank's Board of Directors twice: the first time on July 12, 2002 and the second on March 31, 2005. He was appointed as Deputy Chairman on December 30, 2005.

H. ERSİN ÖZİNCE**Director and Chief Executive Officer**

Born in 1953 in Havran, H. Ersin Özince graduated from Middle East Technical University with a BS degree in Management in 1975 and started his professional career in 1976 at İşbank's Board of Inspectors. After serving as the head of various departments within İşbank, he was appointed as a Executive Vice President in 1994 and was responsible for Treasury, Accounting, Securities, Commercial Loans and Credit Information and Financial Analysis functions of İşbank. He was appointed as the Chief Executive Officer of İşbank at 1998. He is also serving as the Chairman of the Banks Association of Turkey, and a Board Member at The Institute of International Finance Inc., Vehbi Koç Foundation and İstanbul Culture and Arts Foundation. He is a member of Institut Internationale d'Etudes Bancaires, a Member of the Board of Trustees at Bilkent University and Education Volunteers Foundation of Turkey.

M. NAIL YAĞCI**Director**

Born in 1950 in Gündül/Ankara, M. Nail Yağcı graduated from the Faculty of Law of Ankara University in 1972. Following the completion of his lawyer-training program, he started his professional career at the Board of Inspectors at İşbank in 1974. He was appointed to the Corporate Loans Department as assistant manager in 1985 and to the Non-performing Loans Department in 1986 as assistant manager. Subsequently, M. Nail Yağcı has served as the manager of various units and branches of İşbank until 2002. He was elected to a seat on İşbank's board of directors twice: the first time on July 12, 2002 and the second on March 31, 2005.

DR. A. YAVUZ EGE**Director**

Born in 1947 in Gemlik, Dr. A. Yavuz Ege graduated from the Department of Economics and Finance of the Faculty of Political Sciences, Ankara University in 1968. He obtained his postgraduate degree from the Department of Financial Management, Ankara Academy of Economic and Commercial Sciences in 1974 and from the Department of Economics, the University of Kent at Canterbury in 1981. He received his Ph.D. degree from the same university in 1989. From 1970 to 1993, he served in various public institutions as Reporter, Specialist, Department Head, and Deputy Undersecretary. In 1993, he was appointed as an advisor to the Prime Ministry and served until 1996. Dr. A. Yavuz Ege then served as the Undersecretary in State Planning Organization, Member of the Competition Board, Undersecretary at Undersecretariat of Foreign Trade and, between 2000-2001 Board Member in Çalık Investment Bank. He also served as Council Member, Board Member and Chairman at various governmental institutions and organizations including Turkish Eximbank. On a part-time basis, he taught Planning Methods in the Department of Financial Management at Hacettepe University, Economic Planning and Policy and Monetary Theory and Policy in the Department of Economics and Finance of the Faculty of Political Sciences, Ankara University. Dr. A. Yavuz Ege is the author of various economic and finance articles. He was elected to a seat on İşbank's Board of Directors twice: the first time on March 27, 2003 and the second on March 31, 2005.

Atty. Nail GÜRMAN**Director**

Born in 1944 in Trabzon, Atty. Nail Gürman graduated from the Faculty of Law, Ankara University in 1971. Since 1972, Atty. Nail Gürman is working as an independent lawyer and legal counselor to many prominent companies and financial institutions. He also served as the Secretary General of the Turkish Law Institute for seven years. In 1965,

he became a member of CHP and served in CHP and SODEP at various positions. He is currently a member of CHP. Atty. Nail Gürman was elected to a seat on İşbank's board of directors twice: the first time on March 27, 2003 and the second on March 31, 2005.

ALİ EKBER GÜVENÇ**Director**

Born in 1950 in Ankara, Ali Ekber Güvenç is a secondary school graduate, and started his business life in 1966 as a printer's typesetter. He became a member of the Basın-İş Labor Union while working at the Ankara University's print shop and was selected as the work premises' representative of the union. In 1982, he became the Secretary General of Basın-İş Union and in 1983, the Chairman of the same union. Since 1983, he is serving as a member of the Chairmen's Council at Türk-İş. Ali Ekber Güvenç was elected to a seat on İşbank's board of directors twice: the first time on March 27, 2003 and the second on March 31, 2005.

KÖKSAL BURKAN**Director**

Born in Oltu/Erzurum in 1950, Köksal Burkan graduated from the Department of Sciences of Erzurum Institute of Education. He started his professional career at İşbank's Karadeniz Regional Department in 1980, and was appointed to Torul/Gümüşhane Branch as an assistant chief in 1983. After serving at various İşbank's branches as assistant chief, chief, assistant manager and branch manager he was appointed as the head of Non-performing Loans Department in 2003. Köksal Burkan was appointed to İşbank's Board of Directors on March 31, 2005.

CANER ÇİMENBİÇER**Director**

Born in 1952 in Bursa, Caner Çimenbiçer graduated from the Faculty of Administrative Sciences, Middle East Technical University in 1973. He started his professional career at İşbank's Board of Inspectors in 1974. He was appointed to İşbank's Accounting Department as an Assistant Manager in 1983, and as a Group Manager in 1986, and Head of Accounting Department in 1987. He became Executive Vice President in 1990, and Senior Executive Vice President on October 28, 1998. Caner Çimenbiçer was appointed to İşbank's Board of Directors on March 31, 2005. He is also a Member of the İşbank Audit Committee.

SALİH KURTULUŞ**Director**

Born in Kalkandelen (Macedonia) in 1947, Salih Kurtuluş graduated from İstanbul Private School of Journalism. He started his professional career at İşbank's Ayaspaşa/İstanbul Branch in 1974 and became assistant chief in 1977, at the same Branch. He pursued his career at various İşbank branches as chief, assistant manager and branch manager until 2005. Salih Kurtuluş was appointed to İşbank's Board of Directors on March 31, 2005.

PROF. DR. SAVAŞ TAŞKENT**Director**

Born in İstanbul in 1943, Prof. Dr. Savaş Taşkent graduated from the Faculty of Law, İstanbul University. He started his academic career in 1971, in the Department of Law of The Faculty of Basic Sciences, İstanbul Technical University. He received his Ph.D. degree from the Faculty of Law of İstanbul University in 1980, and became assistant professor at İstanbul Technical University, Faculty of Management Sciences and Engineering in 1982, and associate professor in the Department of Labor and Social Security Law in 1984, and professor in 1990, in the same Department. He served as the assistant dean between 1986 and 1992, and the assistant-rector between 1996 and 1998. He had some studies at Erlanger and Heidelberg Universities in 1982 and in 1987. He served as an advisor to the Ministry of Work and Social Security between 1991 and 2000, and attended ILO Conferences in Geneva as the advisor to the Government between 1991 and 2003. He is the author of various articles and publications on Labor Law. Prof. Dr. Savaş Taşkent was appointed to İşbank's Board on March 31, 2005, and is currently a University Lecturer in the Department of Law, İstanbul Technical University.

AUDITORS**PROF. DR. TURKAY BERKSOY**

Born in 1951 in Elazığ, Prof. Dr. Turkey Berksoy graduated from İstanbul Academy of Economic and Commercial Sciences in 1975. He started his academic career in the School of Political Sciences, İstanbul Academy of Economic and Commercial Sciences at the same year. He received his M.A. (in economics) from Boğaziçi University, and his Ph.D. (in finance) from Marmara University, the Faculty of Economics and Administrative Sciences. He was visiting lecturer at University of East Anglia School of Development Studies, England in 1985, assistant professor at M.U., the Faculty of Economics and Administrative Sciences in 1986. He became associate professor and professor in 1988 and 1993, respectively. Between 1985-1999 he served as the assistant-head, the assistant principal, deputy manager, the assistant dean in the Faculty of Economics and Administrative Sciences of Marmara University. He was administrative board member and board of study member between 1994-2000 at the same faculty. Besides, he was adviser to Şekerbank chief executive officer, Turkish Eximbank and Emlakbank chief executive officer. He also served as board member at various institutions and organizations. He is the chairman of the board of directors at the Center of Finance Research and Application, Marmara University since 1998. Prof. Dr. Turkey Berksoy was appointed as İşbank's Auditor at the General Assembly on March 31, 2005.

H. AHMET ERGENEKON

Born in 1951 in İstanbul, H. Ahmet Ergenekon graduated from Marmara University, the Faculty of Economics and Administrative Sciences, the Department of Public Administration. He started his professional career at İşbank's Kabataş/İstanbul Branch in 1973, and became assistant chief at the same Branch in 1977. After serving at various İşbank's branches as assistant chief, chief, assistant manager and branch manager he was appointed to İstanbul III Regional Department as Regional Manager in 1997 and served there until 2002. He was then appointed as the head of Marketing and Deposits Department in 2002. After his retirement, H. Ahmet Ergenekon was appointed as İşbank's Auditor at the General Assembly on March 31, 2005.

Executive Committee

H. ERSİN ÖZİNCE

Director and Chief Executive Officer

(Please see page 45 for Mr. Özince's cv.)

A. AYKUT DEMİRAY

Executive Vice President

1954, Balıkesir. A. Aykut Demiray is a graduate of Middle East Technical University (Faculty of Administrative Sciences, Department of Business Administration). He began his career at İşbank in 1979 on the Board of Inspectors and undertook various duties in a number of the Bank's units and branches. He was appointed Executive Vice President on 28 October 1998.

M. SIRRI ERKAN

Executive Vice President

1955, Siirt. M. Sırrı Erkan is a graduate of Ankara University (Faculty of Political Sciences). He joined İşbank in 1981 as an Assistant Inspector and has served in different positions in Accounting Department. He was appointed Executive Vice President on 26 April 2001.

KADİR AKGÖZ

Executive Vice President

1950, Trabzon. Kadir Akgöz is a graduate of Middle East Technical University (Faculty of Engineering, Department of Chemical Engineering). He began his career at İşbank in 1978 as an Assistant Systems Specialist in the Organization Department and has served in a number of the Bank's units. He was appointed Executive Vice President on 27 February 2002.

ÖZCAN TÜRKAKIN

Executive Vice President

1958, Afyon. Özcan Türkakin is a graduate of Boğaziçi University (Faculty of Administrative Sciences, Department of Economics) and received a master's degree from the same department. He joined İşbank in 1984 as an Assistant Economics Specialist in the Department of Economic Research and Planning and has served in a number of the Bank's units and İş Investment. He was appointed Executive Vice President on 27 February 2002.

H. FEVZİ ONAT

Executive Vice President

1959, Ankara. H. Fevzi Onat is a graduate of Hacettepe University (Faculty of Social and Administrative Sciences, Department of Economics). He began his career at İşbank as a member of the Bank's Board of Inspectors in 1981. After serving in a number of the Bank's units and branches, he was appointed Executive Vice President on 26 August 2002.

F. KAYHAN SÖYLER

Executive Vice President

1954, Kadirli. F. Kayhan Söyler is a graduate of Marmara University (Faculty of Economic and Administrative Sciences, Department of Economics). He began his career at İşbank in 1976 as a Trainee Clerk at the Galata branch. After serving in a number of the Bank's units and branches, he was appointed Executive Vice President on 27 October 2003.

ZAFER MEMİŞOĞLU

Executive Vice President

1952, Ceyhan. Zafer Memişoğlu is a graduate of the Adana Academy of Economic and Commercial Sciences. He joined İşbank in 1981 as an Assistant Inspector. After serving in a number of the Bank's units and branches, he was appointed Executive Vice President on 30 March 2004.

HÜLYA ALTAY

Executive Vice President

1958, Çanakkale. Hülya Altay is a graduate of Ankara University (Faculty of Political Sciences). She joined İşbank in 1982 as an Assistant Economics Specialist. After serving in a number of the Bank's units and branches, she was appointed Executive Vice President on 30 March 2004.

MAHMUT MAGEMİZOĞLU

Executive Vice President

1959, Antakya. Mahmut Magemizoğlu is a graduate of Middle East Technical University (Faculty of Administrative Sciences, Department of Business Administration). He holds a master's degree in investment analysis from the University of Stirling (UK). Mr. Magemizoğlu began his career at İşbank in 1982 on the Board of Inspectors and served in a number of the Bank's units. He was appointed Executive Vice President on 18 May 2005.

HAKAN BARUT

Executive Vice President

1957, İzmir. Hakan Barut is a graduate of Middle East Technical University (Faculty of Administrative Sciences, Department of Economics). He joined İşbank in 1981 and has served in a number of the Bank's units and branches. He was appointed Executive Vice President on 30 May 2006.

TÜLİN AYKIN

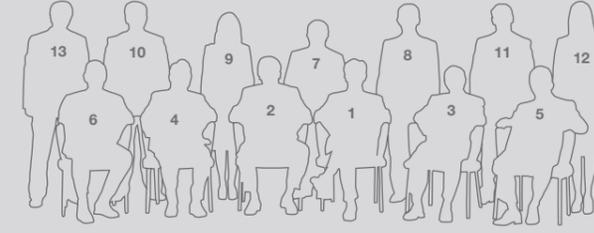
Executive Vice President

1963, İzmir. Tülin Aykın is a graduate of Boğaziçi University (Faculty of Engineering, Department of Industrial Engineering). She joined İşbank in 1986 as an Assistant Specialist and has served in a number of Bank's units and branches. She was appointed Executive Vice President on 30 May 2006.

ADNAN BALI

Executive Vice President

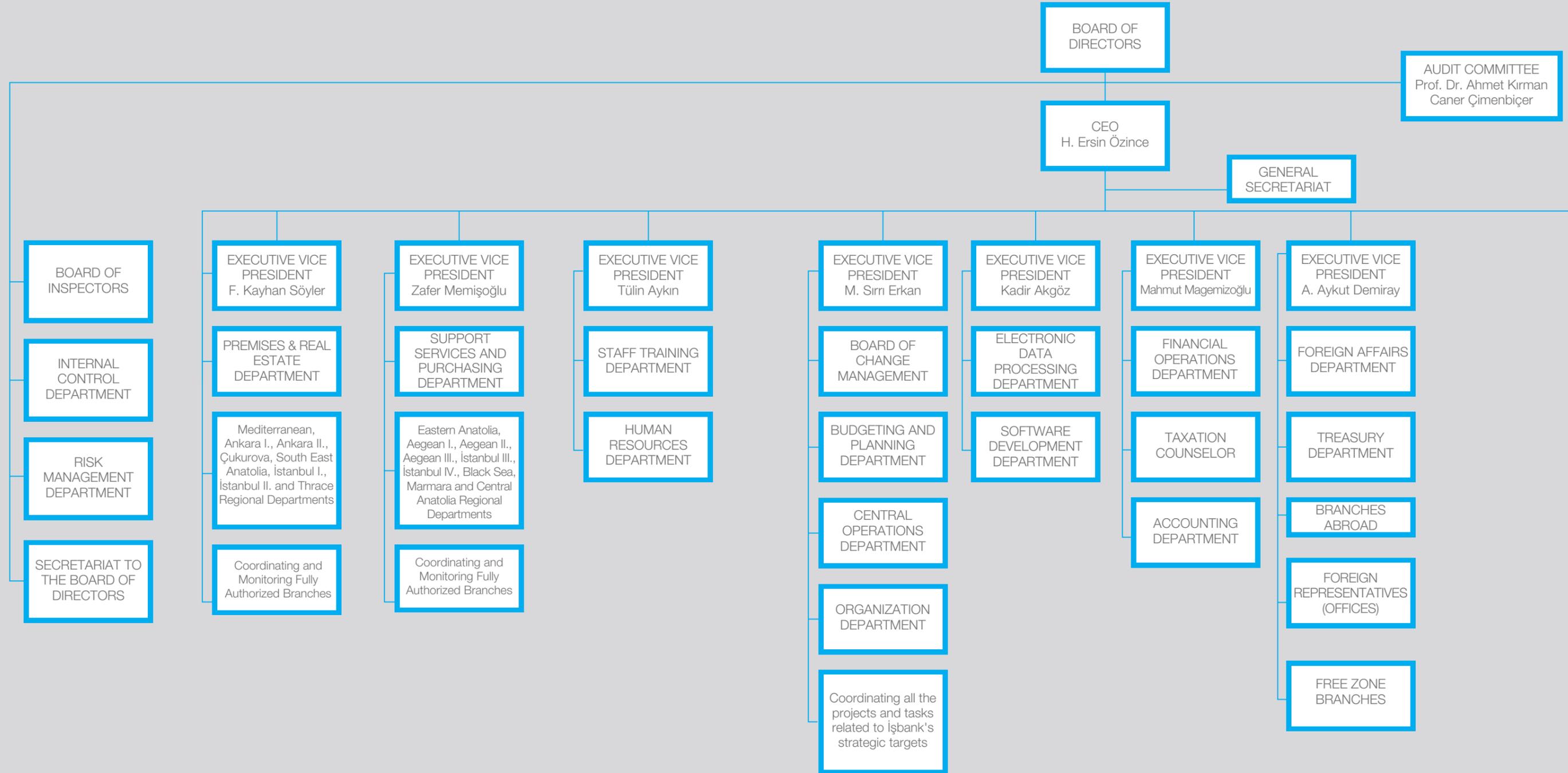
1962, İslahiye. Adnan Bali is a graduate of Middle East Technical University (Faculty of Administrative Sciences, Department of Economics). He joined İşbank as an Assistant Inspector in the Board of Inspectors in 1986 and has served in a number of Bank's units and branches. He was appointed Executive Vice President on 30 May 2006.

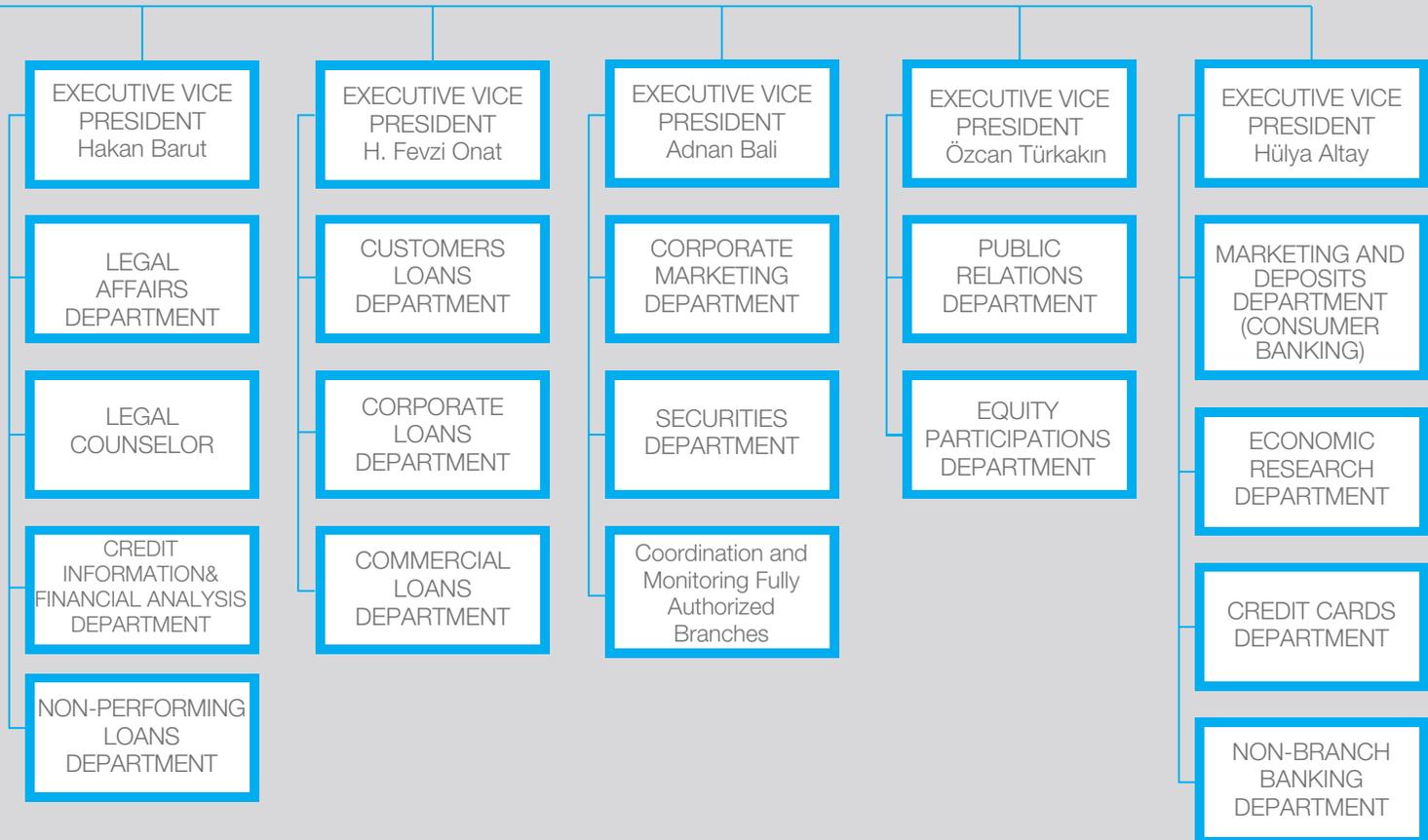


- 1 H. ERSİN ÖZİNCE, Director and Chief Executive Officer
- 2 A. AYKUT DEMİRAY, Executive Vice President
- 3 M. SİRRI ERKAN, Executive Vice President
- 4 KADİR AKGÖZ, Executive Vice President
- 5 ÖZCAN TÜRKAKIN, Executive Vice President
- 6 H. FEVZİ ONAT, Executive Vice President
- 7 F. KAYHAN SÖYLER, Executive Vice President
- 8 ZAFER MEMİŞOĞLU, Executive Vice President
- 9 HÜLYA ALTAY, Executive Vice President
- 10 MAHMUT MAGEMİZOĞLU, Executive Vice President
- 11 HAKAN BARUT, Executive Vice President
- 12 TULİN AYKIN, Executive Vice President
- 13 ADNAN BALI, Executive Vice President



Organization Chart





MANAGERS OF INTERNAL SYSTEMS

Names and surnames, terms of office, areas of responsibility, academic backgrounds and professional experiences of managers of Internal Systems, which consists of Board of Inspectors, Internal Control Department and Risk Management Department, are presented below.

Chairman of the Board of Inspectors Halil Oğuz Su:

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
7 years	29 years	Board of Inspectors, Accounting Department, Administrative Affairs Department, Premises and Real Estate Department	B.A. Degree from a Domestic University

Head of Internal Control Mehmet Ali Madendere:

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
5 years	20 years	Board of Inspectors, İstanbul III. Regional Department, Loans Department	B.A. Degree from a Domestic University

Head of Risk Management Hasan Candan:

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
5,5 years	17 years	Board of Inspectors, Foreign Affairs Department, Accounting Department	M.A. Degree from a Foreign University

İŞBANK COMMITTEES

Credit Committee

The activities of İşbank Credit Committee are governed by the Banking Act and relevant laws, regulations and administrative provisions. In line with the authorities and responsibilities with which it is charged by the İşbank Board of Directors, this committee assesses and finalizes credit applications. Consisting of three people, bank's chief executive officer is a permanent member of the İşbank Credit Committee, whose other two members are company directors who are rotated on a monthly basis. The non-permanent members of the Credit Committee and the schedule of their monthly assignments up until the next general meeting are determined every year at the first meeting of the İşbank Board of Directors that is held after the general meeting for the previous year. Two alternate committee members are also designated who will stand in if need be. Chief Executive Officer H. Ersin Özince is the chairman of the İşbank Credit Committee.

Committee Members	Duty	Primary Duty	Months on Duty
Prof. Dr. M. Baran Tuncer	Member	Director	March, July, November
H. Ersin Özince	Chairman of the Committee	CEO and Director	January, February, March, April, May, June, July, August, September, October, November, December
M. Nail Yağcı	Member	Director	February, April, June, August, October, December
Dr. A. Yavuz Ege	Member	Director	April, August, December
Atty. Nail Gürman	Member	Director	January, May, September
Caner Çimenbiçer	Member	Director and Audit Committee Member	January, March, May, July, September, November
Prof. Dr. Savaş Taşkent	Member	Director	February, June, October

Note: Prof. Dr. Ahmet Kirman and Prof. Dr. M. Baran Tuncer are the alternate Credit Committee members chosen for 2006-2007 and will serve until the end of March 2007.

In 2006, the Credit Committee has examined 278 credit files and taken 106 decisions concerning all these files.

COMMITTEES REPORTING TO THE BOARD THAT ARE ESTABLISHED TO SUPPORT THE BOARD UNDER THE FRAMEWORK OF RISK MANAGEMENT SYSTEMS IN ACCORDANCE WITH THE REGULATION ON INTERNAL SYSTEMS OF BANKS

The Audit Committee, Executive Risk Committee, Bank Risk Committee and sub-committees are in place to form the risk management system.

The Audit Committee

The Committee has two members. It is chaired by Prof. Dr. Ahmet Kirman Chairman of the Board of Directors. Caner Çimenbiçer, Board member is the other member of the Committee.

The Committee holds its meetings twice a year at minimum and conveys the results of its activities and recommendations on actions that could be taken to mitigate risks in order the Bank to conduct its business in a sound way.

The Audit Committee is responsible for;

- ensuring the internal audit and risk management systems function effectively and sufficiently and in compliance with the regulations,
- supervising the completeness of the produced information and workings within the frame of regulations related to internal system units as well as accounting and reporting systems,
- ensuring that İşbank's financial statements and information are in accordance with the accounting standards and the requirements of regulations and are duly published,
- carrying out the preliminary assessment of external auditors to be selected by the Board and monitoring the appointed auditor's activities on a regular basis,
- ensuring that the internal audit functions of subsidiaries on a consolidated basis are coordinated in line with regulations.
- making known by the Board any issues or incidents that could have an adverse impact on the continuity or soundness of the Bank's activities or are in violation of the requirements of regulation or of internal procedures.
- if circumstances require, gathering information and related documents from all units, support service contractors, and independent auditors; being subject to Board approval obtaining consultancy from those who are specialists in their respective fields.
- submitting the internal audit report prepared by internal audit and risk management units to the Board.

In 2006, Audit Committee held 18 meetings and adopted 29 resolutions.

İŞBANK COMMITTEES

Executive Risk Committee

Executive Risk Committee is responsible for formulating the risk management strategies and policies İşbank will adhere to both on a consolidated and unconsolidated basis, presenting them to the İşbank Board of Directors for approval, and monitoring compliance with them. Executive Risk Committee is the highest-ranking body of the risk management system that is there to ensure that the risks exposed are managed systematically and is responsible to İşbank Board of Directors for every aspect of the risk management system.

The Committee's principal duties are the following:

- prepare the risk strategies and policies, and present to the Board for approval, and monitor compliance.
- recommend the level of risk limits for exposures and monitor the risk versus limits.
- propose changes in risk policies if diverse circumstances require.
- monitoring and reporting on the processes of risk identification, definition, measurement, assessment, and management that are carried out by the Risk Management Department.
- ensure that risk management methodologies and their results remain valid and reliable.
- review and assess risk sub-committees' activities..

Executive Risk Committee held 12 meetings –of which 3 of them on consolidated basis- in 2006. In the meetings, in addition to the evaluations of the risk management facilities of İşbank and its affiliates those are subject to consolidation, 12 risk reports presented to the Committee were examined and 10 resolutions related to the risk management system and process were adopted.

Committee Members:

- Caner Çimenbiçer, Board of Directors and Audit Committee member
- H. Ersin Özince, Chairman of the Credit Committee
- Aykut Demiray, Chairman of the Asset & Liability Management Committee
- Hasan Candan, Chairman of Bank Risk Committee

Executive Risk Committee is chaired by Caner Çimenbiçer.

Executive Risk Committee contributes to the configuration of Group risk policies also through consolidated group meetings. In the activities that the Executive Risk Committee carries out on a consolidated basis, the subsidiaries of the Bank are represented by the following:

- İş Finansal Kiralama A.Ş., by H. Fevzi Onat, İşbank Executive Vice President
- Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş., by Emre Duranlı, İşbank, Assistant Manager-Equity Participations
- İşbank GmbH, by M. Turgay Atalay, İşbank, Head of Change Management
- İş-Dublin Financial Services Plc, by Erdal Aral, İşbank, Head of Treasury
- İş Gayrimenkul Yatırım Ortaklığı A.Ş., by Gürman Tevfik, İş Portföy Yönetimi A.Ş., Chief Executive Officer
- Türkiye Sınai Kalkınma Bankası A.Ş., by Murat Bilgiç, İşbank, Regional Manager-Corporate Loans
- İş Yatırım Menkul Değerler A.Ş. ve İş Portföy Yönetimi A.Ş., by Gülliz Aykan, İşbank, Group Manager-Equity Participations
- Milli Reasürans T.A.Ş., by Tülin Aykın, İşbank, Executive Vice President

Pursuant to the resolution of the Board of Directors, dated 28.12.2006 (number 32987), the Executive Risk Committee has been renamed as Risk Committee to continue working under the chairmanship of Caner Çimenbiçer and establishing ad-hoc sub-committees has been left to the discretion of the Risk Committee. In this framework, The Risk Committee comprises of;

- Board of Directors and Audit Committee member, Caner Çimenbiçer (Chairman),
- CEO, H. Ersin Özince,
- Executive Vice President, Aykut Demiray,
- Executive Vice President, H. Fevzi Onat and
- Head of Risk Management, Hasan Candan

İŞBANK COMMITTEES

The Bank Risk Committee

İşbank Risk Committee is responsible for making recommendations to Executive Risk Committee concerning the formulation of risk management strategies and policies that the Bank will adhere to on a consolidated and an unconsolidated basis and for monitoring compliance. The Committee; is active in areas such as the preparation of risk management strategies and policies that the Bank will follow, to present these for evaluation by the Executive Risk Committee and to observe its practice, as well as observing and notifying the processes related to the identification, definition, measurement, evaluation and management of the risks to be performed by the Risk Management Directorate.

The members whose names and titles are listed below make up the Bank Risk Committee:

Chairman: Hasan Candan	Head of Risk Management
Member: Soner Benli	Group Manager; Credit Risk
Member: Gamze Yalçın	Group Manager; Equity Participations and Operational Risk
Member: Burak Sezercan	Assistant Manager; Market Risk

Sub-committees of the Bank Risk Committee; have been organized under Credit Risk, Market Risk, Equity Participations Risk and Operational Risk Groups.

Credit Risk Group;

- identify, measure, evaluate and monitor the credit risks the Bank is exposed to, employing numerical and analytical techniques,
- revise and model the bank's credit risk rating system within the framework of prevalent risk management principles.
- ensure the reliability of the credit risk rating system by subjecting to evaluations based on portfolios
- evaluate on-going credit risk processes regarding corporate, commercial, consumer and credit card portfolios, together with money and capital markets transactions.
- Monitor the compliance with regulatory credit risk limits.

Market Risk Group;

- monitor the trading book position and pricing data , to calculate and analyze the loss estimates Bank may be subject to due to fluctuations in interest rates and other prices; and within this context, report findings on market risk and exchange rate risk to BRSA, the supervisory body,
- measure market risk using internal models based on VaR, calculate and analyze the possible differences that may arise as a result of a change in parameters, conduct back-tests on internal model outputs and conduct regular stress test and scenario analyses,
- ensure trading activity is in line with regulatory requirements and Bank risk policies,
- communicate recommendations to relevant business units on VaR limits and monitor risk versus limits,
- monitor Bank's liquidity position and make regulatory reports on a weekly and monthly basis,

Operational Risk Group;

- identify evaluate and monitor non-financial risks and controls attached to them,
- analyze the impact and probabilities of the identified risks in processes and operations, so as to be used to improve the controls and to develop new control mechanisms,
- constitute operational risk loss database

Equity Participations Risk Group;

- identify, measure, monitor, manage and report the risks faced by the subsidiaries that the Bank has a controlling interest,
- monitor Bank group loan activity and equity investment to ensure to remain compliant with regulatory credit risk limits and measure group's market risk,
- provide assistance to group companies in their process of establishing a risk management culture and upgrading their risk management systems in parallel to best practice,

Groups carried out their activities as described above and reported the results to relevant bodies within the Bank.

HUMAN RESOURCES RECRUITMENT AND CAREER DEVELOPMENT AT İŞBANK

Recruitment

The conditions for being hired by İşbank are summarized below. Note that these are the general conditions and will be more detailed according to the position being applied for. To be hired by the Bank, a person:

1. must be a citizen of the Republic of Turkey
2. must be at least 18 years of age and must also satisfy the age requirements of the qualifying examination for whatever position is being applied for
3. must not be deprived of any of his civil rights
4. must never have been convicted of any crime punishable by imprisonment, even if subsequently pardoned
5. must have no compulsory service obligations towards any agency or organization
6. if male, must have completed his active military service or else have a military service deferment or exemption
7. must suffer from no health condition that would preclude his being able to work anywhere in Turkey
8. must not have received an unsatisfactory score on his former job interviews at the Bank.

Job application

Since the day it was founded, it has been İşbank's policy and practice to train its own management personnel in-house. İşbank only recruits for entry-level positions and does not recruit for any management position vacancies from outside the Bank.

Applications for all positions must be made by filling out the Resume Form on the job applications page of the human resources section of the Bank's website at www.isbank.com.tr. The Bank no longer accepts written applications for job positions. İşbank maintains a database of more than 100,000 people's applications and resumes.

All job applications made via the internet to İşbank are processed exclusively by the Bank. İşbank does not employ the portal management services of any firm. In addition to receiving job applications, all notifications to sit for entrance exams and exam results are announced via the internet. Other recruitment-related procedures are also carried out on the same platform. The resume form is continuously accessible, which means that those who have submitted their resumes to the İşbank database can view the status of their application and the results of all the exams they have taken whenever they wish and they can also update their resumes at any time.

Career development

Assistant section head qualifying examinations

Vacancies in assistant section head positions are filled by means of qualifying exams that are held from time to time as the Bank's needs dictate. Any employee in the senior clerk grade may sit for these exams. Senior clerks who pass the exam are appointed to assistant section head vacancies that the Bank deems it necessary to fill on the basis of a point system whose principles are spelled out in article 39 of the İşbank Collective Bargaining Agreement and also taking candidates' preferences into account.

Sub-manager qualifying examinations

Promotions to sub-manager grade are made by means of a qualifying exam that is taken by active senior section heads and also by section heads and senior assistant section heads who have completed at least five years of service since becoming an assistant section head.

Vacancies in sub-manager positions are filled by means of qualifying exams that are held from time to time as the Bank's needs dictate. Those who pass the exam are appointed to sub-manager vacancies that the Bank deems it necessary to fill on the basis of a point system whose principles are spelled out in article 43 of the İşbank Collective Bargaining Agreement and also taking candidates' preferences into account. Employees in the sub-manager grade may be promoted to assistant manager or branch manager positions on the basis of their performance and length of service at the Bank.

Appointment of inspectors and specialists to management positions

Assistant inspectors and assistant specialists at İşbank take an oral qualifying examination after reaching senior grade. Successful candidates are appointed to 5th-class inspector or specialist positions. Based on their performance they may be promoted one class every other year. Inspectors and specialists in class one through four may be promoted to management positions.

Promotions of those who are attorneys, architects, and engineers

Attorneys, architects, and engineers who have been hired by the Bank are promoted respectively to consulting attorney, chief architect, and chief engineer positions depending on their performance and length of service at the Bank. These employees may also be appointed to management positions if a vacancy occurs in one that is pertinent to their professional background.

e-MAS: The permanent clerk need of the bank and the necessity to fulfill this need in a timely manner, especially for positions in Istanbul, compelled the Bank to hold a computer based "Clerk Recruitment Exam". Starting from 27 September 2007, Clerk Recruitment Exam, which used to be a written exam, is held in the computer rooms of Staff Training Department. The safe infrastructure required by this new application is developed through the collective work of Electronic Data Processing, Software development and Staff Training Departments.

INFORMATION ON THE TRANSACTIONS CARRIED OUT WITH İSBANK'S RISK GROUP

All İsbank Risk Group companies are provided with the same kind of financial assistance, by the same procedures and policies, as those provided for third parties. The Risk Management Department analyses the approved credit lines and other lending procedures in favor of İsbank Group companies, and monitors to ensure compliance with legal requirements.

In 2006, the loans extended to the group companies had all been within the regulatory risk limits. Group companies had mainly been involved in credit products and deposits. The loans approved for the Risk Group was 1.09% of the total approved credit lines and the deposits of the group companies contributed 2.92% of the total deposits.

ACTIVITIES, SUPPORT SERVICES RECEIVED IN ACCORDANCE WITH THE REGULATION ON PROCUREMENT OF SUPPORT SERVICES OF BANKS AND AUTHORIZATION OF ORGANIZATIONS PROVIDING THIS SERVICE

Although, the Bank receives support services from third parties for the maintenance of movables like ATMs and Netmatiks (kiosk), software maintenance and support, field services for POS machines, installation support for Q-Mates (queue systems), courier and cargo transportation services, this kind of services are not evaluated within the context of services categorized as an extension or a supplementary part of banking activities mentioned at the Regulation on Procurement of Support Services of Banks and Authorization of Companies Providing This Service.

İŞBANK'S DIVIDEND DISTRIBUTION POLICY

İşbank's principles of dividend distribution are set by article 58 of the Articles of Incorporation. According to this article, after deducting all general expenses from the income arising from the operations of the Bank within a year, including premiums and bonuses and similar payments to the personnel of the Bank, and funds for all kinds of depreciations, as well as necessary provisions, the net profit obtained shall partly be set aside as contingency reserves and partly distributed in the order, manner and at the rates indicated below:

- a) 5% to statutory reserve fund, (a/1)
 - 5% as provision for probable future losses, (a/2)
 - 10% as first contingency reserve (a/3)

If the cause for setting aside of a provision and fund for a probable future loss and/or risk doesn't exist any more, the remaining fund will be added to first contingency reserve (a/3) after distribution of net profit referred to in paragraph (a).

b) From the balance of the net profit after the reserve fund referred to in paragraph (a) above have been set aside, an amount equal to 6% of the paid up capital represented by Classes (A), (B) and (C) share certificates, shall be distributed to shareholders as the "first dividend". Should the profit realized in any year be insufficient to provide for the first dividend of 6% referred to above, the balance shall be made up and distributed out of the contingency reserve fund. Provided, however, that any amount thus taken out of the reserve fund shall constitute a charge to be made up out of the profits to be realized in the subsequent years.

c) After the reserved fund and the first dividend referred to in paragraphs (a) and (b) above have been provided for, the balance of the net profit shall be set aside and distributed as follows:

- 10% for founder shares (limited to the portion of TRY 250 thousand of paid capital)
- 0.25% among the members of the Board of Directors and the Chief Executive Officer equally,
- 20% to the employees of the Bank, and
- 10% as second contingency reserve.

d) After the amounts set forth in paragraphs (a), (b) and (c) have been set aside and distributed, the balance shall be distributed to the shareholders as "second dividend" in the manner stated below and taking into consideration paragraph (e).

1) The net total of the dividends to be distributed to the holders of Class (A) share certificates as first and second dividends under paragraphs (b) and (d) may not exceed 60% of the capital paid up by them, the net total of the dividends to be distributed to holders of Class (B) share certificates may not exceed 30% of the capital paid up by them, and the net total of the dividends to be distributed to holders of Class (C) share certificates may not exceed 25% of the capital paid up by them.

2) After the amounts set forth in paragraphs (a), (b) and (c) have been set aside and distributed, should the balance be insufficient to distribute the second dividend in the manner specified by the paragraph (1) above, twice the amount of the paid up capital represented by Class (A) share certificates the actual amount of the capital represented by Class (B) share certificates, and the 5/6 (five sixth) amount of the capital represented by Class (C) share certificates shall be taken as the basis, and, total dividends to be paid to the three Classes of shares shall be calculated separately in the distribution of the second dividend.

e) Furthermore, the amount required to be added to contingency reserve under paragraph 3 of Article 466 of the Turkish Commercial Code, shall be set aside. Following the allocation and the distribution of the net profits in accordance with the foregoing provisions, upon the proposal of the Board of Directors, it shall be resolved at the General Assembly whether the outstanding balance should be set aside as contingency reserves or be transferred to the subsequent year, or, should up to 80% (net) of this balance be divided to the number of share certificates and net worth distributed to holders of share certificates and the remainder be set aside as contingency reserve or transferred to the subsequent year. However at the calculation of the dividends to be paid to all three Classes of share certificates, for group A 2 times of the share quantity, for group B 1,5 times of the share quantity, for group C same quantity will be considered.

MATTERS RELATED TO İSBANK'S ANNUAL GENERAL MEETING

AGENDA OF THE ANNUAL GENERAL MEETING

1. Opening Ceremony, establishment of Chairmanship Council and authorization of the Chairmanship Council to sign Minutes of the General Meeting,
2. Presentation of and discussion on the Management's and Auditors' Reports,
3. Examination and ratification of 2006 Balance Sheet and Income Statement and separate discharge of the Board of Directors and Auditors from their responsibilities for the transactions and accounts of the aforementioned year,
4. Determination of the dividend distribution and the method and date of allotment of dividends,
5. Presenting information on the selection of the authorized Independent Audit Firm, which audited the Bank's 2006 year end financial statements and authorizing the Board of Directors for future selections of auditing firms,
6. Determination of the allowance for the members of the Board of Directors,
7. Election of the Auditors for 2007,
8. Determination of the Auditors' salaries.

MATTERS RELATED TO İŞBANK'S ANNUAL GENERAL MEETING

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

Welcome to the 83rd ordinary general assembly of our Bank.

Before presenting the Board of Directors Report, Auditors' Report and the Profit and Loss Statement for the financial year 2006 for your review, we respectfully greet our shareholders, their representatives and our guests who have honored this meeting.

2005 has been a year, in which the domestic financial markets pursued a steady course. The first months of 2006 have also witnessed positive economic developments. However, the fluctuations in May that gained momentum with the changes in global risk perceptions, affected the dynamics of the Turkish economy and caused an upward pressure on interest rates and fluctuation in exchange rates. Nevertheless, these fluctuations have proved that Turkish economy and Turkish banking system is sound and resistant to fragilities. In spite of all these negative conditions, Turkish economy grew by 5.7% in the first nine months of the year 2006.

Total assets of the banking sector continued to grow in 2006. The share of loans in the balance sheet of the banking sector increased significantly, whereas there was a gradual decline in the share of the investment securities portfolio. In 2006, loan volume of the sector increased significantly due to continuous economic growth and the decline in interest rates in the first months of the year, which increased loan demand. Particularly influential in this development were rises in consumer loans, particularly housing loans, and loans to SMEs. Increase in the share of loans in total assets within the context of the widespread placement policies of the sector and the continuing decline of non-performing loans ratio indicate that the sector is in a healthy development process.

In 2006, the interest of foreign investors in Turkish banking sector continued increasingly and share of foreign capital increased to high levels.

For our Bank, 2006 has been a year of positive developments. Our Bank became the biggest bank of the sector in terms of asset size and in terms of deposit size preserved its leadership position among private banks.

On the other hand, financial accounts started to be prepared in accordance with the Turkish Accounting Standards and the Turkish Financial Reporting Standards as required by the Regulation on Accounting Practice for Banks and Safeguarding of Documents published in the Official Gazette dated 1 November 2006 no 26333. Thus, financial accounts of the year 2005 have been edited in accordance with the aforementioned standards.

Dear Shareholders,

We hereby submit our Balance Sheet and Profit and Loss Statement within our 2006 Annual Report for your examination and approval.

We would like to take this opportunity to express our gratitude to the Turkish public for their unswerving trust in our Bank which has proven its stature both in Turkey and abroad through its endeavors in conformity with laws and the principles of banking without deviating from the directives of the Bank's founder and the nation's great leader Atatürk, to the institutions of the Turkish state for their continuing support, to our employees whose self-sacrificing and unstinting contribution to our success is beyond all praise and once again extend our best regards to our distinguished shareholders and their representatives who have honored this General Assembly with their presence.

TÜRKİYE İŞ BANKASI A.Ş.
BOARD OF DIRECTORS

MATTERS RELATED TO İŞBANK'S ANNUAL GENERAL MEETING

AUDITORS' REPORT

TO THE GENERAL ASSEMBLY OF
TÜRKİYE İŞ BANKASI A.Ş.
İSTANBUL

The operations, accounts and records of Türkiye İş Bankası A.Ş. for the year 2006 have been examined, the explanations of the Bank executives have been assessed and it is concluded that operations have been conducted in conformity with the rules and regulations while the balance sheet and income statement are in conformity with accounting records.

The main balance sheet items as well as the revenues and expenses of the Bank as of December 31st 2006, compared to the previous year are presented below.

(TRY thousand)	31.12.2006	31.12.2005
Cash and Central Bank of Turkey	5,596,106	6,278,642
Banks and Other Financial Institutions	6,453,663	4,052,704
Financial Assets Available for Sale	26,019,745	21,042,329
Loans	29,818,316	21,858,602
Participations and Subsidiaries	4,695,007	4,756,394
Tangible and Intangible Assets	1,781,665	1,762,105
Local and Foreign Currency Deposits	46,399,355	37,221,823
Money Market Takings	5,364,253	5,693,195
Funds Borrowed	10,529,955	8,304,349
Provisions	1,843,147	1,690,522
Shareholders' Equity	9,410,158	9,287,930
Income	9,695,577	7,692,181
Expenses and Provisions	8,586,359	6,529,854
Profit/Loss	1,109,218	1,162,327

As can be seen from the information presented above for your review, the year 2006 has been a successful year, as a result of the Bank management's adaptation to the decisions which were implemented in the overall economy, appropriate and timely measures and the contribution of the devoted efforts of the entire bank employees.

The Board of Directors has prepared the proposal for the distribution of profit in accordance with the Bank's Articles of Incorporation and the related legislation.

We would like to present for your information that the Bank has continued its efforts in connection with the adoption and implementation of the latest technological developments without interruption and respectfully request your approval of the Balance Sheet and Profit/Loss Account for the year 2006.

Sincerely,



Auditor
H. Ahmet Ergenekon



Auditor
Prof. Dr. Turkey Berksoy

DIVIDEND DISTRIBUTION

In line with the related legislation, 2006 financials have been adjusted for the new regulations with Turkish Accounting Standards. As a result of these adjustments, a retained earnings figure of TRY 381,821,122 was calculated for the year 2006.

- It is proposed that the abovementioned amount of retained earnings be transferred to extraordinary reserves, since it can not be distributed as dividends according to the related legislation, as the deferred tax income amount, which is one of the income components of retained earnings, exceeds retained earnings amount of the period,
- As a result of activities in 2006, a net current period profit of TRY 1,109,218,468 was made. TRY 2,938,366 of the profit figure is the income from sale of participations, subsidiaries and real estates which were sold in 2006. With the resolution of the Board of Directors, it has been decided that this amount is booked to a special account under liabilities and is to be used for capital increase when necessary, in order to benefit from the exemption clauses of the fifth article of Corporate Tax Law no. 5520. It is proposed that this amount of TRY 2,938,366, which is not subject to dividend distribution, be transferred to "Capital Reserves".
- It is proposed that the total amount of TRY 1,106,280,102 be distributed in accordance with article 58 of İşbank's Articles of Incorporation and the relevant legislation, as detailed below:

	TRY	
NET PERIOD PROFIT		1,109,218,468
NON-DISTRIBUTABLE PROFIT		2,938,366
DISTRIBUTABLE PROFIT		1,106,280,102
I. FIRST DIVIDEND		
(Articles of Incorporation Art. 58/a-b)		
- For Legal Reserves 5%	55,314,005	
- Type One Extraordinary Reserve	500,390,419	
- First Dividend		
To Group A Shares	60	
To Group B Shares	1,740	
To Group C Shares	165,393,300	721,099,524
		385,180,578
II. SECOND DIVIDEND		
(Articles of Incorporation Art.58/c-d-e)		
- To Founders' Shares	3,493	
- 0.25% to the Board Members and the CEO in Equal Amounts	962,951	
- 20% to Bank Employees	77,036,116	
- 10% to Legal Reserves	34,020,761	
- 10% to Type Two Extraordinary Reserves	38,518,058	
- Second Dividend		
To Group A Shares	204	
To Group B Shares	2,962	
To Group C Shares	234,636,033	385,180,578

In case the said proposal is approved by the Bank's General Assembly, distribution of dividends to shareholders will commence on 2.4.2007 and the following amounts will be paid as gross dividend:

- TRY 0.2643 for each 1st category Group A shares with a nominal value of TRY 1,
- TRY 0.1621 for each 1st category Group B shares with a nominal value of TRY 1,
- TRY 0.1451 for each 1st-12th category Group C shares with a nominal value of TRY 1,
- TRY 1,421 for each of the founders' shares.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

İşbank complies with the banking regulations including Banks Act and other related legislations.

Most of the requirements of the Corporate Governance Principals issued by the Capital Markets Board have been met through the public disclosures to ISE and CMB, İşbank's Articles of Incorporation which is available on the website of the Bank, the annual report of the Bank and the Bank's website itself.

As required by Article 24 of the new Banking Law Nr. 5411, İşbank has established an "Audit Committee" in accordance with the resolution of the Board of Directors dated November 16th, 2005 and Prof. Ahmet Kirman (Chairman) and Mr. Caner Çimenbiçer (Director) have been appointed as committee members.

Without prejudice to the provisions of the Banking Law, explanations with regard to Corporate Governance Principles of the Capital Markets Board, which should be covered in the annual reports of the publicly traded companies, are presented below.

SHAREHOLDERS

Shareholders Relations Department

Investor Relations Unit of İşbank was founded in 1998 and works as a separate group within the head office department responsible for accounting and financial reporting. Following list presents the names and contact details of employees who are working at the Investor Relations Unit, which reports to Mr. Mahmut Magemizoğlu who is the Executive Vice President of İşbank, responsible for accounting, financial reporting, and financial operations.

Name, Surname	Title	Telephone Number	E-mail Address
Ömer Karakuş	Head of Accounting Department	(0212) 316 30 02	Omer.Karakus@isbank.com.tr
A. Ferit Eraslan	Group Manager	(0212) 316 30 16	Ferit.Eraslan@isbank.com.tr
Alper Turgal	Specialist	(0212) 316 30 36	Alper.Turgal@isbank.com.tr
Gülbin Kekevi	Specialist	(0212) 316 30 39	Gulbin.Kekevi@isbank.com.tr
İpek Taşkın	Section Head	(0212) 316 30 55	Ipek.Taskin@isbank.com.tr
Meral Didem Orçen	Assistant Section Head	(0212) 316 30 50	Didem.Orcen@isbank.com.tr
Zeynep Eylem Baş	Officer	(0212) 316 30 87	Eylem.Bas@isbank.com.tr

Principal activities implemented by the Investor Relations Unit are as follows:

- Providing both the existing and potential shareholders and investors, rating agencies, international lenders and other related institutions with requested information which are not categorized as commercial secrets, and making the presentations to these institutions when necessary;
- Participating in domestic and overseas investor meetings and conferences organized by international investment institutions;
- Informing the investors about the disclosures of material events and other news on İşbank through the web site and via e-mail;
- Providing the essential and updated information and documentation to the investment community, shareholders, the Bank of New York, which is the sponsor of Is-C ADR/GDR (American/Global Depository Receipt) program of İşbank, London Stock Exchange, where İşbank's GDRs (Global Depository Receipts) are listed, and other interested parties via "Investor Relations" sections of İşbank's website both in English and Turkish through the links <<http://www.isbank.com.tr/ir/ir.asp>> and <<http://www.isbank.com.tr/yatirimci/yi-yatirimci.html>> and keeping the contents of these pages updated.

In the year 2006, more than 500 inquiries were sent to the Investor Relations Unit, and all inquiries have been promptly replied. Meanwhile, the IR group participated in 7 international and 3 domestic investor conferences, meeting with 510 investors, and made approximately 30 "conference calls".

Use of Shareholders' Right to Obtain Information

Information requests of shareholders, received by İşbank via mail, phone, e-mail and other media are evaluated and replied in the most effective and fastest way. In the year 2006, more than 500 information requests were received from shareholders and replied by İşbank. Furthermore, any developments and information on İşbank concerning the shareholders are regularly disclosed on the website and all related parties are regularly informed via e-mail as well.

Necessary announcements are made on İşbank's website prior to dividend payments and capital increases, which are made in the forms of right issue or bonus issue. As per the provisions of the Turkish Commercial Code, and the Capital Markets Regulations, the stockholders are also informed by way of daily newspapers about capital increases and General Shareholders Meetings.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

On the other hand, following information are provided both in English and in Turkish to İŞbank's shareholders and investors via the Bank's website for facilitating the shareholders' right to obtain information;

- Periodic financial statements and reports,
- İŞbank's presentations,
- Annual reports,
- Rating notes and reports,
- Article of Incorporation,
- Information concerning equity participations,
- Organization chart,
- Backgrounds of the Board Members and the Bank Executives,
- Ownership structure,
- Prospectus and public offering circulars,
- Disclosures of material events,
- Activities implemented within the framework of Corporate Governance Principles and the report evaluating İŞbank's compliance with the Corporate Governance Principles

İŞbank's website covering the aforementioned information and data is updated periodically.

İŞbank is audited regularly both by external auditors as required by the Banking Law, and by two other auditors who are appointed at the Shareholders Meeting according to the Turkish Commercial Code and Articles of Incorporation of İŞbank.

On the other hand, the "Audit Committee", established in accordance with the resolution of the Board of Directors dated 16 November 2005, as required by Article 24 of the Banking Law, has taken office and undertaken the functions stated in the aforementioned Law. İŞbank's Audit Committee members are Prof. Ahmet Kirman (Chairman) and Mr. Caner Çimenbiçer (Director). As per the article 348 of the Turkish Commercial Code, in case of need, shareholders can elect a special auditor for the investigation and inspection of specific subjects. Shareholders representing minimum 10% of the share capital may request the appointment of a special auditor for the investigation of the subjects envisaged in the Code. In case the General Shareholder Meeting rejects the shareholder's request to appoint a special auditor, then minority shareholders would have a right to legally request the appointment of a special auditor from the court. İŞbank's Articles of Incorporation do not regulate the appointment of special auditor.

Information on General Shareholders Meeting

Procedures of the General Shareholders Meetings are regulated by the Articles of Incorporation which is available on İŞbank's website. As per the related regulations, agenda of Shareholders Meetings and other related issues are made publicly available by ways of media and internet before the Shareholders Meetings. In addition, İŞbank's annual reports prepared for the Shareholders Meeting are also presented to shareholders before the General Shareholders Meeting.

In 2006, İŞbank held an Ordinary General Shareholders Meeting on 31.03.2006. Announcements, including the agenda of the meeting and sample of proxy, were published on the Trade Registry Gazette, and made public via media and website of İŞbank within the legal periods. At the Ordinary General Shareholders Meeting held on 31.03.2006, 74.8% of the shareholders were represented. Invitations to Shareholders Meetings are made according to the Capital Markets Board regulations and the Turkish Commercial Code as well as the Articles of Incorporation of İŞbank. Balance sheet, financial statement footnotes, external audit report, bank auditors' report, dividend distribution proposal of the board of directors and similar detailed information taking part in the annual reports are made available at branches to İŞbank's shareholders before the Shareholders Meetings in accordance with the related regulations. Upon request, annual reports are provided to the shareholders before the General Shareholders Meetings.

At İŞbank's Shareholders Meetings, all shareholders have right to express their opinions on the subjects of the agenda and raise any questions without any restriction. Moreover, proposals regarding the agenda, which are put forward by shareholders at the Shareholders Meetings, are submitted to the approval of shareholders as per the legal procedures.

Real estate related activities of İŞbank are regulated by article 63 of the Articles of Incorporation. In addition, regarding the real estate related transactions of the Banks, according to article nr.57 of the Banking Law: "Banks shall not engage in purchase and sale of real estate or commodities for commercial purposes, excluding the real estate and commodity contracts under the Capital Markets Law Nr. 2499 or contracts on precious metals deemed appropriate by the Board; or participate in companies, whose core business is real estate trading, except mortgage and real estate investment companies." According to İŞbank's Articles of Incorporation such transactions are under the authority of board of directors within the framework of Banking Law. Such decisions taken either by the board of directors or by the Bank management with the consent of board of directors, are also made public as "explanations to material events" under certain conditions.

Minutes of the Shareholders Meetings are published on the Trade Registry Gazette and they are available from the related head office department of İŞbank.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Voting Rights and Minority Rights

İşbank's A and B type shares with lower nominal values compared to C type shares, have the same voting right as C type shares at the Ordinary General Shareholders Meetings. There are detailed explanations on the Bank's capital structure and types of shares both in the Articles of Incorporation and footnotes of the quarterly disclosed financials and these explanations are submitted to the shareholders' information.

Currently İşbank does not have any board member elected by the minority shareholders. There is not any regulation in the Articles of Incorporation regarding cumulative voting procedures. However, this does not prevent minority shareholders from using their voting rights through the same proxy.

Dividend Policy and Deadline for Dividend Distribution

İşbank's dividend distribution principles are explained in detail in the Articles of Incorporation, which is also available on İşbank's website. Thus the Bank's dividend distribution policy is shared with the shareholders. İşbank's dividend distribution is implemented within the legal periods.

On the other hand, dividend distribution proposal of the Board of Directors also takes place in the annual report, which is provided to the shareholders prior to the annual Ordinary General Shareholders Meetings. Dividend distribution is a regular agenda of the General Shareholders Meeting and it is presented to the approval of shareholders and implemented after being approved by the General Meeting.

Transfer of Shares

Transfer of Shares can be done in accordance with the related legislation and Articles of Incorporation of İşbank.

PUBLIC DISCLOSURE AND TRANSPARENCY

Public Information Policy

İşbank's information policy has been approved by the Board of Directors and disclosed to public in the year 2005.

General Framework of Information Policy

İşbank discloses all kinds of financial information and other disclosures required within the framework of mainly the Banking Law and the related regulations, the Capital Markets Board regulations, Turkish Commercial Code and the regulations of Istanbul Stock Exchange and London Stock Exchange where the Bank's shares are quoted and the ADR program in the U.S.A. where the Bank's shares are registered, by also considering the generally accepted accounting principles and corporate governance principles; and conducts a detailed policy of disclosure and public information.

The main purpose of information policy is to submit the required information and disclosure, other than trade secrets, to the shareholders, investors, employees, clients, creditors and other related parties with equal treatment, in a timely, accurate, complete, clear and construable manner and to make them easily available with the lowest cost.

İşbank, who has an active approach towards adopting and implementing Corporate Governance Principles, puts great effort in carrying out the requirements of the related regulations and the best international practices with regards to public disclosure and information. Being set in accordance with the above-mentioned context, İşbank's Information Policy has been ratified and put into effect by the Board of Directors.

Authority and Responsibility

Information Policy has been formed by the Board of Directors. Monitoring and improvement of the public disclosure and information policy of İşbank is under the authority and responsibility of the Board of Directors. Managers responsible for financial management and reporting and the investor relations group have been assigned for the coordination of information function. The said authorities fulfill their responsibilities by close cooperation with the Audit Committee and the Board of Directors.

Work Done and Methods and Devices Used in Public Disclosure

The work done and devices and methods used in public disclosure within the framework of banking regulations, Capital Markets Board Regulations, Turkish Commercial Code and other related regulations, are listed below:

- Bank-only and consolidated financial statements and related notes and explanations together with the independent auditor's review report thereon, prepared in accordance with the regulations of the Banking Regulation and Supervision Agency (BRSA) on a quarterly basis, are sent to the Istanbul Stock Exchange (ISE) within the legal time frame and are published on İşbank's website. The related financial statements are signed by the members of the Audit Committee and the managers of the Bank, who are responsible for financial reporting together with a statement of accuracy. Furthermore, the Bank makes a press release related to the quarterly published financial statements and informs the public about the activities implemented during the related period, İşbank's market position, general financial performance and other significant subjects. Both the financial statements and the press releases are translated into English and submitted to the related parties and published on İşbank's website. Following the ordinary general meeting at the end of a year, regularly an evaluation of the previous year is made in the press conference held by the Chairman of the Board and/or the Chief Executive Officer and the questions of the press are answered.
- Bank-only financial statements and related notes and explanations together with the independent auditor's report, prepared on a quarterly basis, in accordance with the International Accounting Standards, are sent to specific creditor institutions and also published on İşbank's website.
- Consolidated financial statements and related notes and explanations together with the independent auditor's report, prepared in accordance with

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

the International Accounting Standards on yearly basis are published on İşbank's website.

- Disclosures of material events required as per the regulations of the Capital Markets Board (CMB) are sent to the CMB and the ISE within its time limit. Although disclosures of material events are signed on principle by the managers responsible for financial reporting, sometimes as an exception they are also signed by the managers responsible for the departments related to the subject and presented to the related authorities.
- In such cases as changes in the Articles of Incorporation, General Meetings and capital increases, necessary disclosures are made via Trade Registry Gazette and Dailies.
- Before each Annual General Meeting, an Annual Report, including the necessary information and disclosures, is prepared both in Turkish and in English in accordance with the rules of the BRSA, and presented in hard copy form to the shareholders and published on İşbank's website (www.isbank.com.tr). The hard copies of the Annual Reports are also available and can be provided by the Investor Relations group of the Bank, upon request.
- When necessary, press releases are made through written and visual media. Press releases to the written and visual media can be made by the Chairman of the Board, Chief Executive Officer or Executive Vice President, or by the ones authorized by the said persons.
- Occasionally, shareholders and related parties are informed through conference calls. These conference calls are coordinated by the investor relations group.
- Shareholders and other related parties are kept informed through investor meetings and road-shows in Turkey and abroad. These meetings are conducted by the Investor Relations Group and the Chief Executive Officer, managers responsible for financial management and reporting and the managers of the investor relations group participate in these meetings and road-shows, depending on their availability. If necessary, the teams of participation can be extended.
- By e-mail, the investor relations group sends regularly and periodically the financial statements and related disclosures to the shareholders, creditors, rating institutions and researchers that prepare reports about İşbank.
- Detailed information is available on the Investor Relations pages of İşbank's corporate website (www.isbank.com.tr) both in Turkish and in English in line with the corporate governance principles. The said pages are monitored and updated by the investor relations group. All kinds of inquiries sent by the shareholders and related parties via e-mail, letter or telephone are replied in coordination with the investor relations group within the shortest time possible.

Other Disclosures

Public disclosures other than the above are made within the boundaries determined by the framework of the Bank's authorized signatures.

İşbank Corporate Web-site (www.isbank.com.tr) and its contents

İşbank's website is actively used for information and public disclosure. The website includes the information and data required by the Corporate Governance principles and regulatory authorities, both in Turkish and in English. Information available on the website are notices on the general meetings, agenda of the general meetings, information circular related to the agenda, other information, documents and reports related to the agenda, and methods of participation in the general meeting. Utmost care is given to keep the website up to date.

Disclosure on Material Events

In 2006, İşbank made 83 disclosures of material events to the ISE in compliance with the "Material Events Disclosure Requirement" communiqué of the Capital Markets Board. Additional disclosures demanded by the Capital Markets Board were made in due time.

İşbank's depositary receipts issued in the USA are listed and currently traded on the London Stock Exchange. Certain disclosures made to the ISE are also regularly sent to the London Stock Exchange and the Bank of New York, which is the sponsor of İşbank's DR program.

Disclosure on Ultimate Controlling Individual Shareholders

There is no controlling individual shareholder of İşbank. İşbank's ownership structure has been revealed to public and this information is updated and disclosed in the footnotes of the financial statements published at the ISE on a quarterly basis. On the other hand, principles and rules of indirect shareholding at banks, namely indirect shareholding of a real person or a legal person at a bank, is regulated by the banking legislation.

Disclosure on Insiders

As per article 73 of the Banking Law, banks' partners, members of board of directors, employees, representatives and officials shall not disclose confidential information relating to any bank or clients thereof which they have received in connection with their positions and duties, to any authority other than those which has been expressly authorized by law.

This obligation shall continue after leaving office, too. Any person, who has been found to infringe provision of this article, shall be sentenced to a heavy imprisonment term from one year to three years and a judicial fine starting from a thousand days up to two thousand days.

It is also applicable to any third party who has disclosed confidential information relating to a bank's clients. In cases where the persons defined in the above paragraph disclosed confidential information and documents with a view to acquiring benefits for themselves or for others, the penalties shall be increased by one sixth. Furthermore, depending on the importance of the offense, the responsible persons shall be prohibited from working at the institutions subject to this Law temporarily for a period that is not less than two years or permanently.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

İşbank fully complies with the legal regulations on insider trading. İşbank has also adopted developing anti-insider trading policies as an indispensable part of its corporate culture. For this reason, using information in order to obtain benefits for oneself or for others by employees who are able to deal with insider trading activities, is strictly prohibited. In this context, for instance, employees of the Capital Markets Department are prohibited from buying and selling equities including İşbank shares.

STAKEHOLDERS

Informing Stakeholders

İşbank's stakeholders are regularly informed about required subjects and the necessary organizational structure has been formed to satisfy the information demands of shareholders, employees and customers.

Participation of stakeholders in the Bank management

İşbank employees participate in the management of the Bank via İşbank Private Pension Fund of Employees, which controls 41.5% of the Bank's share capital. Other shareholders participate in the management of İşbank in line with the regulations present in the Articles of Incorporation.

Human Resources Policy

Human Resources Policies of the Bank were defined and based on the principles of equal opportunity, fairness, transparency and performance. The related policies are implemented with the aim of increasing the means for employee progress adhering to basic rules of conduct and ethical values. The need for human resources is met in line with İşbank's vision and mission in respect of human resources, through recruiting people who have the required qualifications for the job using convenient evaluation methods and instruments.

Performances of the employees are evaluated within the framework of personnel evaluation criteria periodically by face to face interviews with the employees; strengths and/or weaknesses of the employees are defined to increase their performances and also to prepare them for a higher position; related development and education schemes are formed; activities are designed for the purpose of realization of these plans and meeting the educational needs. In line with a career management concept based on constant development, by taking into account their skills, staff is employed according to their skills at positions that they are best fit for in terms of satisfying the needs of the Bank and productivity.

İşbank's employees have labor union representatives who are assigned by "Basisen Labor Union" to conduct relations with the employees. Labor union representatives have a constructive and effective role in forming communication between the Bank and the employees. There has not been any complaint to our Head Office from our employees related with race, religion, language and sex discrimination and violation of human rights.

Information on Relations with Customers and Suppliers

A Customer Relations Unit was established within the Bank to ensure the customer satisfaction and this unit is accessible through the website via e-mail. All types of complaints received by İşbank are followed, assessed and resolved by this unit.

Social Responsibility

Together with its equity participations, İşbank is one of the biggest players in the Turkey due to its contribution to economy, vision towards public interest, high level of employment and recognition of social responsibility, which is among basic management principles.

In addition to İşbank's contributions to the Turkish economy, it also provides support in the social fields to nongovernmental organizations, educational institutions, scientific studies, sports, art and cultural activities. There is no violation of environmental legislation regarding İşbank's operations, and the Bank has never faced legal sanctions thereon.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

BOARD OF DIRECTORS

Structure and Composition of the Board of Directors and Independent Members

İşbank's Board of Directors is comprised of 11 members, including the CEO. The members of the Board are listed below:

Name, Surname	Position
Prof. Dr. Ahmet Kırman	Chairman
Prof. Dr. M.Baran Tuncer	Deputy Chairman
H.Ersin Özince	Director and CEO
M. Nail Yağcı	Director
Dr. A.Yavuz Ege	Director
Atty. Nail Gürman	Director
Ali Ekber Güvenç	Director
Köksal Burkan	Director
Caner Çimenbiçer	Director
Salih Kurtuluş	Director
Prof. Dr. Savaş Taşkent	Director

The election of the İşbank Board members is implemented according to article 25 of the Articles of Incorporation and the Banking Law. As per the Banking Law, the chief executive officer of the Bank and, in his absence, his deputy shall be a natural member of the board.

Although there is no restriction for the board members to work elsewhere, some activities of board members have been defined as "Forbidden Activities" in article 32 of the Articles of Incorporation of İşbank.

The Qualifications of the Board Members

The Banking Law describes the qualifications required for a board member and İşbank complies with the aforementioned arrangement in the election of board members.

As per article 23 of the Banking Law, the qualifications required for the chief executive officer (The chief executive officer of a bank must have at least undergraduate degrees in the disciplines of law, economics, finance, banking, business administration, public administration and related fields and those that have undergraduate degrees in engineering fields must have a graduate degree in the aforementioned fields, and they must have at least ten years of professional experience in the field of banking or business administration), shall also be required for majority of the board of directors.

Vision, Mission and Strategic Goals of the Bank

The vision and general strategic goals of İşbank were approved by the Board of Directors and disclosed to public via the Bank's website. In this context, İşbank's vision is to be the most preferred bank in Turkey by customers, shareholders and employees by maintaining its leading, pioneering and reliable position. İşbank's mission, in general, is described as to meet the needs of its customers with fast, efficient and high standard solutions, to increase with stability the value it created for its shareholders and to encourage employees for the maximum performance. The Board of Directors regularly monitors and supervises the performance of the Bank in terms of achieving the strategic goals.

Risk Management and Internal Control

As per article 29 of the Banking Law, banks are obliged to establish and operate adequate and efficient internal control, risk management and internal audit systems that are in harmony with the scope and structure of their activities, that can respond to changing conditions and that cover all their branches and participations subject to consolidation in order to monitor and control the risks that they encounter. Internal control activities are carried out by the internal control department and the internal control personnel reporting to the board of directors, and risk management activities are performed by the risk management department and personnel reporting to the board of directors. Furthermore, banks have to establish internal audit systems that involve all their units, branches and participations subject to consolidation. In this context, bank auditors investigate the conformity of the banking activities to the legislation, articles of association, internal regulations and banking principles.

The communiqué on the Risk Management and Internal Control Systems of Banks was published on the official Gazette No. 26333 dated 1 November 2006, regarding the risk management and internal control systems of banks. İşbank's risk management and internal control systems have been established in accordance with the best international practices as well as domestic regulations. The units constituting the internal systems are the Board of Inspectors, the Internal Control and the Risk Management departments. The units constituting the internal systems, work under the Board of Directors through Audit Committee.

The Authority and Responsibilities of the Board of Directors and the Management

Authorizations and responsibilities of the board members, the CEO and the auditors are clearly defined in the Banking Law, the related legislation to the Banking Law, the Turkish Commercial Code and the Articles of Incorporation of İşbank.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Fundamental Functions of the Board of Directors

The Board meetings are held once a month. The meetings might be held more frequently in case of need. Meetings agenda are organized in accordance with the proposals of head office departments. Moreover, various reports requested by the Board of Directors from the Bank management and topics put forward by the board members are discussed during the meetings. Meetings agenda and related documents are distributed to the board members before the meetings.

The Secretariat to the Board of Directors provides information and communication between İsbank Board members.

19 Board meetings were held in the year 2006. The calls for the board meetings are made by the Chairman of the Board. All opinions or objections of the Board members are recorded in the minutes of the meetings. All Board members attend the meetings in person, on the subjects described in 2.17.4 article of part IV of the Corporate Governance Principles issued by the Capital Markets Board.

Prohibition of Transaction and Competition with the Company

As per the article 32 of İsbank's Articles of Incorporation; board members cannot directly or indirectly do commercial business with the Bank for themselves or on behalf of others unless they take the permission of the General Assembly.

Ethical Rules

For the aims to preserve stabilization and trust, to improve the service quality, to maintain society's respect to the business of banking by avoiding unfair competition in the banking sector, the banks, including İsbank, that constitute the Turkish banking sector, united under the "Banks Association of Turkey" to form the "Code of Banking Ethics" for regulating ethical rules to be effective for the banks' transactions between each other, with their customers, employees and other institutions. Banks Association of Turkey disclosed the aforementioned rules to public with the communiqué no. 01.11.2001/1012.

Within this framework, The Association of Capital Markets Intermediary Institutions of Turkey disclosed "Capital Markets Board Code of Profession" to public according to the resolution of General Assembly dated 13.12.2001 that contains rules for banks and intermediary institutions to be applied in their business transactions and relations between each other, with their customers and employees in order to form a respectful society of the members of the profession. The aforementioned codes of ethic that describe the culture of behaviors within the organization have also been adopted by İsbank and shared with its employees through internal communication channels (intranet). On the other hand, İsbank has formed its policies and procedures on anti-money laundering and shared them with its employees through the intranet.

Number, Structure and Independency of the Committees Established within the Board of Directors

The administrative and organizational structuring required by the Banking Law Nr. 5411 and related legislation, exists in İsbank.

As required by article 24 of the Banking Law, İsbank Audit Committee has been established in accordance with the resolution of İsbank Board of Directors dated 16 November 2005, nr. 31911 and directors Prof. Ahmet Kirman and Mr. Caner Çimenbiçer were appointed as committee members. The Audit Committee convenes according to the related regulation and determines the consequences of the its activities, the measures to be taken at the Bank, the practices that are needed and other issues that it deems important for İsbank to operate safely, and reports them to the Board.

The resolutions of the Audit Committee are recorded to the book. Each resolution is signed by the members. In case of a tie vote, decision is taken in line with the vote of the Chairman of the Committee. The resolutions of the Audit Committee and the minutes of the meeting are recorded and filed by the secretariat to the board.

The Remuneration of Board of Directors

Monthly remunerations of the Board members and auditors are determined annually at İsbank's General Shareholders Meetings and disclosed to the Istanbul Stock Exchange.

On the other hand, restrictions related with the loans to be extended by İsbank to the Board members are defined in Article 50 of the Banking Law and İsbank complies with the requirements of the related legislation. In this context, İsbank does not extend loans to its board members other than those allowed by the law.

As for the remuneration of the Board of Directors; article 58 of İsbank's Articles of Incorporation contains the following expression: "After the legal and extraordinary reserves fund and the first dividend have been allocated from the net profit, 0.25% of the remaining balance is distributed among the members of the Board of Directors and the Chief Executive Officer equally." Within the context of this regulation, financial rights of the Board members are determined with an approach that is sensitive to the financial performance and profitability of İsbank to a large extent.

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TÜRKİYE İŞ BANKASI A.Ş.

AUDIT COMMITTEE'S ASSESSMENTS ON THE OPERATION OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS, AND ITS ACTIVITIES IN THE REPORTED PERIOD

İşbank Board of Inspectors

The İşbank Board of Inspectors reports to the Board of Directors via Audit Committee and is responsible for the auditing functions pertaining to all of the Bank's activities. In the performance of its duties, the board also conducts inspections, investigations, and examinations in the Bank's head office units and branches as well as in all organizations and companies that are subject to the Bank's oversight.

Staffed by 192 inspectors and assistant inspectors, the İşbank Board of Inspectors combines deep-rooted İşbank traditions with advanced technology in a modern, risk-focused approach to auditing in the performance of its duties. The board's auditing functions are carried out by on-site inspections as well as remotely by making use of the Bank's data processing infrastructure.

Depending on their content, the reports of the results of the board's inspections are submitted to the head office units concerned or directly to the Board of Directors with the oversight of the Audit Committee. The İşbank Board of Directors also closely monitors the activities of the Board of Inspectors through monthly reports of its activities presented by the Audit Committee.

During 2006, inspections were carried out on 436 branches, 4 head office units, 17 regional management units, 3 subsidiary companies and 2 facility processes. In addition to their inspection-related activities, members of the İşbank Board of Inspectors also undertake duties on major projects that the Bank is involved in and they participate actively in all project processes from initial design to final realization.

In 2006, with the help of the risk focused inspection scheduling prepared by the early warning signals, the credit risk monitored has increased by 101% compared to 2005; with the help of that methodology, high proportion of the credit risk has been inspected in 2006. The early warning system has given the opportunity to monitor the intensive risk areas, especially in loans, accounts and human resources regularly and intervene in the risk potentials before realization. As to the research and development facilities; the reporting system has been changed by aiming at increasing its effectiveness, the scope of the remote inspection activities has increased, certain projects have been conducted to increase the effectiveness of the facilities of the Board and preparations for the internal audit of the information systems has been carried in 2006.

Within the scope of the Regulation on the Internal Systems of the Banks implemented in accordance with the Banking Law numbered 5411, the compliance activities to the Regulation have been executed by the Board of Inspectors, and the works of the Board have been aimed to be scaled up to the level of international standards, being in accordance with the national banking regulations.

Internal Control System

The İşbank Internal Control System is structured so as to make it possible for all financial and operational risks identified as being related to the Bank's activities can be kept continuously under control and at reasonable levels.

Activity-related procedures, work-flows, duties, authorities, and limits are set down in writing and announced to all personnel. They are continuously reviewed and updated in line with changing requirements, risks, and conditions.

Activity-related work-flows incorporate all of the necessary and appropriate controls capable of responding to the particular risks of that activity and this ensures that the controls automatically take place. Activity-based functional duties, transaction conduct and approval authorities and limits, systemic controls, post-transaction controls, and other processing related controls all work together to sure that the Bank's activities and transactions are continuously carried out effectively, correctly, systematically, and securely.

The Internal Control Department is responsible for designing, developing, implementing, and managing internal control activities for the purpose of ensuring that the Bank's activities are conducted systematically, productively, and effectively within the framework of laws and regulations and in accordance with İşbank's principles and objectives and with policies, methods, directives, and limits determined by management and, within this framework, for monitoring, assessing, and reporting the results to the appropriate echelons of management. By means of risk-focused and interactive controls performed by both head office and internal control personnel on location in the Bank's head office units and branches, the department ensures that İşbank's internal control system operates systematically, effectively, and reliably.

The findings, opinions, and recommendations resulting from internal control activities are shared first of all with those performing the activities and evaluated with them. This makes it possible for complementary and preventive measures to be quickly identified and put into effect while also allowing suitable and practicable solutions for improving processes and activities to be implemented. All of these proceedings are continuously and closely monitored while evaluated by those responsible for the conduct of the activities as well as by internal control personnel.

TÜRKİYE İŞ BANKASI A.Ş.

AUDIT COMMITTEE'S ASSESSMENTS ON THE OPERATION OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

The results of internal control activities are periodically reviewed and assessed by the Bank Audit Committee and by the İşbank Board of Directors.

İşbank has appropriate and functional control mechanisms in place at every level that enable the Bank to effectively manage its risks by defining, assessing, and controlling them fully, correctly, systematically, and carefully. Information and communication channels function productively and effectively while activity and control processes are continuously and systematically monitored and assessed.

On the basis of what has been said so far, the conclusion to be reached is that the İşbank Internal Control System is risk-focused, strong, and healthy and that it is functioning productively and effectively in line with the Bank's goals and objectives.

Risk Management

Other than banking activities, both financial and non-financial risks encompassing the whole group required to be analyzed, monitored and reported from the standpoint of group risk management in addition to that of banking-specific risk management principles. This aspect of risk management, beyond regulatory requirements has become an industry standard.

The risk management process, organized within the framework of advanced risk management methodologies and favors a common risk management culture throughout the establishment, is structured to emphasize good corporate governance, assures independency of units responsible for monitoring and controlling risk from executive functions , so that risk definition, measurement, analysis, monitoring, reporting, and control functions within the same framework.

A general assessment of risk by categories suggests that the most significant risk Bank was exposed in 2006 was credit risk, just as was also the case in 2005. This was followed by market risk, especially interest rate risk. In the activities carried out during 2006, considerable weight was given to non-financial risks also.

The process of risk management and the functions involved in that process are among the highest-priority responsibilities of the İşbank Board of Directors. Acting through the Executive Risk Committee, the Bank Credit Committee and the Assets & Liabilities Committee together with the Bank Risk Committee in its capacity as a functional component of risk management are engaged in efforts to bring the Bank into compliance with Basel II capital adequacy rules.

The Bank Risk Committee encompasses the Risk Management Department and is organized into four subcommittees: Credit Risk, Market Risk, Equity Participations Risk and Operational Risk Groups.



Caner Çimenbiçer
Board of Directors and
Audit Committee member



Prof. Dr. Ahmet Kirman
Chairman of the Board of Directors
and the Audit Committee

TÜRKİYE İŞ BANKASI A.Ş.

INDEPENDENT AUDITOR'S REPORT AS OF 31 DECEMBER 2006

To the Board of Directors of
Türkiye İş Bankası A.Ş.
Istanbul

TÜRKİYE İŞ BANKASI A.Ş.
INDEPENDENT AUDITORS' REPORT AS OF 31 DECEMBER 2006

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

Management's Responsibility for the Financial Statements

2. The Board of Directors of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the regulation on "Procedures And Principles Regarding The Accounting Practices And Documentation of Banks" published in the Official Gazette No: 26333 on November 1, 2006, the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations and pronouncements in respect of accounting and financial reporting issued by the Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We planned and performed our 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 consideration of the effectiveness of internal control and appropriateness of accounting policies applied 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. As of the balance sheet date, the Bank management has provided TRY 120.000 Thousand of free provision charged to the current year income statement as an expense for the purpose of the conservatism principle considering the potential risks which may arise from any changes in the economy or market conditions.

Independent Auditors' Opinion

5. In our opinion, except for such adjustments as may be necessary in respect of the matter set out in paragraph 4 above, the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası A.Ş. as at 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of the Banking Act No: 5411 and other regulations, pronouncements in respect of accounting and financial reporting issued by BRSA.

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



Hüseyin Gürer
Partner

Istanbul, February 27, 2007

Additional paragraph for the English translation:

(The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than those in Turkey. The standards, procedures and practices to audit the accompanying financial statements are those generally accepted and applied in Turkey.)

TÜRKİYE İŞ BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET

TRY THOUSAND

ASSETS	CURRENT PERIOD (31.12.2006)			PRIOR PERIOD (31.12.2005)		
	TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	3,055,130	2,540,976	5,596,106	3,593,135	2,685,507	6,278,642
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	293,429	45,413	338,842	850,254	166,505	1,016,759
2.1. Trading Financial Assets	254,766	44,926	299,692	848,928	156,294	1,005,222
2.1.1. Government Debt Securities	251,377	35,387	286,764	845,729	149,157	994,886
2.1.2. Securities Representing Share in Equity	110	0	110	153	0	153
2.1.3. Other Marketable Securities	3,279	9,539	12,818	3,046	7,137	10,183
2.2. Financial Assets Classified at Fair Value Through Profit and Loss	0	0	0	0	0	0
2.2.1. Government Debt Securities	0	0	0	0	0	0
2.2.2. Securities Representing Share in Equity	0	0	0	0	0	0
2.2.3. Other Marketable Securities	0	0	0	0	0	0
2.3. Trading Derivative Financial Assets	38,663	487	39,150	1,326	10,211	11,537
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	67,702	6,385,961	6,453,663	49,448	4,003,256	4,052,704
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS	0	0	0	1,777,642	0	1,777,642
4.1. Interbank Money Market Placements	0	0	0	1,200,900	0	1,200,900
4.2. Istanbul Stock Exchange Money Market Placements	0	0	0	0	0	0
4.3. Receivables from Reverse Repurchase Agreements	0	0	0	576,742	0	576,742
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	14,151,427	11,868,318	26,019,745	10,899,555	10,142,774	21,042,329
5.1. Securities Representing Share in Equity	13,441	0	13,441	13,683	0	13,683
5.2. Government Debt Securities	14,137,986	11,012,050	25,150,036	10,885,872	9,496,078	20,381,950
5.3. Other Marketable Securities	0	856,268	856,268	0	646,696	646,696
VI. LOANS	22,352,733	7,465,583	29,818,316	16,785,706	5,072,896	21,858,602
6.1. Loans	22,352,733	7,465,583	29,818,316	16,785,706	5,072,896	21,858,602
6.2. Non-performing Loans	1,161,247	2,968	1,164,215	1,051,488	1,947	1,053,435
6.3. Specific Provisions (-)	1,161,247	2,968	1,164,215	1,051,488	1,947	1,053,435
VII. FACTORING RECEIVABLES	0	0	0	0	0	0
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	0	0	0	318,926	0	318,926
8.1. Government Debt Securities	0	0	0	318,926	0	318,926
8.2. Other Marketable Securities	0	0	0	0	0	0
IX. INVESTMENTS AND ASSOCIATES (Net)	785,129	0	785,129	825,888	0	825,888
9.1. Investments and Associates Consolidated under Equity Method	0	0	0	0	0	0
9.2. Unconsolidated Investments and Associates	785,129	0	785,129	825,888	0	825,888
9.2.1. Financial Investments and Associates	48,895	0	48,895	48,895	0	48,895
9.2.2. Non-Financial Investments and Associates	736,234	0	736,234	776,993	0	776,993
X. SUBSIDIARIES (Net)	3,864,385	45,493	3,909,878	3,847,469	83,037	3,930,506
10.1. Unconsolidated Financial Subsidiaries	1,834,724	45,493	1,880,217	1,836,960	83,037	1,919,997
10.2. Unconsolidated Non-Financial Subsidiaries	2,029,661	0	2,029,661	2,010,509	0	2,010,509
XI. JOINTLY CONTROLLED ENTITIES (Net)	0	0	0	0	0	0
11.1. Jointly Controlled Entities Consolidated under Equity Method	0	0	0	0	0	0
11.2. Unconsolidated Jointly Controlled Entities	0	0	0	0	0	0
11.2.1. Financial Jointly Controlled Entities	0	0	0	0	0	0
11.2.2. Non-Financial Jointly Controlled Entities	0	0	0	0	0	0
XII. LEASE RECEIVABLES (Net)	0	0	0	0	0	0
12.1. Financial Lease Receivables	0	0	0	0	0	0
12.2. Operational Lease Receivables	0	0	0	0	0	0
12.3. Other	0	0	0	0	0	0
12.4. Unearned Income (-)	0	0	0	0	0	0
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING	0	0	0	0	0	0
13.1. Fair Value Hedging	0	0	0	0	0	0
13.2. Cash Flow Hedging	0	0	0	0	0	0
13.3. Net Foreign Investment Hedging	0	0	0	0	0	0
XIV. PROPERTY AND EQUIPMENT (Net)	1,762,634	3,703	1,766,337	1,758,632	3,472	1,762,104
XV. INTANGIBLE ASSETS (Net)	15,328	0	15,328	1	0	1
15.1. Goodwill	0	0	0	0	0	0
15.2. Other	15,328	0	15,328	1	0	1
XVI. TAX ASSETS	263,707	0	263,707	379,488	0	379,488
16.1. Current Tax Assets	0	0	0	0	0	0
16.2. Deferred Tax Assets	263,707	0	263,707	379,488	0	379,488
XVII. ASSETS HELD FOR SALE (Net)	14,843	0	14,843	0	0	0
XIX. OTHER ASSETS	173,018	49,846	222,864	107,149	404,050	511,199
TOTAL ASSETS	46,799,465	28,405,293	75,204,758	41,193,293	22,561,497	63,754,790

TÜRKİYE İŞ BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

TÜRKİYE İŞ BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET

TRY THOUSAND

LIABILITIES	CURRENT PERIOD (31.12.2006)			PRIOR PERIOD (31.12.2005)		
	TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	28,288,192	18,111,163	46,399,355	21,841,005	15,380,818	37,221,823
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	151	45,018	45,169	2,841	38,750	41,591
III. FUNDS BORROWED	2,952,181	7,577,774	10,529,955	1,720,147	6,584,202	8,304,349
IV. INTERBANK MONEY MARKET PAYABLES	1,965,086	3,399,167	5,364,253	4,179,136	1,514,059	5,693,195
4.1. Interbank Money Market Payables	0	0	0	0	0	0
4.2. Istanbul Stock Exchange Money Market Payables	0	0	0	0	0	0
4.3. Funds Provided Under Repurchase Agreements	1,965,086	3,399,167	5,364,253	4,179,136	1,514,059	5,693,195
V. MARKETABLE SECURITIES ISSUED (Net)	0	0	0	0	0	0
5.1. Bills	0	0	0	0	0	0
5.2. Asset-backed Securities	0	0	0	0	0	0
5.3. Bonds	0	0	0	0	0	0
VI. FUNDS	0	0	0	0	0	0
VII. MISCELLANEOUS PAYABLES	1,033,264	124,037	1,157,301	783,316	84,086	867,402
VIII. OTHER EXTERNAL RESOURCES	46,490	98,484	144,974	69,656	220,875	290,531
IX. FACTORING PAYABLES	0	0	0	0	0	0
X. LEASE PAYABLES (Net)	0	72,311	72,311	0	55,877	55,877
10.1. Financial Lease Payables	0	80,328	80,328	0	60,820	60,820
10.2. Operational Lease Payables	0	0	0	0	0	0
10.3. Other	0	0	0	0	0	0
10.4. Deferred Financial Lease Expenses (-)	0	8,017	8,017	0	4,943	4,943
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	0	0	0	0	0	0
11.1. Fair Value Hedging	0	0	0	0	0	0
11.2. Cash Flow Hedging	0	0	0	0	0	0
11.3. Net Foreign Investment Hedging	0	0	0	0	0	0
XII. PROVISIONS	1,735,826	107,321	1,843,147	1,578,777	111,745	1,690,522
12.1. General Provisions	216,550	458	217,008	148,827	436	149,263
12.2. Provision for Restructuring	0	0	0	0	0	0
12.3. Reserves for Employee Benefits	124,654	0	124,654	117,688	0	117,688
12.4. Insurance Technical Reserves (Net)	0	0	0	0	0	0
12.5. Other Provisions	1,394,622	106,863	1,501,485	1,312,262	111,309	1,423,571
XIII. TAX LIABILITIES	237,974	161	238,135	301,441	129	301,570
13.1. Current Tax Liabilities	237,974	161	238,135	301,441	129	301,570
13.2. Deferred Tax Liabilities	0	0	0	0	0	0
XIV. LIABILITIES HELD FOR SALE	0	0	0	0	0	0
XV. SUBORDINATED LOANS	0	0	0	0	0	0
XVI. SHAREHOLDERS' EQUITY	9,347,058	63,100	9,410,158	8,994,369	293,561	9,287,930
16.1. Paid-in Capital	2,756,585	0	2,756,585	1,968,942	0	1,968,942
16.2. Capital Reserves	3,284,465	63,100	3,347,565	4,079,260	293,561	4,372,821
16.2.1. Share premium	3,694	0	3,694	3,694	0	3,694
16.2.2. Share Cancellation Profits	0	0	0	0	0	0
16.2.3. Marketable Securities Value Increase Fund	1,303,280	63,100	1,366,380	1,704,254	293,561	1,997,815
16.2.4. Revaluation Surplus on Tangible Assets	0	0	0	0	0	0
16.2.5. Revaluation Surplus on Intangible Assets	0	0	0	0	0	0
16.2.6. Non-paid-up Shares from Investments and Associates, Subsidiaries and Jointly Controlled Entities	0	0	0	0	0	0
16.2.7. Hedge Funds (Effective Portion)	0	0	0	0	0	0
16.2.8. Revaluation Surplus on Assets Held for Sale	0	0	0	0	0	0
16.2.9. Other Capital Reserves	1,977,491	0	1,977,491	2,371,312	0	2,371,312
16.3. Profit Reserves	1,814,969	0	1,814,969	1,443,672	0	1,443,672
16.3.1. Legal Reserves	923,041	0	923,041	848,152	0	848,152
16.3.2. Status Reserves	0	0	0	0	0	0
16.3.3. Extraordinary Reserves	921,953	0	921,953	638,866	0	638,866
16.3.4. Other Profit Reserves	-30,025	0	-30,025	-43,346	0	-43,346
16.4. Profit or Loss	1,491,039	0	1,491,039	1,502,495	0	1,502,495
16.4.1. Prior Years' Profit/Loss	381,821	0	381,821	340,168	0	340,168
16.4.2. Current Year Profit/Loss	1,109,218	0	1,109,218	1,162,327	0	1,162,327
TOTAL LIABILITIES	45,606,222	29,598,536	75,204,758	39,470,688	24,284,102	63,754,790

TÜRKİYE İŞ BANKASI A.Ş.

OFF-BALANCE SHEET COMMITMENTS

TÜRKİYE İŞ BANKASI A.Ş. (UNCONSOLIDATED) OFF-BALANCE SHEET COMMITMENTS

TRY THOUSAND

	CURRENT PERIOD (31.12.2006)			PRIOR PERIOD (31.12.2005)		
	TRY	FC	Total	TRY	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)	12,272,606	11,645,784	23,918,390	10,480,439	15,127,003	25,607,442
I. GUARANTEES AND WARRANTIES	2,561,125	4,738,470	7,299,595	2,300,793	4,579,401	6,880,194
1.1.Letters of guarantee	2,561,002	2,745,530	5,306,532	2,300,784	2,424,525	4,725,309
1.1.1.Guarantees subject to State Tender Law	285,407	805,304	1,090,711	322,282	523,393	845,675
1.1.2.Guarantees given for foreign trade operations	183,064	621,417	804,481	86,963	664,322	751,285
1.1.3.Other letters of guarantee	2,092,531	1,318,809	3,411,340	1,891,539	1,236,810	3,128,349
1.2.Banks loans	0	158,191	158,191	0	146,071	146,071
1.2.1.Import letters of acceptance	0	154,616	154,616	0	143,112	143,112
1.2.2.Other bank acceptances	0	3,575	3,575	0	2,959	2,959
1.3.Letters of credit	123	1,765,057	1,765,180	9	1,936,219	1,936,228
1.3.1.Documentary letters of credit	123	1,392,353	1,392,476	9	1,614,547	1,614,556
1.3.2.Other letters of credit	0	372,704	372,704	0	321,672	321,672
1.4.Prefinancing given as guarantee	0	0	0	0	0	0
1.5.Endorsements	0	0	0	0	0	0
1.5.1.Endorsements to the Central Bank of Turkey	0	0	0	0	0	0
1.5.2.Other endorsements	0	0	0	0	0	0
1.6.Underwriting guarantees for securities issued	0	0	0	0	0	0
1.7.Factoring guarantees	0	0	0	0	0	0
1.8.Other guarantees	0	69,692	69,692	0	72,586	72,586
1.9.Other warranties	0	0	0	0	0	0
II. COMMITMENTS	7,398,297	1,288,211	8,686,508	7,371,928	815,169	8,187,097
2.1.Irrevocable commitments	7,389,056	1,288,211	8,677,267	7,365,566	815,169	8,180,735
2.1.1.Asset purchase commitments	0	0	0	0	0	0
2.1.2.Deposit purchase and sales commitments	0	0	0	0	0	0
2.1.3.Share capital commitment to associates and subsidiaries	0	0	0	130	0	130
2.1.4.Loan granting commitments	0	187,017	187,017	0	397,867	397,867
2.1.5.Securities issuance brokerage commitments	0	0	0	0	0	0
2.1.6.Commitments for reserve deposit requirements	0	0	0	0	0	0
2.1.7.Commitments for check payments	1,705,608	0	1,705,608	1,482,639	0	1,482,639
2.1.8.Taxes and funds payable due to export commitments	0	0	0	0	0	0
2.1.9.Commitments for credit card limits	5,580,087	402,039	5,982,126	5,795,111	404,120	6,199,231
2.1.10.Receivables from commitments for short-selling of securities	0	0	0	0	0	0
2.1.11.Payables to commitments for short-selling of securities	0	0	0	0	0	0
2.1.12.Other irrevocable commitments	103,361	699,155	802,516	87,686	13,182	100,868
2.2.Revocable commitments	9,241	0	9,241	6,362	0	6,362
2.2.1.Revocable loan granting commitments	0	0	0	0	0	0
2.2.2.Other revocable commitments	9,241	0	9,241	6,362	0	6,362
III. DERIVATIVE FINANCIAL INSTRUMENTS	2,313,184	5,619,103	7,932,287	807,718	9,732,433	10,540,151
3.1. Derivative financial instruments held for risk management	0	0	0	0	0	0
3.1.1. Fair value hedges	0	0	0	0	0	0
3.1.2. Cash flow hedges	0	0	0	0	0	0
3.1.3 Net foreign investment hedges	0	0	0	0	0	0

TÜRKİYE İŞ BANKASI A.Ş.

OFF-BALANCE SHEET COMMITMENTS

TÜRKİYE İŞ BANKASI A.Ş. (UNCONSOLIDATED) OFF-BALANCE SHEET COMMITMENTS

TRY THOUSAND

	CURRENT PERIOD (31.12.2006)			PRIOR PERIOD (31.12.2005)		
	TRY	FC	Total	TRY	FC	Total
3.2. Trading derivatives	2,313,184	5,619,103	7,932,287	807,718	9,732,433	10,540,151
3.2.1. Forward foreign currency purchases/sales	1,102,579	1,000,939	2,103,518	671,654	707,429	1,379,083
3.2.1.1. Forward foreign currency purchases	732,818	346,148	1,078,966	188,879	485,862	674,741
3.2.1.2. Forward foreign currency sales	369,761	654,791	1,024,552	482,775	221,567	704,342
3.2.2. Currency and interest rate swaps	317,513	940,612	1,258,125	82,503	5,644,847	5,727,350
3.2.2.1. Currency swap-purchases	16,010	599,391	615,401	0	2,854,222	2,854,222
3.2.2.2. Currency swap-sales	301,503	341,221	642,724	82,503	2,790,625	2,873,128
3.2.2.3. Interest rate swaps-purchases	0	0	0	0	0	0
3.2.2.4. Interest rate swaps-sales	0	0	0	0	0	0
3.2.3. Currency, interest rate and security options	893,092	2,258,124	3,151,216	52,610	3,310,546	3,363,156
3.2.3.1. Currency call options	23,020	745,085	768,105	26,855	55,576	82,431
3.2.3.2. Currency put options	870,072	22,317	892,389	25,755	56,622	82,377
3.2.3.3. Interest rate call options	0	0	0	0	0	0
3.2.3.4. Interest rate put options	0	0	0	0	0	0
3.2.3.5. Securities call options	0	745,361	745,361	0	1,599,174	1,599,174
3.2.3.6. Securities put options	0	745,361	745,361	0	1,599,174	1,599,174
3.2.4. Currency futures	0	0	0	951	917	1,868
3.2.4.1. Currency futures-purchases	0	0	0	171	755	926
3.2.4.2. Currency futures-sales	0	0	0	780	162	942
3.2.5. Interest rate futures	0	0	0	0	68,694	68,694
3.2.5.1. Interest rate futures- purchases	0	0	0	0	35,742	35,742
3.2.5.2. Interest rate futures- sales	0	0	0	0	32,952	32,952
3.2.6. Other	0	1,419,428	1,419,428	0	0	0
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	56,993,920	11,255,032	68,248,952	193,047,437	9,440,393	202,487,830
IV. ITEMS HELD IN CUSTODY	33,463,046	3,374,340	36,837,386	26,198,584	2,103,262	28,301,846
4.1. Assets under management	0	0	0	0	0	0
4.2. Investment securities held in custody	27,341,195	1,207,918	28,549,113	21,031,426	1,083,112	22,114,538
4.3. Checks received for collection	3,765,342	65,620	3,830,962	2,606,242	60,061	2,666,303
4.4. Commercial notes received for collection	1,103,139	1,930,138	3,033,277	1,349,292	920,391	2,269,683
4.5. Other assets received for collection	0	4,687	4,687	0	2,418	2,418
4.6. Assets received for public offering	69,391	0	69,391	88,412	0	88,412
4.7. Other items under custody	1,171,139	165,977	1,337,116	1,123,208	37,280	1,160,488
4.8. Custodians	12,840	0	12,840	4	0	4
V. PLEDGED ITEMS	23,530,874	7,880,692	31,411,566	166,848,853	7,337,131	174,185,984
5.1. Marketable securities	323,306	0	323,306	150,407,150	0	150,407,150
5.2. Guarantee notes	612,978	2,615,417	3,228,395	415,739	2,603,729	3,019,468
5.3. Commodity	1,265,971	0	1,265,971	570,576	0	570,576
5.4. Warranty	0	0	0	0	0	0
5.5. Real Estates	21,211,024	5,229,936	26,440,960	15,347,507	4,698,678	20,046,185
5.6. Other pledged items	117,595	35,339	152,934	107,881	34,724	142,605
5.7. Pledged items-depository	0	0	0	0	0	0
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES	0	0	0	0	0	0
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)	69,266,526	22,900,816	92,167,342	203,527,876	24,567,396	228,095,272

TÜRKİYE İŞ BANKASI A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

TÜRKİYE İŞ BANKASI A.Ş. (UNCONSOLIDATED) STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Paid-in Capital	Capital Reserves due to Inflation Adjustment of Paid-in Capital	Share Premium	Share Certificate Cancellation Profits
PRIOR PERIOD (31/12/2005)				
I. Balance at the Beginning of Period	1,640,757	2,535,404	3,694	-
II. Corrections Made as per TAS 8				
2.1. Effect of Corrections of Errors				
2.2. Effect of Changes in Accounting Policies				
III. New Balance (I+II)				
Changes During the Period				
IV. Mergers				
V. Available-for-Sale Securities				
VI. Hedges for Risk Management				
6.1. Net Cash Flow Hedges				
6.2. Net Foreign Investment Hedges				
Transfers				
VII. Available-for-Sale Securities				
VIII. Hedges for Risk Management				
8.1 Net Cash Flow Hedges				
8.2 Net Foreign Investment Hedges				
IX. Net Profit/Loss for the Period (*)				
X. Profit Distribution				
10.1 Dividends				
10.2. Amounts Transferred to Reserves				
10.3. Other				
XI. Capital Increase				
11.1 Cash				
11.2 Revaluation Surplus on Tangible Assets				
11.3 Non-paid-up Shares of Associates, Subsidiaries and Jointly Controlled Entities				
11.4 Marketable Securities Value Increase Fund				
11.5 Capital Reserves due to Inflation Adjustment of Paid-in Capital				
11.6 Issuance of Share Certificates	328,185	(164,092)		
11.7 Foreign Exchange Differences				
11.8 Others				
XII. Changes Resulted from Disposal of Assets				
XIII. Changes Resulted from Reclassification of Assets				
XIV. Primary Subordinated Debt				
XV. Secondary Subordinated Debt				
XVI. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank				
Balance at End of Period (III+IV+...+XIV+XV+XVI)	1,968,942	2,371,312	3,694	-
CURRENT PERIOD (31/12/2006)				
I. Balance at the Beginning of Period	1,968,942	2,371,312	3,694	-
Changes During the Period				
II. Mergers				
III. Available-for-Sale Securities				
IV. Hedges for Risk Management				
4.1. Net Cash Flow Hedges				
4.2. Net Foreign Investment Hedges				
Transfers				
V. Available-for-Sale Securities				
VI. Hedges for Risk Management				
6.1 Net Cash Flow Hedges				
6.2 Net Foreign Investment Hedges				
VII. Net Profit/Loss for the Period (*)				
VIII. Profit Distribution				
8.1 Dividends				
8.2. Amounts Transferred to Reserves				
8.3. Other				
IX. Capital Increase				
9.1 Cash				
9.2 Revaluation Surplus on Tangible Assets				
9.3 Non-paid-up Shares of Associates, Subsidiaries and Jointly Controlled Entities				
9.4 Marketable Securities Value Increase Fund				
9.5 Capital Reserves due to Inflation Adjustment of Paid-in Capital				
9.6 Issuance of Share Certificates	787,643	(393,821)		
9.7 Foreign Exchange Differences				
9.8 Others				
X. Changes Resulted from Disposal of Assets				
XI. Changes Resulted from Reclassification of Assets				
XII. Primary Subordinated Debt				
XIII. Secondary Subordinated Debt				
XIV. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank				
Balance at End of Period (I+II+III+IV+...+XII+XIII+XIV)	2,756,585	1,977,491	3,694	-

(*) TRY 643 gains on real estate sales obtained in the current period (31 December 2005: TRY 70,909) and injected to the capital, are shown after being deducted from the related account in the income statement.

TÜRKİYE İŞ BANKASI A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

TRY THOUSAND

Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Net Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Revaluation Fund	Value Increase Revaluation Fund	Marketable Securities Value Increase Fund	Total Shareholders' Equity
800,183	-	385,545	-	-	635,455	-	-	1,638,961	7,639,999
			(33,360)		340,168			(1,067,449)	(760,641)
								1,426,303	1,426,303
				1,233,236					1,233,236
					(244,003)				(244,003)
47,969		343,483			(391,452)			-	
		(93,184)		(70,909)					
		3,022	(9,986)						(6,964)
848,152	-	638,866	(43,346)	1,162,327	340,168	-	-	1,997,815	9,287,930
848,152	-	638,866	(43,346)	-	1,502,495	-	-	1,997,815	9,287,930
								(631,435)	(631,435)
				1,109,861					1,109,861
					(369,519)				(369,519)
74,889		511,220			(586,109)			-	-
		(228,133)		(643)	(165,046)				-
			13,321						13,321
923,041	-	921,953	(30,025)	1,109,218	381,821	-	-	1,366,380	9,410,158

TÜRKİYE İŞ BANKASI A.Ş.

INCOME STATEMENT

TÜRKİYE İŞ BANKASI A.Ş. INCOME STATEMENT

TRY THOUSAND

	CURRENT PERIOD (31.12.2006)	PRIOR PERIOD (31.12.2005)
I. INTEREST INCOME	7,575,211	5,400,610
1.1. Interest Income on Loans	4,115,627	2,978,779
1.2. Interest Received from Reserve Deposits	209,599	117,692
1.3. Interest Received from Banks	147,778	46,943
1.4. Interest Received from Money Market Transactions	19,603	12,287
1.5. Interest Received from Marketable Securities Portfolio	2,961,990	2,127,842
1.5.1. Trading Financial Assets	54,627	109,563
1.5.2. Financial Assets at Fair Value Through Profit and Loss	0	0
1.5.3. Available-for-sale Financial Assets	2,879,224	1,996,894
1.5.4. Held to Maturity Investments	28,139	21,385
1.6. Financial Lease Income	0	0
1.7. Other Interest Income	120,614	117,067
II. INTEREST EXPENSE	5,054,495	2,818,937
2.1. Interest on Deposits	3,994,558	2,226,340
2.2. Interest on Funds Borrowed	694,782	301,966
2.3. Interest on Money Market Transactions	351,099	271,473
2.4. Interest on Securities Issued	0	0
2.5. Other Interest Expense	14,056	19,158
III. NET INTEREST INCOME (I - II)	2,520,716	2,581,673
IV. NET FEES AND COMMISSIONS INCOME	1,044,657	893,866
4.1. Fees and Commissions Received	1,153,896	1,006,469
4.1.1. Cash Loans	96,308	58,106
4.1.2. Non-cash Loans	81,705	69,819
4.1.3. Other	975,883	878,544
4.2. Fees and Commissions Paid	109,239	112,603
4.2.1. Cash Loans	29,710	25,833
4.2.2. Non-cash Loans	18	12
4.2.3. Other	79,511	86,758
V. DIVIDEND INCOME	117,121	190,914
VI. TRADING INCOME (NET)	63,870	249,091
6.1. Profit/Losses on Trading Account Securities	198,025	214,183
6.2. Foreign Exchange Gains/Losses	-134,155	34,908
VII. OTHER OPERATING INCOME	651,324	845,096
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)	4,397,688	4,760,640
IX. PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)	909,161	805,517
X. OTHER OPERATING EXPENSES (-)	1,857,939	2,099,301
XI. NET OPERATING INCOME (VIII-IX-X)	1,630,588	1,855,822
XII. EXCESS AMOUNT OF INCOME AFTER MERGER	0	0
XIII. PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES CONSOLIDATED UNDER EQUITY METHOD	0	0
XIV. NET MONETARY POSITION GAIN/LOSS	0	0
XV. INCOME BEFORE TAXES (XI+XII+XIII+XIV)	1,630,588	1,855,822
XVI. PROVISION FOR TAXES ON INCOME (+/-)	521,370	693,496
16.1. Current Provision for Tax	280,719	743,425
16.2. Deferred Provision for Tax	240,651	-49,929
XVII. NET OPERATING INCOME/EXPENSE AFTER TAXES (XV +/- XVI)	0	1
17.1. Ceased Operations	0	0
17.2. Other	0	1
XVIII. NET PERIOD PROFIT/LOSS (XVII+XIX)	1,109,218	1,162,327
Earnings/Losses per Share (in full TRY)	0.019855926	0.020806622

TÜRKİYE İŞ BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH-FLOW

UNCONSOLIDATED STATEMENT OF CASH-FLOW	TRY THOUSAND	
	CURRENT PERIOD (31.12.2006)	PRIOR PERIOD (31.12.2005)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1. Operating Profit Before Changes in Operating Assets and Liabilities (+)	1,527,502	1,267,136
1.1.1. Interest Received (+)	6,866,864	4,591,237
1.1.2. Interest Paid (-)	(4,871,185)	(2,606,563)
1.1.3. Dividend Received (+)	29,920	37,096
1.1.4. Fees and Commissions Received (+)	1,153,896	1,006,469
1.1.5. Other Income (+)	366,013	258,910
1.1.6. Collections from Previously Written Off Loans and Other Receivables (+)	313,904	41,583
1.1.7. Cash Payments to Personnel and Service Suppliers (-)	(936,890)	(818,547)
1.1.8. Taxes Paid (-)	(419,311)	(535,521)
1.1.9. Other (+/-)	(975,709)	(707,528)
1.2. Changes in Operating Assets and Liabilities	2,387,348	10,494,386
1.2.1. Net Increase/Decrease in Financial Assets Held for Trading (+/-)	694,022	(631,208)
1.2.2. Net Increase/Decrease in Financial Assets Valued at Fair Value through Profit or Loss	-	-
1.2.3. Net Increase/Decrease Due From Banks (+/-)	(607,910)	(2,954,078)
1.2.4. Net Increase/Decrease in Loans (+/-)	(8,473,635)	(8,214,540)
1.2.5. Net Increase/Decrease in Other Assets (+/-)	(189,060)	(60,944)
1.2.6. Net Increase/Decrease in Bank Deposits (+/-)	(657,072)	1,814,006
1.2.7. Net Increase/Decrease in Other Deposits (+/-)	9,377,555	10,777,498
1.2.8. Net Increase/Decrease in Funds Borrowed (+/-)	2,170,347	4,321,827
1.2.9. Net Increase/Decrease in Matured Payables (+/-)	0	0
1.2.10. Net Increase/Decrease in Other Liabilities (+/-)	73,101	5,441,825
I. Net Cash Provided From Banking Operations (+/-)	3,914,850	11,761,522
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Flow Provided from Investing Activities (+/-)	(4,695,287)	(5,939,679)
2.1. Cash Paid for Purchase of Associates, Subsidiaries and Other Investments (-)	(19,979)	(48,598)
2.2. Cash Obtained from Sale of Associates, Subsidiaries and Other Investments (+)	268,320	697,338
2.3. Fixed Assets Purchases (-)	(154,752)	(265,588)
2.4. Fixed Assets Sales (+)	89,695	267,922
2.5. Cash Paid for Purchase of Securities Available for Sale (-)	(5,164,942)	(6,750,908)
2.6. Cash Obtained from Sales of Securities Available for Sale (+)	0	0
2.7. Cash Paid for Purchase of Investment Securities (-)	0	0
2.8. Cash Obtained from Sales of Investment Securities (+)	316,541	0
2.9. Other (+/-)	(30,170)	160,155
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from Financing Activities (+/-)	(413,505)	(274,650)
3.1. Cash Obtained from Funds Borrowed and Securities Issued (+)	0	0
3.2. Cash Used for Repayment of Funds Borrowed and Securities Issued (-)	0	0
3.3. Equity Instruments Issued (+)	0	0
3.4. Dividends Paid (-)	(369,519)	(244,003)
3.5. Payments made for Finance Leases (-)	(43,986)	(30,647)
3.6. Other (+/-)	0	0
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents (+/-)	17,374	44,719
V. Net Increase in Cash and Cash Equivalents (I+II+III+IV)	(1,176,568)	5,591,912
VI. Cash and Cash Equivalents at Beginning of the Period (+)	4,958,974	1,143,562
VII. Cash and Cash Equivalents at End of the Period (V+VI)	3,782,406	6,735,474

TÜRKİYE İŞ BANKASI A.Ş.

(UNCONSOLIDATED) PROFIT DISTRIBUTION TABLE

TÜRKİYE İŞ BANKASI A.Ş. (UNCONSOLIDATED) PROFIT DISTRIBUTION TABLE

TRY THOUSAND

	CURRENT PERIOD (31.12.2006)	PRIOR PERIOD (31.12.2005)
I. DISTRIBUTION OF CURRENT YEAR PROFIT (1)		
1.1. CURRENT PERIOD PROFIT	1,630,588	1,855,823
1.2.TAXES AND LEGAL DUTIES PAYABLE (-)	521,370	693,496
1.2.1.Corporate Tax (Income Tax)	280,081	742,305
1.2.2.Income Tax Withholding	638	1,120
1.2.3.Other Taxes and Legal Duties (2)	240,651	-49,929
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	1,109,218	1,162,327
1.3.LOSSES IN PRIOR PERIODS (-)	0	0
1.4.FIRST LEGAL RESERVES (-)	0	47,781
1.5. OTHER STATUTORY RESERVES (-)	0	686,975
B. DISTRIBUTABLE NET PROFIT FOR THE PERIOD [(A)-(1.3+1.4+1.5)]	1,109,218	427,571
1.6.FIRST DIVIDEND TO SHAREHOLDERS (-)	0	118,137
1.6.1.To Owners of Ordinary Shares	0	118,135
1.6.2.To Owners of Privileged Shares	0	2
1.6.3.To Owners of Redeemed Shares	0	0
1.6.4.To Profit Sharing Bonds	0	0
1.6.5.To Holders of Profit/Loss Share Certificates	0	0
1.7.DIVIDENDS TO EMPLOYEES (-)	0	61,887
1.8.DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	774
1.9.SECOND DIVIDEND TO SHAREHOLDERS (-)	0	188,723
1.9.1.To Owners of Ordinary Shares	0	188,715
1.9.2.To Owners of Privileged Shares	0	4
1.9.3.To Owners of Redeemed Shares	0	4
1.9.4.To Profit Sharing Bonds	0	0
1.9.5.To Holders of Profit/Loss Share Certificates	0	0
1.10.SECOND LEGAL RESERVES (-)	0	27,107
1.11.STATUTORY RESERVES (-)	0	0
1.12.EXTRAORDINARY RESERVES	0	30,943
1.13.OTHER RESERVES	0	0
1.14.SPECIAL FUNDS	0	0
II. DISTRIBUTION FROM RESERVES		
2.1.APPROPRIATED RESERVES	0	0
2.2.SECOND LEGAL RESERVES (-)	0	0
2.3.DIVIDENDS TO SHAREHOLDERS (-)	0	0
2.3.1.To Owners of Ordinary Shares	0	0
2.3.2.To Owners of Privileged Shares	0	0
2.3.3.To Owners of Redeemed Shares	0	0
2.3.4.To Profit Sharing Bonds	0	0
2.3.5.To Holders of Profit/Loss Share Certificates	0	0
2.4.DIVIDENDS TO EMPLOYEES (-)	0	0
2.5.DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	0
III. PROFIT PER SHARE		
3.1. TO OWNERS OF ORDINARY SHARES (3)	0	0.000590
3.2. TO OWNERS OF ORDINARY SHARES (%)	0	59
3.3. TO OWNERS OF PRIVILEGED SHARES (3)	0	0
3.4. TO OWNERS OF PRIVILEGED SHARES (%)	0	0
IV. DIVIDEND PER SHARE		
4.1. TO OWNERS OF ORDINARY SHARES (3)	0	0.006234
4.2. TO OWNERS OF ORDINARY SHARES (%)	0	16
4.3. TO OWNERS OF PRIVILEGED SHARES (3)	0	0.001895
4.4. TO OWNERS OF PRIVILEGED SHARES (%)	0	47

(1) The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting has not been made as of balance sheet date.

(2) The amount shown under Other Taxes and Duties payable is Deferred Tax income.

(3) Shown as the exact TRY amount.

TÜRKİYE İŞ BANKASI A.Ş.

FINANCIAL HIGHLIGHTS AND MAIN RATIOS FOR THE FIVE YEARS PERIOD INCLUDING THE REPORTED PERIOD*

ASSETS (TRY thousand) **	31.12.2002	31.12.2003	31.12.2004	31.12.2005	31.12.2006
Cash and Cash Equivalents	224,524	236,597	294,579	293,277	466,304
Banks and Receivables from Interbank Money Markets (1)	2,809,964	3,354,889	3,524,681	11,815,711	11,583,465
Securities (Net)	8,057,271	12,821,164	14,329,817	22,366,477	26,319,437
Loans (2)	7,036,840	9,005,328	13,192,690	21,858,602	29,818,316
Associates and Subsidiaries (Net)	2,781,534	3,128,828	4,823,982	4,756,394	4,695,007
Fixed Assets (Net)	1,999,296	2,205,855	1,915,926	1,762,105	1,796,508
Other Assets	821,861	310,108	432,099	902,224	525,721
Total Assets	23,731,290	31,062,770	38,513,774	63,754,790	75,204,758
LIABILITIES (TRY thousand)					
Deposits	16,906,339	19,714,513	24,472,856	37,221,823	46,399,355
Funds Borrowed and Interbank Money Market	1,766,005	4,656,386	4,695,522	13,997,544	15,894,208
Provisions	328,488	390,151	991,837	1,690,522	1,843,147
Other Liabilities	482,922	696,282	713,560	1,556,971	1,657,890
Shareholders' Equity	4,247,536	5,605,438	7,639,999	9,287,930	9,410,158
Total Liabilities	23,731,290	31,062,770	38,513,774	63,754,790	75,204,758
INCOME STATEMENT (TRY thousand)					
Interest Income	3,334,198	3,664,744	4,492,634	5,400,610	7,575,211
Interest Expenses	2,202,965	2,569,707	2,400,052	2,818,937	5,054,495
Net Interest Income	1,131,233	1,095,037	2,092,582	2,581,673	2,520,716
Foreign Exchange Gains/Losses	-439,029	229,526	96,633	34,908	-134,155
Trading Gains/Losses on Securities	353,391	670,493	396,885	214,183	198,025
Adjusted Net Interest Income	1,045,595	1,995,056	2,586,100	2,830,764	2,584,586
Fees and Commissions Income (Net)	261,389	484,304	709,500	893,866	1,044,657
Dividend Income	110,873	66,630	108,987	190,914	117,121
Other Operating Income	483,667	326,171	413,554	845,097	651,324
Total Operating Income	1,901,524	2,872,161	3,818,141	4,760,641	4,397,688
Operating Expenses	1,062,230	1,460,366	1,516,484	2,099,301	1,857,939
NET OPERATING PROFIT/LOSS	839,294	1,411,795	2,301,657	2,661,340	2,539,749
Provisions for Impairment Losses	575,793	808,206	1,068,686	805,517	909,161
PROFIT/(LOSS) BEFORE TAXES AND MONETARY POSITION	263,501	603,589	1,232,971	1,855,823	1,630,588
Net Monetary Position Profit/(Loss)	47,315	-107,241	-133,717	0	0
PROFIT/(LOSS) BEFORE TAXES	310,816	496,348	1,099,254	1,855,823	1,630,588
Provision for Taxes	0	73,242	463,799	693,496	521,370
NET PERIOD PROFIT/(LOSS)	310,816	423,106	635,455	1,162,327	1,109,218
GROSS INCOME (3)	4,225,408	5,558,427	6,345,793	7,692,181	9,561,422
GROSS PROFIT (4)	886,609	1,304,555	2,167,940	2,661,340	2,539,749
KEY RATIOS					
Interest Earning Assets / Total Assets	75.3%	81.0%	80.6%	87.9%	90.0%
Interest Earning Assets / Interest Bearing Liabilities	95.7%	103.2%	106.3%	109.3%	108.6%
Securities/Total Assets	34.0%	41.3%	37.2%	35.1%	35.0%
Loans/Total Assets	29.7%	29.0%	34.3%	34.3%	39.6%
Loans/Deposits	41.6%	45.7%	53.9%	58.7%	64.3%
NPL Ratio	14.4%	11.3%	7.9%	4.6%	3.8%
Coverage Ratio	41.3%	100.0%	100.0%	100.0%	100.0%
Demand Deposits/Total Deposits	23.8%	23.9%	25.7%	18.2%	16.5%
Shareholder's Equity/Total Liabilities	17.9%	18.0%	19.8%	14.6%	12.5%
Return on Average Assets	1.5%	1.5%	1.8%	2.3%	1.6%
Return on Average Equity	8.7%	8.6%	9.6%	13.7%	11.9%
Cost / Income (5)	55.9%	45.5%	40.2%	43.6%	42.0%
OTHER INFORMATION (TRY thousand)					
Regulatory Capital	3,761,844	4,784,112	6,457,606	7,754,594	8,793,538
Core Capital	3,767,925	4,858,820	6,001,038	6,787,006	8,163,778
Free Capital (6)	-624,349	1,127,660	2,140,243	4,738,323	4,847,755
Demand Deposits	4,027,153	4,703,451	6,287,647	6,759,272	7,678,420

* The financial data of the year 2004 and the previous years are taken from the financial statements prepared according to RAP legislation, other data are taken from TAS and the related legislation.

** Interest accruals are included in all interest related items.

(1) Includes Central Bank and Reserve Deposit accounts

(2) Excludes Receivables under Follow-Up

(3) Gross Income = Interest Income+Foreign Exchange Gains/Losses+ Trading Gains/Losses on Securities +Fees and Commissions Income (Gross)+Dividend Income+Other Operating Income

(4) Gross Profit=Net Period Profit/(Loss)+Provision for Taxes+ Provisions for Impairment Losses

(5) Operating Income and Operating Expenses are adjusted for the Gains/Losses due to FX Indexed Items

(6) Shareholder's Equity - (Fixed Assets + Non-Financial Associates and Subsidiaries + Receivables under Follow-Up - Specific Provisions)

TÜRKİYE İŞ BANKASI A.Ş.

EXPLANATIONS TO İŞBANK'S FINANCIAL STATUS, PROFITABILITY AND SOLVENCY

İşbank made the highest gross profit among private banks in 2006, as well as in 2005. In the same year, İşbank, which allocated the largest financial resources to the economy, was the leading bank among the private banks in terms of deposits size and also ranked first in the Turkish banking sector in total assets, loans and shareholders' equity.

Assets

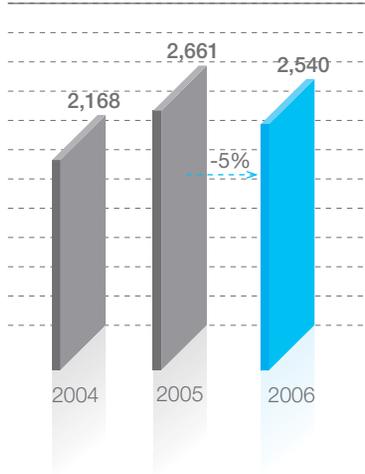
Having a balance sheet growth of 18%, İşbank reached an asset size of TRY 75 billion at the end of 2006. 36% increase in the loan portfolio made the greatest contribution to asset growth. Loan to asset ratio climbed to 40% from 34% in 2005.

Notwithstanding the fluctuations in the financial markets in May and June, İşbank preserved its asset quality thanks to its effective lending policy, which enables the bank to diversify the credit risk and to build strong collateralization according to the type of credits extended. The NPL ratio of 4.6% at the end of 2005 improved to 3.8% at the end of 2006 and in terms of credit cards, NPL ratio remained significantly lower than the sector average. On the other hand, coverage ratio for the loans under follow-up was 100% as it was in the previous years.

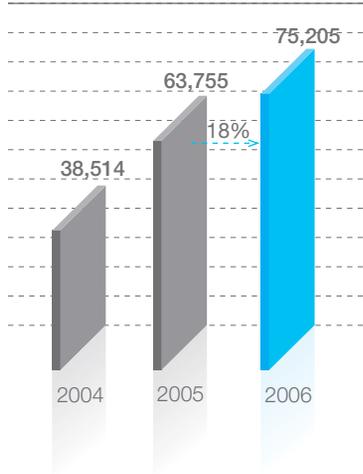
In line with the increase in interest rates, the demand for loans contracted starting from the third quarter of the year; general purpose consumer loans and SME loans were the only loan groups that grew in this period. When the whole year is taken into account, growth rates of housing loans, general purpose consumer loans, SME loans and investment loans were above the average. While housing loans increased by 43% in 2006, growth in auto loans was limited, the share of this item in the total consumer loans decreased in favor of the housing loans and the general purpose consumer loans.

The share of the securities portfolio in total assets was also 35% at the end of 2006 and contribution of securities to total interest income maintained its importance. The share of the participations and the fixed assets in the balance sheet decreased, while the share of interest earning assets increased to 90%.

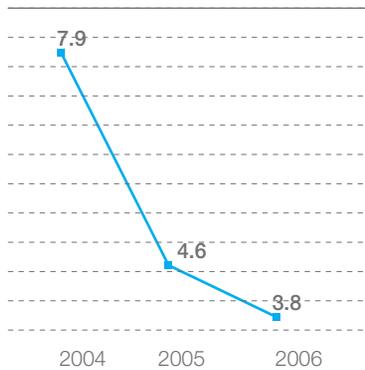
Gross Profit (TRY million)



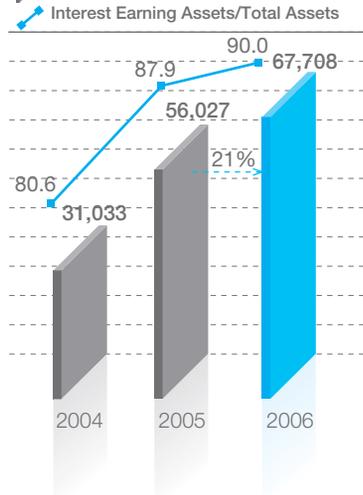
Total Assets (TRY million)



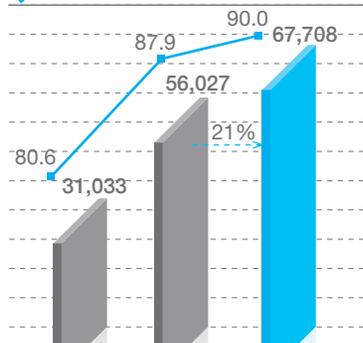
NPL Ratio (%)



Interest Earning Assets (TRY million)



Interest Earning Assets/Total Assets



TÜRKİYE İŞ BANKASI A.Ş.

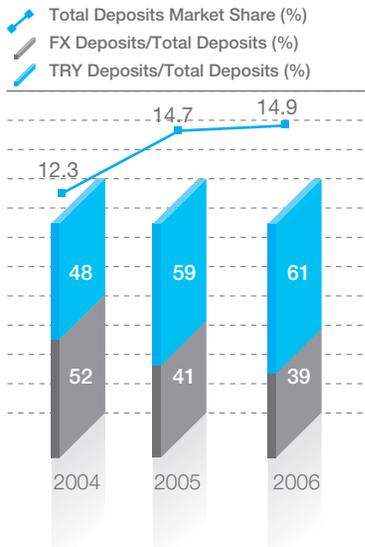
EXPLANATIONS TO İŞBANK'S FINANCIAL STATUS, PROFITABILITY AND SOLVENCY

Liabilities

İşbank, having increased its market share in terms of TRY, foreign currency and total deposits, maintained its leading position among private banks in 2006. The growth of total deposits was 25%, while the local currency deposits increased by 30%, boosting their share in total deposits to 61%. Having the largest branch and ATM network among private banks gives İşbank an important advantage for deposit collection and funding. The high and stable shares of demand deposits and core deposits in total deposits, not only make the liquidity management easier, but also decrease the cost of deposits.

The share of local currency and foreign currency loans received in the form of syndicated loans, securitizations, post-financing, collateralized borrowings and swap transactions, increased to 14% of total liabilities. These loans are for financing long-term housing loans, as well as financing foreign-trade. Thus the maturity mismatch resulting from the housing loans is eliminated and a lower cost of funding compared to deposits is provided.

Capital adequacy ratio was 23.87% as of end-2006. İşbank has been continuing its operations with a higher capital adequacy ratio compared to its peers and has maintained its strength in terms of shareholder's equity. The implementation of Basel II criteria next year is expected to increase the capital requirement of banks. On the other hand, current insignificant levels of penetration ratios such as population per branch, total banking assets to gross domestic product, total loans to gross domestic product when compared to developed and other emerging countries, imply a high growth potential for the banking sector in the following years. The Bank's current capital adequacy ratio can easily meet not only the challenges resulting from new risk calculations which will take place with Basel II, but also the challenge of expected strong growth.



Profitability

In the first half of 2006 cost of funding for the banks increased and demand for loans significantly contracted as a result of the fluctuations in the financial markets due to the increase in global risk perception. Also, intensive competition in collecting deposits had a negative impact on funding costs. The maturity mismatch between loans and deposits accompanied by the slowdown in loan growth delayed the repricing of loans. As a result, 2006 was a year in which net interest margins in the banking sector contracted.

In the year 2006, İşbank's net interest income decreased by 2%. However, on the other hand, the 17% increase in net fees and commissions income shows İşbank's strength in creating non-interest income under unfavorable market environment for lending. The Bank managed to cover 112% of the personnel expenses and 57% of the total operational expenses by its total fee income.

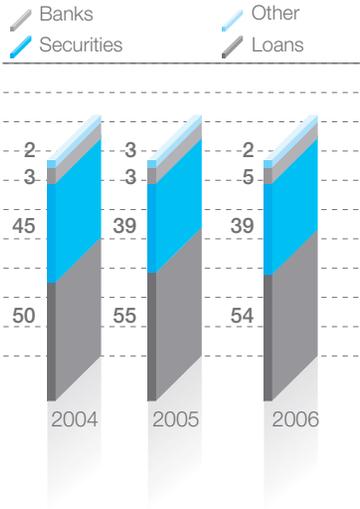
In addition to those macroeconomic setbacks, there have been some changes in the banking regulations that effected the financial statements. The additional provisions and adjustments made on the financial statements as of 31st December 2006, in order to adapt the financial statements to the Turkish Accounting Standards in accordance with the international standards, had a negative effect on the profitability. Despite all these negativities, İşbank managed to gain TRY 1,109 million net profit. The Bank's gross profit before provision expenses has been TRY 2,540 million.

TÜRKİYE İŞ BANKASI A.Ş.

EXPLANATIONS TO İŞBANK'S FINANCIAL STATUS, PROFITABILITY AND SOLVENCY

The analysis brought up in the meetings of the Asset Liability Committee, where domestic and international developments are evaluated on a daily basis within the framework of general policies of the Committee, the real interest rate calculations in domestic and foreign markets, and the financial models formed within this framework are used in determining İşbank's both asset and liability strategies. After subjecting the models, which come up as a result of the extensive daily market analyses, to various stress tests and scenario analyses, the processes of the assessed risk-return and maturity optimization are completed and the favorable asset and liability structure is formed.

Interest Income Composition (%)



Solvency

Its large branch network and stable saving deposits base are the factors that positively effect İşbank's solvency. The large size of core deposits that have lower interest sensitivity in total deposits is also a great advantage for İşbank in terms of liquidity.

On the other hand, İşbank's national credit rating which is above the sovereign rating given by Fitch Ratings is one of the basic indicators of the Bank's financial capacity.

TÜRKİYE İŞ BANKASI A.Ş. INFORMATION ON RISK MANAGEMENT POLICIES APPLIED PER RISK TYPES

Bank risk policies and procedures constitute the internal rules and principles which are approved and enforced by the Board considering Risk Management Department suggestions and executed by the senior management. Segregated by credit, market and operational risk categories, the policies in line with best practice approved by the Board of Directors, stipulate general standards including the organization and scope of risk management function, risk measurement methods, roles and responsibilities of the risk management group, risk limit setting methodology, rules governing the breach of limits.

To ensure the conformity of the Bank's risk appetite with business plan and prevailing market environment, risk limits set by the Board of Directors are monitored. In this context, breaches in market and credit risk limits are analyzed by Risk Management Department taking market and industry conditions into consideration, and findings are reported to the Audit Committee.

Operational Risk Policy:

Operational risk is defined as "any risk out of the scope of credit and market risks, that the Bank could face with physical and/or reputational losses, which may occur within the organization, business continuity, technology, human resources, legislation, managerial and business environment". Risk Management Department is responsible for the risk management activity on this particular risk. Operational risk management activities comprise defining, measuring, analyzing, monitoring and reporting of operational risks, following up the new techniques on management of operational risks besides regulatory and internal reporting.

Categorization of inherited operational risks within the activities and processes is made possible by the Enterprise Risk Framework. It serves as the basic document to define and classify the risks and is subject to alteration as conditions change.

The methodology employed to identify operational risks is "self-assessment". This methodology requires staff with roles and responsibilities in a particular activity to get involved in the risk and control assessment process of that process. The Risk Management Group employs both top-down and bottom-up approaches. Operational risk management processes combines both qualitative and quantitative approaches in measurement and assessment. The measurement process uses data obtained from "impact - likelihood analysis", "control culture profile surveys" and internal and external "loss database".

All operational risks inherited in the activities, risk levels of new products and processes, operational losses incurred by the Bank are monitored continuously, risk assessments are updated regularly and reported to the Executive Risk Committee in a timely manner.

Employees have the understanding of the Bank's objective to attain a working environment aiming to reduce the probability of loss, considering that the entire internal rules and procedures, led by operational risk policy, and act sensitively to the inherited operational risks and controls.

Credit Risk Policy:

Credit risk policy sets the framework for credit risk management, control and monitoring, roles and responsibilities and credit risk limits. Credit risk is defined as any situation where the counterparty obligation will not or can not be fulfilled partially or fully on maturity as affirmed in the agreement.

İşbank maintains identification, measurement and management of credit risk across all products and activities. The Board reviews credit risk policies and strategies annually at minimum. Senior management is responsible for the execution of credit risk policies.

The findings of review of loans and credit risk are reported to the Board and the senior management regularly. The risk levels and composition of the loan portfolio are also monitored besides particular credits'. The monitoring process includes parameters such as maturity, industry, collateral, geography, currency, loan type, and credit risk ratings as a whole, in addition to the assessments on the obligor and the facility. Credit risk monitoring encompasses any additional risks that could stem from possible macroeconomic changes and potential adverse conditions.

Credit risk policy requires diversification of the portfolio. Implementation of diversification strategy is carried out through segmentation. Segmentation is to slice and dice the portfolio by large obligor groups with same characteristics in terms of getting affected from unfavorable conditions.

Internal audit and risk management functions regularly assess the internal credit risk rating system as to its compatibility with the structure, size and complexity of the Bank's operations. If diverse circumstances required, necessary adjustments and/or modifications are made to the system.

Credit risk review is primarily carried out as an independent audit of the compliance of the actual quality of loans and loan processes with the Bank policy and procedures and the adequacy of loan loss reserves and other provisions.

TÜRKİYE İŞ BANKASI A.Ş.

INFORMATION ON RISK MANAGEMENT POLICIES APPLIED PER RISK TYPES

Market Risk Policy:

Market risk consisting of “interest rate risk”, “equity position price risk”, “exchange rate risk”, “commodity risk” and “specific risk” is defined as the risk of loss due to a decline in the value of financial positions related with

- financial instruments, returns of which are correlated with interest rates,
- equity shares,
- other securities,
- all on and off-balance sheet assets and liabilities in foreign currencies or indexed to foreign currencies,
- derivatives with the a.m. underlying assets

because of fluctuations of interest rates, share prices, foreign exchange rates and settlement risk.

Bank’s market risk policy is structured on a return on market risk, which is measured, reported and controlled. The priority in market risk is to keep in line with both the legal requirements and house risk limits revealing the risk appetite.

Main phases of the market risk management process are as follows:

- Market risk is measured regularly
- Measurements are tested in terms of their reliability
- Risk is monitored under different scenarios
- Calculated risks and test results are monitored by treasury units, executive risk committee and senior management
- Exposure versus risk limits are monitored
- The market risk and the limits specific to the market risk are regularly monitored

Liquidity risk is monitored using the required techniques as an integral part of market risk monitoring and reported to the Board and the Executive Risk Committee.

Calculation methodology used in regulatory reporting, is proposed by the Risk Management Group and approved by the Board of Directors.

Bank has three basic approaches for calculating the market risk:

Standard method: One of the internationally accepted methodologies for market risk calculation, which was adopted by the national regulator also.

Value-at-Risk (VaR): internationally acknowledged statistical methodologies are employed in calculating the capital charge for market risk. Since the calculations reveal the forecast of risk for the following day, reliability of the forecast is checked on a daily basis by comparing with the actual values afterwards.

Stress - tests: Tests are carried out to measure the impact of events with low probability and high impact on the value-at-risk.

Measured market risk is reported timely and in detail to the Board, Executive Risk Committee, Asset and Liability Committee (ALCO) and executive units bearing market risk. It is the responsibility of the Board of Directors, ALCO and executive units to whom market risk is reported, to monitor market risk and assuring it is in line with limits and act accordingly.

The return on financial positions is assessed within the context of the risks exposed and the amount of capital allocated for those risks. Risk dimension is taken into consideration as an integral part of determining the strategies of targets.

Market risk review and assessment process covers the following:

- Quality of positions originating from money and capital market transactions,
- Adequacy of general risk management and processes,
- Compliance with risk limits,
- Data integrity and quality,
- Integrity and quality of reports on limit breaches and violations,
- Compliance of staff with policy and procedures.

Information and recommendations on taking measures are submitted to the senior management and the Board. Board identifies the framework for the way to review the market risk, reporting of the findings of the review and action plans required.

Equity Participations Risk Policy:

Compliance with risk management principles related to the banks participants are monitored by the Participants Risk Group. Financial subsidiaries consolidated in financials identify their specific risk management policies, that cannot divert from or conflict with group risk management principles. Subsidiary boards approve company risk policies that form the framework of their risk management systems and processes.

TÜRKİYE İŞ BANKASI A.Ş.

EXPLANATIONS TO İŞBANK'S CREDIT RATINGS

	Rating	Outlook*
MOODY'S		
Financial strength	D	Positive
Long term foreign currency deposit	B1	Stable
Long term local currency deposit	A3	Stable
Short term foreign currency deposit	NP	-
Short term local currency deposit	P2	-
FITCH RATINGS		
Long-term foreign currency	BB	Positive
Long term local currency	BB+	Positive
Short term foreign currency	B	-
Short term local currency	B	-
Long-term national	AA (tur)	Stable
Individual	C	-
Support	4	-
STANDARD & POOR'S		
Long-term counter party credit rating	BB-	Stable
Long-term certificate of deposit	BB-	Stable
Short-term counter party credit rating	B	
Short-term certificate of deposit	B	
Long-term national	trA+	
Short-term national	trA-1	

* Outlook:

Positive: Indicates that the current rating is very likely to be updated.

Stable : Indicates that the current rating will not be changed in the short-term.

TÜRKİYE İŞ BANKASI A.Ş.

AS OF 31 DECEMBER 2006, UNCONSOLIDATED YEAR-END FINANCIAL REPORT

Headquarters Address: İş Kuleleri, 34330, Levent/İstanbul
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The unconsolidated year-end financial report prepared in accordance with the communique of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public" as regulated by Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections:

GENERAL INFORMATION ABOUT THE BANK
UNCONSOLIDATED FINANCIAL STATEMENTS
EXPLANATIONS TO ACCOUNTING POLICIES
INFORMATION ABOUT THE FINANCIAL STRUCTURE
EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
OTHER EXPLANATIONS AND DISCLOSURES
EXPLANATIONS TO THE INDEPENDENT AUDITOR'S REPORT

The unconsolidated financial statements and the explanatory footnotes and disclosures unless otherwise indicated, are prepared in thousands of New Turkish Lira, have been independently audited and presented below in accordance with the communique on Bank's Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Bank's records.



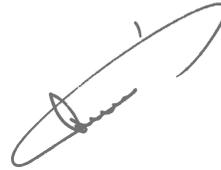
Ömer Karakuş
Head of Accounting
Department



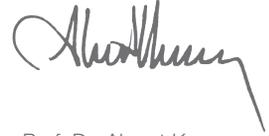
Mahmut Magemizoğlu
Executive Vice President
Responsible for Financial
Reporting



Ersin Özince
Chief Executive Officer



Caner Çimenbiçer
Member of the Board and
the Audit Committee



Prof. Dr. Ahmet Kirman
Chairman of
the Board of Directors
and the Audit Committee

Information on the authorized personnel to whom questions may be directed related to this financial report.

Name – Surname/Title : Aziz Ferit Eraslan/Group Manager of Investor Relations
Phone Nr. : +90 212 3163016
Fax Nr. : +90 212 3160950
E-mail : Ferit.Eraslan@isbank.com.tr
investorrelations@isbank.com.tr
Web : http://ir.isbank.com.tr

TÜRKİYE İŞ BANKASI A.Ş.

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TÜRKİYE İŞ BANKASI A.Ş.

PART ONE: GENERAL INFORMATION ABOUT THE BANK

PART ONE: GENERAL INFORMATION ABOUT THE BANK

I. Explanation to the Date of Establishment and the Initial Status of the Bank, and the History Including the Changes in the Said Status, and Explanations to the Bank's Type of Service and Fields of Activity:

Türkiye İş Bankası A.Ş. ("Bank"), was established on August 26th 1924, with private capital and with the authority to accept deposits, in order to operate in corporate and retail banking activities, in addition to initiating or participating in all kinds of financial and industrial sector corporations as may be required. There has not been any change in the Bank's status since its establishment.

II. Explanation to The Capital Structure; the Shareholders of the Bank, which Directly or Indirectly, Solely or Jointly Take the Management and the Control of the Bank; Changes in the Shareholding Structure During the Year, If Any; Information and Explanations to the Bank's Risk Group:

As of December 31 2006, 41.54% of the Bank shares belong to T. İş Bankası A.Ş. Pension Fund, 28.09% belong to the Republican People's Party and 30.37% are on free float. There has not been any change in the capital structure during the year.

III. Explanations to the Chairman of the Board, Board Members, Auditors, Chief Executive Officer and Executive Vice Presidents of the Bank

Board of Directors and Auditors:

Name	Title
Prof. Dr. Ahmet Kirman	Chairman of the Board of Directors and the Audit Committee
Prof. Dr. M. Baran Tuncer	Deputy Chairman
H. Ersin Özince	Director and Chief Executive Officer
M. Nail Yağcı	Director
Dr. A. Yavuz Ege	Director
Atty. Nail Gürman	Director
Ali Ekber Güvenç	Director
Köksal Burkan	Director
Caner Çimenbiçer	Member of the Board and the Audit Committee
Salih Kurtuluş	Director
Prof. Dr. Savaş Taşkent	Director
Prof.Dr. Turkey Berksoy	Auditor
H.Ahmet Ergenekon	Auditor

Chief Executive Officer and Executive Vice Presidents (1):

Name	Title & Administrative Position
H. Ersin Özince	Chief Executive Officer
A. Aykut Demiray	Foreign Affairs, Treasury, Foreign Branches, Foreign Representative Offices, Coordinating and Monitoring Free Zone Branches
M. Sırrı Erkan	Budgeting and Planning, Central Operations, Organization, Change Management, Coordination of Work and Projects on Strategic Missions
Kadir Akgöz	Electronic Data Processing and Software Development
Özcan Türkakın	Public Relations and Equity Participations
H. Fevzi Onat	Retail, Corporate and Commercial Loans
F. Kayhan Söyler	Premises and Real Estate, Mediterranean, Ankara I., Ankara II., Çukurova, South East Anatolia, İstanbul I., İstanbul II. and Thrace Regional Departments, Coordinating and Monitoring Fully Authorized Branches
Zafer Memişoğlu	Support Services and Purchasing, Eastern Anatolia, Aegean I., Aegean II., Aegean III., İstanbul III., İstanbul IV., Black Sea, Marmara and Central Anatolia Regional Departments, Coordinating and Monitoring Fully Authorized Branches
Hülya Altay	Retail Banking, Economic Research, Credit Cards and Non-branch Banking
Mahmut Magemizoğlu	Taxation Counselor, Financial Operations, Accounting
Tülin Aykın (2)	Staff Training and Human Resources
Hakan Barut (2)	Legal Counselor , Legal Affairs, Credit Information and Financial Analysis, and Non-performing Loans
Adnan Bali (2)	Corporate Marketing, Securities, Monitoring Fully Authorized Branches

(1) Executive Vice President Mete Uğurlu left his position at the Bank on 27.01.2006, Executive Vice Presidents A. Cüneyt Demren and Ali Kocabaş retired on 16.06.2006.

(2)They were appointed to the position of Executive Vice President on 30.05.2006.

The Chairman's, the Directors' and the Executive Vice Presidents' shares in the Bank are of minor importance.

TÜRKİYE İŞ BANKASI A.Ş.

PART ONE: GENERAL INFORMATION ABOUT THE BANK

IV. Explanation to the Bank's Qualified Shareholders:

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund)	1,145,176	41.54%	1,145,176	0
Cumhuriyet Halk Partisi (Atatürk's Shares)	774,381	28.09%	774,381	0

V. Explanation to the Bank's Activities and Services

In line with the related legislation and the principles stated in İşbank's Articles of Incorporation, the Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector corporations as may be required.

PART THREE: EXPLANATIONS TO ACCOUNTING POLICIES

I. EXPLANATIONS TO THE PRESENTATION PRINCIPLES

The unconsolidated year-end financial statements and related disclosures and footnotes in this report are prepared in accordance with the Turkish Accounting Standards and Communique on Banks' Accounting Practice and Maintaining Documents.

The accounting policies and the valuation principles used in the preparation of the financial statements are presented in detail below:

The accounting principles and valuation methods used in the preparation of the prior period financial statements are restated in compliance with the Turkish Accounting Standards and Turkish Financial Reporting Standards as per the communiqué no.1 "Frame for Preparation and Presentation of Financial Statements" of the Turkish Accounting Standards Board published on the Official Gazette no.25702 dated 16 January 2005, and the adjustments made are summarized below:

	31.12.2005 Income Statement	31.12.2005 Retained Earnings
31.12.2005 net profit/retained earnings reported prior to TAS adjustments	955,628	-
Financial assets' valuation differences	(344,620)	1,067,450
Adjustment for the term sales of assets	168,627	-
Adjustment for non-paid-up shares of associates	99,302	-
Adjustment for profit from fixed assets and associates' sales	141,300	-
Adjustment for exchange difference on foreign participations	10,398	33,360
Adjustment for short-term employee benefits	(2,076)	(85,019)
Adjustment for the actuarial technical deficit of İşbank Pension Fund	204,722	(1,065,207)
Deferred tax effects of adjustments	(45)	389,584
	1,233,236	340,168
Current year profit on sale of real estates transferred to equity	(70,909)	-
31.12.2005 net period profit/prior years' profit reported after TAS adjustments	1,162,327	340,168

The expenditures made by the credit card holders are started to be followed under Miscellaneous Payables Account starting from the sales date to the time that the payment is made. In this context, TRY 488,033 in the financial reports as of 31.12.2005 is classified from the Commercial Deposits to the Miscellaneous Payables.

TRY 505,793 of tax paid in advance shown under "Other Assets" in the financial statements dated 31.12.2005, is netted with the Current Tax Payable under liabilities in the accompanying comparative financial statements.

Unless otherwise stated, the phrase "Prior Period" means 31.12.2005 in the explanations of the Balance Sheet and Off-Balance Sheet Commitments and the Income Statement and the related notes.

TÜRKİYE İŞ BANKASI A.Ş.

PART THREE: EXPLANATIONS TO ACCOUNTING POLICIES

II. EXPLANATIONS TO THE STRATEGY FOR THE USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

1. The Bank's Strategy on Financial Instruments

The Bank's main activities comprise private, retail, commercial and corporate banking, money market and securities market operations, as well as activities related to international banking services.

Parallel to the general liabilities structure of the banking system, The Bank's liabilities are composed of short-term deposits and other middle and long-term resources. The liquidity risk, which may arise from this status, can easily be monitored through deposit sustainability, as well as widespread network of correspondent banks, market maker status of the Bank (The Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey. In this regard, the liquidity of The Bank and the banking system is constantly monitored. On the other hand, demand for foreign currency liquidity is met by money market operations and money swaps. Since major part of the loans in the asset side is flexible enough to reflect the volatility in the market interest rates to the customers, the interest rate risk is kept at minimum level. High yielding Eurobond and government debt securities have sufficient quality and capacity to reduce the risk which may arise from the fluctuations in the interest rates. Funds collected are, to a great extent, fixed-interest rated. Sectoral developments are closely monitored and both fixed and floating rated placements are made according to the yields of alternative investment instruments. Some part of the funds are transferred to the Treasury guaranteed projects. In terms of placements, safety principle has always been the priority of the Bank and the placements are oriented to high yielding and low risk assets by considering their maturity structure. Accordingly, a pricing policy that aims high return is implemented in long-term placements.

Placements made through loans and marketable securities have higher returns than the average return calculated for The Bank's activities.

The Bank determines its lending strategy by taking into consideration the international and national economic data and expectations, market conditions, current and potential credit customers' expectations and tendencies, and the risks like interest rate, liquidity, currency and credit risks. Furthermore, parallel to this strategy, The Bank acts within the legal limits in terms of asset-liability management.

Main growth targets for different asset classes are set by long-term plans, which are shaped along with budgeting; and the bank takes necessary position in accordance with the said plans and the course of the market conditions against the short-term currency, interest rates and price movements.

Foreign currency, interest rate and price movements are monitored instantaneously. When taking position, the Bank's own transaction and control limits are also effectively monitored in addition to the legal limits and limit overrides are avoided. The Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits determined by the Risk Committee, in order to keep the liquidity risk (within the boundaries of the equity), interest rate risk, currency risk and credit risk within certain limits and to maximize profitability.

2. The Bank's strategy for hedging currency risk caused by available-for-sale foreign currency capital market instruments and the practices for hedging interest rate risk stemming from fixed or floating rate deposits

The Bank is funding its available-for-sale foreign currency capital market instruments with the resources having the same type of interest and currency, as much as possible. Thus, currency and parity risks are being hedged. Parallel to the deposit structure of the banking system, The Bank's deposits are clustered in 3 and 6-month terms; therefore, its interest rate risk is similar to the interest rate risk of the system. Within the frame of The Bank's general interest rate policies, interest rate risk stemming from deposits is closely monitored and the fixed and floating rate options are evaluated. Interest rate risk is reduced by establishing an asset composition, which is in line with the fixed/floating cost structure of the deposits.

3. Strategies for hedging currency risk stemming from other foreign currency transactions

The difference between FC denominated/indexed assets and liabilities constitutes the basis of currency risk and is referred to as the "Net Overall FC Position". The Bank's current strategy for FC position is monitored in line with the strategic decisions taken by the related units and in order to hedge parity risk, FC position is monitored in accordance with a balanced basket composed of certain currencies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meets periodically in order to take decisions to act in accordance with the basic limitations set by the "Net Overall FC Position/Shareholders' Equity Ratio" and by the internal guidelines of the currency risk determined by the bank's market risk policy and to take decisions to hedge currency and parity risks.

4. Ways to hedge currency risk of The Bank's net investments in foreign companies

Ways to hedge currency risk of The Bank's net investments in foreign companies are also determined within the frame of practices for overall FC position strategy.

5. Other Explanations to Foreign Currency Transactions

The financial statements of The Bank's branches that have been established abroad are prepared in currencies (functional currency) that are valid in the economic environment that they are operating in. The financial statements of the foreign branches are presented in TRY, which is the functional currency of The Bank and the presentation currency of the financial statements.

TÜRKİYE İŞ BANKASI A.Ş.

PART THREE: EXPLANATIONS TO ACCOUNTING POLICIES

The assets and liabilities of The Bank's branches that have been established abroad are converted to TRY by using the foreign currency rates valid on the balance sheet date. Unless there is a significant fluctuation in the currency rates during the period, income and expenses of the foreign branches are converted by average rates. The exchange rate differences arising from conversion are recorded in the other reserves account under the shareholders' equity. The conversion differences are recognized in profit or loss accounts of the period in which the foreign investment is sold. The goodwill and fair value adjustments resulting from the acquisition of foreign investments are considered as the assets and liabilities of the foreign investment and converted by using the exchange rate on the balance sheet date.

In the local books of The Bank, transactions in foreign currencies (currencies other than TRY), are converted to New Turkish Lira by using the exchange rates on the transaction date. Foreign currency indexed monetary assets and liabilities are converted to New Turkish Lira by using the exchange rates that are valid on the balance sheet date. Non-monetary foreign currency items measured at fair value are converted by the rates on the date of the fair value assessments. Foreign exchange gains and losses arising from the conversion of monetary items and the collection and payment of foreign currency transactions are recognized in the income statement. The exchange rate differences arising from the conversion of net investments in associates established in foreign countries are recorded in the other reserves account under the shareholders' equity.

III. EXPLANATIONS TO FORWARD TRANSACTIONS, OPTION CONTRACTS, AND OTHER DERIVATIVE INSTRUMENTS

The Bank's derivative transactions predominantly consist foreign currency swaps, forward foreign currency, forward interest rate transactions and option contracts on securities. The Bank has no derivative products that are detached from the main contract.

Derivative financial instruments are recorded by their fair values at the contract date and remeasured by their prevailing fair value at following reporting periods. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognized as "held for trading purposes" within the framework of the "Turkish Accounting Standard on Financial Instruments: Recognition and Measurement" (TAS 39) and the profit and loss resulting from the said instruments are associated with the income statement.

IV. EXPLANATIONS TO INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on accrual basis, with the effective interest method (the rate which equalizes the future cash flows of a financial asset or liability to net present book value) within the framework of TAS 39 "Financial Instruments: Recognition and Measurements".

As per the relevant legislation, accrued interests and other interest receivables on loans and other receivables that are classified as non-performing are cancelled and the relevant figures are recorded as interest income only when collected.

V. EXPLANATIONS TO FEE AND COMMISSION INCOME AND EXPENSES

Fee and commission income and expenses are recorded on accrual or collection basis, depending on the nature of the transaction.

VI. EXPLANATIONS TO FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative assets. Financial assets are shown on the Bank's balance sheet if the Bank is legally a part of these financial assets.

Financial instruments constitute the basis of the Bank's commercial activities and operations. These financial instruments expose, affect and diminish the liquidity and the credit and interest risks in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. If an active market exists, the market value of a financial asset is equal to the amount to be obtained from the sales or the amount payable for the purchase.

The estimated reasonable value of financial assets is determined by the Bank by using available market information and appropriate valuation methods. However, the market data used to determine the fair value must be interpreted. For this reason, the forecasts presented in this report may not be the values that can be obtained when the Bank disposes its assets under prevailing market conditions. Some financial instruments' book values, which are equal to their acquisition costs, are assumed to be equal to their fair values due to their short-term maturities.

The methods and assumptions used to determine the estimated value of each financial instrument are given below.

1. Cash and Banks

The balances of foreign currency cash and banks are evaluated at The Bank's exchange rates at the end of the current period. The carrying values of the cash, foreign currency and bank deposits in the Bank's balance sheet are the estimated fair values of these assets.

TÜRKİYE İŞ BANKASI A.Ş.

PART THREE: EXPLANATIONS TO ACCOUNTING POLICIES

2. Marketable Securities

a. Financial Assets at Fair Value Through Profit And Loss

a.1. Financial Assets Held for Trading

Financial assets held for trading are those acquired for the purpose of generating profit from short term market fluctuations in prices or similar elements, or securities which are part of a portfolio set up to realize profit in a short period of time, regardless of the purpose of acquisition.

Financial assets held for trading are recognized on the balance sheet at their fair values and thereafter subject to valuation with fair values after initial recognition. In conditions where price which is the basis of fair value does not exist in active market conditions, it is accepted that the fair value is not determined in a reliable fashion and a "discounted value", calculated by using the internal rate of return method, is taken into account as the fair value. Any gains or losses resulting from evaluation are recorded in the profit and loss accounts. Interest income resulting from holding trading financial assets is shown as part of interest income in the profit/loss statement and dividends are shown within dividend income. Any profit or loss resulting from the disposal of the said assets before their maturity date is recognized under the accounts of "Interest Income/Expense" and "Profit/Losses on Trading Account Securities", as per the Uniform Chart of Accounts, and shown in the income statement.

a.2. Financial Assets Classified at Fair Value Through Profit and Loss

Financial Assets Classified at Fair Value Through Profit and Loss are those financial assets which have not been acquired for trading purposes, but classified as at fair value through profit and loss at the initial accounting. The accounting of the said assets at fair value is realized in the same way as the trading securities.

b. Explanations to Financial Assets Available-For-Sale and Investments Held-to-Maturity

b.1. Financial assets available-for-sale are those non-derivative financial assets other than loans and receivables originated by the Bank and other than those classified at fair value through profit and loss. Initial recognition and following valuation of financial assets available-for-sale, including their transaction costs, is made on a fair value basis and the difference between the "discounted value" calculated with the "Internal Rate of Return Method" and the cost is reflected to profit/loss. In conditions where price, which is the basis of fair value, does not exist under active market conditions, it is accepted that the fair value is not determined in a reliable fashion and the "discounted value" calculated with the "Internal Rate of Return Method" is taken into account as the fair value. Unrealized profit and loss resulting from the changes in fair value of the financial assets available-for-sale, are not reflected to the income statement until the corresponding of the financial asset is collected, through sale or disposal, rather they are recognized in the "Securities Value Increase Fund" account under shareholders' equity. In the event of the redemption or sale of the relevant asset, the fair value differences accumulated in shareholders' equity, resulting from fair value application are reflected to the income statement.

b.2. Financial assets held-to-maturity includes non-derivative financial assets, other than loans and receivables originated by the Bank, which are held with the intention of holding until the maturity date, and for which the required conditions, including the capability of being funded, have been secured for the purpose of such retention until maturity date, those which have fixed maturity date or a maturity date that can be deemed fixed due to its determinable payments, those which are classified at fair value through profit and loss at initial accounting and those which are defined as available-for-sale. Investments held-to-maturity, which are initially recognised at fair value, including the cost of transaction, are valued with their discounted acquisition cost calculated with the internal rate of return method after the deduction of the provision for impairment, if there is any. Interest income generated from investments held-to-maturity is booked as interest income on the profit/loss account. There are no financial assets that have been previously classified as held to maturity investments but cannot be currently classified as held to maturity for two consecutive years due to "tainting" rules.

3. Loans and Receivables

Loans and receivables are those financial assets, which are generated by way of providing funds, good or services to the debtor, which have fixed or determinable repayment schedules and which are not traded in an active market.

The initial recognition of loans and receivables are made at the cost of acquisition and subsequent valuation is made through their discounted values calculated using the internal rate of return method. Any fees, transaction costs and other similar costs incurred, attributable to assets taken as collateral for loans, are reflected in the profit/loss accounts.

Retail and corporate loans that are followed under cash loans are recorded with their original balances, according to their nature, under the accounts defined by the Uniform Code of Accounts (UCA) and the Explanatory Manual.

TÜRKİYE İŞ BANKASI A.Ş.

PART THREE: EXPLANATIONS TO ACCOUNTING POLICIES

Foreign currency indexed retail and commercial loans are converted to New Turkish Lira at the rate on the lending date; they are followed under "Turkish Lira ("TRY")" accounts, and the amount of increases or decreases in the principal amount of the loans, depending on the exchange rate of the following periods being higher or lower than the ones on the lending date, are recognized in the profit/loss accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the exchange rate differences are recognised in the profit/loss accounts.

Loans considered as non-performing are classified in accordance with the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables", published on the Official Gazette nr.26333 dated 1 November 2006, and specific provisions are recognised. Specific provisions are accounted in the "820/821 Provisions and Impairment Losses – 82000/82100 Specific Provision Expenses Account". The provisions released in the same year are accounted by being credited to the Provision Expenses Account and the released parts of the previous years' provisions are recognised in the Other Operating Income account.

VII. EXPLANATIONS TO IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, The Bank evaluates a financial asset or a group of financial assets to determine whether there is an objective indicators of impairment. If any such indication exists, The Bank determines the amount of impairment.

A financial asset or a group of financial assets are impaired and have impairment loss if, and only if, there is an objective indicator of a single or multiple event ("event of loss") occurring after the initial recognition of the related asset and that the expected future cash flows of financial asset or group of financial assets are adversely affected by that event (or events). The possible losses expected to incur due to future events are not accounted regardless of high probability.

In case there is an impairment loss in investments held-to-maturity, the amount of loss is measured as the difference between the book value and the present value of the estimated future cash flows, calculated by discounting with the original interest rate of the financial asset, and the book value of the asset is reduced by recognizing those differences. In the subsequent periods, if the amount of impairment loss decreases, the amount of impairment loss previously recognized is cancelled.

In case there is an impairment loss in available-for-sale financial assets, which have been recorded at fair value and whose value increases or decreases are followed under the shareholders' equity, the accumulated gains or losses are deducted from the shareholders' equity items and presented under net period profit/loss. If there is an increase in the fair value of the asset in the accounting periods following the period of loss, the recognized loss related to the asset is cancelled with a reverse entry.

Regarding the loans and receivables, the loan portfolio is regularly reviewed by The Bank management and in case there is a doubt about the collectibility of the loans, the doubtful loans are classified in line with the legislation on "Fundamentals and Methodologies for Determination of Qualifications of Loans and Receivables and Related Provision to be Recognized", published on the Official Gazette nr.26333 dated 1 November 2006. On the other hand, specific provision is allowed for the total amount of those loans, without being restricted by the minimum legal requirements stated in the regulation, and the related specific provisions are recognized in the income statement. Principal repayments made against these loans are charged against principal, while interest payments are shown in the profit/loss statement under the item "Interest from non-performing loans".

In addition to specific provisions, the Bank also sets aside general provisions against loans and other receivables, in accordance with the clauses of the regulation mentioned above.

VIII. EXPLANATIONS TO OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and when the Bank has the intension of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously.

IX. EXPLANATIONS TO SALE AND REPURCHASE AGREEMENTS AND TRANSACTIONS REGARDING THE LENDING OF SECURITIES

Securities subject to repo (repurchase agreements), retained in the Bank's portfolio are classified according to their purpose of holding, within the security portfolios "At Fair Value Through Profit and Loss" or "Available-for-Sale" and evaluated within the principles of the relevant portfolio.

Funds obtained from repurchase agreements are followed under "Funds from Repo Transactions" account in liabilities, and expense accrual is calculated according to the internal rate of return method on the difference between the purchase and resale prices corresponding to the period designated by a repurchase agreement.

Reverse repo transactions are entered in the "Receivables from Reverse Repurchase Agreements" account. Income accrual is calculated according to the internal rate of return method on the difference between the purchase and resale prices corresponding to the period designated by a reverse repo agreement. There are no reverse repurchase agreements as of 31 December 2006.

TÜRKİYE İŞ BANKASI A.Ş.

PART THREE: EXPLANATIONS TO ACCOUNTING POLICIES

X. EXPLANATIONS TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets which meet the criteria to be classified as held for sale are measured at the lower of its carrying value or the fair value, less the cost of sales and depreciation is ceased for the said assets; and these are; shown separately on the balance sheet. In order to classify an asset as an asset held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or disposal groups), should be high under current conditions. For the sale to be highly probable the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete plan must have been initiated. Furthermore, the asset (or the group of assets to be disposed of) should be actively marketed at a price consistent with its fair value. Various events and circumstances may extend the period for the completion of the sales process to more than a year extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a part of a bank's business classified as disposed or discontinued. The results of the discontinued operations are disclosed separately in the income statement.

XI. EXPLANATIONS TO GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, The Bank does not have any goodwill in its accompanying unconsolidated.

Intangible assets purchased before 1 January 2005, are presented with their inflation adjusted historical acquisition cost and intangible assets purchased in the subsequent periods, are presented with their acquisition cost less the accumulated amortization, and impairment provisions. Intangible assets are amortized by the straight-line method, considering their useful life. The amortization method and period are periodically reviewed at the end of each year. Intangible assets are comprised of computer software and they are amortized by the straight-line method within 1-3 years. No change is expected, that might have any significant impact on accounting estimates in terms of the amortization period, depreciation method or residual value, the current or following periods.

XII. EXPLANATIONS TO TANGIBLE ASSETS

Tangible assets purchased before 1 January 2005, presented with their inflation adjusted cost acquisition as at 31 December 2004, and for the items purchased in the subsequent periods, at acquisition cost less accumulated depreciation and the permanent impairment losses.

Tangible assets are depreciated by the straight-line method, in line with the principle of useful life.

Gains/losses arising from the disposal of tangible assets or the inactivation of a tangible asset, are recognized in the income statement by taking into account the difference between the net book value and the net proceeds.

Regular maintenance and repair costs incurred for tangible assets, are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

The estimated useful lives of the tangible assets are as follows:

	Estimated Economic Life (Year)	Depreciation Rate
Buildings	10-50	2-10%
Safe Boxes	2-50	2-50%
Other Movables	2-25	4-50%
Leased Assets	4-5	20-25%
Leasehold Improvements	Lease Period (*)	Determined according to the lease period

(*) In case the lease period is indefinite, the estimated economic life is considered as 5 years and the depreciation rate as 20%.

There are no changes expected that might have any significant impact on accounting estimates in the current period or the following periods.

XIII. EXPLANATIONS TO LEASING TRANSACTIONS

Assets acquired through finance lease are capitalized by the lower of the market values or the discounted values of the leasing payments and the total amount of leasing payments are recorded as liabilities while the interest amounts are recorded as deferred interest amount. Leased assets are accounted under fixed assets (movables) account and they are depreciated by straight-line method.

TÜRKİYE İŞ BANKASI A.Ş.

PART THREE: EXPLANATIONS TO ACCOUNTING POLICIES

The Bank conducts no financial operations as a “Lessor”.

Transactions related to operational lease are accounted in line with the relevant agreement and on accrual basis.

XIV. EXPLANATIONS TO PROVISIONS AND CONTINGENT LIABILITIES

Provision recognized when there is an existing liability resulting from past events and if it is probable that the liability will be fulfilled and the amount of liability is measured reliably. Provisions are calculated based on the best estimates of the bank management for the expenses to incur as of the balance sheet date and, if they have significant impact, such expenses are discounted to their present values.

XV. EXPLANATIONS TO LIABILITIES REGARDING EMPLOYEE BENEFITS

Liabilities concerning the rights of employees are accounted within the scope of TAS 19 “Standard for Employee Benefits”. According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay for retirement employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. The Bank allocates retirement pay provisions for employee benefits by way of estimating the present value of the probable future liabilities. The Bank’s retirement pay provisions have been determined by an actuary report prepared by an independent valuation firm. The actuarial assumptions used to calculate provision mentioned, have been explained in Part V.

Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each Bank employee is a member, has been established according to the provisional Article 20 of the Social Security Act No. 506. As per provisional article nr.23 of the Banking Act Nr.5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Institution Act, will be transferred to the Social Security Institution, within 3 years after the publication of the act mentioned. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 nr.2006/11345 and the transfer of İşbank Pension Fund to the Social Security Institution will be realized within this context. On the other hand, actuarial audit is being carried for İşbank Pension Fund. Provision has been set for the total amount of actuarial technical deficit in the audited technical balance sheet prepared by legal authorities by using the 10.24% technical interest rate.

Up to now, there has not been any deficit in Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik Yardımlaşma Sandığı Vakfı (İşbank Members’ Supplementary Pension Fund), which has been founded by the Bank employees in accordance with the rules of the Civil Code and which provides after retirement benefits; and the Bank has made no payment for this purpose. It is believed that the assets of this institution are capable of meeting its total obligations, and that it shall not constitute an additional liability for the Bank.

XVI. EXPLANATIONS TO TAXATION

In accordance with article nr.25 of the Corporate Tax Law, which was amended by Law nr.4369, 20% corporate tax was calculated on 2006 income.

Provisional tax is calculated and paid in February 2007 on the corporate tax rate (20%) according to the principles stated in recurrent Article 120 of Income Tax Law, to be deducted from the corporate tax due for the current period.

Tax expense is the total amount of current tax and deferred tax expenses.

Current year’s tax liability is calculated on the taxable amount of the profit for the period. Taxable profit is different from the profit on the income statement, due to the fact that it excludes the income and expense items, which can be taxed or deducted in the following years and the items, which cannot be taxed or deducted, permanently.

Deferred tax liability or asset is determined by calculating tax effects of temporary differences between the base amounts in financial statement and legal tax base amounts of liabilities and assets by using balance sheet method and considering legally enacted tax rates. Deferred tax liabilities are calculated for all the temporary taxable differences, while the deferred tax assets composed of temporary deductible differences, are calculated in case it is highly probable to use these differences in the future to gain taxable profit. Deferred tax liability is not calculated for temporary timing differences, which are arising from the initial recording of assets or liabilities, except of goodwill and mergers, and which do not affect either the commercial or financial profit or loss.

The book value of deferred tax asset is reviewed at each balance sheet date. The book value of the deferred tax is reduced as probability of gaining enough taxable profit decreases.

Deferred tax is calculated at enacted tax rates valid in the period when the assets are realized or liabilities are fulfilled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the group of equity accounts.

TÜRKİYE İŞ BANKASI A.Ş.

PART THREE: EXPLANATIONS TO ACCOUNTING POLICIES

Current taxes are offset with prepaid taxes due to being associated. Deferred tax assets and liabilities are also offset.

XVII. ADDITIONAL EXPLANATIONS TO BORROWINGS

The bank may obtain funds from domestic or foreign institutions, when required. Those transactions are recorded at fair value, including the cost of acquisition on the date of the transaction, and are also measured at their discounted values based on the internal rate of return method.

While the policies carried out aim at acquiring assets that would generate a yield higher than the cost of borrowing instruments such as syndication, securitization, and collateralized borrowing, an effort is also made to ensure that the assets acquired are, as near as possible, of equal maturity or shorter, for hedging before interest rate and liquidity risks.

Furthermore, efforts are made to achieve an asset composition that is compatible, as much as possible, with the fixed/variable cost structure of borrowing instruments.

There has been no bonds or debt instruments issued that are convertible to share certificates.

XVIII. EXPLANATIONS TO SHARES CERTIFICATES ISSUED

Costs incurred during the issue of shares are accounted as expenses.

Dividend payments are determined by the General Assembly of The Bank.

Internal funds were used in the paid-in capital increase during the current period and weighted average number of share certificates were taken into account in the calculation of earnings per share.

	Current Period	Prior Period
Profit distributable to shareholders	1,109,218	1,162,327
Weighted average share certificates number (000)	55,863,321	55,863,321
Earnings per share-TRY	0.019855926	0.020806622

XIX. EXPLANATIONS TO BANK ACCEPTANCES AND BILL GUARANTEES

Bank acceptances and bills of guarantee are accounted simultaneously with the payments by customers, and are presented as possible liabilities and commitments under off-balance sheet items.

XX. EXPLANATIONS TO GOVERNMENT INCENTIVES

No government incentives were utilized by the Bank during the current or previous accounting periods.

XXI. EXPLANATIONS TO SEGMENT REPORTING

For the segmental reporting, focus is made on the field of activity method by taking into consideration the main source and quality of the Bank's risks and returns. The Bank's activities are mainly focused on corporate and retail banking, and investment banking. The Bank continues its structuring process based on such segmentation above, in order to increase effectiveness and efficiency.

XXII. EXPLANATIONS TO OTHER MATTERS

None.

PART FOUR: INFORMATION ABOUT THE FINANCIAL STRUCTURE

I. EXPLANATIONS TO CAPITAL ADEQUACY STANDARD RATIO

The Bank's capital adequacy ratio is 23.87%. This ratio is considerably above the 8% minimum level required by the relevant legislation.

The capital adequacy standard ratio is calculated by risk weighting of risk-weighted assets and non-cash loans in accordance with the relevant legislation, and by adding to the risk-weighted assets the value at risk determined by use of the Standard Method.

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PART FOUR: INFORMATION ABOUT THE FINANCIAL STRUCTURE

Information related to capital adequacy ratio:

	Risk Weights			
	Bank Only			
	0%	20%	50%	100%
Amount Subject to Credit Risk				
Balance Sheet Items (Net)	33,017,480	6,457,200	13,399,269	21,940,292
Cash and Cash Equivalents	461,148	596	0	0
Securities in Redemption	4,560	0	0	0
The Central Bank of Turkey	3,316,102	0	0	0
Domestic and Foreign Banks, Foreign Head Offices and Branches Abroad	0	6,282,192	0	136,666
Interbank Money Market Placements	0	0	0	0
Receivables from Reverse Repo Transactions	0	0	0	0
Reserve Deposits	1,749,062	0	0	0
Loans	1,099,420	29,605	13,075,529	14,399,640
Non-Performing Loans (Net)	0	0	0	0
Lease Receivables	0	0	0	0
Financial Assets Available-for-Sale	24,533,166	110,108	0	48,903
Marketable Securities Held to Maturity	0	0	0	0
Receivables from Installment Sale of Assets	0	0	0	500
Sundry Debtors	6	0	0	86,079
Interest and Income Accruals	1,433,873	34,699	323,740	865,677
Associates, Subsidiaries and Jointly-controlled Entities	0	0	0	4,592,119
Properties and Equipment	0	0	0	1,749,065
Other Assets	420,143	0	0	61,643
Off Balance Sheet Items	43,324	1,957,529	431,583	5,432,171
Non-cash Loans and Commitments	43,324	1,889,199	431,583	5,416,375
Derivative Financial Instruments	0	68,330	0	15,796
Non- Risk-Weighted Accounts	0	0	0	0
Total Risk Weighted Assets	33,060,804	8,414,729	13,830,852	27,372,463

Summary information about the bank only capital adequacy ratio:

	Current Period
Amount Subject to Credit Risk (ASCR)	35,970,835
Amount Subject to Market Risk (ASMR)	861,700
Amount Subject to Operational Risk (ASOR)	--
Shareholders' Equity	8,793,538
Shareholders' Equity/(ASCR+ASMR+ASOR)*100	23.87
ASCR: Amount Subject to Credit Risk	
ASMR: Amount Subject to Market Risk	
ASOR: Amount Subject to Operational Risk	

(*) Operational risk will be taken into consideration in the calculation of the capital adequacy ratio after 30.06.2007.

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PART FOUR: INFORMATION ABOUT THE FINANCIAL STRUCTURE

Information about the shareholders' equity items:

	Current Period (31.12.2006)
CORE CAPITAL	
Paid-In Capital	2,756,585
Nominal Capital	2,756,585
Capital Commitments (-)	0
Capital Reserves from Inflation Adjustments to Paid-in Capital	1,977,491
Share Premium	3,694
Share Cancellation Profits	0
Legal Reserves	923,041
I. Legal Reserve (Turkish Commercial Code 466/1)	878,927
II. Legal Reserve (Turkish Commercial Code 466/2)	44,114
Reserves Allocated due to Specific Acts	0
Statutory Reserves	0
Other Profit Reserves	-30,025
Extraordinary Reserves	921,953
Reserves Allocated per the General Assembly Minute	921,953
Retained Earnings	0
Accumulated Losses	0
Foreign Currency Share Capital Exchange Difference	0
Reserves from Inflation Adjustments to Legal, Statutory and Extraordinary Reserves	0
Profit	1,491,039
Net Period Profit	1,109,218
Prior Periods' Profit	381,821
Provision for Possible Losses (up to 25% of Core Capital)	120,000
Profit on Sale of Associates, Subsidiaries and Real Estates to be Transferred to Share Capital	0
Primary Tier II Capital (up to 15% of core Capital)	0
Loss Excess of Reserves (-)	0
Net Period Loss	0
Prior Periods' Loss	0
Leasehold Improvements (-)	32,116
Prepaid Expenses (-)	51,787
Intangible Assets (-)	15,328
Deferred Tax Asset excess of 10% of core capital (-)	0
Limit Excesses as per Paragraph 3 of Article 56 of the Banking Act (-)	0
Total Core Capital (*)	8,163,778
SUPPLEMENTARY CAPITAL	
General Loan Provisions	217,008
45% of Revaluation Fund Movables	0
45% of Revaluation Fund on Real Estate	0
Non-paid-up Shares of Associates, Subsidiaries and Jointly-controlled Entities	0
Primary Tier II Capital Except the Portion included in Core Capital	0
Secondary Tier II Capital	0
45% of Securities Value Increase Fund	614,871
Associates and Subsidiaries	680,852
Financial Assets Available for Sale	-65,981
Inflation Adjustments to Capital Reserves, Profit Reserves and Prior Periods' Profit/Loss (excluding the inflation adjustments to legal reserves, status reserves and extraordinary reserves)	0
Total Supplementary Capital	831,879

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PART FOUR: INFORMATION ABOUT THE FINANCIAL STRUCTURE

	Current Period (31.12.2006)
TIER III CAPITAL	0
CAPITAL	8,995,657
DEDUCTIONS FROM THE CAPITAL	202,119
Unconsolidated investments in entities (domestic/foreign) operating in Banking and Financial Sectors at 10% or more ownership	102,888
Investments in entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the total core and supplementary capitals	0
Loans to banks, financial institutions (domestic/foreign) of preferred shareholders in the form of secondary Tier II Capital and debt instruments purchased from such parties qualified as primary or secondary Tier II Capital	0
Loans granted against the articles 50 and 51 of the Banking Law	0
Net book values of immovables exceeding 50% of the capital and of assets acquired in exchange of overdue receivables and held for sale as per article 57 of the Banking Law but retained more than five years	0
Others	0
TOTAL SHAREHOLDERS' EQUITY	8,793,538

(*) Leasehold improvements, prepaid expenses and intangible assets shown under the core capital, are not included in the total of core capital in accordance with the related regulation, but shown under the deductions from the capital.

II. EXPLANATIONS RELATED TO CREDIT RISK

1. In general, credit risk is defined as a situation where a party in a relationship with the Bank partially or completely fails to meet its contractual obligations knowingly or involuntarily in due time.

The Bank carries out its placement activities in accordance with the credit limitations set by legal regulations.

The Bank's position against the credit risk limits defined by the current legislation is monitored by the Board of Directors. Within this framework, loans extended to Risk Groups and Bank Risk Groups, in which the Bank is also included, large loans and limitations regarding the shares in associates are monitored according to the limits determined in connection with the size of the shareholders' equity calculated on a bank-only and consolidated basis.

The credit risk limits of loan customers are determined in strict compliance with the relevant banking legislation, within the framework of loan authorization limits of Branches, Regional Offices, Loan Departments, the Executive Vice President responsible for loans, the CEO, the Credit Committee and the Board of Directors; these limits are followed and may be changed, depending on the financial situation and loan requirements of the borrowers, or as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, providing that each period does not exceed a year. Furthermore, the loan customers and groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk.

The geographical distribution of our loan customers is consistent with the concentration of industrial and commercial activities in Turkey.

The distribution of our borrowers by sector is monitored closely periodically and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense.

The credit-worthiness of our customers is regularly monitored in line with the relevant regulations, by using company rating and scoring models specially developed for this purpose, and the audit of account statements received is assured to have been made in accordance with the provisions as set by the relevant legislation.

Securing loans by collateral is highly considered. Most of the loans granted has been secured by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantors, depending on the financial position of the company and the type of the loan granted.

2. There are certain control limits on forward transactions carried out, and credit risk taken for derivative instruments are evaluated together with other potential risks resulting from market fluctuations.

3. As a result of the customers' need level and the lack of depth in the domestic derivative instruments market causes the Bank to use derivative transactions in a limited manner for hedging purposes.

Despite the limited volume, derivative transactions are monitored in such a way that their liquidation is applicable when required.

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4. Indemnified non-cash loans are considered as having the same risk weighting as cash loans, not repaid on due date. The rating and scoring systems applied includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized Loans are evaluated by using a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the project undertaken or the asset financed.

5. The Bank conducts the lending transactions abroad, by determining the country risks of related countries within the context of the current rating system and by taking into account the market conditions and country risks of the relevant countries and the relevant legal limitations. Furthermore, the credibility of banks and other financial institutions established abroad is examined within the framework of the developed rating system and credit limits are assigned accordingly. This type of lending transactions does not carry any significant element of risk.

6. (i) The share of the Bank's receivables from the top 100 cash loan customers ratio to overall cash loan portfolio is at 22%.

(ii) The share of the Bank's receivables from the top non-cash loan customers ratio to overall non-cash portfolio is at 43%.

(iii) The share of the Bank's cash and non-cash receivables from the top 100 loan customers ratio to overall cash and non-cash loans is at 11%.

Companies that are among the top 100 credit customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans used by them are in proportion to their volume of industrial and commercial activity. A significant part of the loans has been granted on a project basis, with their repayment sources having been vetted in accordance with banking principles and considered as being satisfactory, associated risks are determined and duly covered, when deemed necessary, by obtaining appropriate guarantees.

7. The total amount of the general loan provisions allocated for credit risk stands at TRY 217,008.

Information on geographical concentration:

	Assets	Liabilities***	Non-Cash Loans	Capital Investments	Net Profit
Current Period					
Domestic	63,478,051	48,734,885	5,015,769	13,441	1,069,084
European Union Countries	4,816,720	10,762,255	1,227,836	45,493	22,467
OECD Countries *	410,100	296,351	280,430	0	0
Off-Shore Banking Regions	0	0	0	0	11,786
USA, Canada	1,153,164	1,399,401	307,441	0	0
Other Countries	638,275	4,601,708	468,119	0	5,881
Associates, Subsidiaries and Jointly Controlled Entities	0	0	0	4,649,514	0
Undistributed Assets/Liabilities**	0	0	-	-	-
Total	70,496,310	65,794,600	7,299,595	4,708,448	1,109,218
Prior Period					
Domestic	54,417,098	43,361,835	4,309,085	13,683	1,093,623
European Union Countries	3,495,463	5,982,896	1,278,452	83,037	515
OECD Countries *	22,127	440,132	287,603	0	0
Off-Shore Banking Regions	0	0	0	0	63,125
USA, Canada	555,984	1,157,531	283,573	0	0
Other Countries	494,041	3,524,466	721,481	0	5,064
Associates, Subsidiaries and Jointly Controlled Entities	0	0	0	4,673,357	0
Undistributed Assets/Liabilities**	0	0	-	-	-
Total	58,984,713	54,466,860	6,880,194	4,770,077	1,162,327

* OECD countries other than EU countries, USA, and Canada.

** Assets/Liabilities, which could not be classified according to a consistent principle.

*** Among Liabilities, the Shareholders' Equity items are not taken into consideration.

**** The totals of assets and capital investments reflect the total assets in the balance sheet.

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Sector concentration for cash loans:

	Current Period (1)				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	850,776	3.81	17,310	0.23	509,004	3.03	79,511	1.56
Farming and Raising Livestock	768,308	3.44	15,251	0.20	473,662	2.82	61,624	1.21
Forestry	62,583	0.28	1,209	0.02	23,494	0.14	15,369	0.30
Fishery	19,885	0.09	850	0.01	11,848	0.07	2,518	0.05
Industry	1,863,768	8.34	3,860,654	51.71	4,671,753	27.83	2,673,204	52.70
Mining	36,159	0.16	65,911	0.88	51,841	0.31	71,924	1.42
Manufacturing	1,706,228	7.64	3,425,422	45.88	4,550,831	27.11	2,308,211	45.50
Electric, gas, and water	121,381	0.54	369,321	4.95	69,081	0.41	293,069	5.78
Construction	830,327	3.71	255,341	3.42	437,168	2.60	263,491	5.19
Services	7,547,060	33.77	2,134,066	28.59	2,987,506	17.80	1,188,828	23.44
Wholesale and Retail Trade	3,802,548	17.01	778,199	10.43	708,968	4.22	130,525	2.57
Hotel, Food and Beverage Services	281,806	1.26	99,612	1.33	93,645	0.56	44,951	0.89
Transportation and								
Telecommunication	1,917,156	8.57	119,582	1.60	548,502	3.27	246,311	4.86
Financial Institutions	433,583	1.94	675,098	9.04	370,747	2.21	482,645	9.51
Real Estate and Rental Services	356,542	1.60	261,140	3.50	53,433	0.32	91,595	1.81
Self-Employment Services	506,511	2.27	142,415	1.91	1,092,875	6.51	138,840	2.74
Educational Services	81,938	0.37	27,689	0.37	34,641	0.21	24,538	0.48
Health and Social Services	166,976	0.75	30,331	0.41	84,695	0.50	29,423	0.58
Other (2)	11,260,802	50.37	1,198,212	16.05	8,180,275	48.74	867,862	17.11
Total	22,352,733	100.00	7,465,583	100.00	16,785,706	100.00	5,072,896	100.00

(1) Within the framework of sectoral restructuring, groupings in the current period is organized in accordance with the structuring.

(2) Interest income accruals are presented under other items.

III. EXPLANATIONS RELATED TO MARKET RISK

The market risk carried by the Bank is measured in accordance with national regulations, consistent internationally accepted practices, and, by two separate methods known respectively as the Standard Method and the Value at Risk Method. In this context, interest rate risk emerges as the most important component forming the market risk.

The market risk measurements, which are carried out by applying the Standard Method at the end of each month and weekly measurements of exchange rate risk are reported to the Bank's top management in addition to being included in legal reports.

Another method used for measuring and monitoring market risk as alternative of Standard Method is the Value at Risk Method (VAR). Using this method the market risk is measured on a daily basis by differentiating interest rate risk, currency risk and common stock risk and is subject to daily internal reporting in the Bank. Retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR method, which is used to estimate the largest possible loss of the following day.

Scenario analyses are performed to support the VAR method used to measure the value losses that may occur in the ordinary market conditions; the possible impact of the optimistic, base and worst case scenarios developed according to the future projections and the crises in the past, on the value of the Bank's portfolio is determined and the results are reported to the Top Management. VAR calculations are made by the financial associates within the frame determined by the Bank and the results are reported to the Top Management.

The limits set for the market risk management within the framework of the Bank's market risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions.

The following table shows details of the market risk calculations carried out with the "Standard Method for Market Risk Measurement" and within the context of "Regulation for Evaluating and Measuring the Bank's Ad" as of 31 December 2006.

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PART FOUR: INFORMATION ABOUT THE FINANCIAL STRUCTURE

a. Information on the market risk:

	Amount
(I) Capital Requirement to be Employed for General Market Risk – Standard Method	34,849
(II) Capital Requirement to be Employed for Specific Risk – Standard Method	991
(III) Capital Requirement to be Employed for Currency Risk – Standard Method	28,238
(IV) Capital Requirement to be Employed for Commodity Risk – Standard Method	
(V) Capital Requirement to be Employed for Settlement Risk – Standard Method	
(VI) Capital Requirement to be Employed for Market Risk of Options – Standard Method	4,858
(VII) Capital Requirement to be Employed for Market Risks of Banks Applying Risk Measurement Models	
(VIII) Total Capital Requirement to be Employed for Market Risk (I+II+III+IV+V+VI)	68,936
(IX) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x VII)	861,700

b. Table of the average market risk related to the market risk calculated at the end of month during the period:

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	216,165	279,095	14,230	199,230	231,608	178,325
Common Stock Risk	25,298	58,959	6	46,430	57,572	38,243
Currency Risk	35,854	62,011	15,835	54,436	96,736	24,673
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	6,282	14,064	1,937	4,976	16,419	750
Total Amount Subject to Risk	3,544,994	4,729,988	552,313	3,813,402	4,296,014	3,393,125

(*) The above information on the current period market risk covers the period between 1 January 2006 – 31 December 2006; only the values for November and December 2006 have been calculated within the framework of "Standard Method for Market Risk Measurement of Banks" dated November 1, 2006.

IV. EXPLANATIONS RELATED TO CURRENCY RISK

The currency risk for the Bank is determined by the difference between the Bank's foreign currencies denominated or FC indexed assets and the Bank's foreign currency liabilities. On the other hand, the fluctuations in parities of different foreign currencies are another dimension of the currency risk.

The currency risk, which is a part of the Bank's risk policies, is managed by the internal currency risk limits established. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to make decisions and the decisions are applied strictly for hedging from exchange rate and parity risks, within the limits of "Net FC Overall Position/Shareholders' Equity" ratio, which is a part of the legal requirement.

In measuring currency risk, both the Standard Method and the Value at Risk Methods (VAR) are used as in legally required reports. Measurements made within the scope of the Standard Method are carried out on a weekly basis and consists the basis of determining the capital requirement for hedging from currency risk.

Risk measurements made within the context of the Value at Risk Method (VAR) are made on a daily basis using the historical simulation method. Furthermore, scenario analyses are conducted to support the calculations made within the VAR context. The results of the measurements made on currency risk are reported to the Bank's Top Management and the risk is closely monitored by taking into account the market and the economic conditions.

Foreign exchange buying rates of the Bank at the date of the balance sheet and for the previous 5 working days:

Date	USD	EURO	YEN
29.12.2006	1.3950	1.8379	0.0117
28.12.2006	1.3900	1.8279	0.0117
27.12.2006	1.4049	1.8439	0.0118
26.12.2006	1.4050	1.8462	0.0118
25.12.2006	1.4040	1.8428	0.0118
22.12.2006	1.4060	1.8503	0.0118

The Bank's average FC buying rate over a period of thirty days preceding the date of the financial statement:

USD: 1.4116 TRY

EURO : 1.8640 TRY

YEN : 0.0120 TRY

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Information on currency risk:

	EURO	USD	Yen	Other FC	Total
Current Period					
Assets					
Cash (Cash in TRY, Foreign Currency, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	2,475,762	56,752	207	8,255	2,540,976
Due from Banks and Other Financial Institutions	943,852	4,605,431	2,027	834,651	6,385,961
Financial Assets at Fair Value through Profit/Loss	2,941	36,418	0	5,567	44,926
Interbank Money Market Placements	0	0	0	0	0
Financial Assets Available for Sale	2,372,442	9,495,876	0	0	11,868,318
Loans (1)	2,446,196	5,881,291	1,527	53,042	8,382,056
Investments in Associates, Subsidiaries and Joint-Ventures	45,493	0	0	0	45,493
Investment Securities Held to Maturity	0	0	0	0	0
Derivative Financial Assets Held for Hedging	0	0	0	0	0
Tangible Assets	0	81	0	201	282
Intangible Assets	0	0	0	0	0
Other Assets	320	4,194	82	481	5,077
Total Assets	8,287,006	20,080,043	3,843	902,197	29,273,089
Liabilities					
Banks Deposits	101,796	742,240	7	32,592	876,635
Foreign Currency Deposits	6,609,573	9,764,559	11,170	849,226	17,234,528
Interbank Funds	1,331,921	2,067,246	0	0	3,399,167
Funds Provided from Other Financial Institutions	20,397	7,548,627	525	8,225	7,577,774
Marketable Securities Issued	0	0	0	0	0
Sundry Creditors	27,035	91,583	545	4,874	124,037
Derivative Financial Liabilities Held for Hedging	0	0	0	0	0
Other Liabilities	66,776	206,584	1,908	5,880	281,148
Total Liabilities	8,157,498	20,420,839	14,155	900,797	29,493,289
Net Balance Sheet Position	129,508	-340,796	-10,312	1,400	-220,200
Net Off Balance Sheet Position	-343,866	41,978	0	28,018	-273,870
Financial Derivative Assets	974,756	1,717,987	0	40,309	2,733,052
Financial Derivative Liabilities	1,318,622	1,676,009	0	12,291	3,006,922
Non-Cash Loans	1,306,026	3,308,908	56,668	66,868	4,738,470
Prior Period					
Total Assets	7,219,414	16,199,070	2,435	205,355	23,626,274
Total Liabilities	8,067,321	15,139,923	12,483	745,127	23,964,854
Net Balance Sheet Position	-847,907	1,059,147	-10,048	-539,772	-338,580
Net Off Balance Sheet Position	1,024,958	-1,198,075	7,915	560,834	395,632
Derivative Assets	1,805,359	2,940,741	9,412	568,121	5,323,633
Derivative Liabilities	780,401	4,138,816	1,497	7,287	4,928,001
Non-Cash Loans	1,116,352	3,303,862	88,230	70,957	4,579,401

(1) Includes foreign currency indexed assets, which are followed under TRY accounts.

V. EXPLANATIONS RELATED TO INTEREST RATE RISK

Interest rate risk is defined as the increases or decreases that can arise in the value of interest sensitive assets and liabilities of the bank as a result of interest rate fluctuations. Measurement of interest rate risk is conducted through the Value at Risk Method along with the Standard Method. These measurements are supported with "interval analyses" to determine the direction of changes that may occur in the Bank's income and expenses as a result of interest rate risk.

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The measurement of interest rate risks resulting from securities held for trading, securities available for sale and off-balance sheet positions is conducted in the context of the Standard Method used in legal reporting and forms the basis for determining the capital required for interest rate risk. VAR calculations carried out on a daily basis forecast the changes in the positions mentioned from fluctuations in the interest rates. These forecasts are further supported by various scenario analyses. The results of interest rate risk measurements are regularly reported to the Bank's top management.

The possible effects of interest rate risk on the Bank's assets and liabilities, market developments, the general economic environment and expectations are regularly assessed in meetings of the Assets/Liabilities Committee, and precautionary measures are taken to reduce risk when required.

Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods)

End of Current Period (31.12.2006)	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Longer	Non-interest Bearing	Total
Assets							
Cash (Cash in TRY, Foreign Currency, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	5,134,958	0	0	0	0	461,148	5,596,106
Due from Banks and Other Financial Institutions	4,231,092	69,736	304,110	1,708,906	2,104	137,715	6,453,663
Financial Assets at Fair Value through Profit/Loss	3,210	7,396	104,816	100,899	121,906	615	338,842
Interbank Money Market Placements	0	0	0	0	0	0	0
Financial Assets Available-for-Sale	5,695,006	8,166,259	8,732,438	2,158,403	1,144,090	123,549	26,019,745
Loans	5,248,304	6,465,691	3,261,453	3,203,046	11,639,822	0	29,818,316
Investment Securities Held-to-Maturity	0	0	0	0	0	0	0
Other Assets	117,511	12,054	468	0	35,049	6,813,004	6,978,086
Total Assets	20,430,081	14,721,136	12,403,285	7,171,254	12,942,971	7,536,031	75,204,758
Liabilities							
Banks Deposits	2,059,405	91,038	16,540	2,798	0	12,287	2,182,068
Other Deposits	30,979,026	7,161,264	1,416,218	1,691,209	73,287	2,896,283	44,217,287
Interbank Funds Borrowed	3,459,396	1,205,255	699,602	0	0	0	5,364,253
Sundry Creditors	0	0	0	0	0	1,157,301	1,157,301
Marketable Securities Issued	0	0	0	0	0	0	0
Funds Provided from Other Financial Institutions	1,658,102	5,259,691	714,998	1,441,528	1,455,636	0	10,529,955
Other Liabilities	4,685	6,746	11,699	17,084	32,097	11,681,583	11,753,894
Total Liabilities	38,160,614	13,723,994	2,859,057	3,152,619	1,561,020	15,747,454	75,204,758
Balance Sheet Long Position	0	997,142	9,544,228	4,018,635	11,381,951	0	25,941,956
Balance Sheet Short Position	-17,730,533	0	0	0	0	-8,211,423	-25,941,956
Off Balance Sheet Long Position	0	0	0	0	0	0	0
Off Balance Sheet Short Position	0	0	0	0	0	0	0
Total Position	-17,730,533	997,142	9,544,228	4,018,635	11,381,951	-8,211,423	0

(1) Shareholders' equity is shown in non-interest bearing column.

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Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods)

End of Prior Period (31.12.2005)	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Longer	Non-interest Bearing	Total
Assets							
Cash (Cash in TRY, Foreign Currency, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	5,985,365	0	0	0	0	293,277	6,278,642
Due from Banks and Other Financial Institutions	3,090,248	831	191	1,260	831,117	129,057	4,052,704
Financial Assets at Fair Value through Profit/Loss	25,505	24,699	169,094	693,253	104,004	204	1,016,759
Interbank Money Market Placements	1,777,642	0	0	0	0	0	1,777,642
Financial Assets Available-for-Sale	758,400	7,626,465	1,788,131	1,177,513	9,198,483	493,337	21,042,329
Loans	5,190,844	2,716,584	3,167,085	1,811,748	8,972,341	0	21,858,602
Investment Securities Held-to-Maturity	0	0	318,926	0	0	0	318,926
Other Assets	69,014	8,814	562	0	337,465	6,993,331	7,409,186
Total Assets	16,897,018	10,377,393	5,443,989	3,683,774	19,443,410	7,909,206	63,754,790
Liabilities							
Banks Deposits	2,297,485	165,508	2,181	0	0	19,325	2,484,499
Other Deposits	23,068,616	7,091,675	1,330,384	1,132,924	69,271	2,044,454	34,737,324
Interbank Funds Borrowed	4,709,584	848	231,072	137,468	614,223	0	5,693,195
Sundry Creditors	244,356	0	1,063	0	133,950	488,033	867,402
Marketable Securities Issued	0	0	0	0	0	0	0
Funds Provided from Other Financial Institutions	329,962	3,121,696	1,041,804	2,024,625	1,786,262	0	8,304,349
Other Liabilities	42,493	934,384	47,205	21,715	29,605	10,592,619	11,668,021
Total Liabilities	30,692,496	11,314,111	2,653,709	3,316,732	2,633,311	13,144,431	63,754,790
Balance Sheet Long Position	0	0	2,790,280	367,042	16,810,099	0	19,967,421
Balance Sheet Short Position	-13,795,478	-936,718	0	0	0	-5,235,225	-19,967,421
Off Balance Sheet Long Position	0	0	0	0	0	0	0
Off Balance Sheet Short Position	0	-2,775	0	0	0	0	-2,775
Total Position	-13,795,478	-939,493	2,790,280	367,042	16,810,099	-5,235,225	-2,775

(1) Shareholders' equity is shown in non-interest bearing column.

Average interest rates applied to monetary financial instruments:

End of Current Period (31.12.2006)	EURO %	USD %	Yen %	TRY %
Assets				
Cash (Cash in TRY, Foreign Currency, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1.73	2.52	-	13.12
Due from Banks and Other Financial Institutions	3.40	5.20	0.23	14.97
Financial Assets at Fair Value through Profit/Loss	2.97	4.61	-	21.10
Interbank Placements	-	-	-	-
Financial Assets Available for Sale	6.62	8.20	-	18.16
Loans	5.38	7.17	2.88	21.12
Investment Securities Held to Maturity	-	-	-	-
Liabilities				
Banks Deposits	2.62	5.32	-	18.44
Other Deposits	2.15	3.74	0.02	16.11
Interbank Funds	3.28	5.50	-	17.43
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided from Other Financial Institutions	4.94	5.76	2.04	14.78

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End of Prior Period (31.12.2005)	EURO %	USD %	Yen %	TRY %
Assets				
Cash (Cash in TRY. Foreign Currency. Money in Transit. Cheques Purchased) and Balances with the Central Bank of Turkey	1.14	2.03	-	10.25
Due from Banks and Other Financial Institutions	2.27	4.10	-	12.04
Financial Assets at Fair Value through Profit/Loss	1.98	4.80	-	16.27
Interbank Placements	-	-	-	14.09
Investment Securities Available for Sale	7.74	7.74	-	17.50
Loans	4.89	6.75	2.10	21.96
Investment Securities Held to Maturity	-	7.51	-	-
Liabilities				
Banks Deposits	2.71	4.46	-	14.68
Other Deposits	1.85	2.58	0.01	12.73
Interbank Funds	2.46	4.27	-	13.15
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided from Other Financial Institutions	2.77	4.96	1.35	13.39

VI. EXPLANATIONS RELATED TO LIQUIDITY RISK

Liquidity risk can arise as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds with longer terms.

The Bank's principal source of funding is the deposits. While the average maturity of deposits are shorter than the maturity of our assets in line with current market conditions, the Bank's wide network of branches and steady residual deposit base are its most important safeguards for fund providing. On the other hand medium and long-term funds may be acquired abroad in the form of loans from foreign institutions.

In order to meet the liquidity requirements that may emerge from market fluctuations great care is taken to hold liquid values, efforts in this framework are supported by projections of TRY and FC cash flows. The term structure of TRY and FC deposits, their cost and movements in the total amounts are monitored on a daily basis, also taking into account developments in prior periods and expectations for the future. Furthermore, foreign currency and total liquidity adequacy ratio, which is subject to weekly legal reporting since November 2006 and calculated separately for 7 and 31 days following the reporting date, is also used as an indicator to monitor liquidity. Precautions are used to meet liquidity requirements by differentiating pricing at different maturity levels based on cash flow projections; furthermore liquidity that may be required in extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilization.

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PART FOUR: INFORMATION ABOUT THE FINANCIAL STRUCTURE

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Longer	Undistributed (1)	Total
Current Period (31.12.2006)								
Assets								
Cash (Cash in TRY, Foreign Currency, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	5,596,106	0	0	0	0	0	0	5,596,106
Due from Banks and Other Financial Institutions	268,204	4,229,916	11,421	304,109	419,716	1,220,297	0	6,453,663
Financial Assets at Fair Value through Profit/Loss	615	3,111	5,641	94,134	100,907	134,434	0	338,842
Interbank Money Market Placements	0	0	0	0	0	0	0	0
Financial Assets Available-for-Sale	123,548	0	874,322	4,727,148	2,562,685	17,732,042	0	26,019,745
Loans	0	4,421,546	2,841,344	2,683,669	3,916,716	15,955,041	0	29,818,316
Investment Securities Held-to-Maturity	0	0	0	0	0	0	0	0
Other Assets	0	117,511	12,054	468	0	35,049	6,813,004	6,978,086
Total Assets	5,988,473	8,772,084	3,744,782	7,809,528	7,000,024	35,076,863	6,813,004	75,204,758
Liabilities								
Banks Deposits	117,369	1,954,323	91,038	16,540	2,798	0	0	2,182,068
Other Deposits	7,574,434	26,300,875	7,161,264	1,416,218	1,691,209	73,287	0	44,217,287
Funds Provided from Other Financial Institutions	0	322,112	775,860	1,510,913	2,780,236	5,140,834	0	10,529,955
Interbank Funds Borrowed	0	3,463,683	1,200,968	699,602	0	0	0	5,364,253
Marketable Securities Issued	0	0	0	0	0	0	0	0
Sundry Creditors	714,282	427,140	0	2,907	0	12,972	0	1,157,301
Other Liabilities	0	365,761	14,905	16,201	22,129	32,152	11,302,746	11,753,894
Total Liabilities	8,406,085	32,833,894	9,244,035	3,662,381	4,496,372	5,259,245	11,302,746	75,204,758
Liquidity Gap	-2,417,612	-24,061,810	-5,499,253	4,147,147	2,503,652	29,817,618	-4,489,742	0
Prior Period (31.12.2005)								
Total Assets	6,990,879	8,788,406	2,733,797	2,627,140	5,805,035	29,834,577	6,974,956	63,754,790
Total Liabilities	7,277,865	26,286,612	7,811,970	2,137,039	4,212,719	4,812,501	11,216,084	63,754,790
Liquidity Gap	-286,986	-17,498,206	-5,078,173	490,101	1,592,316	25,022,076	-4,241,128	0

(1) Asset items, such as Fixed Assets, Subsidiaries and Associates, Office Supply Inventory, Prepaid Expenses and Non-Performing Loans, which are required for banking operations and which can not be converted to cash in short-term, and other liabilities such as Provisions which do not have payable characteristic and shareholders' equity, are shown in 'Undistributed' column.

VII. EXPLANATIONS RELATED TO THE PRESENTATION OF ASSETS AND LIABILITIES WITH THEIR FAIR VALUES

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	62,291,724	49,050,203	62,291,724	49,050,203
Money Markets Placements	0	1,777,642	0	1,777,642
Due from Banks and Other Financial Institutions	6,453,663	4,052,704	6,453,663	4,052,704
Investment Securities Available for Sale	26,019,745	21,042,329	26,019,745	21,042,329
Investment Securities Held to Maturity	0	318,926	0	318,926
Loans	29,818,316	21,858,602	29,818,316	21,858,602
Financial Liabilities	58,086,651	46,393,574	58,086,651	46,393,574
Banks Deposits	2,182,068	2,484,499	2,182,068	2,484,499
Other Deposits	44,217,287	34,737,324	44,217,287	34,737,324
Funds Provided from Other Financial Institutions	10,529,955	8,304,349	10,529,955	8,304,349
Marketable Securities Issued	0	0	0	0
Sundry Creditors	1,157,301	867,402	1,157,301	867,402

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The fair value of assets held to maturity is determined by market prices; or if market price cannot be determined the quoted market prices of other securities subject to redemption with similar interest, maturity and redemption terms are taken as the basis of for determination of fair value.

Market prices are taken into account in determining the fair values of the securities available-for-sale; if the price fails to realize in active market conditions, it is accepted that the fair value is not determined reliably and the discounted value, calculated by using the internal rate of return method, is taken into account as the fair value.

The discounted values of bank loans and receivables, which are calculated by using the internal rate of return method, are accepted as fair value.

The estimated fair value of demand deposits represents the amount to be paid when called; the discounted values of time deposits and other liabilities, which were calculated by the internal rate of return method, reflect their fair values.

The total fair value of securities issued is calculated based on quoted market prices. When the market price is not available, a discounted cash flow model based on current yield for the remaining term is used.

VIII. EXPLANATIONS RELATED TO THE TRANSACTIONS MADE ON BEHALF OF OTHERS, TRANSACTIONS BASED ON TRUST

1. Transactions in connection with the trading of government bonds and repo intermediation are being carried out on the ISE (Istanbul Stock Exchange) Bond Market in the name and on the account of certain participations and customers with a portfolio above a certain size. Furthermore, all securities in customer portfolios are kept under custody. Due to the Capital Market Law, the Bank is not able to provide management and consultancy services in connection with transactions on capital markets.

2. There are no transactions carried out by the Bank based on trust.

PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES TO ASSETS

1. Cash and Central Bank of Turkey:

a. Information on Cash and Central Bank of Turkey:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	340,948	120,200	193,653	99,211
Central Bank of Turkey	2,714,182	2,415,620	3,399,482	2,585,883
Other	0	5,156	0	413
Total	3,055,130	2,540,976	3,593,135	2,685,507

b. Information on Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Unrestricted Demand Deposit	2,714,182	659,535	3,399,482	1,299,032
Unrestricted Time Deposit	0	0	0	0
Restricted Time Deposit	0	0	0	0
Other (*)	0	1,756,085	0	1,286,851
Total	2,714,182	2,415,620	3,399,482	2,585,883

(*) The amount of reserve deposits held at the Central Bank of Turkey regarding the foreign currency liabilities

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2. Information on Financial Assets at Fair Value Through Profit and Loss:

a. Financial assets at fair value through profit and loss, which are given as collateral or blocked: There are no financial assets at fair value through profit and loss, which are given as collateral.

b. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government Bonds	237,047	0	333,149	0
Treasury Bills	0	0	452,797	0
Other Government Debt Securities	0	0	0	0
Bank Bonds and Bank Guaranteed Bonds	0	0	0	0
Asset Backed Securities	0	0	0	0
Other	0	0	0	0
Total	237,047	0	785,946	0

c. Positive differences related to derivative financial instruments held for trading:

Derivative Financial Instruments Held for Trading	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	38,566	161	1,318	1,521
Swap Transactions	0	326	0	8,690
Futures	0	0	8	0
Options	97	0	0	0
Other	0	0	0	0
Total	38,663	487	1,326	10,211

3. Banks and Other Financial Institutions:

a. Information on banks and other institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic Banks	16,767	18,398	6	0
Foreign Banks	50,935	6,367,563	49,442	4,003,256
Headoffice and Branches Abroad	0	0	0	0
Other Financial Institutions	0	0	0	0
Total	67,702	6,385,961	49,448	4,003,256

b. Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	4,460,084	1,362,357	0	13,020
USA, Canada	1,324,537	2,517,891	0	0
OECD Countries*	502,058	29,614	0	0
Off-shore Banking Regions	0	0	0	0
Other	131,818	115,625	0	0
Interest Income Accruals of Prior Period (**)		14,191		
Total	6,418,497	4,039,678	0	13,020

(*) OECD countries other than European Union countries, USA, and Canada.

(**) TRY 14,191 interest and income accruals from the prior period is related to the total of unrestricted and restricted amounts and is shown together on the table.

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4. Information on Financial Assets Available-for-Sale:

a. Information on financial assets available-for-sale, which are given as collateral or blocked:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Share Certificates	0	0	0	0
Bond, T-Bill and similar investment securities	835,587	1,390,545	1,451,338	1,640,973
Other	0	0	0	0
Total	835,587	1,390,545	1,451,338	1,640,973

b. Information on financial assets available-for-sale, which are subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government Bonds	1,825,447	3,069,332	3,601,295	1,541,908
Treasury Bills	0	0	0	0
Other Debt Securities	0	0	0	0
Bank Bonds and Bank Guaranteed Bonds	0	0	0	0
Asset Backed Securities	0	0	0	0
Other	0	710,507	0	138,193
Total	1,825,447	3,779,839	3,601,295	1,680,101

c. Information on financial assets available-for-sale:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Debt Securities	26,138,181		20,604,825	
Quoted in a Stock Exchange	15,941,015		14,343,264	
Not quoted (*)	10,197,166		6,261,561	
Share Certificates	13,441		13,683	
Quoted in a Stock Exchange	0		0	
Not quoted	13,441		13,683	
Impairment Provision (-)	241,984		55,833	
Other	110,107		479,654	
Total	26,019,745		21,042,329	

(*) Indicates debt securities, not listed on the stock exchange, and debt securities that have not been traded at the end of related periods despite being listed on the stock exchange.

5. Information related to loans:

a. Information on all types of loans and advances given to shareholders and employees of the bank:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	0	0	0	0
Corporate Shareholders	0	0	0	0
Real Person Shareholders	0	0	0	0
Indirect Loans Granted to Shareholders	0	0	0	0
Loans Granted to Employees (*)	187,859	0	147,066	0
Total	187,859	0	147,066	0

(*) Interest and income accruals related to loans granted to employees are not shown on the table.

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b. Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Cash Loans				
Non Specialized Loans	29,417,982	0	119,910	280,424
Discount Notes	2,035	0	0	0
Export Loans	2,071,069	0	34,394	0
Import Loans	3,253	0	0	0
Loans Given to Financial Sector	431,741	0	0	0
International Loans	549,492	0	0	0
Consumer Loans	6,190,294	0	61	0
Credit Cards	2,695,554	0	436	0
Precious Metals Loans	2,404	0	0	0
Other	16,258,018	0	85,019	280,424
Interest and Income Accruals on Loans (*)	1,214,122			
Specialized Loans	0	0	0	0
Other Receivables	9,765,711	0	0	0
Total	39,183,693	0	119,910	280,424

(*) TRY 1,214,122 interest and income accruals are related to the standard loans and loans under close monitoring and they shown in total on the table.

c. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-Term Loans and Other Receivables (*)	10,499,235	0	47,305	0
Non-Specialized Loans	10,499,235	0	47,305	0
Specialized Loans	0	0	0	0
Other Receivables	0	0	0	0
Medium and Long-Term Loans and Other Receivables (*)	17,704,625	0	72,605	280,424
Non-Specialized Loans	17,704,625	0	72,605	280,424
Specialized Loans	0	0	0	0
Other Receivables	0	0	0	0
Interest and Income Accruals on Loans (*)	1,214,122			

(*) TRY 1,214,122 interest and income accruals are related to the short, medium and long-term standard loans and loans under close monitoring and they are shown in total on the table.

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d. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Consumer Loans-TRY	552,953	5,162,449	384,803	6,100,205
Housing Loans	8,848	2,591,869	238,166	2,838,883
Car Loans	30,056	983,074	80,670	1,093,800
General Purpose Consumer Loans	513,730	1,586,259	65,882	2,165,871
Other Consumer Loans	319	1,247	85	1,651
Consumer Loans – FC Indexed	1,356	106,693	17,589	125,638
Housing Loans	699	95,169	15,632	111,500
Car Loans	657	11,519	1,956	14,132
General Purpose Consumer Loans	0	5	1	6
Other Consumer Loans Indexed to FC	0	0	0	0
Consumer Loans – FC	0	0	0	0
Housing Loans	0	0	0	0
Car Loans	0	0	0	0
General Purpose Consumer Loans	0	0	0	0
Other FC Consumer Loans	0	0	0	0
Retail Credit Cards-TRY	2,511,492	0	29,772	2,541,264
Installment Based	842,548	0	0	842,548
Other Credit Cards	1,668,944	0	29,772	1,698,716
Retail Credit Cards-FC	0	0	0	0
Installment Based	0	0	0	0
Other Credit Cards	0	0	0	0
Personnel Loans-TRY	24,843	104,955	5,451	135,249
Housing Loans	142	34,707	2,739	37,588
Car Loans	184	9,196	767	10,147
General Purpose Consumer Loans	24,511	61,022	1,943	87,476
Other Consumer Loans	6	30	2	38
Personnel Loans- FC Indexed	0	826	18	844
Housing Loans	0	750	5	755
Car Loans	0	0	0	0
General Purpose Consumer Loans	0	76	13	89
Other Consumer Loans	0	0	0	0
Personnel Loans-FC	0	0	0	0
Housing Loans	0	0	0	0
Car Loans	0	0	0	0
General Purpose Consumer Loans	0	0	0	0
Other Consumer Loans	0	0	0	0
Personnel Credit Cards-TRY	46,442	0	127	46,569
Installment Based	16,025	0	0	16,025
Other Credit Cards	30,417	0	127	30,544
Personnel Credit Cards-FC	0	0	0	0
Installment Based	0	0	0	0
Other Credit Cards	0	0	0	0
Overdraft Accounts – TRY (real persons)	236,280	0	-(*)	236,280
Overdraft Accounts – FC (real persons)	0	0	0	0
Total	3,373,366	5,374,923	437,760	9,186,049

(*) Interest and income accruals of this account are not included in this table.

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e. Installment based commercial loans and corporate credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Installment Based Commercial Loans-TRY	574,559	6,035,747	489,956	7,100,262
Housing Loans	2,182	354,939	18,858	375,979
Car Loans	108,630	2,090,439	169,204	2,368,273
General Purpose Commercial Loans	403,004	3,155,675	217,320	3,775,999
Other Commercial Loans	60,743	434,694	84,574	580,011
Installment Based Commercial Loans- FC Indexed	14,669	194,804	25,288	234,761
Housing Loans	0	33,654	4,623	38,277
Car Loans	8,564	123,299	17,189	149,052
General Purpose Commercial Loans	6,105	37,851	3,476	47,432
Other Commercial Loans	0	0	0	0
Installment Based Commercial Loans-FC	0	0	0	0
Housing Loans	0	0	0	0
Car Loans	0	0	0	0
General Purpose Commercial Loans	0	0	0	0
Other Commercial Loans	0	0	0	0
Corporate Credit Cards-TRY	138,056	0	166	138,222
Installment Based	0	0	0	0
Other Credit Cards	138,056	0	166	138,222
Corporate Credit Cards-FC	0	0	0	0
Installment Based	0	0	0	0
Other Credit Cards	0	0	0	0
Overdraft Accounts – TRY (corporate)	576,057	0	(*)	576,057
Overdraft Accounts – FC (corporate)	0	0	0	0
Total	1,303,341	6,230,551	515,410	8,049,302

(*) Interest and income accruals of this account are not included in this table.

f. Loan customers:

	Current Period	Prior Period
Public Sector	1,156,928	1,050,640
Private Sector	28,661,388	19,699,215
Interest Income Accruals from the Prior Period		1,108,747
Total	29,818,316	21,858,602

g. Foreign and domestic loans:

	Current Period	Prior Period
Domestic Loans	28,054,702	20,361,097
Foreign Loans	549,492	388,758
Interest Income Accruals	1,214,122	1,108,747
Total	29,818,316	21,858,602

h. Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	283,139	349,994
Indirect Loans Granted to Subsidiaries and Associates	0	0
Total	283,139	349,994

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i. Specific provisions provided against loans:

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	117,524	40,642
Loans and Receivables with Doubtful Collectibility	156,695	115,327
Uncollectible Loans and Receivables	889,996	897,466
Total	1,164,215	1,053,435

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

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

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Receivables
Current Period			
(Gross amounts before the specific provisions)	3,770	12,490	369,625
Loans and Other Receivables which are Restructured	0	0	184,516
Rescheduled Loans and Other Receivables	3,770	12,490	185,109
Prior Period			
(Gross amounts before the specific reserves)	222	3,231	386,472
Loans and Other Receivables which are Restructured	0	0	61,706
Rescheduled Loans and Other Receivables	222	3,231	324,766

j.2. The changes in total non-performing loans:

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Receivables
Prior Period End Balance	40,642	115,327	897,466
Additions (+)	458,652	9,765	85,025
Transfers from Other Categories of Loans Under Follow-Up (+)	0	290,496	191,227
Transfers to Other Categories of Loans Under Follow-Up (-)	290,496	191,226	0
Collections (-)	90,947	67,209	255,214
Write-Offs (-)	327	458	28,508
Current Period End Balance	117,524	156,695	889,996
Specific Provisions (-)	117,524	156,695	889,996
Net Balance on Balance Sheet	0	0	0

j.3. Information on foreign currency loans and other receivables under follow-up:

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Receivables
Current Period:			
Period End Balance	0	1,037	1,931
Specific Provisions (-)	0	1,037	1,931
Net Balance on Balance Sheet	0	0	0
Prior Period:			
Period End Balance	0	0	1,947
Specific Provisions (-)	0	0	1,947
Net Balance on Balance Sheet	0	0	0

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k. Main features of liquidation policy on uncollectible loans and other receivables:

In order to ensure liquidation of non-performing loans, all possible alternatives within the existing legislation are evaluated in a way that repayments are maximized. First, administrative initiatives are taken to reach an agreement with the borrower; in case the negotiations for collection, liquidation or restructuring of receivables fail, legal action is taken for collection.

6. Investment Securities Held-to-Maturity:

a. Investment securities held-to-maturity, which are given as collateral or blocked or subject to repurchase agreements:

There are no investment securities held-to-maturity, which have been given as collateral or blocked or subject to repurchase agreements, in the current and the prior period.

b. Information on government securities held-to-maturity:

	Current Period	Prior Period
Government Bonds	0	318,926
Treasury Bills	0	0
Other Debt Securities	0	0
Total	0	318,926

c. Information on investments held-to-maturity:

	Current Period	Prior Period
Debt Securities	0	318,926
Quoted in a Stock Exchange	0	0
Not Quoted	0	318,926
Impairment Provision (-)	0	0
Total	0	318,926

d. Changes in investments held-to-maturity during the year:

	Current Period	Prior Period
Beginning Balance	318,926	326,550
Foreign Currency Differences on Monetary Assets	0	0
Purchases During the Year	0	0
Disposals through Sales and Redemption	318,926	0
Impairment Provision (-)	0	0
The Impact of the Dividend Coupon Income on Cost	0	-7,624
Balance at the end of the Period	0	318,926

7. Information on associates (Net):

a. General information on associates:

Seq. No.	Description	Address (City/Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	20.00	20.00
2-	Avea İletişim Hizmetleri A.Ş.	İstanbul/TURKEY	14.03	18.87
3-	Çelikord A.Ş.	İstanbul/TURKEY	48.00	49.00
4-	Türk Pirelli Lastikleri A.Ş.	İstanbul/TURKEY	25.75	25.75

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b. Information on financial statements of associates in the above order:

Seq. No.	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income From Marketable Securities Portfolio	Current Period Profit/Loss (31.12.2005)	Prior Period Profit/Loss (31.12.2004)	Fair Value
1-	361,197	76,509	23,836	24,948 (1)	3,727	4,455	6,025	0
2-	11,582,233	10,279,387	10,632,852	28,092	0	-783,076	-804,147	0
3-	78,584	45,979	31,357	2,670	0	2,812	3,161	0
4-	328,222	216,166	91,551	10,066	0	8,558	4,948	0

(1) Interest Income of TRY 24,948 thousand, includes Interest Income on Securities in value of TRY 15,175 thousand.

c. Information on associates (movement table):

	Current Period	Prior Period
Beginning balance	825,888	1,593,737
Movements during the period		
Purchases (*)	0	27,506
Non-paid-up shares acquired	0	1,256
Dividends received from the current year profit	0	0
Sales	-4,507	-492,940
Revaluation Surplus (**)	0	-144,670
Impairment provision	-36,252	-159,001
Balance at the end of the period	785,129	825,888
Capital commitments	0	0
Share percentage at the end of the period (%)	0	0

(*) Also includes the amount of transactions related to cash capital increases.

(**) The relevant amount is the cancellation of the increases in the market value of the quoted associates that have been sold.

d. Sectoral information on financial associates and the related carrying amounts:

Associates	Current Period	Prior Period
Banks	48,895	48,895
Insurance Companies	0	0
Factoring Companies	0	0
Leasing Companies	0	0
Finance Companies	0	0
Other Financial Associates	0	0

e. Associates quoted to a stock exchange: None.

f. Associates sold in the current period:

- 8.70% share in the capital of Vadeli İşlemler Eğitim Danışmanlık A.Ş. (in Liquidation) with a nominal value of TRY 60, was sold at TRY 6.4 in cash,
- 29.34% share in the capital of Etitaş Elektrik Teçhizatı İmalatı Tesisatı A.Ş. (in Liquidation) with a nominal value of TRY 410.7, was sold for free,
- 1.80% share in the capital of İş-Koray Turizm Ormançılık Madencilik İnşaat Taahhüt ve Tic. A.Ş. with a nominal value of TRY 749.5 was sold at USD 367 thousand in cash to Mipaş Mümessillik İthalat İhracat ve Pazarlama A.Ş., a subsidiary of the Bank.

g. Associates purchased in the current period: None.

TÜRKİYE İŞ BANKASI A.Ş.**PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS****8. Information on subsidiaries (Net):****a. General information on subsidiaries:**

Seq. No.	Description	Address (City/Country)	Bank's Share Percentage -If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Anadolu Anonim Türk Sigorta Şirketi	İstanbul/TURKEY	35.53	57.31
2-	Anadolu Hayat Emeklilik A.Ş.	İstanbul/TURKEY	62.00	83.00
3-	Anadolu Turizm İnşaat ve Ticaret A.Ş.	İstanbul/TURKEY	99.96	100.00
4-	Antgıda Gıda Tarım Turizm Enerji ve Demir Çelik Sanayi Ticaret A.Ş.	İzmir/TURKEY	99.89	99.99
5-	Asmaş Ağır Sanayi Makinaları A.Ş.	İzmir/TURKEY	97.53	99.95
6-	Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	Ankara/TURKEY	68.13	78.08
7-	Cam Pazarlama A.Ş.	İstanbul/TURKEY	0.33	100.00
8-	Camiş Madencilik A.Ş.	İstanbul/TURKEY	78.46	100.00
9-	Camiş Yatırım Holding A.Ş.	İstanbul/TURKEY	99.97	100.00
10-	Çayırova Cam Sanayii A.Ş.	Kocaeli/TURKEY	31.57	100.00
11-	İş Dublin Financial Services Plc	Dublin/IRELAND	99.995	100.00
12-	İş Finansal Kiralama A.Ş.	İstanbul/TURKEY	27.79	58.27
13-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	42.23	58.55
14-	İş Merkezleri Yönetim ve İşletim A.Ş.	İstanbul/TURKEY	86.33	100.00
15-	İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	İstanbul/TURKEY	95.00	100.00
16-	İş Portföy Yönetimi A.Ş.	İstanbul/TURKEY	50.00	100.00
17-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	92.00	100.00
18-	İşbank GmbH	Frankfurt-Main/GERMANY	100.00	100.00
19-	Kültür Yayınları İş-Türk Limited Şirketi	İstanbul/TURKEY	99.17	100.00
20-	Milli Reasürans T.A.Ş.	İstanbul/TURKEY	76.64	77.05
21-	Mipaş Mümessillik İthalat İhracat ve Pazarlama A.Ş.	İstanbul/TURKEY	99.98	100.00
22-	Nemtaş Nemrut Liman İşletmeleri A.Ş.	İzmir/TURKEY	99.81	100.00
23-	Trakya Yatırım Holding A.Ş.	İstanbul/TURKEY	65.34	100.00
24-	Türkiye Sınai Kalkınma Bankası A.Ş.	İstanbul/TURKEY	40.52	50.10
25-	Türkiye Şişe ve Cam Fabrikaları A.Ş.	İstanbul/TURKEY	66.11	70.32

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b. Financial statement information related to subsidiaries in the above order:

Seq. No.	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss (31.12.2005)	Prior Period Profit/Loss (31.12.2004)	Fair Value
1-	1,121,957(3)	465,148(3)	25,926(3)	51,185(1)(3)	15,704(3)	16,677(3)	40,273(4)	168,412
2-	2,163,394(3)	288,530(3)	23,124(3)	216,272(2)(3)	18,386(3)	23,838(3)	41,031(4)	529,480
3-	1,145	1,104	1,044	0	6	16	4	0
4-	44,990	40,306	5,793	0	0	-6,941	-12,069	0
5-	78,398	43,108	11,775	81	0	-3,347	803	0
6-	72,758	56,202	54,454	51	19	-5,065	-6,381	0
7-	827,842	267,564	9,392	9,230	16,680	20,426	18,292	0
8-	181,325	152,653	20,890	1,601	4,144	3,791	762	0
9-	73,692	73,312	0	974	2,992	132	1,160	0
10-	117,247	112,583	23,750	819	3,164	4,115	7,999	0
11-	16,905	12,492	0	616(5)	3,539	4,112	3,546	0
12-	888,936(3)	129,967(3)	856(3)	75,847(6)(3)	0(3)	27,128(3)	40,022(4)	71,987
13-	865,381(3)	779,516(3)	64,751(3)	844(3)	778(3)	32,478(3)	34,095(4)	404,147
14-	18,896	6,230	1,239	728	194	3,139	2,097	0
15-	22,411	17,209	5,873	115	3,301	183	628	0
16-	18,347	12,383	469	684	1,810	5,092	3,386	0
17-	372,026	110,656	2,590	5,051	61,097	26,407	15,012	0
18-	578,607	90,502	28,840	20,609(7)	0	2,822	5,634	0
19-	2,869	1,243	151	0	9	-7	473	0
20-	995,743	428,781	187,165	76,967	14,821	36,921	2,550	0
21-	24,201	24,020	988	76	141	176	707	0
22-	214,419	134,203	74,476	148	2,546	25,772	25,016	0
23-	436,021	435,882	0	0	191	131	85	0
24-	3,925,819(3)	467,710(3)	40,220(3)	221,501(3)(8)	95,882(3)	74,202(3)	100,025(4)	317,250
25-	4,859,032(3)	2,168,646(3)	2,873,995(3)	23,540(3)	7,273(3)	176,602(3)	-5,853	1,405,412

(1) Interest Income of TRY 51,185, includes Income from Marketable Securities Portfolio in value of TRY 24,565.

(2) Interest Income of TRY 216,272, includes Income from Marketable Securities Portfolio in value of TRY 142,890.

(3) Values are related to the period of 30.09.2006.

(4) Values are related to the period of 31.12.2005.

(5) Interest Income of TRY 616, includes Income from Marketable Securities Portfolio in value of TRY 446.

(6) Interest Income of TRY 75,847, includes Income on Financial Leasing in value of TRY 70,565.

(7) Interest Income of TRY 20,609, includes Income from Marketable Securities Portfolio in value of TRY 2,208.

(8) Interest Income of TRY 221,501, includes Income from Marketable Securities Portfolio in value of TRY 94,484.

c. Information on subsidiaries (movement table):

	Current Period	Prior Period
Balance at the Beginning of the Period	3,930,506	3,230,245
Movements in the Period		
Purchases (*)	61,682	75,608
Non-paid-up Shares Acquired	45,488	98,113
Dividends Received from the Current Year Profit	0	0
Sales	-20,073	-130,458
Revaluation Surplus (**)	100,282	880,062
Impairment Provisions	-208,007	-223,064
Balance at the End of the Period	3,909,878	3,930,506
Capital Commitments	0	0
Share Percentage at the End of the Period (%)	0	0

(*) Also includes the amount of transactions related to cash capital increases.

(**) The relevant amounts represent the increases and decreases in the market values of participations quoted in the stock exchange and the foreign currency differentials of foreign subsidiaries.

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

Subsidiaries	Current Period	Prior Period
Banks	362,513	447,652
Insurance Companies	938,682	865,614
Factoring Companies	0	0
Leasing Companies	71,987	98,739
Finance Companies	230	203
Other Financial Subsidiaries	506,805	507,789
Total	1,880,217	1,919,997

e. Subsidiaries quoted to stock exchange:

	Current Period	Prior Period
Quoted to domestic stock exchanges	2,896,688	2,814,916
Quoted to foreign stock exchanges	0	0
Total	2,896,688	2,814,916

f. Subsidiaries sold in the current period:

- 65.16% share in the capital of Batı Karadeniz Elektrik Dağıtım ve Ticaret A.Ş. with a nominal value of TRY 780 was sold at USD 418 thousand in cash to Mipaş Mümessillik İthalat İhracat ve Pazarlama A.Ş., a subsidiary of the Bank,
- 5.53% share in the capital of Zepa Tarımsal Hayvansal ve Sınai Ürünler Üretim ve Pazarlama A.Ş. with a nominal value of TRY 27.6 was sold at TRY 16.6 in cash to Antgıda Gıda Tarım Turizm Enerji ve Demir Çelik San. Tic. A.Ş., a subsidiary of the Bank.

g. Subsidiaries purchased in the current period: None.

9. Information on jointly controlled entities:

There are no jointly controlled entities of the Bank.

10. Information regarding financial lease receivables of the Bank (Net):

There are no financial lease receivables of the Bank.

11. Explanations on derivative financial assets for hedging:

The Bank has no derivative financial assets for hedging.

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PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

12. Information on Properties and Equipment (Net):

	Lands	Buildings	Buildings Under Construction	Vehicles	Other	Total
Cost						
Balance at the Beginning of the Period	67,884	3,262,036	31,735	11,410	716,506	4,089,571
Movements in the Period						
- Acquired	25,368	66,214	35,910	7,583	88,098	223,173
- Disposed	-14,822	-101,890	-1,464	-4,637	-28,601	-151,414
- Transferred	-2,525	16,964	-29,282	0	0	-14,843
Balance at the End of the Period	75,905	3,243,324	36,899	14,356	776,003	4,146,487
Accumulated Depreciation						
Balance at the Beginning of the Period	0	-1,867,783	0	-10,152	-449,532	-2,327,467
Movements in the Period						
- Cost of Depreciation	0	-57,488	0	-1,098	-64,588	-123,174
- Disposed	0	41,000	0	4,463	25,028	70,491
Balance at the End of the Period	0	-1,884,271	0	-6,787	-489,092	-2,380,150
Net Book value at the End of the Prior Period	67,884	1,394,253	31,735	1,258	266,974	1,762,104
Net Book Value at the End of the Period	75,905	1,359,053	36,899	7,569	286,911	1,766,337

(*) According to the valuations made by independent valuation experts, total provision for the impairment loss of fixed assets as at the balance sheet date is TRY 450,950.

(**) As at the date of the balance sheet, the book value of the Bank's tangible assets obtained by financial lease is TRY 105,048 (2005: TRY 74,843) and the entries during the period is TRY 60,420.

13. Information on Intangible Assets:

	Current Period	Prior Period
Cost		
Balance at the Beginning of the Period	2	2
Movements in the Period	16,238	0
- Acquired	16,238	0
- Disposed (-)	0	0
- Impairment	0	0
Balance at the End of the Period	16,240	2
Accumulated Depreciation		
Balance at the Beginning of the Period	1	0
Movements in the Period	911	1
- Cost of Depreciation (-)	911	1
- Disposed	0	0
- Impairment	0	0
Balance at the End of the Period	912	1
Net Book value at the End of the Prior Period	1	2
Net Book Value at the End of the Period	15,328	1

TÜRKİYE İŞ BANKASI A.Ş.**PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS****14. Information on deferred tax asset:**

The Bank has TRY 263,707 deferred tax asset as at the end of 31.12.2006. Related deferred tax asset is calculated by the temporary differences between the book value of the Bank's assets and liabilities and their taxable values calculated as per the tax regulation. In case the items comprising the temporary differences are followed under equity, the related tax asset/liability is associated with the related equity items. As at 31.12.2006, the Bank does not have any tax asset, which was calculated on period loss or tax deduction.

	Current Period	Prior Period
Deferred Tax (Asset)/Liability:		
Differences of Tax Bases for the		
Tangible Assets	15,361	19,748
Provisions (*)	(274,005)	(391,278)
Valuation of Financial Assets	(5,063)	(7,958)
Net Deferred Tax (Asset)/Liability:	(263,707)	(379,488)

(*) Comprises employee benefit liabilities, actual and technical deficits of the Pension Fund and the provisions for credit card bonus points.

15. Information on Assets Held for Sale.

	Current Period	Prior Period
Balance at the Beginning of the Period	0	0
Entries	6,841	0
Transfers	14,843	0
Disposed (-)	6,841	0
Impairment (-)	0	0
Balance at the End of the Period (Net)	14,843	0

The Bank's assets classified as assets held for sale comprises real estates. The related real estates subject to sale are announced on the Bank's website. Furthermore, announcements related to real estates to be sold, are made by using newspaper ads and similar media.

16. Information on Other Assets:

The "other assets" item of the balance sheet does not exceed 10% of total assets.

TÜRKİYE İŞ BANKASI A.Ş.

PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

II. EXPLANATIONS AND NOTES TO LIABILITIES

1. Information on Deposits:

a.1. The maturity structure of deposits (Current period):

	Demand	With						1 Year and Accumulated Over Deposits	Total
		7 Days Maturity	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year			
Savings Deposits	1,824,587	0	6,551,783	4,484,085	592,267	90,238	228,727	0	13,771,687
Foreign Currency Deposits	4,003,260	0	6,520,050	4,228,549	790,131	314,038	1,375,562	0	17,231,590
Residents in Turkey	3,860,019	0	6,075,707	4,096,699	735,208	220,391	1,185,969	0	16,173,993
Residents Abroad	143,241	0	444,343	131,850	54,923	93,647	189,593	0	1,057,597
Deposits of Public Institutions	41,203	0	48,862	72,028	8,209	0	468	0	170,770
Commercial Institutions Deposits	1,391,582	0	1,503,544	4,198,589	1,012,980	597	1,009	0	8,108,301
Other Institutions Deposits	297,425	0	932,044	2,416,842	897,457	387,661	516	0	4,931,945
Precious Metals Vault	2,994	0	0	0	0	0	0	0	2,994
Interbank Deposits	117,369	0	1,367,401	669,343	22,235	2,798	2,922	0	2,182,068
The Central Bank of Turkey	21,382	0	0	0	0	0	0	0	21,382
Domestic Banks	4,863	0	1,156,272	472,324	21,819	0	0	0	1,655,278
Foreign Banks	89,554	0	211,129	197,019	416	2,798	2,922	0	503,838
Participation Bank	1,570	0	0	0	0	0	0	0	1,570
Other	0	0	0	0	0	0	0	0	0
Total	7,678,420	0	16,923,684	16,069,436	3,323,279	795,332	1,609,204	0	46,399,355

a.2. The maturity structure of deposits (Prior period):

	Demand	With						1 Year and Accumulated Over Deposits	Total
		7 Days Maturity	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year			
Savings Deposits	1,560,094	0	4,455,620	2,923,145	724,721	104,090	177,638	0	9,945,308
Foreign Currency Deposits	3,322,496	0	5,030,395	3,728,497	850,522	194,345	879,247	0	14,005,502
Residents in Turkey	3,129,818	0	4,724,655	3,595,217	794,954	186,029	737,079	0	13,167,752
Residents Abroad	192,678	0	305,740	133,280	55,568	8,316	142,168	0	837,750
Deposits of Public Institutions	32,771	0	12,741	29,348	5,856	0	1,728	0	82,444
Commercial Deposits	1,460,246	0	1,285,325	2,461,606	1,117,810	143,584	4,527	0	6,473,098
Other Deposits	285,666	0	449,481	1,585,700	1,060,803	547,010	15,353	0	3,944,013
Precious Metals Vault Deposits	0	0	0	0	0	0	0	0	0
Interbank Deposits	97,999	0	1,466,238	710,174	185,124	0	2,046	0	2,461,581
The Central Bank of Turkey	22,309	0	0	0	0	0	0	0	22,309
Domestic Banks	4,868	0	1,268,055	276,569	101,954	0	2,000	0	1,653,446
Foreign Banks	69,464	0	198,183	33,605	83,170	0	46	0	384,468
Special Financial Institutions	1,358	0	0	400,000	0	0	0	0	401,358
Other	0	0	0	0	0	0	0	0	0
Interest and Expense Accruals									309,877
Total	6,759,272	0	12,699,800	11,438,470	3,944,836	989,029	1,080,539	0	37,221,823

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b.1. Savings deposits under the guarantee of Savings Deposits Insurance Fund and exceeding the limit of deposit insurance:

Savings Deposits	Under the Guarantee of Savings Deposits Insurance		Exceeding the Limit of Deposit Insurance	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	7,429,921	6,110,050	6,068,324	3,767,406
Foreign Currency Savings Deposits	5,795,966	4,950,250	5,240,782	3,599,690
Other Deposits in the Form of Savings Deposits	0	0	0	0
Foreign Branches' Deposits Under Foreign Authorities' Insurance	585,224	500,593	182,335	88,517
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance	0	0	101,239	66,378

b.2. Savings deposits which are not under the guarantee of deposit insurance fund:

In accordance with the legislation, savings deposits that are held at foreign branches are not under the guarantee of deposit insurance fund, but they are under the insurance of relevant foreign authorities in line with the legislation of the relevant countries.

	Current Period	Prior Period
Foreign Branches' Deposits Under Foreign Authorities Insurance	182,335	88,517
Off-Shore Banking Regions' Deposits Under Foreign Authorities Insurance	101,239	66,378

2. Information on Trading Derivative Financial Liabilities:

Negative differences on trading derivative financial liabilities:

Trading Derivative Financial Liabilities	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	96	15,372	2,837	7,273
Swap Transactions	55	26,390	0	17,974
Futures	0	0	0	335
Options	0	3,256	4	13,168
Other	0	0	0	0
Total	151	45,018	2,841	38,750

3. Banks and Other Financial Institutions:

a. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from the Central Bank of Turkey	0	0	0	0
Funds borrowed from Domestic Banks and Institutions	172,674	53,773	92,540	43,124
Funds borrowed from Foreign banks, institutions and funds	2,779,507	7,524,001	1,627,607	6,541,078
Total	2,952,181	7,577,774	1,720,147	6,584,202

b. Maturity of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	172,674	1,373,603	92,540	1,847,847
Medium and Long-term	2,779,507	6,204,171	1,627,607	4,736,355
Total	2,952,181	7,577,774	1,720,147	6,584,202

c. Concentration on the liabilities of the Bank:

62% of the Bank's liabilities are comprised of deposits and 14% of borrowed funds. Deposits are distributed among a large variety of customers with different characteristics. The borrowed funds, on the other hand, are comprised of various funds obtained from financial institutions through syndication, securitization, post-financing and money market operations. There exists no risk concentration related to the Bank's liabilities.

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4. Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

5. Information on finance lease payables:

a. Financial lease contracts are made with purchasing option and the payments are made in equal installments. There has not been any change in financial lease contracts during the current and prior periods.

b. Finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	45,193	40,214	33,969	30,581
1-4 Years	35,132	32,097	26,842	25,296
More Than 4 Years	3	0	9	0
Total	80,328	72,311	60,820	55,877

c. Information on operational lease transactions: Transactions related to operational lease are recognised based on accrual basis in compliance with contract terms.

d. Sale and lease-back transactions: None.

6. Informations on derivative financial liabilities for hedging:

The Bank does not have any derivative financial liabilities for hedging.

10. Information on provisions:

a. Information on general provisions:

	Current Period	Prior Period
General Provisions	217,008	149,263
Allowed for Group I. Loans and Receivables	149,593	97,199
Allowed for Group II. Loans and Receivables	2,129	2,209
Allowed for Non-cash Loans	16,458	14,842
Other	48,828	35,013

b. Retirement pay provision:

According to the related legislation and the collective bargaining agreements, the Bank is obliged to pay retirement pay to employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. In accordance with the related regulations, the amount of retirement pay is one month salary for each service year. The base salary ceiling for retirement pay as at 31.12.2006 stands at TRY 1,857.44 (in exact TRY amount). The Bank recognizes retirement pay provision by way of estimating the current value of the probable future liabilities. The Bank's retirement pay provisions have been determined by an actuary report prepared by an independent valuation firm. Within this context, the provision for the year 2006 stands at TRY 117,150 (31.12.2005: TRY 115,559).

The main actuarial assumptions used in calculating the retirement pay provision:

- the rate of discount used for the current year is 5.71%.
- TRY 1,857.44 salary ceiling, which was effective as at 31.12.2006 was taken into account in the current year calculations.
- it is assumed that the amount of the salary ceiling will increase each year, in line with the inflation rate.
- the age of retirement is considered as the youngest age possible that an individual can retire.
- table CSO80 is used for the death probabilities of female and male employees

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The movements related to retirement pay provision are given below.

	Current Period	Prior Period
Cash value of liabilities at the beginning of the period	115,559	114,802
Cost of current year service	7,094	6,626
Cost of interest	10,455	10,448
Benefits paid	(20,722)	(23,396)
Actuarial loss/(gain)	4,764	7,079
Cash value of liabilities at the end of the period	117,150	115,559

In addition to retirement pay provision, the Bank also recognizes provisions for the unused vacation pay provision. Unused vacation pay provision for the year 2006 stands at TRY 7,504 (31.12.2005: TRY 2,129).

c. Provisions for the exchange rate decreases for foreign currency indexed loans: Since foreign currency indexed loans are followed on the basis of the rates on the lending date, the Bank incurs a loss if the exchange rate decreases and makes a profit if the exchange rate increases. The provision for the loss from exchange rate fluctuations as at 31.12.2006 is TRY 21,835.

d. Specific provisions for non-cash loans, which are not indemnified or not converted into cash: TRY 123,683 provision is allowed for the non-cash loans of companies whose loans are recognized under non-performing loans accounts.

e. Information on other provisions:

e.1. Non-specific provisions for possible risks: Taking into account the possible risks that may occur in the economy and in the markets, TRY 120,000 provision was recognized in accordance with the precautionary principle.

e.2. Liabilities arising from retirement rights:

• Liabilities for pension funds established based on Social Security Act:

Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each Bank employee is a member, has been established according to the provisional Article 20 of the Social Security Act No. 506. As per provisional article nr.23 of the Banking Law Nr.5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Institution Law, will be transferred to the Social Security Institution, within 3 years after the publication of the said law. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 nr.2006/11345 and the transfer of İşbank Pension Fund to the Social Security Institution will be realized within this context. On the other hand, an actuarial audit is being made for İşbank Pension Fund. Provision has been set for the total amount of actual and technical deficit in the audited technical balance sheet prepared by legal authorities by using the 10.24% technical interest rate.

	Current Period	Prior Period
Provision	1,208,401	1,186,576
Actuarial Technical Deficit	1,208,401	1,186,576
Ratio of Provision (%)	100	100

• Liabilities for organizations like all kinds of foundations, pensions funds, which provide post-retirement benefits for the Bank's employees:

Up to now, there has not been any deficit in the pension fund, which has been founded by the Bank employees in accordance with the rules of the Civil Code and which provides after retirement benefits; and the Bank has made no payment for this purpose. It is believed that the assets of this institution are capable of meeting its total obligations, and that it shall not constitute an additional liability for the Bank.

8. Information on Taxation:

a. Explanations related to current taxation:

a.1. Information on provision for tax:

Corporate tax liability for the period of 31.12.2006 stands at TRY 280,081 and as a result of the offset of TRY 149,384 provisional tax paid during the period, the remaining corporate tax payable stands at TRY 130,697.

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a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	130,697	237,632
Securities Income Tax	61,046	30,890
Real Estate Income Tax	587	401
Banking and Insurance Transaction Tax	30,251	21,136
Foreign Exchange Transaction Tax	2,551	1,473
Value Added Tax Payable	864	339
Other	9,738	7,699
Total	235,734	299,570

a.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employees	14	7
Social Security Premiums - Employer	16	8
Bank Social Aid Pension Fund Premiums - Employees	0	0
Bank Social Aid Pension Fund Premiums - Employer	0	0
Pension Fund Membership Fees and Provisions-Employees	0	0
Pension Fund Membership Fees and Provisions-Employer	0	0
Unemployment Insurance - Employees	790	661
Unemployment Insurance - Employer	1,581	1,324
Others	0	0
Total	2,401	2,000

b. Information on deferred tax liabilities:

None.

9. Information on regarding assets held for sale:

None.

10. Tier II Capital loans used by the Bank:

None.

11. Information on shareholders' equity:

a. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	2,756,555	1,968,912
Preferred stock	30	30
Total	2,756,585	1,968,942

b. Explanation as to whether the registered share capital system ceiling is applicable at bank, if so amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	2,756,585	3,500,000

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

The paid-in capital of the Bank has been increased in the current year to TRY 2,756,585, raising it by TRY 787,643, TRY 66,386 of which was covered by gain to be added to the capital on the sale of associates and real estates and to be added to the capital, TRY 99,302 by non-paid-up shares acquired from associates, TRY 228,133 by extraordinary reserves and TRY 393,822 by the difference arising from the restatement of paid-in capital. Information regarding the capital increase is summarized below.

Date of Increase	Amount Increased	Cash	Profit Reserves Subject to Capital Increase	Capital Reserves Subject to Capital Increase
31.08.2006	787,643	0	228,133	559,510

d. Capital reserves added to the capital during the period:

Marketable Securities Revaluation Fund	Tangible and Intangible Fixed Assets Revaluation Fund	Non-paid-up Shares from Associates, Subsidiaries and Jointly Controlled Entities (*)	Others
0	0	99,302	460,208

(*) Included in the income statement within the framework of TAS adjustments.

e. Significant capital commitments of the Bank related to capital expenditures till the last fiscal year and the subsequent interim periods, the general purpose thereof, and the estimation of funds required for them: There are no capital commitments.

f. Indicators of the prior period related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Bank's equity: The Bank's balance sheet is managed in a prudent way to ensure that the effect of risks arising from interest rates, currency and credit is at the lowest level. This contributes to the development of the Bank's income on a continuously rising trend.

g. Privileges rights assigned to capital shares: Group A shares, with nominal value of TRY 500.- per share and Group B shares, with nominal value of TRY 10,000.- each, have privileges comparing to Group C shares, with a nominal value of TRY 40,000 each. With nominal values of TRY 500.- and TL 10,000 respectively Group A and B shares have the same rights as Group C shares on;

- the distribution of non-paid-up shares issued from conversion of extraordinary reserves and revaluation funds generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation)
- exercise of pre-emption rights (Article 19 of the Articles of Incorporation)
- voting rights (Article 49 of the Articles of Incorporation)

Furthermore, Group A and B shares have privileges comparing to Group C shares in the distribution of profits pursuant to Article 58 of our Articles of Incorporation.

h. Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Revaluation Fund on Associates, Subsidiaries and Jointly Controlled Entities	1,513,005	0	1,492,659	0
Revaluation Fund on Financial Assets Available for Sale	-242,192	64,300	302,590	296,170
Deferred Tax Effect of Financial Assets Available-for-Sale	32,467	-1,200	90,995	-2,609
Exchange Rate Differences	0	0	0	0
Total	1,303,280	63,100	1,704,254	293,561

i. Number of share certificates:

	Current Period	Prior Period
Number of Preferred Stock	4,900,000	4,900,000
Number of Non-preferred Stock	68,913,875,000	49,222,798,100
Total Number of Share Certificates	68,918,775,000	49,227,698,100

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PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

III. EXPLANATIONS AND NOTES TO OFF-BALANCE SHEET ITEMS

1. Explanations to liabilities related to off-balance items:

a. Types and amounts of irrevocable loan commitments:

The commitment for the spending limits of customers' credit cards stands at TRY 5,982,126. The Bank has commitments in respect of project loans, under the guarantee of the Undersecretariat of Turkish Treasury, amounting to USD 131,198 thousand and EUR 2,174 thousand, which are yet to be utilized.

b. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

There are no probable losses related to off-balance sheet items, Commitments are shown on the table of "Off-Balance Sheet Liabilities".

b.1. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period	Prior Period
Bank Acceptances	158,191	146,071
Letters of Credit	1,765,180	1,936,228
Other Guarantees	69,692	72,586
Total	1,993,063	2,154,885

b.2. Certain guarantees, provisional guarantees, sureties and similar transactions:

	Current Period	Prior Period
Bid Bonds	130,358	375,169
Performance Bonds	3,651,560	2,880,429
Advance Letters of Guarantee	770,387	593,861
Letters of Guarantee Addressed to Customs	216,036	238,659
Other Letters of Guarantee	538,191	637,191
Total	5,306,532	4,725,309

c. 1. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans for providing cash loans	538,012	635,833
With Original Maturity of 1 Year or Less	348,969	426,246
With Original Maturity More Than 1 Year	189,043	209,587
Other Non-cash Loans	6,761,583	6,244,361
Total	7,299,595	6,880,194

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c. 2. Sectoral Risk Concentration of Non-cash Loans:

	Current Period (1)				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	45,674	1.78	3,163	0.07	67,859	2.95	21,943	0.48
Farming and Raising Livestock	22,820	0.89	2,568	0.05	61,255	2.67	17,920	0.39
Forestry	21,868	0.85	353	0.01	5,169	0.22	3,514	0.08
Fishery	986	0.04	242	0.01	1,435	0.06	509	0.01
Industry	449,734	17.56	2,236,044	47.19	1,345,760	58.50	2,817,000	61.51
Mining and Quarrying	29,111	1.14	30,062	0.63	23,668	1.03	31,445	0.68
Manufacturing	394,416	15.40	2,014,154	42.51	1,299,274	56.48	2,547,840	55.64
Electricity, Gas, Water	26,207	1.02	191,828	4.05	22,818	0.99	237,715	5.19
Construction	280,768	10.96	497,691	10.50	218,426	9.49	449,626	9.82
Services	1,560,143	60.92	1,182,501	24.96	634,136	27.56	438,561	9.58
Wholesale and Retail Trade	1,128,450	44.06	621,224	13.11	274,956	11.95	113,036	2.47
Hotel and Food and Beverage Services	33,301	1.30	25,958	0.55	22,700	0.99	41,799	0.91
Transportation and Communication	80,894	3.16	217,421	4.59	60,619	2.63	57,912	1.26
Financial Institutions	159,203	6.22	86,361	1.82	89,319	3.88	78,817	1.72
Real Estate and Rental Services	61,684	2.41	196,528	4.15	14,595	0.63	21,757	0.48
Self-Employment Services	57,458	2.24	11,209	0.24	148,138	6.44	44,642	0.97
Educational Services	13,882	0.54	15,815	0.33	5,705	0.25	21,065	0.46
Health and Social services	25,271	0.99	7,985	0.17	18,104	0.79	59,533	1.30
Others	224,806	8.78	819,071	17.28	34,612	1.50	852,271	18.61
Total	2,561,125	100.00	4,738,470	100.00	2,300,793	100.00	4,579,401	100.00

(1) Within the framework of sectoral restructuring, the groupings in the current period were made in accordance with this restructuring.

c. 3. Non-cash Loans classified in Group I and Group II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash Loans	2,541,764	4,543,837	19,361	194,633
Letters of Guarantee	2,541,641	2,605,051	19,361	140,479
Bank Acceptances and Bill Guarantees	0	122,404	0	35,787
Letters of Credit	123	1,746,690	0	18,367
Endorsements	0	0	0	0
Underwriting Commitments for the Securities Issued	0	0	0	0
Factoring Guarantees	0	0	0	0
Other Guaranties and Surety Ships	0	69,692	0	0

TÜRKİYE İŞ BANKASI A.Ş.**PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS****2. Information on Derivative Financial Instruments:**

	Current Period	Prior Period
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions (I)	5,022,137	7,273,109
Currency Forwards	2,103,518	1,379,083
Currency Swaps	1,258,125	5,727,350
Currency Futures	0	1,868
Currency Options	1,660,494	164,808
Interest Rate Related Derivative Transactions (II)	0	68,694
Interest Rate Forwards	0	0
Interest Rate Swaps	0	0
Interest Rate Futures	0	68,694
Interest Rate Options	0	0
Other Trading Derivatives (III)	2,910,150	3,198,348
A. Total Trading Derivatives (I+II+III)	7,932,287	10,540,151
Types of Hedging Derivatives	0	0
Fair Value Hedges	0	0
Cash Flow Hedges	0	0
Hedges for Foreign Net Investments	0	0
B. Total Hedging Derivatives	0	0
Total Derivatives (A+B)	7,932,287	10,540,151

Major derivative transactions of the Bank comprise foreign swaps, forward currency trading, currency trading options and options based on securities. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognized as "trading purposes" within the framework of the "Turkish Accounting Standard for Accounting and Measuring of Financial Instruments" (TAS 39).

3. Explanations Related to Contingent Liabilities and Assets:

Total amount of letters of guarantee, submitted by the Bank pursuant to its own internal affairs, stands at TRY 103,361. The profit/loss accounts shall also be affected if commitments related to those letters of guarantee realized. TRY 1,705,608 which is the liability of the bank regarding the checks given to customers is shown under off balance sheet commitments, as per Act nr. 3167. In case the check presented for payment is without cover, the Bank has an obligation to pay the uncovered amount up to TRY 410. The Bank will try to collect the amount paid from the customer and the uncollected amount will be followed under "Indemnified Non-Cash Loans".

As a result of inflation indexation made in accordance with inflation accounting applied between 2001 and 2004 Bank incurred previous years' losses. Since it was not legally accepted to deduct these losses from corporate tax base, corporate tax of the related periods were calculated and paid accordingly. However the 13th paragraph of provisional article nr. 4/10 of cancelled Banking Act nr. 4389, allowed deduction of the inflation indexation losses from corporate tax base. The Bank filed two suits for refunding of the excess amounts paid in 2003 and 2004, which are TRY 60,845 and TRY 179,306 respectively. Even though the suit filed for the amount paid in 2003, was objected the Bank appealed to a higher court and the process has still been continuing. The court decided in favor of the Bank regarding the case for 2004. The legal process of these two cases has not been finalized yet.

4. Explanations related to transactions made on behalf of others:

It is explained in footnote VIII under Part Four.

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PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

IV. EXPLANATIONS AND NOTES TO THE INCOME STATEMENT

1.a. Information on interest income received from loans:

	Group I		Group II	
	TRY	FC	TRY	FC
Interest Income Received from Loans				
Short-term Loans	1,536,356	129,056	1,282	2,939
Medium and Long-term Loans	2,037,311	337,048	13,037	1,590
Interest on Loans under Follow-up	57,008	0	0	0
Premiums Received from State Utilization Support Fund	0	0	0	0

1.b Information on interest income received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Central Bank of Turkey	0	154	0	65
Domestic Banks	1,706	4,758	5,032	836
Foreign Banks	5,360	135,800	2,291	38,719
Foreign Head Offices and Branches	0	0	0	0
Total	7,066	140,712	7,323	39,620

1.c Information on interest income received from securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	53,948	679	108,215	1,348
Financial Assets Classified at Fair Value Through Profit and Loss	0	0	0	0
Financial Assets Available-for-Sale	2,135,508	743,716	1,432,784	564,110
Investment Securities Held to Maturity	28,139	0	21,385	0
Total	2,217,595	744,395	1,562,384	565,458

1.d Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	22,027	21,894

2.a Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	258,022	269,394	99,564	155,330
Central Bank of Turkey	0	0	0	0
Domestic Banks	15,841	2,989	14,666	2,493
Foreign Banks	242,181	266,405	84,898	152,837
Foreign Head Offices and Branches	0	0	0	0
Other Institutions	0	167,366	0	47,072
Total	258,022	436,760	99,564	202,402

2.b Information on interest paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	127,725	18,545

TÜRKİYE İŞ BANKASI A.Ş.

PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

2.c Information on interest expense on securities issued: None.

2.d Maturity structure of the interest expense on deposits:

Name of the Account	Time Deposits							Accumulating Deposits	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year			
Turkish Lira									
Interbank deposits	1,577	10,756	45,479	17,646	142	0	0	75,600	
Savings deposits	2,701	870,963	579,773	105,983	24,224	44,063	0	1,627,707	
Public sector deposits	293	7,012	16,989	1,154	0	271	0	25,719	
Commercial deposits	1,578	301,814	692,180	219,397	46,099	180	0	1,261,248	
Other deposits	273	105,399	278,606	148,098	21,305	1,791	0	555,472	
Deposits with 7 days notification	0	0	0	0	0	0	0	0	
Precious metal deposits	0	0	0	0	0	0	0	0	
Total TRY	6,422	1,295,944	1,613,027	492,278	91,770	46,305	0	3,545,746	
Foreign Currency									
Foreign currency deposits	933	209,148	151,787	24,759	6,888	41,850	0	435,365	
Interbank deposits	81	8,951	4,114	211	8	82	0	13,447	
Deposits with 7 days notification	0	0	0	0	0	0	0	0	
Precious metal deposits	0	0	0	0	0	0	0	0	
Total FC	1,014	218,099	155,901	24,970	6,896	41,932	0	448,812	
Total	7,436	1,514,043	1,768,928	517,248	98,666	88,237	0	3,994,558	

3. Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading	0	0
Financial Assets Classified at Fair Value Through Profit and Loss	0	0
Financial Assets Available-for-Sale	1,779	875
Others	115,342	190,039
Total	117,121	190,914

4. Information on trading income/losses (Net):

	Current Period	Prior Period
Profit		
Profit from Capital Market Operations	572,413	477,386
Derivative Financial Instruments	256,961	183,197
Others	315,452	294,189
Foreign Exchange Gains	17,235,855	3,745,352
Losses (-)		
Loss from Capital Market Operations	374,388	263,203
Derivative Financial Instruments	284,102	202,104
Others	90,286	61,099
Foreign Exchange Losses	17,370,010	3,710,444

5. Information on other operating income:

An important part of other operating income comprises releases of provisions allowed in the prior periods, various fee income received from customers in return for services supplied, released specific provisions after collections and capital gains of foreign currency indexed assets.

TÜRKİYE İŞ BANKASI A.Ş.

PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

6. Provision expenses due to loans and other receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	387,710	295,180
From Group III Loans and Receivables	323,476	153,385
From Group IV Loans and Receivables	4,930	437
From Group V Loans and Receivables	59,304	141,358
General Provision Expenses	67,723	53,951
Non-specific Provisions Allocated for Probable Risks	120,000	0
Marketable Securities Impairment Expense	121,199	55,018
Financial Assets at Fair Value through Profit and Loss	4	0
Financial Assets Available-for-sale	121,195	55,018
Impairment Losses on Participations from Associates, Subsidiaries, Jointly Controlled Entities	178,855	382,065
Associates	36,252	343,972
Subsidiaries	142,603	38,093
Jointly Controlled Entities	0	0
Securities Held-to-Maturity	0	0
Others	33,674	19,303
Total	909,161	805,517

7. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	936,890	818,547
Retirement Pay Provision	1,591	758
Bank Mutual Aid Fund Deficit Provisions	21,825	91,037
Impairment Losses on Tangible Assets	0	0
Depreciation Expenses of Tangible Assets	106,857	92,444
Impairment Losses on Intangible Assets	0	0
Amortization Expenses of Intangible Assets	911	0
Impairment Losses on Assets to be Disposed	0	0
Depreciation Expenses of Assets to be Disposed	16,317	0
Impairment Losses on Assets Held for Sale	0	0
Other Operating Expenses	555,310	480,112
Operational Lease Expenses	47,756	38,528
Repair and Maintenance Expenses	8,893	7,857
Advertisement Expenses	187,613	174,364
Other Expenses	311,048	259,363
Loss on Sales of Assets	23,739	404,386
Others	194,499	212,017
Total	1,857,939	2,099,301

8. Explanation on Profit/Loss Before Taxes:

TRY 2,520,716 of income before taxes is net interest income, TRY 1,044,657 is net fee and commission income while total other operating expenses is TRY 1,857,939.

9. Explanation on Taxation:

As of 31.12.2006 total tax liability of the Bank is TRY 521,370. TRY 280,719 of this amount is current tax expense while TRY 240,651 is deferred tax expense.

10. Explanation on Net Operating Profit/Loss After Taxes: None.

11. Explanation on Net Period Profit/Loss:

a. Income and expense resulting from ordinary banking activities: No further explanation on operating results is required for better understanding of the Bank's performance in the period 01.01.2006-31.12.2006.

b. Any changes in accounting that might have a material effect on current and subsequent period profit/loss: There is no point that requires explanation.

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PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

12. Other Matters

As per the related legislation, TRY 381,821 of retained earnings, which proceeded as a result of TAS adjustments, is not subject to dividend distribution since it includes a deferred tax income higher than itself.

V. EXPLANATIONS AND NOTES TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The paid-in capital is TRY 2,756,585 in legal records. Within the year there has been a capital increase of TRY 787,643, TRY 66,386 of which is covered by profit from sale of associates and real estates, TRY 99,302 by non-paid-up shares from associates, TRY 228,133 by extraordinary reserves and TRY 393,822 by capital reserves from inflation adjustments to paid-in capital.

As of balance sheet date, the balance of legal reserves is TRY 923,041 and the balance of extraordinary reserves is TRY 921,953.

In the current period, TRY 14,531 of the change in other reserves item is a result of the foreign currency revaluation of foreign subsidiaries and TRY 1,210 is a result of the conversion losses of foreign branches.

The details of revaluation surplus of securities is given in the footnote nr. V-II-11-h. TRY 31,267 of this amount is the deferred tax effect on securities available for sale. (31 December 2005: TRY (93,603))

The accounting principles and valuation methods used in the preparation of the financial statements of the prior period, are edited according to Turkish Financial Reporting Standards and Turkish Accounting Standards and as per the clauses of the Communiqué no 1 "Frame for Preparation and Presentation of Financial Statements" of the Turkish Accounting Standards Board published on the Official Gazette no.25702 dated 16 January 2005. The effect of these adjustments on current period profit of 2005 is TRY 206,699, whereas the effect on retained earnings of 2005 is TRY 340,168.

TRY 643 (31.12.2005: TRY 70,909) profit from sales of real estate, which arose within the current year and transferred to capital in the same period is deducted from the related account in the income statement and presented accordingly.

VI. EXPLANATIONS AND NOTES TO THE CASH-FLOW STATEMENT

The operating profit of TRY 1,527,502 before the change in banking assets and liabilities, consists of interest received at TRY 6,866,864 predominantly from loans and securities, and of interest paid at TRY 4,871,185 predominantly on deposits, interbank money market transactions and funds borrowed by the Bank. The other income items largely consist of profits (net) on capital market transactions and income on sale of associates and real estate. The "Other" item includes foreign exchange gains (net), fees and commission expenses, advertising, and rent expenses.

The effect of changes in foreign exchange rates on cash and cash equivalents is TRY 17,374 as of 31 December 2006. (31 December 2005: TRY 44,719) Cash in TRY, foreign currency, unrestricted bank balances in Central Bank of Turkey, money in transit, cheques purchased and interbank money market transactions are defined as cash and cash equivalents.

Cash and Cash equivalents at the beginning of the period:

	Current Period 31.12.2005	Prior Period 31.12.2004
Cash	4,958,974	1,143,562
Cash and Foreign Currency	292,864	292,072
Central Bank of Turkey and Other	4,666,110	851,490
Cash Equivalents	1,776,500	0
Interbank Money Market Transactions	1,776,500	0
Total Cash and Cash Equivalents	6,735,474	1,143,562

The total amount calculated by taking into consideration the transactions made in the prior period, shows the total cash and cash equivalents as of the beginning of the current period.

Cash and Cash equivalents as of end of the period:

	Current Period 31.12.2006	Prior Period 31.12.2005
Cash	3,782,406	4,958,974
Cash in TRY and Foreign Currency	461,148	292,864
Central Bank of Turkey and Other	3,321,258	4,666,110
Cash Equivalents	-	1,776,500
Interbank Money Market Transactions	-	1,776,500
Total Cash and Cash Equivalents	3,782,406	6,735,474

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PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

VII. EXPLANATIONS AND NOTES TO THE BANK'S RISK GROUP

1. Information on the volume of transactions relating to the Bank's risk group, incomplete loan and deposit transactions and period's profit and loss:

a. Current Period:

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other Real and Corporate Persons that Have Been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period *	347,927	97,756	1	0	21,606	17,784
Balance at the end of the period *	281,449	765,678	1	0	40,404	32,585
Interest and commission income received	21,513	4,429	0	0	3,253	1,208

* Interest accruals of cash loans are not included in the related balances, rather they are included in "Interest and Commission Income Received" item.

b. Prior Period:

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other Real and Corporate Persons that Have Been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period *	480,509	201,993	0	0	18,808	14,637
Balance at the end of the period *	347,927	97,756	1	0	21,606	17,784
Interest and commission income received	20,025	3,743	0	0	905	1,030

* Interest accruals of cash loans are not included in the related balances, rather they are included in "Interest and Commission Income Received" item.

c.1. Information on deposits held by the Bank's risk group:

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other Real and Corporate Persons that Have Been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period *	869,583	278,581	288,110	3,990	312,426	92,095
Balance at the end of the period *	965,348	869,583	64,100	288,110	314,339	312,426
Interest on deposits	118,330	16,710	32,413	23,045	17,978	2,799

* Interest accruals of deposits are not included in the related balances, rather they are included in "Interest on Deposits" item.

c.2. Information on forward and option agreements and other similar agreements made with the Bank's risk group:

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other Real and Corporate Persons that Have Been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit and Loss						
Beginning of the period	34,047	92,050				
End of the period	47,726	34,047				
Total Profit/Loss	1,203	24				
Transactions for hedging purposes						
Beginning of the period						
End of the period						
Total Profit/Loss						

TÜRKİYE İŞ BANKASI A.Ş.

PART FIVE: EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

2. In connection with the Bank's risk group:

a. Regardless of there being any transactions between the parties, the relationship of the Bank with corporations within the same risk group of the Bank and under the control of the Bank:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

b. In addition to the structure of the relationship, the type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items:

The transactions carried out are mainly loan and deposit transactions. The ratio of loans extended to the risk group to the overall loans is 1.09%, while the ratio to the overall assets is 0.43%; the ratio of deposits of the risk group corporations to the overall deposits is 2.92%, while the ratio to overall liabilities is 1.80%. The method of comparable prices has been used in the transactions.

c. Purchase and sale of real estates, other assets and services, agency agreements, financial lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and support as capital in cash or in kind), guarantees and collaterals, and management agreements:

Movables are purchased via leasing through the associate of the Bank, İş Finansal Kiralama A.Ş., when required. The Bank's branches also act as agents for Anadolu Sigorta A.Ş., Anadolu Hayat Emeklilik A.Ş. and İş Yatırım Menkul Değerler A.Ş. İş Portföy Yönetimi A.Ş. manages the portfolios of 17 mutual funds which were founded by the Bank.

If requested, cash and non-cash loan requirements of corporations within the risk group are met in accordance with the limits imposed by the Banking Law and the prevailing market conditions.

3. Total salaries and similar benefits paid to the key management personnel

Salaries and dividends paid to the Board of Directors are given below

	Current Period 31.12.2006	Prior Period 31.12.2005
Short-term Benefits	1,391	1,129
Dividends	774	449

VIII. INFORMATION ABOUT DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

	Number	Employees		Total Assets	Statutory Share Capital
Domestic Branches (*)	883	18,580			
			Country of Incorporation		
Foreign Representative Offices	1	1	1. Shanghai		
				Total Assets	Statutory Share Capital
Foreign Branches	1	18	1. United Kingdom	3,796,487	273
	9	122	2. TRNC	1,172,119	10,828
Off-shore Branches	1	8	1. Bahrain	13,543,174	0

(*) The Branches located in Free Trade Zones in Turkey are included among domestic branches.

PART SIX: EXPLANATIONS TO THE INDEPENDENT AUDITOR'S REPORT

The Bank's unconsolidated financial statements prepared as of 31 December 2006, for the financial ending on the same date, have been subject to audit of DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu).

TÜRKİYE İŞ BANKASI A.Ş.

INFORMATION FOR INVESTORS

Annual general meeting

In accordance with the decision of the Board of Directors of İşbank, the annual general meeting of the Bank will be held at 14:00 hours on 30 March 2007 in the İş Kuleleri Headquarters Auditorium, 34330 Levent-İstanbul.

Independent auditors

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Member of DELOITTE TOUCHE TOHMATSU
İstanbul Headquarters
Deloitte Sun Plaza
Dereboyu Sok. No:24, 34398
Maslak-İstanbul
Telephone: (90 212) 366 6000
Fax: (90 212) 366 6010

Company announcements and financial data

İşbank's financial statements, independent auditor's reports, annual reports, press releases, disclosures of material events are available on the company's corporate websites at:

- <http://www.isbank.com.tr/yatirimci/yi-yatirimci.html> (Turkish)
- <http://ir.isbank.com> (English)

In addition, information may also be requested from the Bank's Investor Relations Unit, the contact information for which is given below.

Investor Relations Unit

A. Ferit Eraslan (Group Manager)
İş Kuleleri Kule: 1 Kat: 15
34330 Levent-İstanbul
Telephone: (90 212) 316 3016
E-mail: investorrelations@isbank.com.tr

Dividend payments

İşbank's dividend payment policy is set out in detail in article 58 of the Bank's articles of incorporation. Information about the policy is provided on page 56 of this annual report. The said information is also available on <http://www.isbank.com.tr/yatirimci/yi-kardagitim.html> website.

Company share information

İşbank has issued three classes of shares (A, B, and C), which are traded in the ISE National Market under the symbols ISATR, ISBTR and ISCTR respectively. They are also traded on the New York Stock Exchange under the symbol TYABY as American depository receipts (ADR-144 A) issued by the Bank of New York and on the London Stock Exchange as global depository receipts (GDR-REG S) under the symbol TIBD. As of 31 December 2006 with the total market capitalization of TRY 17,971,848,000, İşbank is reckoned among the most valuable publicly traded companies in Turkey. As of the same date, İşbank's market capitalization corresponded to 7.81% of the total market capitalization (TRY 230,037,678,000) of the 316 companies whose shares are traded on the İstanbul Stock Exchange.

www.isbank.com.tr

TÜRKİYE İŞ BANKASI A.Ş.

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Information on Consolidated
Financial Statements **2006**



İŞBANK

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TÜRKİYE İŞ BANKASI A.Ş.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Türkiye İş Bankası A.Ş.
İstanbul

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We planned and performed our 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 judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. The accompanying financial statements include TRY 120.000 Thousand free provision allocated by the Bank management based on the conservation principle for possible risks which may arise from any changes in the economy and market conditions.

Independent Auditor's Opinion

5. In our opinion, except such adjustments as may be necessary in respect of matter set out in paragraph 4 above, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası A.Ş. and its subsidiaries as at 31 December 2006 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of Banking Act No: 5411 and other regulations, pronouncements in respect of accounting and financial reporting made by BRSA.

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

Member of DELOITTE TOUCHE TOHMATSU



Hüseyin Güner
Partner
İstanbul, April 13, 2007

Additional Paragraph for the English translation:

(The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Turkey. The standards, procedures and practices to audit the accompanying financial statements are those generally accepted and applied in Turkey.)

TÜRKİYE İŞ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

TRY THOUSAND

ASSETS	CURRENT PERIOD (31.12.2006)			PRIOR PERIOD (31.12.2005)		
	TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	3,055,688	2,596,059	5,651,747	3,593,825	2,716,116	6,309,941
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	826,524	114,437	940,961	1,315,914	228,543	1,544,457
2.1. Trading Financial Assets	787,355	107,322	894,677	1,314,587	218,273	1,532,860
2.1.1. Government Debt Securities	724,046	97,783	821,829	1,191,154	211,136	1,402,290
2.1.2. Securities Representing Share in Equity	30,800	0	30,800	49,271	0	49,271
2.1.3. Other Marketable Securities	32,509	9,539	42,048	74,162	7,137	81,299
2.2. Financial Assets Classified at Fair Value Through Profit and Loss	0	0	0	0	0	0
2.2.1. Government Debt Securities	0	0	0	0	0	0
2.2.2. Securities Representing Share in Equity	0	0	0	0	0	0
2.2.3. Other Marketable Securities	0	0	0	0	0	0
2.3. Trading Derivative Financial Assets	39,169	7,115	46,284	1,327	10,270	11,597
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	125,230	6,919,766	7,044,996	92,303	4,263,608	4,355,911
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS	884	0	884	1,738,506	0	1,738,506
4.1. Interbank Money Market Placements	0	0	0	1,200,900	0	1,200,900
4.2. Istanbul Stock Exchange Money Market Placements	0	0	0	0	0	0
4.3. Receivables from Reverse Repurchase Agreements	884	0	884	537,606	0	537,606
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	16,304,717	12,327,957	28,632,674	13,017,232	10,544,423	23,561,655
5.1. Securities Representing Share in Equity	31,645	1,702	33,347	34,460	0	34,460
5.2. Government Debt Securities	16,258,988	11,405,543	27,664,531	12,965,205	9,855,009	22,820,214
5.3. Other Marketable Securities	14,084	920,712	934,796	17,567	689,414	706,981
VI. LOANS	23,079,051	9,057,867	32,136,918	17,150,650	6,237,981	23,388,631
6.1. Loans	23,079,051	9,057,867	32,136,918	17,150,650	6,237,981	23,388,631
6.2. Loans Under Follow-up	1,191,889	17,325	1,209,214	1,086,994	37,185	1,124,179
6.3. Specific Provisions (-)	1,191,889	17,325	1,209,214	1,086,994	37,185	1,124,179
VII. FACTORING RECEIVABLES	0	0	0	0	0	0
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	255,158	20,633	275,791	652,023	47,381	699,404
8.1. Government Debt Securities	255,158	11,461	266,619	652,023	23,053	675,076
8.2. Other Marketable Securities	0	9,172	9,172	0	24,328	24,328
IX. INVESTMENTS AND ASSOCIATES (Net)	785,322	0	785,322	830,394	0	830,394
9.1. Investments and Associates Consolidated Under Equity Method	18,385	0	18,385	18,028	0	18,028
9.2. Unconsolidated Investments and Associates	766,937	0	766,937	812,366	0	812,366
9.2.1. Financial Investments and Associates	5,591	0	5,591	7,740	0	7,740
9.2.2. Non-Financial Investments and Associates	761,346	0	761,346	804,626	0	804,626
X. SUBSIDIARIES (Net)	2,221,223	230	2,221,453	2,198,300	203	2,198,503
10.1. Unconsolidated Financial Subsidiaries	182,330	230	182,560	176,837	203	177,040
10.2. Unconsolidated Non-Financial Subsidiaries	2,038,893	0	2,038,893	2,021,463	0	2,021,463
XI. JOINTLY CONTROLLED ENTITIES (Net)	0	0	0	0	0	0
11.1. Jointly Controlled Entities Consolidated Under Equity Method	0	0	0	0	0	0
11.2. Unconsolidated Jointly Controlled Entities	0	0	0	0	0	0
11.2.1. Financial Jointly Controlled Entities	0	0	0	0	0	0
11.2.2. Non-Financial Jointly Controlled Entities	0	0	0	0	0	0
XII. LEASE RECEIVABLES (Net)	219,770	720,429	940,199	169,784	621,660	791,444
12.1. Financial Lease Receivables	277,717	840,381	1,118,098	216,487	724,410	940,897
12.2. Operational Lease Receivables	1,921	0	1,921	0	0	0
12.3. Other	0	0	0	0	0	0
12.4. Unearned Income (-)	59,868	119,952	179,820	46,703	102,750	149,453
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING	0	0	0	0	0	0
13.1. Fair Value Hedging	0	0	0	0	0	0
13.2. Cash Flow Hedging	0	0	0	0	0	0
13.3. Net Foreign Investment Hedging	0	0	0	0	0	0
XIV. PROPERTY AND EQUIPMENT (Net)	2,769,717	34,174	2,803,891	2,711,099	31,936	2,743,035
XV. INTANGIBLE ASSETS (Net)	23,980	1,086	25,066	8,424	983	9,407
15.1. Goodwill	7,170	0	7,170	7,170	0	7,170
15.2. Other	16,810	1,086	17,896	1,254	983	2,237
XVI. TAX ASSETS	275,343	0	275,343	405,317	0	405,317
16.1. Current Tax Assets	0	0	0	0	0	0
16.2. Deferred Tax Assets	275,343	0	275,343	405,317	0	405,317
XVII. ASSETS HELD FOR SALE (Net)	17,760	0	17,760	0	0	0
XVIII. OTHER ASSETS	1,155,416	118,258	1,273,674	691,037	461,637	1,152,674
TOTAL ASSETS	51,115,783	31,910,896	83,026,679	44,574,808	25,154,471	69,729,279

TÜRKİYE İŞ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

TRY THOUSAND

LIABILITIES	CURRENT PERIOD (31.12.2006)			PRIOR PERIOD (31.12.2005)		
	TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	27,657,075	18,649,299	46,306,374	21,343,639	15,615,868	36,959,507
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	10,399	47,136	57,535	7,006	38,801	45,807
III. FUNDS BORROWED	3,006,108	10,895,637	13,901,745	1,769,229	9,022,714	10,791,943
IV. INTERBANK MONEY MARKET PAYABLES	2,353,293	3,476,608	5,829,901	4,529,303	1,598,274	6,127,577
4.1. Interbank Money Market Payables	0	0	0	0	0	0
4.2. Istanbul Stock Exchange Money Market Payables	12,092	0	12,092	19,313	0	19,313
4.3. Funds Provided Under Repurchase Agreements	2,341,201	3,476,608	5,817,809	4,509,990	1,598,274	6,108,264
V. MARKETABLE SECURITIES ISSUED (Net)	0	0	0	1	0	1
5.1. Bills	0	0	0	1	0	1
5.2. Asset-backed Securities	0	0	0	0	0	0
5.3. Bonds	0	0	0	0	0	0
VI. FUNDS	147	0	147	240	0	240
VII. MISCELLANEOUS PAYABLES	1,704,308	179,896	1,884,204	1,093,190	133,164	1,226,354
VIII. OTHER EXTERNAL RESOURCES	63,598	136,630	200,228	85,000	251,378	336,378
IX. FACTORING PAYABLES	0	0	0	0	0	0
X. LEASE PAYABLES (Net)	9	188	197	0	0	0
10.1. Financial Lease Payables	10	195	205	0	0	0
10.2. Operational Lease Payables	0	0	0	0	0	0
10.3. Other	0	0	0	0	0	0
10.4. Deferred Financial Lease Expenses (-)	1	7	8	0	0	0
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	0	0	0	0	0	0
11.1. Fair Value Hedging	0	0	0	0	0	0
11.2. Cash Flow Hedging	0	0	0	0	0	0
11.3. Net Foreign Investment Hedging	0	0	0	0	0	0
XII. PROVISIONS	4,141,344	113,234	4,254,578	3,896,604	125,913	4,022,517
12.1. General Provisions	231,746	3,483	235,229	153,321	12,333	165,654
12.2. Provision for Restructuring	0	0	0	0	0	0
12.3. Reserves for Employee Benefits	136,681	507	137,188	128,150	368	128,518
12.4. Insurance Technical Reserves (Net)	2,352,273	0	2,352,273	2,267,132	0	2,267,132
12.5. Other Provisions	1,420,644	109,244	1,529,888	1,348,001	113,212	1,461,213
XIII. TAX LIABILITIES	264,355	668	265,023	337,202	597	337,799
13.1. Current Tax Liabilities	264,355	668	265,023	337,202	597	337,799
13.2. Deferred Tax Liabilities	0	0	0	0	0	0
XIV. LIABILITIES HELD FOR SALE	0	0	0	0	0	0
XV. SUBORDINATED LOANS	0	73,199	73,199	0	69,352	69,352
XVI. SHAREHOLDERS' EQUITY	10,171,124	82,424	10,253,548	9,504,372	307,432	9,811,804
16.1. Paid-in Capital	2,756,585	0	2,756,585	1,968,942	0	1,968,942
16.2. Capital Reserves	2,745,381	64,560	2,809,941	3,463,093	294,942	3,758,035
16.2.1. Share Premium	3,918	0	3,918	3,918	0	3,918
16.2.2. Share Cancellation Profits	0	0	0	0	0	0
16.2.3. Marketable Securities Value Increase Fund	763,972	64,560	828,532	1,087,863	294,942	1,382,805
16.2.4. Revaluation Surplus on Tangible Assets	0	0	0	0	0	0
16.2.5. Revaluation Surplus on Intangible Assets	0	0	0	0	0	0
16.2.6. Non-paid-up Shares from Investments and Associates, Subsidiaries and Jointly Controlled Entities	0	0	0	0	0	0
16.2.7. Hedge Funds (Effective Portion)	0	0	0	0	0	0
16.2.8. Revaluation Surplus on Assets Held for Sale	0	0	0	0	0	0
16.2.9. Other Capital Reserves	1,977,491	0	1,977,491	2,371,312	0	2,371,312
16.3. Profit Reserves	2,023,748	14,201	2,037,949	1,603,094	9,526	1,612,620
16.3.1. Legal Reserves	995,851	0	995,851	912,418	0	912,418
16.3.2. Status Reserves	5,761	0	5,761	1,932	0	1,932
16.3.3. Extraordinary Reserves	1,050,614	13,715	1,064,329	730,690	10,750	741,440
16.3.4. Other Profit Reserves	-28,478	486	-27,992	-41,946	-1,224	-43,170
16.4. Profit or Loss	1,461,105	3,663	1,464,768	1,370,568	2,964	1,373,532
16.4.1. Prior Years' Profit/Loss	200,573	0	200,573	147,610	0	147,610
16.4.2. Current Year Profit/Loss	1,260,532	3,663	1,264,195	1,222,958	2,964	1,225,922
16.5. Minority Shares	1,184,305	0	1,184,305	1,098,675	0	1,098,675
TOTAL LIABILITIES	49,371,760	33,654,919	83,026,679	42,565,786	27,163,493	69,729,279

TÜRKİYE İŞ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

OFF-BALANCE SHEET COMMITMENTS

TRY THOUSAND

	CURRENT PERIOD (31.12.2006)			PRIOR PERIOD (31.12.2005)		
	TRY	FC	Total	TRY	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)	12,886,058	12,857,612	25,743,670	11,022,287	15,767,680	26,789,967
I. GUARANTEES AND WARRANTIES	2,589,690	5,123,715	7,713,405	2,326,435	4,698,331	7,024,766
1.1. Letters of guarantee	2,589,559	3,021,069	5,610,628	2,326,418	2,456,054	4,782,472
1.1.1. Guarantees subject to State Tender Law	285,407	805,304	1,090,711	322,282	523,393	845,675
1.1.2. Guarantees given for foreign trade operations	183,064	621,417	804,481	86,963	664,322	751,285
1.1.3. Other letters of guarantee	2,121,088	1,594,348	3,715,436	1,917,173	1,268,339	3,185,512
1.2. Banks loans	0	158,191	158,191	0	146,071	146,071
1.2.1. Import letters of acceptance	0	154,616	154,616	0	143,112	143,112
1.2.2. Other bank acceptances	0	3,575	3,575	0	2,959	2,959
1.3. Letters of credit	123	1,874,763	1,874,886	9	2,023,620	2,023,629
1.3.1. Documentary letters of credit	123	1,490,263	1,490,386	9	1,696,649	1,696,658
1.3.2. Other letters of credit	0	384,500	384,500	0	326,971	326,971
1.4. Prefinancing given as guarantee	0	0	0	0	0	0
1.5. Endorsements	0	0	0	0	0	0
1.5.1. Endorsements to the Central Bank of Turkey	0	0	0	0	0	0
1.5.2. Other endorsements	0	0	0	0	0	0
1.6. Underwriting guarantees for securities issued	0	0	0	0	0	0
1.7. Factoring guarantees	0	0	0	0	0	0
1.8. Other guarantees	8	69,692	69,700	8	72,586	72,594
1.9. Other warranties	0	0	0	0	0	0
II. COMMITMENTS	7,595,452	1,609,458	9,204,910	7,770,118	1,203,308	8,973,426
2.1. Irrevocable commitments	7,367,708	1,361,404	8,729,112	7,377,390	855,915	8,233,305
2.1.1. Asset purchase commitments	2,867	26,898	29,765	1,379	18,411	19,790
2.1.2. Deposit purchase and sales commitments	0	46,284	46,284	34,733	16,859	51,592
2.1.3. Share capital commitment to associates and subsidiaries	0	0	0	130	0	130
2.1.4. Loan granting commitments	0	187,017	187,017	0	397,867	397,867
2.1.5. Securities issuance brokerage commitments	0	0	0	0	0	0
2.1.6. Commitments for reserve deposit requirements	0	0	0	0	0	0
2.1.7. Commitments for check payments	1,705,608	0	1,705,608	1,482,639	0	1,482,639
2.1.8. Taxes and funds payable due to export commitments	0	0	0	0	0	0
2.1.9. Commitments for credit card limits	5,580,087	402,039	5,982,126	5,795,111	404,120	6,199,231
2.1.10. Receivables from commitments for short-selling of securities	0	0	0	0	0	0
2.1.11. Payables to commitments for short-selling of securities	0	0	0	0	0	0
2.1.12. Other irrevocable commitments	79,146	699,166	778,312	63,398	18,658	82,056
2.2. Revocable commitments	227,744	248,054	475,798	392,728	347,393	740,121
2.2.1. Revocable loan granting commitments	218,503	245,609	464,112	386,366	344,302	730,668
2.2.2. Other revocable commitments	9,241	2,445	11,686	6,362	3,091	9,453

TÜRKİYE İŞ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

OFF-BALANCE SHEET COMMITMENTS

TRY THOUSAND

	CURRENT PERIOD (31.12.2006)			PRIOR PERIOD (31.12.2005)		
	TRY	FC	Total	TRY	FC	Total
III. DERIVATIVE FINANCIAL INSTRUMENTS	2,700,916	6,124,439	8,825,355	925,734	9,866,041	10,791,775
3.1. Derivative financial instruments held for risk management	0	0	0	0	0	0
3.1.1. Fair value hedges	0	0	0	0	0	0
3.1.2. Cash flow hedges	0	0	0	0	0	0
3.1.3. Net foreign investment hedges	0	0	0	0	0	0
3.2. Trading derivatives	2,700,916	6,124,439	8,825,355	925,734	9,866,041	10,791,775
3.2.1. Forward foreign currency purchases/sales	1,188,601	1,090,673	2,279,274	692,798	666,485	1,359,283
3.2.1.1. Forward foreign currency purchases	774,322	392,505	1,166,827	207,070	426,977	634,047
3.2.1.2. Forward foreign currency sales	414,279	698,168	1,112,447	485,728	239,508	725,236
3.2.2. Currency and interest rate swaps	464,318	1,176,976	1,641,294	156,583	5,713,171	5,869,754
3.2.2.1. Currency swap-purchases	16,010	790,979	806,989	0	2,924,890	2,924,890
3.2.2.2. Currency swap-sales	448,308	385,389	833,697	156,583	2,787,109	2,943,692
3.2.2.3. Interest rate swaps-purchases	0	306	306	0	577	577
3.2.2.4. Interest rate swaps-sales	0	302	302	0	595	595
3.2.3. Currency, interest rate and security options	983,914	2,344,134	3,328,048	75,390	3,399,563	3,474,953
3.2.3.1. Currency call options	52,786	801,485	854,271	49,635	105,789	155,424
3.2.3.2. Currency put options	931,128	51,927	983,055	25,755	85,896	111,651
3.2.3.3. Interest rate call options	0	0	0	0	0	0
3.2.3.4. Interest rate put options	0	0	0	0	0	0
3.2.3.5. Securities call options	0	745,361	745,361	0	1,599,174	1,599,174
3.2.3.6. Securities put options	0	745,361	745,361	0	1,608,704	1,608,704
3.2.4. Currency futures	44,123	43,362	87,485	963	18,128	19,091
3.2.4.1. Currency futures-purchases	44,123	0	44,123	183	17,478	17,661
3.2.4.2. Currency futures-sales	0	43,362	43,362	780	650	1,430
3.2.5. Interest rate futures	0	0	0	0	68,694	68,694
3.2.5.1. Interest rate futures- purchases	0	0	0	0	35,742	35,742
3.2.5.2. Interest rate futures- sales	0	0	0	0	32,952	32,952
3.2.6. Other	19,960	1,469,294	1,489,254	0	0	0
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	58,563,767	14,751,638	73,315,405	194,422,315	12,035,914	206,458,229
IV. ITEMS HELD IN CUSTODY	34,814,194	3,585,621	38,399,815	27,452,676	2,311,698	29,764,374
4.1. Assets under management	10,500	24,171	34,671	7,016	21,279	28,295
4.2. Investment securities held in custody	27,670,636	1,395,028	29,065,664	21,407,266	1,270,202	22,677,468
4.3. Checks received for collection	3,765,342	65,620	3,830,962	2,606,269	60,128	2,666,397
4.4. Commercial notes received for collection	1,103,139	1,930,138	3,033,277	1,349,292	920,391	2,269,683
4.5. Other assets received for collection	0	4,687	4,687	0	2,418	2,418
4.6. Assets received for public offering	69,391	0	69,391	88,412	0	88,412
4.7. Other items under custody	1,617,171	165,977	1,783,148	1,525,429	37,280	1,562,709
4.8. Custodians	578,015	0	578,015	468,992	0	468,992
V. PLEDGED ITEMS	23,749,573	11,166,017	34,915,590	166,969,639	9,724,216	176,693,855
5.1. Marketable securities	323,613	17,860	341,473	150,407,729	201	150,407,930
5.2. Guarantee notes	638,665	3,852,213	4,490,878	420,210	3,785,447	4,205,657
5.3. Commodity	1,265,971	0	1,265,971	570,576	0	570,576
5.4. Warranty	0	0	0	0	0	0
5.5. Real Estates	21,309,018	6,939,720	28,248,738	15,439,644	5,846,544	21,286,188
5.6. Other pledged items	212,306	356,224	568,530	131,480	92,024	223,504
5.7. Pledged items-depository	0	0	0	0	0	0
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES	0	0	0	0	0	0
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)	71,449,825	27,609,250	99,059,075	205,444,602	27,803,594	233,248,196

TÜRKİYE İŞ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

TRY THOUSAND

	CURRENT PERIOD (31.12.2006)	PRIOR PERIOD (31.12.2005)
I. INTEREST INCOME	8,307,253	5,872,017
1.1. Interest Income on Loans	4,262,010	3,060,792
1.2. Interest Received from Reserve Deposits	210,375	117,823
1.3. Interest Received from Banks	169,085	56,064
1.4. Interest Received from Money Market Transactions	41,771	25,246
1.5. Interest Received from Marketable Securities Portfolio	3,390,823	2,416,918
1.5.1. Trading Financial Assets	74,197	167,570
1.5.2. Financial Assets at Fair Value Through Profit and Loss	0	0
1.5.3. Available-for-sale Financial Assets	3,243,667	2,187,198
1.5.4. Held to Maturity Investments	72,959	62,150
1.6. Financial Lease Income	111,533	75,253
1.7. Other Interest Income	121,656	119,921
II. INTEREST EXPENSE	5,163,082	2,921,729
2.1. Interest on Deposits	3,906,298	2,211,562
2.2. Interest on Funds Borrowed	856,896	384,404
2.3. Interest on Money Market Transactions	383,420	302,149
2.4. Interest on Securities Issued	0	0
2.5. Other Interest Expense	16,468	23,614
III. NET INTEREST INCOME (I - II)	3,144,171	2,950,288
IV. NET FEES AND COMMISSIONS INCOME	1,056,920	893,818
4.1. Fees and Commissions Received	1,157,979	1,011,972
4.1.1. Cash Loans	106,335	67,240
4.1.2. Non-cash Loans	85,168	71,654
4.1.3. Other	966,476	873,078
4.2. Fees and Commissions Paid	101,059	118,154
4.2.1. Cash Loans	31,770	27,093
4.2.2. Non-cash Loans	21	20
4.2.3. Other	69,268	91,041
V. DIVIDEND INCOME	50,116	164,616
VI. TRADING INCOME (NET)	35,060	256,860
6.1. Profit/Losses on Trading Account Securities	225,997	219,566
6.2. Foreign Exchange Gains/Losses	-190,937	37,294
VII. OTHER OPERATING INCOME	3,537,456	4,249,372
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)	7,823,723	8,514,954
IX. PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)	881,738	827,396
X. OTHER OPERATING EXPENSES (-)	4,936,678	5,543,358

TÜRKİYE İŞ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

TRY THOUSAND

	CURRENT PERIOD (31.12.2006)	PRIOR PERIOD (31.12.2005)
XI. NET OPERATING INCOME (VIII-IX-X)	2,005,307	2,144,200
XII. EXCESS AMOUNT OF INCOME AFTER MERGER	0	0
XIII. PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES CONSOLIDATED UNDER EQUITY METHOD	357	1,755
XIV. NET MONETARY POSITION GAIN/LOSS	0	0
XV. INCOME BEFORE TAXES (XI+XII+XIII+XIV)	2,005,664	2,145,955
XVI. PROVISION FOR TAXES ON INCOME (+/-)	590,401	766,015
16.1. Current Provision for Tax	327,464	828,771
16.2. Deferred Provision for Tax	262,937	-62,756
XVII. NET OPERATING INCOME/EXPENSE AFTER TAXES (XV +/- XVI)	0	0
17.1. Ceased Operations	0	0
17.2. Other	0	0
XVIII. NET PERIOD PROFIT/LOSS (XVIII+XIX)	1,415,263	1,379,940
18.1. Group's Profit/Loss	1,264,195	1,225,922
18.2. Minority Shares	151,068	154,018
Profit/Losses Per Share (*)	0.022630	0.021945

(*) Shown in exact TRY amount.

TÜRKİYE İŞ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

TRY THOUSAND

	Paid-in Capital	Capital Reserves due to Inflation Adjustment of Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Legal Reserves
PRIOR PERIOD (31.12.2005)					
I. Balance at the Beginning of Period	1,640,757	2,535,404	6,242		892,049
Changes Made in the Accounting Policies (*)			-2,536		-4,563
Corrected Balance at the End of Previous Period	1,640,757	2,535,404	3,706		887,486
II. Corrections Made as per TAS 8					
2.1. Effect of Corrections of Errors					
2.2. Effect of Changes in Accounting Policies					
III. New Balance (I+II)	1,640,757	2,535,404	3,706	0	887,486
Changes During the Period					
IV. Mergers					
V. Available-for-Sale Securities					
VI. Hedges for Risk Management					
6.1. Net Cash Flow Hedges					
6.2. Net Foreign Investment Hedges					
Transfers					
VII. Available-for-Sale Securities					
VIII. Hedges for Risk Management					
8.1. Net Cash Flow Hedges					
8.2. Net Foreign Investment Hedges					
IX. Net Profit/Loss for the Period (**)					
X. Profit Distribution					24,932
10.1. Dividends					
10.2. Amounts Transferred to Reserves					24,932
10.3. Other					
XI. Capital Increase	328,185	-164,092	212		
11.1. Cash					
11.2. Revaluation Surplus on Tangible Assets					
11.3. Non-paid-up Shares of Associates, Subsidiaries and Jointly Controlled Entities					
11.4. Marketable Securities Value Increase Fund					
11.5. Capital Reserves due to Inflation Adjustment of Paid-in Capital					
11.6. Issuance of Share Certificates	328,185	-164,092	212		
11.7. Foreign Exchange Differences					
11.8. Others					
XII. Changes Resulted from Disposal of Assets					
XIII. Changes Resulted from Reclassification of Assets					
XIV. Primary Subordinated Debt					
XV. Secondary Subordinated Debt					
XVI. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank					
Balance at End of Period (III+IV+...+XIV+XV+XVI)	1,968,942	2,371,312	3,918	0	912,418
CURRENT PERIOD (31.12.2006)					
I. Balance at the Beginning of Period	1,968,942	2,371,312	3,918	0	912,418
Changes During the Period					
II. Mergers					
III. Available-for-Sale Securities					
IV. Hedges for Risk Management					
4.1. Net Cash Flow Hedges					
4.2. Net Foreign Investment Hedges					
Transfers					
V. Available-for-Sale Securities					
VI. Hedges for Risk Management					
6.1. Net Cash Flow Hedges					
6.2. Net Foreign Investment Hedges					
VII. Net Profit/Loss for the Period (*)					
VIII. Profit Distribution					83,433
8.1. Dividends					
8.2. Amounts Transferred to Reserves					83,433
8.3. Other					
IX. Capital Increase	787,643	-393,821			
9.1. Cash					
9.2. Revaluation Surplus on Tangible Assets					
9.3. Non-paid-up Shares of Associates, Subsidiaries and Jointly Controlled Entities					
9.4. Marketable Securities Value Increase Fund					
9.5. Capital Reserves due to Inflation Adjustment of Paid-in Capital					
9.6. Issuance of Share Certificates	787,643	-393,821			
9.7. Foreign Exchange Differences					
9.8. Others					
X. Changes Resulted from Disposal of Assets					
XI. Changes Resulted from Reclassification of Assets					
XII. Primary Subordinated Debt					
XIII. Secondary Subordinated Debt					
XIV. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank					
Balance at End of Period (I+II+III+IV+...+XII+XIII+XIV)	2,756,585	1,977,491	3,918	0	995,851

(*) The affect of subsidiaries which was removed from context of consolidation in accordance with changes in the RAP .

(**) TRY 643 gains on real estate sales obtained in the current period (31 December 2005: TRY 70,909) and injected to the capital, are shown after being deducted from the related account in the in

TÜRKİYE İŞ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

Statutory Reserves	Extraordinary Reserves	Other Reserves	Net Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Revaluation Fund	Value Increase Revaluation Fund	Marketable Securities Value Increase Fund	Total Shareholder's Equity Except Minority Shares	Minority Shares	Total Shareholders' Equity
937	557,511	1,495		926,744	1,155		1,137,140	7,699,434	868,949	8,568,383
-5	-36,235	-30		-10,976	-1,155		8,967	-46,533	-85,017	-131,550
932	521,276	1,465		915,768	0		1,146,107	7,652,901	783,932	8,436,833
		-33,360		-169,496			-422,969	-625,825	35,111	-590,714
		-33,360		-169,496			-422,969	-625,825	35,111	-590,714
932	521,276	-31,895		746,272	0		723,138	7,027,076	819,043	7,846,119
							659,667	659,667	46,462	706,129
			1,278,430					1,278,430	154,018	1,432,448
1,000	328,727			-598,662				-244,003	-10,419	-254,422
				-244,003				-244,003	-10,419	-254,422
1,000	328,727			-354,659				0		0
	-108,563	-11,275	-52,508					-8,041	89,571	81,530
	-111,585		-52,508					212	340	552
	3,022	-11,275						-8,253	89,231	80,978
1,932	741,440	-43,170	1,225,922	147,610	0	0	1,382,805	8,713,129	1,098,675	9,811,804
1,932	741,440	-43,170		1,373,532	0	0	1,382,805	8,713,129	1,098,675	9,811,804
							-554,273	-554,273	-40,028	-594,301
3,829	551,022	110	1,264,838	-1,007,913				1,264,838	151,068	1,415,906
				-369,519				-369,519	-14,800	-384,319
3,829	551,022	110		-638,394				0		0
	-228,133	15,068	-643	-165,046				15,068	-10,610	4,458
	-228,133		-643	-165,046				0		0
		15,068						15,068	-10,610	4,458
5,761	1,064,329	-27,992	1,264,195	200,573	0	0	828,532	9,069,243	1,184,305	10,253,548

Income statement.

TÜRKİYE İŞ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CASH-FLOW

TRY THOUSAND

	CURRENT PERIOD (31.12.2006)	PRIOR PERIOD (31.12.2005)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1. Operating Profit Before Changes in Operating Assets and Liabilities (+)	1,813,767	1,438,099
1.1.1. Interest Received (+)	7,605,848	5,117,436
1.1.2. Interest Paid (-)	-4,997,411	-2,633,968
1.1.3. Dividend Received (+)	24,351	38,792
1.1.4. Fees and Commissions Received (+)	1,157,979	1,011,972
1.1.5. Other Income (+)	3,283,480	4,218,687
1.1.6. Collections from Previously Written Off Loans and Other Receivables (+)	315,064	43,914
1.1.7. Cash Payments to Personnel and Service Suppliers (-)	-1,061,976	-934,978
1.1.8. Taxes Paid (-)	-400,272	-629,342
1.1.9. Other (+/-)	-4,113,296	-4,794,414
1.2. Changes in Operating Assets and Liabilities	351,793	11,906,637
1.2.1. Net Increase/Decrease in Financial Assets Held for Trading (+/-)	614,238	962,044
1.2.2. Net Increase/Decrease in Financial Assets Valued at Fair Value through Profit or Loss		
1.2.3. Net Increase/Decrease Due From Banks (+/-)	-3,156,273	-2,992,272
1.2.4. Net Increase/Decrease in Loans (+/-)	-9,157,733	-8,602,975
1.2.5. Net Increase/Decrease in Other Assets (+/-)	-272,664	-559,154
1.2.6. Net Increase/Decrease in Bank Deposits (+/-)	-527,449	1,837,371
1.2.7. Net Increase/Decrease in Other Deposits (+/-)	9,450,524	10,857,188
1.2.8. Net Increase/Decrease in Funds Borrowed (+/-)	3,014,556	5,019,826
1.2.9. Net Increase/Decrease in Matured Payables (+/-)		
1.2.10. Net Increase/Decrease in Other Liabilities (+/-)	386,594	5,384,609
I. Net Cash Provided From Banking Operations (+/-)	2,165,560	13,344,736
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Flow Provided from Investing Activities (+/-)	-4,818,231	-7,722,416
2.1. Cash Paid for Purchase of Associates, Subsidiaries and Other Investments (-)	-33,683	-51,015
2.2. Cash Obtained from Sale of Associates, Subsidiaries and Other Investments (+)	268,381	674,305
2.3. Fixed Assets Purchases (-)	-343,233	-368,761
2.4. Fixed Assets Sales (+)	126,153	296,020
2.5. Cash Paid for Purchase of Securities Available for Sale (-)	-5,255,879	-8,489,607
2.6. Cash Obtained from Sales of Securities Available for Sale (+)		
2.7. Cash Paid for Purchase of Investment Securities (-)	-9,467	-274,836
2.8. Cash Obtained from Sales of Investment Securities (+)	403,390	
2.9. Other (+/-)	26,107	491,478
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from Financing Activities (+/-)	-278,099	-119,254
3.1. Cash Obtained from Funds Borrowed and Securities Issued (+)	3,846	
3.2. Cash Used for Repayment of Funds Borrowed and Securities Issued (-)		
3.3. Equity Instruments Issued (+)		212
3.4. Dividends Paid (-)	-384,319	-254,422
3.5. Payments made for Finance Leases (-)	197	
3.6. Other (+/-)	102,177	134,956
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents (+/-)	17,544	45,062
V. Net Increase in Cash and Cash Equivalents (I+II+III+IV)	-2,913,226	5,548,128
VI. Cash and Cash Equivalents at Beginning of the Period (+)	6,707,765	1,159,637
VII. Cash and Cash Equivalents at End of the Period (V+VI)	3,794,539	6,707,765

(*) Current period consolidated cash flow statement is prepared in accordance with the changes made to the scope of consolidation by applying these changes to the prior period figures.

TÜRKİYE İŞ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

PROFIT DISTRIBUTION TABLE

TRY THOUSAND

	CURRENT PERIOD (31.12.2006)	PRIOR PERIOD (31.12.2005)
I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)		
1.1. CURRENT PERIOD PROFIT	1,630,588	1,855,823
1.2. TAXES AND LEGAL DUTIES PAYABLE (-)	521,370	693,496
1.2.1. Corporate Tax (Income Tax)	280,081	742,305
1.2.2. Income Tax Withholding	638	1,120
1.2.3. Other Taxes and Legal Duties (**)	240,651	-49,929
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	1,109,218	1,162,327
1.3. LOSSES IN PRIOR PERIODS (-)	0	0
1.4. FIRST LEGAL RESERVES (-)	55,314	47,781
1.5. OTHER STATUTORY RESERVES (-)	503,328	686,975
B. DISTRIBUTABLE NET PROFIT FOR THE PERIOD [(A)-(1.3+1.4+1.5)]	550,576	427,571
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	165,395	118,137
1.6.1. To Owners of Ordinary Shares	165,393	118,135
1.6.2. To Owners of Privileged Shares	2	2
1.6.3. To Owners of Redeemed Shares	0	0
1.6.4. To Profit Sharing Bonds	0	0
1.6.5. To Holders of Profit/Loss Share Certificates	0	0
1.7. DIVIDENDS TO EMPLOYEES (-)	77,036	61,887
1.8. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	963	774
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	234,643	188,723
1.9.1. To Owners of Ordinary Shares	234,636	188,715
1.9.2. To Owners of Privileged Shares	3	4
1.9.3. To Owners of Redeemed Shares	4	4
1.9.4. To Profit Sharing Bonds	0	0
1.9.5. To Holders of Profit/Loss Share Certificates	0	0
1.10. SECOND LEGAL RESERVES (-)	34,021	27,107
1.11. STATUTORY RESERVES (-)	0	0
1.12. EXTRAORDINARY RESERVES	38,518	30,943
1.13. OTHER RESERVES	0	0
1.14. SPECIAL FUNDS	0	0
II. DISTRIBUTION FROM RESERVES		
2.1. APPROPRIATED RESERVES	0	0
2.2. SECOND LEGAL RESERVES (-)	0	0
2.3. DIVIDENDS TO SHAREHOLDERS (-)	0	0
2.3.1. To Owners of Ordinary Shares	0	0
2.3.2. To Owners of Privileged Shares	0	0
2.3.3. To Owners of Redeemed Shares	0	0
2.3.4. To Profit Sharing Bonds	0	0
2.3.5. To Holders of Profit/Loss Share Certificates	0	0
2.4. DIVIDENDS TO EMPLOYEES (-)	0	0
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	0
III. PROFIT PER SHARE		
3.1. TO OWNERS OF ORDINARY SHARES (***)	0.40	0.59
3.2. TO OWNERS OF ORDINARY SHARES (%)	40	59
3.3. TO OWNERS OF PRIVILEGED SHARES (***)	0	0
3.4. TO OWNERS OF PRIVILEGED SHARES (%)	0	0
IV. DIVIDEND PER SHARE		
4.1. TO OWNERS OF ORDINARY SHARES (***)	0.005804	0.006234
4.2. TO OWNERS OF ORDINARY SHARES (%)	14.50	16.00
4.3. TO OWNERS OF PRIVILEGED SHARES (***)		
To Group A Shares	0.000132	0.000145
To Group B Shares	0.001621	0.001750
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		
To Group A Shares	26.43	29.00
To Group B Shares	16.21	17.50

(*) Profit Distribution is made according to the unconsolidated financial tables.

(**) The amount shown under Other Taxes and Duties Payable is Deferred Tax Income.

(***) Shown as the exact TRY amount.

TÜRKİYE İŞ BANKASI A.Ş.**CONSOLIDATED FINANCIAL HIGHLIGHTS AND MAIN RATIOS FOR THE PERIOD 2002-2006***

ASSETS (TRY thousand) **	31.12.2002	31.12.2003	31.12.2004	31.12.2005	31.12.2006
Cash and Cash Equivalents	235,063	251,367	301,703	299,198	476,605
Banks and Receivables from Interbank Money Markets (1)	3,204,434	3,438,915	3,817,956	12,105,160	12,221,022
Securities (Net)	9,969,852	15,470,335	17,687,728	25,793,919	29,803,142
Loans (2)	7,844,333	9,902,480	14,319,399	23,388,631	32,136,918
Associates and Subsidiaries (Net)	2,242,073	2,351,131	3,686,152	3,028,897	3,006,775
Fixed Assets (Net)	2,848,301	3,002,490	2,886,874	2,752,442	2,846,717
Other Assets	1,514,359	1,149,976	1,529,944	2,361,032	2,535,500
Total Assets	27,858,415	35,566,694	44,229,756	69,729,279	83,026,679
LIABILITIES (TRY thousand) **	31.12.2002	31.12.2003	31.12.2004	31.12.2005	31.12.2006
Deposits	17,103,798	19,767,012	24,600,186	36,959,507	46,306,374
Funds Borrowed and Interbank Money Market	3,312,362	6,151,416	6,760,661	16,989,113	19,804,992
Provisions	1,627,226	2,298,405	3,298,020	4,022,517	4,254,578
Other Liabilities	649,836	864,724	938,244	1,946,338	2,407,187
Shareholders' Equity	5,165,193	6,485,137	8,632,645	9,811,804	10,253,548
Total Liabilities	27,858,415	35,566,694	44,229,756	69,729,279	83,026,679
INCOME STATEMENT (TRY thousand)	31.12.2002	31.12.2003	31.12.2004	31.12.2005	31.12.2006
Interest Income	3,713,766	4,508,939	4,962,269	5,872,017	8,307,253
Interest Expenses	2,287,658	2,660,063	2,466,055	2,921,729	5,163,082
Net Interest Income	1,426,108	1,848,876	2,496,214	2,950,288	3,144,171
Foreign Exchange Gains/Losses	-437,549	243,013	101,400	37,294	-190,937
Trading Gains/Losses on Securities	371,438	790,860	482,102	219,566	225,997
Adjusted Net Interest Income	1,359,997	2,882,749	3,079,716	3,207,148	3,179,231
Fees and Commissions Income (Net)	354,150	512,547	752,522	893,818	1,056,920
Dividend Income	33,743	53,900	70,075	164,616	50,116
Other Operating Income	3,336,314	3,363,971	5,054,702	4,251,127	3,537,813
Total Operating Income	5,084,204	6,813,167	8,957,015	8,516,709	7,824,080
Operating Expenses	3,685,359	5,099,195	6,018,435	5,543,358	4,936,678
NET OPERATING PROFIT/LOSS	1,398,845	1,713,972	2,938,580	2,973,351	2,887,402
Provisions for Impairment Losses	619,403	867,346	1,105,551	827,396	881,738
PROFIT/(LOSS) BEFORE TAXES AND MONETARY POSITION	779,442	846,626	1,833,029	2,145,955	2,005,664
Net Monetary Position Profit/(Loss)	-264,737	-253,849	-459,804	0	0
PROFIT/(LOSS) BEFORE TAXES	514,705	592,777	1,373,225	2,145,955	2,005,664
Provision for Taxes	104,535	142,902	513,451	766,015	590,401
NET PERIOD PROFIT/(LOSS)	410,170	449,875	859,774	1,379,940	1,415,263
GROSS INCOME (3)	7,487,199	9,604,355	11,557,435	11,554,837	13,087,864
GROSS PROFIT (4)	1,134,108	1,460,123	2,478,776	2,973,351	2,887,402
KEY RATIOS	31.12.2002	31.12.2003	31.12.2004	31.12.2005	31.12.2006
Interest Earning Assets/Total Assets	75.69%	81.22%	81.31%	87.77%	89.24%
Interest Earning Assets/Interest Bearing Liabilities	103.23%	111.15%	114.83%	113.45%	112.08%
Securities/Total Assets	35.79%	43.50%	39.99%	36.99%	35.90%
Loans/Total Assets	28.16%	27.84%	32.38%	33.54%	38.71%
Loans/Deposits	45.86%	50.10%	58.21%	63.28%	69.40%
NPL Ratio	14.01%	11.23%	7.87%	4.59%	3.63%
Coverage Ratio	42.86%	100.00%	100.00%	100.00%	100.00%
Demand Deposits/Total Deposits	24.43%	24.41%	26.25%	18.60%	16.78%
Shareholder's Equity/Total Liabilities	18.54%	18.23%	19.52%	14.07%	12.35%
Return on Average Assets	1.76%	1.42%	2.15%	2.42%	1.85%
Return on Average Equity	10.37%	7.72%	11.37%	14.96%	14.11%
Cost/Income (5)	72.49%	74.84%	67.19%	64.87%	62.95%
OTHER INFORMATION (TRY thousand)	31.12.2002	31.12.2003	31.12.2004	31.12.2005	31.12.2006
Regulatory Capital	4,405,410	6,485,550	8,668,921	9,963,533	9,835,719
Core Capital	3,714,294	5,834,675	7,405,837	8,383,189	9,518,667
Free Capital (6)	-655,544	1,131,516	2,059,619	4,233,273	4,606,592
Demand Deposits	4,177,640	4,825,991	6,456,399	6,875,300	7,771,005

* The financial data of the year 2004 and the previous years are taken from the financial statements prepared according to RAP legislation; other data are taken from TAS and the related legislation.

** Interest accruals are included in all interest related items.

(1) Includes Central Bank and Reserve Deposit accounts

(2) Excludes Receivables under Follow-Up

(3) Gross Income = Interest Income+Foreign Exchange Gains/Losses+ Trading Gains/Losses on Securities +Fees and Commissions Income (Gross)+Dividend Income+Other Operating Income

(4) Gross Profit=Net Period Profit/(Loss)+Provision for Taxes + Provisions for Impairment Losses

(5) Operating Income and Operating Expenses are adjusted for the Gains/Losses due to FX Indexed Items

(6) Free Capital=Shareholder's Equity - (Fixed Assets + Non-Financial Associates and Subsidiaries + Receivables under Follow-Up - Specific Provisions)

TÜRKİYE İŞ BANKASI A.Ş. DISCLOSURES ON CONSOLIDATION

Consolidated financial statements have been prepared in accordance with the Regulation on the Preparation of Consolidated Financial Statements of Banks.

The entities listed below have been consolidated in accordance with the above-mentioned regulation:

Subsidiaries:

- ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ
- ANADOLU HAYAT EMEKLİLİK A.Ş.
- İŞBANK GMBH
- İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- İŞ FİNANSAL KİRALAMA A.Ş.
- MİLLÎ REASÜRANS T.A.Ş.
- TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

Associate:

- ARAP-TÜRK BANKASI A.Ş.

The financial statements of the subsidiaries have been consolidated with those of Türkiye İş Bankası A.Ş. (the Parent Bank) on line-by-line basis and the financial statements of the associate have been consolidated by using equity method in the consolidated financial statements.

Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank's investment in each of the subsidiaries and the Group's portion of equity of each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated reciprocally. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group's net income and the Group's shareholders' equity. Minority interests are identified separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries' financial statements. There is no item that a different accounting policy is applied.

Equity method is an evaluation method of associates by which the Parent Bank's share in the associates' equity is compared with the book value of the associate accounted in the Parent Bank's balance sheet. The difference is recognized as gain or loss in the consolidated income statement.

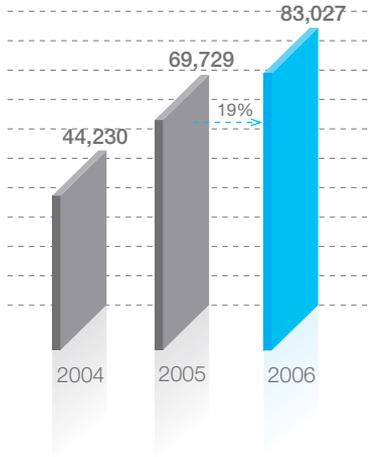
The highlights of the activities of 2006 of consolidated entities are given in pages 41 and 42 of the Annual Report.

TÜRKİYE İŞ BANKASI A.Ş.

ASSESSMENT OF MAJOR CONSOLIDATED ITEMS

The Group's total assets reached TRY 83,026,679 thousand in 2006. The main contributor to the asset growth is the increase in the volume of loans. In fact, while the share of loans in total assets was 33.5% in 2005, it increased to 38.7% in 2006.

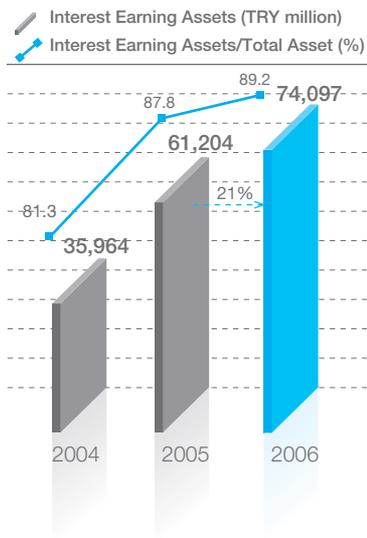
Total Assets (TRY million)



Loan Portfolio

As of end-2006, consolidated loan portfolio reached TRY 32,136,918 thousand by increasing 37.4% compared to the previous year. 92.2% of the consolidated loan portfolio is originated by the Parent Bank and 6.8% is originated by Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB). Even though TSKB's loan portfolio has also increased, main increase resulted from the Parent Bank's portfolio. Surge in the loan portfolio arises from housing loans, general-purpose consumer loans, investment loans and loans extended to SMEs.

On the other hand, subject to the private sector fixed capital investments, investment loans, which were granted by TSKB, also kept on its growth with the help of expanding supply of funds from overseas institutions.



TÜRKİYE İŞ BANKASI A.Ş.

ASSESSMENT OF MAJOR CONSOLIDATED ITEMS

Securities Portfolio

Group's securities portfolio reached TRY 29,803,142 thousand by increasing 15.5% compared to the previous year. 92.5% of the securities portfolio is originated by banking group and 7.5% is originated by insurance group. The share of securities portfolio in total assets is 36%, which is almost the same as the previous year's share.

Deposits

Besides the Parent Bank, İş Bank Gmbh, one of the Group's banks founded in Germany, is also allowed to collect deposits. 98.8% and 98.5% of consolidated deposits are the Parent Bank's deposits in the years 2005 and 2006 respectively. An increase of TRY 9,346,867 thousand with 25.3% was realized in accordance with the development of the Parent Bank's deposits.

Funds Borrowed (Borrowings)

In 2006, the Parent Bank's borrowings constitute 75.7%, TSKB borrowings constitute 20.7% and İş Genel Finansal Kiralama A.Ş. borrowings constitute 3.6% of total borrowings and in 2005 these ratios were 77%, 20% and 3% respectively. This liability item has increased by TRY 3,109,802 thousand with 28.8% compared to the previous year. The share of borrowings, which is mainly Parent Bank's borrowings from overseas markets through syndication, securitization, post-financing, secured borrowings and swaps, in total liabilities, is 16.7%. Due to lower funding costs, compared to the deposits, these borrowings are rather preferred by the Parent Bank. On the other hand, Group's investment bank, TSKB, has continued its operations to provide loans from World Bank, European Investment Bank and other overseas development and investment banks in order to fund private sector investments.

Provisions

Provisions are mainly composed of technical deficit reserves of the insurance group and the pension fund provision of the Parent Bank.

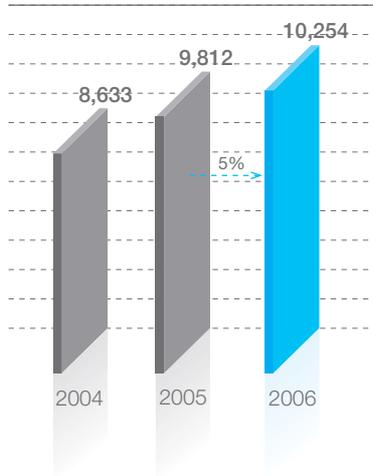
Compared to 2005 figures, provisions increased by 5.8% with TRY 232,061 thousand change, owing to the increase in general loan loss provisions related to the increase in the volume of loans granted.

Shareholder's Equity

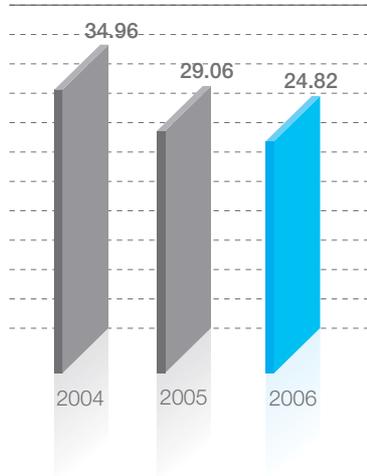
The paid-in capital of the Bank has been increased in the current year from TRY 1,968,942 thousand to TRY 2,756,585 thousand. As of end-2006, total shareholder's equity worth including minority shares, which represents the shares of third party individuals and institutions on group entities, has reached to TRY 10,253,548 thousand.

Consolidated capital adequacy ratio is 24.82% as of end -2006.

Shareholder's Equity (TRY million)



Capital Adequacy Ratio (%)



TÜRKİYE İŞ BANKASI A.Ş.

ASSESSMENT OF MAJOR CONSOLIDATED ITEMS

Net Interest Income

Net interest income reached to TRY 3,144,171 thousand by increasing 6.6% compared to the previous year 2005. 87.8% of net interest income is originated by banking group and 9.9% is originated by insurance group. While interest income on loans increased by 39% and interest income on marketable securities portfolio increased by 40%, interest expense on deposits increased by 76.6%. Besides intensive competition in banking sector on deposits, increase in cost of funding after financial market fluctuations played an important role on the increase of interest expense on deposits.

Net Fees and Commissions Income

The Parent Bank gained 95.8% of consolidated net fee and commission income. The balance of this item reached TRY 1,056,920 thousand by increasing 18.3% compared to the end of the year 2005.

Other Income/Expenses

Other income/expense consists of operating costs, provisions released, insurance policy revenues of the insurance group and claims and compensation payment expenses. With minor increase, net balance of this item shows an expense balance of TRY 1,399,222 thousand.

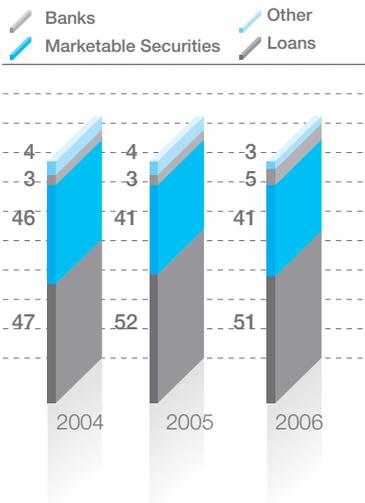
Profit/Loss

In the first half of the year 2006, financial market fluctuations led to increase in cost of funding and recession on demand for credit. Intense competition on deposits also intensified the pressure on cost of funding. All of these developments resulted in diminishing net interest margins.

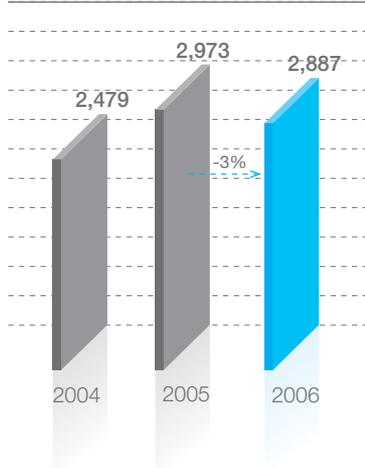
On the other hand, according to the Banking Regulation and Supervision Agency regulations, as of year end 2006, financial statements are required to be prepared in accordance with Turkish Accounting Standards in comply with international standards. Besides macroeconomic developments due to the above-mentioned amendments, additional provisions and adjustments had negative affect on the profitability of the Group.

As a result of these developments, net profit of TRY 1,415,263 thousand was realized in 2006 on consolidated basis. The total profit of the Group reached to TRY 1,464,768 thousand total with TRY 200,573 thousand of the prior year's profit.

Composition of Interest Income (%)



Gross Profit (TRY million)



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