GSD Yatırım Bankası Anonim Şirketi
and Its Subsidiary

Consolidated Financial Statements With
Independent Auditors' Report Thereon
31 December 2007

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

7 March 2008

This report contains 1 page of independent auditors' report and 49 pages of financial statements together with explanatory notes.

**GSD Yatırım Bankası Anonim Şirketi
and Its Subsidiary**

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Independent Auditors' Report

To the Board of Directors of
GSD Yatırım Bankası Anonim Şirketi:

We have audited the accompanying consolidated financial statements of GSD Yatırım Bankası Anonim Şirketi (the "Bank") and its subsidiary (collectively the "Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of 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

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

7 March 2008
Istanbul, Turkey

KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

GSD Yatırım Bankası A.Ş. and Its Subsidiary

Consolidated Balance Sheet
As of 31 December 2007
(Currency -Thousands of New Turkish Lira (YTL))

	Notes	31 December 2007	31 December 2006
Assets			
Cash and balances with the Central Bank	*11*	11,409	1,871
Financial assets at fair value through profit or loss	*12*	460	7,491
Loans and advances to banks	*11*	9,693	8,322
Derivative financial instruments	*12*	21	596
Loans and advances to customers	*13*	125,741	62,817
Minimum lease payments receivable	*15*	1,556	3,612
Investment securities	*14*	10,102	7,947
Premises and equipment	*16*	434	163
Intangible assets	*17*	33	4
Deferred tax asset	*18*	327	147
Other assets	*19*	129	313
Total assets		**159,905**	**93,283**
Liabilities			
Current accounts of loan customers	*20*	41,620	949
Other money market deposits	*22*	-	6,289
Derivative financial instruments	*12*	89	593
Funds borrowed	*21*	57,606	35,035
Other liabilities and accrued expenses	*24*	1,047	224
Provisions	*23*	411	213
Income taxes payable	*10*	637	499
Total liabilities		**101,410**	**43,802**
Shareholders' Equity			
Share capital issued	*25*	25,000	25,000
Adjustment to share capital	*25*	16,813	16,813
Unrealized gains/(losses) on available-for-sale investments		4,613	2,458
Legal reserves and retained earnings		12,069	5,210
Total equity attributable to equity holders of the bank		**58,495**	**49,481**
Minority interest		**-**	**-**
Total liabilities and equity		**159,905**	**93,283**
COMMITMENTS AND CONTINGENCIES	*26*	**68,292**	**72,038**

The accompanying notes are an integral part of these consolidated financial statements

GSD Yatırım Bankası A.Ş. and Its Subsidiary

Consolidated Income Statement
For the year ended 2007
(Currency -Thousands of New Turkish Lira (YTL))

	Notes	31 December 2007	31 December 2006
Interest income			
Interest on loans and advances		17,738	8,939
Interest on securities		390	999
Interest on deposits with banks and other financial institutions		604	431
Interest on financial leases		240	451
Other interest income		6	7
Total interest income		**18,978**	**10,827**
Interest expense			
Interest on funds borrowed and other money market deposits		(3,034)	(1,779)
Interest on current accounts of loan customers		(3,235)	-
Interest on other money market placements		(194)	(860)
Total interest expense		**(6,463)**	**(2,639)**
Net interest income		**12,515**	**8,188**
Provisions for impairment on loan and lease receivables, net of recoveries		412	(217)
Net interest income after provision for impairment on loan and lease receivables		**12,927**	**7,971**
Foreign exchange gain/(loss),net		133	506
Net interest income after provision for impairment on loan and lease receivables and foreign exchange gain		**13,060**	**8,477**
Other operating income			
Fees and commission income	5	1,564	959
Trading gain/loss (net)	6	(239)	(13)
Other operating income	7	418	384
Fees and commissions expense	5	(141)	(141)
Salaries and employee benefits	8	(3,473)	(1,877)
Depreciation and amortization		(104)	(135)
Taxes other than on income		(231)	(174)
Other operating expenses	9	(1,815)	(1,348)
Profit from operating activities before income tax and monetary loss		**9,039**	**6,158**
Income tax – current	10	(2,360)	(1,100)
Income tax – deferred	10	180	(30)
Net Income for the period		**6,859**	**5,028**
Net income for the year attributable to:			
Equity holders of the Bank		6,859	5,028
Minority interest		-	-
Earnings per share (in full YTL per share with a nominal value of full YTL 0.1)		**0,28**	**0,21**

The accompanying notes are an integral part of these consolidated financial statements

GSD Yatırım Bankası A.Ş. and Its Subsidiary

Consolidated Statements of Changes in Equity

For The Year Ended 31 December 2007

(Currency -Thousands of New Turkish Lira (YTL))

	Notes	Share Capital	Adjustment to Share Capital	Unrealized Gains/(Losses) on Available-for-Sale Investments	Legal Reserves	Retained Earnings	Total	Minority Interest	Total Equity
At 31 December 2005		**15,000**	**21,813**	**5,570**	**922**	**3,310**	**46,615**	**-**	**46,615**
Share capital increase		10,000	(5,000)	-	-	(4,050)	950	-	950
Cash increase		950	-	-	-	-	950	-	950
Transfer to share capital		9,050	(5,000)	-	-	(4,050)	-	-	-
Transfer to legal reserves		-	-	-	211	(211)	-	-	-
Net change in unrealized gain on available- for-sale investments		-	-	(3,112)	-	-	(3,112)	-	(3,112)
Net income for the year		-	-	-	-	5,028	5,028	-	5,028
At 31 December 2006		**25,000**	**16,813**	**2,458**	**1,133**	**4,077**	**49,481**	**-**	**49,481**
Transfer to legal reserves		-	-	-	219	(219)	-	-	-
Net change in unrealized gain on available- for –sale investments		-	-	2,155	-	-	2,155	-	2,155
Net income for the year		-	-	-	-	6,859	6,859	-	6,859
At 31 December 2007		**25,000**	**16,813**	**4,613**	**1,352**	**10,717**	**58,495**	**-**	**58,495**

The accompanying notes are an integral part of these consolidated financial statements

GSD Yatırım Bankası A.Ş. and Its Subsidiary

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2007

(Currency -Thousands of New Turkish Lira (YTL))

	31 December 2007	31 December 2006
Cash flows from operating activities		
Interest received	18,806	9,229
Interest paid	(6,071)	(2,374)
Fees and commissions received	1,564	957
Trading income	(239)	34
Recoveries of loans	1,351	-
Fees and commissions paid	(141)	(140)
Cash payments to employees	(3,275)	(1,991)
Cash received from other operating activities	-	960
Cash paid for other operations	(3,328)	(1,495)
Income taxes paid	(1,686)	(2,185)
Cash flows from operating activities before changes in operating assets and liabilities	**6,981**	**2,995**
Changes in operating assets and liabilities		
Time deposits with original maturities of more than three months	(234)	160
Financial assets at fair value through profit or loss	7,960	2,777
Balances with Central Bank	(1,490)	(191)
Loans and advances to customers	(64,308)	(14,212)
Minimum lease payments receivable	2,056	1,324
Other assets	448	731
Other liabilities	34,298	(878)
Net cash provided by (used in) operating activities	**(14,289)**	**(7,294)**
Cash flows from investing activities		
Purchases of available for sale securities	-	(2,694)
Purchases of premises and equipment	(369)	(15)
Proceeds from the sale of premises and equipment and intangible assets	83	83
Purchase of intangible assets	(17)	-
Net cash (used in) provided by investing activities	**(303)**	**(2,626)**
Cash flows from financing activities		
Proceeds from funds borrowed	46,392	18,491
Repayments of funds borrowed	(23,951)	(9,144)
Share capital increase	-	950
Net cash used in financing activities	**22,441**	**10,297**
Effect of net foreign exchanges difference and monetary gain (loss) on monetary items	**1,337**	**550**
Net increase/(decrease) in cash and cash equivalents	9,186	927
Cash and cash equivalents at beginning of year (Note 11)	8,852	7,925
Cash and cash equivalents at end of year (Note 11)	**18,038**	**8,852**

The accompanying notes are an integral part of these consolidated financial statements

Index for the notes to consolidated financial statements

(Currency - Thousands of New Turkish Lira (YTL))

1. Reporting Entity

GSD Yatırım Bankası Anonim Şirketi (‘‘the Bank’’) was registered on December 22, 1998 at Turkish Trade Registry Gazette, in accordance with the decision number 98/10962 taken by the Board of Ministers on April 20, 1998. The Bank was registered as an investment bank and commenced its operations on April 7, 1999, after obtaining the necessary banking permissions from the Turkish Undersecretariat of Treasury (the Treasury) and the Central Bank of Turkey (the Central Bank) on February 24, 1999.

The registered office address of the Bank is Aydınevler Mahallesi, Inönü Caddesi, GSD Binası No:14, Küçükyalı 81570, Maltepe - Istanbul, Turkey.
The consolidated financial statements of the Bank are authorized for issue by the management on 7 March 2008. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue. The parent and ultimate parent of the Bank is GSD Holding A.Ş. (GSD Holding) whose majority shares are publicly traded.

Nature of Activities of the Group

The Bank carries out its activities as corporate banking. The Bank’s corporate services mainly include corporate lending, trade finance and financial leasing. In retail banking, the Bank mainly provides retail lending products such as mortgages, home equity, vehicle and consumer loans to its customers. As a non-deposit taking bank, the Bank borrows funds from financial markets, its counterparties.
Operational activities of the Bank as stated at its Articles of Association are as follows:

- Lending cash and non cash loans
- Providing collection and payment services, fund transfer and correspondent baking services
- Cheques and notes payable transactions
- Providing custody service
- Foreign exchange transactions
- Trading of capital market instruments, derivatives and money market instruments
- Intermediary services in money markets
- Financial lease transactions

As at 31 December 2007, the Bank provides services through its head office and one branch located in Istanbul. As at 31 December 2007, the number of employees of the Bank is 50.

For the purposes of the consolidated financial statements, the Bank and its consolidated subsidiary are referred to as “the Group”.
The subsidiary included in consolidation and effective shareholding percentage of the Group as of December 31, 2007 and 2006 is as follows:

	Place of Incorporation	Principal activity	Effective Shareholding And Voting Rights %	
			2007	**2006**
GSD INTERNATIONAL LTD	DOUGLAS/UK	Investing	100	100

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Bank maintains its books of account and prepares its statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the other relevant laws and regulations. GSD International Limited (GSD International), the consolidated subsidiary, maintains its books of account in accordance with Isle of Man Companies Acts. The consolidated financial statements have been prepared from statutory financial statements of the Bank and its subsidiary and presented in accordance with IFRS in New Turkish Lira (YTL) with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS.

The accounting policies have been consistently applied by the Bank and are consistent with those used in previous year ended 31 December 2006.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value.

2.3 Functional and presentation currency

These consolidated financial statements are presented in YTL, which is the Bank's functional currency. Except as indicated, financial information presented in YTL has been rounded to the nearest thousand.

The restatement for the changes in the general purchasing power of YTL until 31 December 2005 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous year be restated in the same terms.

IAS 29 describes characteristics that may indicate that an economy is hyperinflationary. However, it concludes that it is a matter of judgment when restatement of financial statements becomes necessary. After experiencing hyperinflation in Turkey for many years, as a result of the new economic program, which was launched in late 2001, the three-year cumulative inflation rate dropped below 100% in October 2004. As at 31 December 2007, the three-year cumulative rate has been 21.4% (31 December 2006 – 32.1%) based on the Wholesale Price Index published by the Turkish Statistical Institution (previously, State Institute of Statistics ("SIS")). Based on these considerations, restatement pursuant to IAS 29 has been applied until 31 December 2005 and Turkey ceased to be hyperinflationary effective from 1 January 2006.

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Group could realise or settle the same values of assets and liabilities as indicated in the consolidated balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

As of December 2007 and 2006, the foreign subsidiary (GSD International, which was previously classified as integral foreign operation) has the same functional currency as the reporting entity.

2.4 Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are as follows;

Key sources of estimation uncertainty

Impairment of available-for-sale equity instruments:
The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry or sector performance, changes in technology and operational and financing cash flows.

Allowances for credit losses

The Group reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and individual loans. All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed. Other evidence for impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

Income taxes

The Group is subject to income taxes in Turkey. Significant estimates are required in determining the provision for income taxes. Where there are matters the final tax outcome of which is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2007, the Group carried YTL 637 net income taxes payable (31 December 2006: YTL 499).
Management records deferred tax assets to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The recoverability of the deferred tax assets is reviewed regularly. As at 31 December 2007, the Group carries a net deferred tax asset amounting to YTL 327 (31 December 2006: YTL 147).

Employee termination benefits

In accordance with existing social legislation in Turkey, companies in Turkey are required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 23 are reviewed regularly. The carrying value of employee termination benefit provisions as at 31 December 2007 is YTL 82 (31 December 2006: YTL 144).

(Currency - Thousands of New Turkish Lira (YTL))

3. Significant accounting policies

The accounting policies set out below have been applied constantly to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsidiary is fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group.

The purchase method of accounting is used for acquired businesses. The purchase method of accounting involves allocating the cost of the business combination to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The excess of the cost of acquisition over the fair value of Group's share of the identifiable net assets acquired is recorded as goodwill.

The financial statements of the subsidiary is prepared for the same reporting year as the parent Bank, using consistent accounting policies.

All intra-group balances, transactions, and unrealized gains on intra-group transactions are eliminated; unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively, except where the minority shareholders, who are nominee shareholders, do not exercise their minority rights.

3.2 Foreign currency translation

The consolidated financial statements are presented in YTL, which is the Bank's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

Foreign currency translation rates used by the Group are as follows:

	EUR / YTL(full)	USD / YTL (full)
31 December 2005	1.5875	1.3418
31 December 2006	1.8515	1.4056
31 December 2007	1.7102	1.1647

3. Significant accounting policies *(continued)*

3.3 Interest

Interest income and expense are recognized in the consolidated income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

3.4 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Fee for bank transfers and other banking transaction services are recorded as income when collected.

3.5 Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realized and unrealized fair value changes and interest. Any realized or unrealized fair value changes and interest of non-qualifying derivatives, held for risk management purposes, are recorded as foreign exchange gain.

3.6 Dividends

Dividends are recognized when the shareholders' right to receive the payments is established.

3.7 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3. Significant accounting policies *(continued)*

3.7 Income tax expense *(continued)*

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

3.8 Financial assets and liabilities

Classification

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

Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in this category. Trading securities are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer’s margin, or are securities included in a portfolio in which a pattern of short term profit taking exist. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on investments held-for-trading are recognized in the consolidated income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned on such loans and receivables is reported as interest income.

Available-for-sale financial assets

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

Recognition

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument.

3.8 Financial assets and liabilities *(continued)*

Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group does not have any assets where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognized to the extent of the Group's continuing involvement in the asset.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognizing of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

The Group enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the consolidated balance sheet when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Derivative financial instruments

The Group enters into transactions with derivative instruments including forwards and swaps in the foreign exchange and capital markets. Derivative financial instruments are initially recognized at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in consolidated income statement.

3.8 Financial assets and liabilities *(continued)*

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Identification and measurement of impairment

At each balance sheet date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.
The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers; or
  - national or local economic conditions that correlate with defaults on the assets in the group

If there is objective evidence that an impairment loss on loans and advances carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and estimated recoverable amount. The carrying amount of the asset is reduced through use of an allowance account. Losses are recognized in profit or loss and reflected in an allowance account against loans and advances.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

3. Significant accounting policies *(continued)*

3.8 Financial assets and liabilities *(continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. The amount of the reversal should not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary legal and regulatory procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts written off are included in the consolidated income statement.

Repurchase and resale transactions

The Group enters into sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to a repurchase agreement ('repos'), continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the security portfolio which they are part of. Securities sold subject to repurchase agreements ('repos') are reclassified in the consolidated financial statements as loaned securities when the transferee has the right by contract or custom to sell or repledge the collateral. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements using effective interest method.

Securities purchased with a corresponding commitment to resell at a specified future date ('reverse repos') are not recognized in the consolidated balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using effective interest method.

3.9 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the consolidated balance sheet.

(Currency - Thousands of New Turkish Lira (YTL))

3. Significant accounting policies *(continued)*

3.10 Premises and equipment

The costs of the bank premises and equipment are restated for the effects of inflation to the end of 31 December 2005, less accumulated depreciation and amortization and impairment losses. Bank premises and equipment and intangible assets acquired after 2005 are reflected at cost, less accumulated depreciation and amortization and impairment losses.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Machinery and equipment	4-5 years
Office equipment	2-10 years
Furniture, fixtures and vehicles	5 years
Leasehold improvements	Lease period

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset's fair value less costs to sell and value in use. Impairment losses are recognized in the income statement. There is no impairment recorded related to premises and equipment.

An item of premises and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

3.11 Intangible assets

The costs of the intangible assets are restated for the effects of inflation to the end of 31 December 2005, less accumulated depreciation and amortization and impairment losses. Bank premises and equipment and intangible assets acquired in 2006 are reflected at cost, less accumulated depreciation and amortization and impairment losses.
Intangible assets acquired separately from a business are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. There is no impairment recorded related to intangible assets. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The Group amortizes intangible assets with a finite life on a straight-line basis over the estimated useful lives of 3-15 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

3.12 Leases

The Group as lessee

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

The Group as lessor

Finance leases

The Group presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term.

3.13 Deposits and funds borrowed

The Group is not entitled to collect deposits.

Funds borrowed are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

3.14 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

3. Significant accounting policies *(continued)*

3.15 Employee benefits

The Group has both defined benefit and defined contribution plans as described below:

i) Defined benefit plans

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

Such defined benefit plan is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. All actuarial gains and losses are recognized in the consolidated income statement.

ii) Defined contribution plans

For defined contribution plans the Bank pays contributions to publicly administered Social Security Funds on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

The Bank does not have any internally set defined contribution plan.

3.16 Fiduciary assets

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

3.17 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as of and for the year ended 31 December 2007, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Company's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group Management in order to assess each segment's performance and to allocate resources to them. It is not expected to have any impact on the consolidated financial statements.
- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date. It is not expected to have any impact on the consolidated financial statements.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.

3.17 New standards and interpretations not yet adopted (continued)

- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any effect on the consolidated financial statements.
- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any impact on the financial statements.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2008 financial statements, with retrospective application required.
- IFRS 3 – Business Combinations & IAS 27 Consolidated and Separate Financial Statements; the International Accounting Standards Board ("IASB") has completed the second phase of its business combinations project by issuing a revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements which also brings revisions to IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures. The new requirements take effect on 1 July 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the consolidated financial statements.

4. Financial Risk Management

a) Introduction and Overview

The Group's risk approach is to achieve sound and sustainable low risk profile on consolidated basis, through the identification, the measurement and the monitoring of all types of risks inherent in the nature of the business activities. The main principle of the Group is to manage the credit risk effectively and to eliminate the other types of risk by not carrying positions.

In the course of its normal operations, the Group is exposed to a number of risks such as credit risk, market risk, liquidity risk, currency risk and operational risk. Group's risk policy can be summarized as:

- eliminating currency, interest rate and maturity risk
- minimizing market risk
- well managing the credit risk through a high standardized credit risk management

In accordance with the GSD Yatırım Bankası A.Ş.'s general risk management strategy; the Bank aims to eliminate and hedge its currency, interest rate and maturity positions that might create liquidity or market risk to GSD Yatırım Bankası A.Ş. Additionally, in order to minimize the market risk, marketable securities portfolio is limited proportional to the total assets size.

Board of Directors is the highest authority to set all risk management guidelines, and it is responsible for ensuring that the Bank implements all necessary risk management techniques in compliance with the related regulatory requirements in Turkey.

All risk levels are set and approved by the Board of Directors on a regularly basis, and it is announced to the organization.

The Group manages its exposure to all types of risks through the Asset and Liability Committee, comprising members of senior management, and a representative of main shareholder.

In summary, in order not to be exposed to any liquidity, interest rate, market and foreign currency risk, the Bank always keeps its funding structure in line with the asset structure (in terms of currency, maturity and interest rate) and hedges its positions through various derivative transactions. In addition to that, the Group does not take any speculative positions on currency, interest rate and maturity that might create any liquidity or market risk to the Bank.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk arises where the possibility exists of a counter party defaulting on its obligations. The most important step in managing this risk is the initial decision whether or not to extend credit.

The Bank manages its corporate portfolio as per following principles;

There are risk limits, set by the Board of Directors, describing relevant credit limits such as single borrower limit, group exposure limit, credit approval authorities and their approval limits.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial Risk Management *(continued)*

Measuring risk

Throughout the loan extension process the Bank management evaluates the Firm's operating performance, financial structure, ability of debt repayment currently and continuance of debt payment ability in the future and the morality of the firm's shareholders. The Bank has generated an internal rating system for the determination of firms' ratings and credit assessments. The "Credit Rating" process is the analysis of objective criteria formed upon the evaluation of firm's financial performance , information gathered throughout intelligence process, relations of the firm with other financial institutions, the firm's production technology, the position of the firm in its sector, the firm's competitiveness and customer and supplier portfolio of the firm. The firms are rated between AA -E.

9.50 - 10.0	AA	Very Good
8.50 - 9.49	A	
7.50 - 8.49	BB	Good
6.50 - 7.49	B	
5.50 - 6.49	CC	Average
4.50 - 5.49	C	
3.50 - 4.49	DD	Below Average
2.50 - 3.49	D	
1.50 - 2.49	EE	Unsatisfactory
0.00 - 1.49	E	

Monitoring the risk

Risk Follow-up Department performs the monitoring of the morality records of the firm and the black list of central bank, controls the distribution of concentration limits with respect to sector, geography and credit type and controls the collateral structure of the loans.

Exposure to credit risk

	Loans and advances to customers	
	31 December 2007	**31.December 2006**
Individually impaired	2,272	7,023
Allowance for impairment	(1,322)	(2,415)
Carrying amount	**950**	**4,608**
Collectively impaired	-	-
Allowance for collective impairment	(1,204)	(522)
Carrying amount	**(1,204)**	**(522)**
Past due but not impaired	**-**	-
Carrying amount	**-**	**-**
Neither past due nor impaired	125,995	58,731
Loans with renegotiated terms	-	-
Carrying amount	**125,995**	**58,731**
Total carrying amount	**125,741**	**62,817**

Impaired loans and receivables

Impaired loans and receivables are loans and receivables for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. These loans are graded D to EE in the Bank's internal credit risk grading system.

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial Risk Management *(continued)*

Past due but not impaired loans

Loans and receivables where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to temporary deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio.

Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when Group determines that the loans / securities are uncollectible.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

	Loans and advances to customers	
31 December 2007	**Gross**	**Net**
Grade D : Individually Impaired	225	180
Grade EE : Individually Impaired	413	207
Grade E: Individually Impaired	1,634	563
Total	**2,272**	**950**

	Loans and advances to customers	
31 December 2006	**Gross**	**Net**
Grade D : Individually Impaired	-	-
Grade EE : Individually Impaired	-	216
Grade E : Individually Impaired	7,023	2,415
Total	**7,023**	**2,631**

Collateral policy

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2007 or 31 December 2006.

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

b. Credit risk *(continued)*

The breakdown of performing cash loans and advances to customers by type of collateral is as follows:

Cash loans	31 December 2007	%	31 December 2006	%
Secured loans	**174,358**	**89.07**	**100,282**	**74.63**
Secured by cash collateral	7	-	5	-
Secured by mortgages	10,004	5.11	9,693	7.21
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	164,347	83.96	90,584	67.42
Unsecured loans	**21,393**	**10.93**	**34,084**	**25.37**
Total performing loans (*)	**195,751**	**100**	**134,366**	**100**

* Total performing loans is comprised of collaterals obtained for cash loans, non cash loans and financial lease receivables.

Segment concentration of cash loans, is as follows:

	31 December 2007	31 December 2006
Finance	24,811	29,769
Construction	11,456	416
Production	8,339	-
Automotive	8,285	448
Metal products	14,628	-
Textile	7,115	4,336
Food	9,879	5,759
Chemical	6,852	1,360
Transportation	4,408	2,986
Energy	3,015	-
Tourism	2,342	1,560
Publishing	2,251	6,150
Electronics	1,799	81
Steel	-	2,014
Others	19,868	3,331
Corporate loans	125,048	58,210
Consumer loans	57	70
Interest accruals	890	453
Non performing loans	2,272	7,021
Provision for possible loan losses	(2,526)	(2,937)
Total	**125,741**	**62,817**

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

b. Credit risk *(continued)*

Segment concentration of non cash loans is as follows:

	31 December 2007	31 December 2006
Construction	10,821	709
Metal	9,471	2
Transportation	2,584	2,186
Finance	11,518	14,511
Textile	1,108	3,027
Publishing	965	4,052
Automotive	200	400
Food	66	21,265
Tourism	-	2,811
Other	31,559	23,075
Total	**68,292**	**72,038**

c. Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable.

Liquidity risk is a substantial risk in Turkish market, which exhibit significant volatility.

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

The table on the next page analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

	Up to 1 Month	1-3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Unallocated	Total
31 December 2007							
Assets							
Cash and balances with the Central Bank	11,409	-	-	-	-	-	11,409
Loans and advances to banks	9,533	160	-	-	-	-	9,693
Financial assets at fair value through profit or loss	-	-	460	-	-	-	460
Derivative financial instruments	-	-	21	-	-	-	21
Investment securities	-	-	-	-	-	10,102	10,102
Loans and advances to customers	84,228	22,356	19,316	95	-	(254) *	125,741
Minimum lease payments receivable	96	278	1,174	8	-	-	1,556
Other assets	-	-	-	-	-	923	923
Total assets	**105,266**	**22,794**	**20,971**	**103**	**-**	**10,771**	**159,905**
Liabilities							
Current accounts of loan customers	21,457	20,163	-	-	-	-	41,620
Other Money Markey Deposits	-	-	-	-	-	-	-
Funds borrowed	28,649	366	26,195	2,396	-	-	57,606
Derivative financial instruments	57	-	-	32	-	-	89
Other liabilities and accrued expenses	-	637	-	-	-	1,458	2,095
Shareholders' Equity	-	-	-	-	-	58,495	58,495
Total liabilities	**50,163**	**21,166**	**26,195**	**2,428**	**-**	**59,953**	**159,905**
Liquidity gap	**55,103**	**1,628**	**(5,224)**	**(2,325)**	**-**	**(49,182)**	**-**

* Includes net of non performing loans amounting YTL 2,272 and allowance for loan losses YTL 2,526

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

	Up to 1 Month	1-3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Unallocated		Total
31 December 2006								
Assets								
Cash and balances with the Central Bank	560	1,311	-	-	-	-		1,871
Loans and advances to banks	8,322	-	-	-	-	-		8,322
Financial assets at fair value through profit or loss	-	2,422	5,069	-	-	-		7,491
Derivative financial instruments	-	596	-	-	-	-		596
Investment securities	-	-	-	-	-	7,947		7,947
Loans and advances to customers	16,005	15,825	26,903	-	-	4,084	*	62,817
Minimum lease payments receivable	149	373	1,406	1,684	-	-		3,612
Other assets	-	-	-	-	-	627		627
Total assets	**25,036**	**20,527**	**33,378**	**1,684**	**-**	**12,658**		**93,283**
Liabilities								
Current accounts of loan customers	949	-	-	-	-	-		949
Other Money Markey Deposits	-	-	-	-	-	-		-
Funds borrowed	26,896	2,768	10,114	1,546	-	-		41,324
Derivative financial instruments	593	-	-	-	-	-		593
Other liabilities and accrued expenses	-	499	-	-	-	437		936
Shareholders' Equity	-	-	-	-	-	49,481		49,481
Total liabilities	**28,438**	**3,267**	**10,114**	**1,546**	**-**	**49,918**		**93,283**
Liquidity gap	**(3,402)**	**17,260**	**23,264**	**138**	**-**	**(37,260)**		**-**

* Includes net of non performing loans amounting YTL 7,020 and allowance for loan losses YTL 2,936

Exposure to liquidity risk

The calculation method used to measure the banks compliance with the liquidity limit is set by Banking Regulatory and Supervision Agency (''BRSA''). Currently, this calculation is performed on a bank only basis. In November 2006, BRSA issued a new communiqué on the measurement of liquidity adequacy of the banks. This new legislation requires the banks to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities based on arithmetic average computations on a weekly and monthly basis effective from 1 June 2007. The Bank's liquidity ratios in 2007 are as follows:

	First Maturity Bracket (Weekly)		**Second Maturity Bracket (Monthly)**	
	Foreign Currency	**Total**	**Foreign Currency**	**Total**
2007 Average	169.84	438.19	113.50	244.17

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

The table below analyses residual contractual maturities of liabilities:

31 December 2007	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Deposits from banks	-	-	-	-	-	-	-	-
Current accounts of loan customers	41,620	42,314	4,495	17,088	20,731	-	-	-
Funds borrowed	57,606	59,084	-	28,805	380	27,206	2,693	-
Obligations under repurchase agreements	-	-	-	-	-	-	-	-
Total	**99,226**	**101,398**	**4,495**	**45,893**	**21,111**	**27,206**	**2,693**	**-**

31 December 2006	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Deposits from banks	-	-	-	-	-	-	-	-
Current accounts of loan customers	949	949	-	949	-	-	-	-
Funds borrowed	35,035	37,462	-	24,022	-	11,476	1,964	-
Obligations under repurchase agreements	6,289	6,296	-	6,296	-	-	-	-
Total	**42,273**	**44,707**	**-**	**31,267**	**-**	**11,476**	**1,964**	**-**

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

d) Market risk

Market risk is the risk that changes in market prices such as interest rate, equity prices, foreign exchange rates and credit spreads will effect the Groups income or the value of its holdings of financial instruments.

The Board of Directors of the Bank determines the risk limits for primary risks carried by the Bank and periodically revises these limits. For the purpose of hedging market risk, the Group primarily aims to balance the foreign currency position, collateralized the loans and manage liquidity.

The market risk arising from trading portfolio is monitored, measured and reported using Standardized Approach to the legal legislation. The monthly market risk report and the weekly currency risk reports prepared using Standardized Approach are reported to BRSA. The Bank's value at market risks as of 31 December 2007 and 31 December 2006 calculated as per the statutory financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006, are as follows:

	2007			**2006**		
	Average	**Highest**	**Lowest**	**Average**	**Highest**	**Lowest**
Interest rate risk	13	27	3	60	47	31
Common share risk	-	-	-	951	1,520	-
Currency risk	519	1,008	42	885	2,305	229
Total value-at-risk	**532**	**1,035**	**45**	**1,896**	**3,872**	**260**

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of the changes in the levels of equity indices and the value of individual stocks.

The effect on equity as a result of change in the fair value of equity instruments held as available for sale financial assets at 31 December 2007 and 2006 due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

		31 December 2007	**31 December 2006**
	Change in index	**Equity**	**Equity**
ISE – 100 (IMKB100)	10%	1,010	795

Fair value information

The estimated fair values of financial instruments have been determined using available market information by the Group, and where it exists, appropriate valuation methodologies. However, judgment is necessary required to interpret market data to determine the estimated fair value. Turkey has shown signs of an emerging market and has experienced a significant decline in the volume of activity in its financial market. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

Fair values of financial assets and liabilities carried at amortized cost, including mainly loans, lease receivables, deposit with banks and other financial institutions, reserve deposits at the Central Bank are considered to approximate their respective carrying values due to the fact that the effective interest rates on those represent the current effective market rates and also their short-term nature.

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

e) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that the Group is subject to due to the exchange rate movements in the market. The Group does not prefer to carry foreign currency risk and holds foreign currency asset and liability items together with derivatives in balance against the foreign currency risk.

The Group manages foreign currency risk by weekly Asset and Liability Committee meetings, comprising members of senior management of the Bank and through limits on the positions which can be taken by the Bank's treasury and securities trading divisions.

The concentrations of assets, liabilities and off balance sheet items are as follows:

	EURO	USD	Yen	Other FC	Total
Assets					
Cash and balances with the Central Bank	-	3,712	-	-	3,712
Deposits with banks and other financial institutions	141	9,467	30	24	9,662
Financial assets at fair value through profit or loss	-	-	-	-	-
Investment securities	-	-	-	-	-
Loans and advances	5,105	18,975	-	-	24,080
Derivative financial instruments	-	-	-	-	-
Other assets	1,556	1	-	-	1,557
Total assets	**6,802**	**32,155**	**30**	**24**	**39,011**
Liabilities					
Current accounts of loan customers	649	8,525	-	-	9,174
Other money market deposits	-	-	-	-	-
Funds borrowed	6,103	30,175	-	1	36,279
Other liabilities	-	217	-	1	218
Total liabilities	**6,752**	**38,917**	**-**	**2**	**45,671**
Net on balance sheet position	50	(6,762)	30	22	(6,660)
Net off balance sheet position	-	6,638	-	-	6,638
Derivative financial assets	-	12,229	-	-	12,229
Derivative financial liabilities	-	5,591	-	-	5,591
Non-cash loans	25,642	14,061	-	5,757	45,460
Prior period					
Total assets	7,837	23,585	34	69	31,525
Total liabilities	7,651	22,954	-	-	30,605
Net on balance sheet position	**186**	**631**	**34**	**69**	**920**
Net off balance sheet position	**-**	**-**	**-**	**-**	**-**

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

e) Currency risk *(continued)*

Sensitivity analysis

A 10 percent weakening of YTL against the foreign currencies at 31 December 2007 and 2006 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

	31 December 2007		**31 December 2006**	
	Equity*	**Profit or loss**	**Equity***	**Profit or loss**
USD	(12)	(12)	63	63
Euro	5	5	19	19
Other currencies	5	5	10	10
Total	**(2)**	**(2)**	**92**	**92**

(*) Equity effect also includes profit or loss effect of 10% devaluation of YTL against related currencies.

A 10 percent strengthening of the YTL against the foreign currencies at 31 December 2007 and 2006 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

f) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and cash flows. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

A substantial majority of the Group's assets and liabilities reprice within three months. Accordingly, there is a limited exposure to interest rate risk.

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

f) Interest rate risk *(continued)*

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the repricing date.

31 December 2007	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non Interest Bearing	Total
Assets							
Cash and balances with the Central Bank	11,278	-	-	-	-	131	11,409
Loans and advances to banks	9,062	160	-	-	-	471	9,693
Financial assets at fair value through profit or loss	-	-	460	-	-	21	481
Minimum lease payments receivable	96	278	1,174	8	-	-	1,556
Investment securities	-	-	-	-	-	10,102	10,102
Loans and advances to customers	84,228	22,356	19,316	95	-	(254)*	125,741
Other assets	-	-	-	-	-	923	923
Total assets	**104,664**	**22,794**	**20,950**	**103**	**-**	**11,394**	**159,905**
Liabilities							
Current accounts of loan customers	16,962	20,163	-	-	-	4,495	41,620
Other money market deposits	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds borrowed	29,351	1,315	26,940	-	-	-	57,606
Other liabilities	-	-	-	-	-	60,679	60,679
Total liabilities	**46,313**	**21,478**	**26,940**	**-**	**-**	**65,174**	**159,905**
Balance sheet interest sensitivity gap	**58,351**	**1,316**	**(5,990)**	**103**	**-**	**(53,780)**	**-**

* Includes net of non performing loans amounting YTL 2,272 and allowance for loan losses YTL 2,526.

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

f) Interest rate risk *(continued)*

31 December 2006	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash and balances with the Central Bank	-	1,311	-	-	-	560	1,871
Loans and advances to banks	8,322	-	-	-	-	-	8,322
Financial assets at fair value through profit or loss	-	2,422	5,069	-	-	-	7,491
Minimum lease payments receivable	149	373	1,406	1,684	-	-	3,612
Investment securities	-	-	-	-	-	7,947	7,947
Loans and advances to customers	16,005	15,825	20,418	6,485	-	4,084*	62,817
Other assets	-	-	-	-	-	1,223	1,223
Total assets	**24,476**	**19,931**	**26,893**	**8,169**	**-**	**13,814**	**93,283**
Liabilities							
Current accounts of loan customers	-	-	-	-	-	949	949
Other money market deposits	6,289	-	-	-	-	-	6,289
Miscellaneous payables	-	-	-	-	-	24	24
Marketable securities issued	-	-	-	-	-	-	-
Funds borrowed	20,607	2,768	10,114	1,546	-	-	35,035
Other liabilities	593	-	-	-	-	50,393	50,986
Total liabilities	**27,489**	**2,768**	**10,114**	**1,546**	**-**	**51,366**	**93,283**
Balance sheet interest sensitivity gap	**(3,013)**	**17,163**	**16,779**	**6,623**	**-**	**(37,552)**	**-**

* Includes net of non performing loans amounting YTL 7,020 and allowance for loan losses YTL 2,936

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

f) Interest rate risk *(continued*

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the net interest income for the year based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2007. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 31 December 2006. The following tables also include the sensitivity of trading portfolio of the Group.

	Profit or loss		Equity (*)	
31 December 2007	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit or loss	(2)	2	(2)	2
Floating rate financial assets	-	-	-	-
Floating rate financial liabilities	(13)	13	(13)	13
Total, net	**(15)**	**15**	**(15)**	**15**

	Profit or loss		Equity (*)	
31 December 2006	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit or loss	(15)	13	(15)	13
Floating rate financial assets	-	-	-	-
Floating rate financial liabilities	7	(7)	7	(7)
Total, net	**(8)**	**6**	**(8)**	**6**

(*) Equity effect also includes profit or loss effect of 100 bp increase or decrease in interest rates.

g) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering the whole processes, products and departments. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this context, appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined.

The Bank calculated the value at operational risk in accordance with the "Computation of Value of Operational Risk" of the circular, "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette dated 1 November 2006, using gross profit of the last three years 2004, 2005 and 2006. The amount calculated as YTL 15,752 as of 31 December 2007 represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk.

(Currency - Thousands of New Turkish Lira (YTL))

4. Financial risk management *(continued)*

h) Capital Management

BRSA, the regulator body of the banking industry sets and monitors capital requirements for the Bank. In implementing current capital requirements, BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets.

The Bank is consolidated regulatory capital is analyzed into two tiers:

- Tier 1 capital, capital is composed of the total amount of paid up capital, legal, voluntary and extra reserves, profits for the period after tax provisions and profits for previous years. The total amount of banks' losses for the period and losses for previous years is taken into account as a deduction item, in the calculation of tier 1 capital.
- Tier 2 capital, is composed of the total amount of general provisions for credits, fixed assets revaluation fund, revaluation of available-for-sale financial assets and equity investments, subordinated loans received, free reserves set aside for contingencies and the fund for increase in the value of securities.

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. Operational risk capital requirement as of 31 December 2007 is calculated using Basic Indicator Approach and included in the capital adequacy calculations.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

There have been no material changes in the Bank's management of capital during the period.

The Bank's capital position at 31 December 2007 and 2006 is as follows:

	31 December 2007	31 December 2006
Tier 1 capital	53,912	45,736
Tier 2 capital	57,192	47,364
Deductions from capital	(406)	(105)
Total regulatory capital	56,786	47,259
Risk-weighted assets	169,526	110,533
Value at market risk	588	3,250
Operational risk	15,752	-
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk and operational risk	30.55	41.53
Total tier 1 capital expressed as a percentage of risk-weighted assets, value at market risk and operational risk	29.01	40.20

(Currency - Thousands of New Turkish Lira (YTL))

5. Net Fee And Commission Income

Fee and Commission Income	2007	2006
Fee and commission income on non cash loans	853	743
Fee on banking service	565	216
Other fees and commissions	146	-
Total Fee and Commission Income	**1,564**	**959**
Fee and Commission Expense		
Fee and commission expense on banks	51	112
Fee and commission expense on bonds	35	5
Fee and commission expense on funds borrowed	12	-
Other	43	24
Total Fee and Commission Expense	**141**	**141**
Net fee and commission income	**1,423**	**818**

6. Trading gain/ loss

Trading gain/loss	2007	2006
Gain on trading account securities		
Derivative financial transactions	2,945	12
Other	-	4
Gain (+)	**2,945**	**16**
Losses on trading account securities		
Derivative financial transactions	3,134	29
Other	50	-
Loss (-)	**3,184**	**29**
Trading gain/loss, net	**(239)**	**(13)**

7. Other operating income

Other operating income is comprised of other non interest income gained from banking services (treasury transactions, fund management etc.). During 2007, other operating income gained from above transactions is 418 YTL (2006: 384 YTL).

8. Salaries and Employee Benefits

Salaries and Employee Benefits	2007	2006
Wages and salaries	2,674	1,703
Bonus provision	221	-
Provision for employee termination benefits	(63)	(174)
Social security premiums	301	189
Provision for vacation pay liability	39	69
Other fringe benefits	301	90
Total	**3,473**	**1,877**

The numbers of employees for the years 2007 and 2006 are 50 and 28, respectively.

(Currency - Thousands of New Turkish Lira (YTL))

9. Other operating expenses

Other Operating Expense	31 December 2007	31 December 2006
Utilities expense	586	532
Rent expenses	387	277
Taxes and duties other than on income	230	173
On line data expenses	122	205
Auditing and consulting expenses	108	139
Subscription and membership fees	130	22
Other	252	-
Total	**1,815**	**1,348**

10. Income taxes expense

In accordance with Article No. 32 of the new Corporate Tax Law no.5520 published in the Official Gazette no.26205 dated 21 June 2006, the corporate tax rate is reduced from 30% to 20%. Accordingly, effective from 1 January 2006, statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, increased to 15% from 10%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

(Currency - Thousands of New Turkish Lira (YTL))

10. Income taxes expense *(continued)*

As at 31 December 2007 and 2006, prepaid income taxes are netted off with the current tax liability as stated below:

Income taxes expense	**31 December 2007**	**31 December 2006**
Income tax liability	2,360	1,100
Prepaid income tax	(1,723)	(601)
Income taxes payable	**637**	**499**

Income tax recognized in the income statement

The components of income tax expense for the years ended 31 December 2007 and 2006 are:

Income tax recognized in the income statement	**2007**	**2006**
Current tax		
Current income tax	2,360	1,100
Deferred income tax		
Relating to origination and reversal of temporary differences	(180)	30
Income tax expense reported in the income statement	**2,180**	**1,130**

Reconciliation of effective tax rate

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate of the Bank for the years ended 31 December 2007 and 2006 is as follows:

	2007	**%**	**2006**	**%**
Profit before income tax	**9,039**		**6,158**	
Taxes on income per statutory tax rate	1,808	20.00	1,231	20.00
Tax effect of foreign subsidiary	(71)	(0.79)	(160)	(2.60)
Effect of change in statutory tax rate	-		59	0.95
Tax effect of exempt items	(75)	(0.83)	-	-
Tax effect of disallowable expenses	518	5.72	-	-
Income tax expense	**2,180**	**24.12**	**1,130**	**18.35**

(Currency - Thousands of New Turkish Lira (YTL))

11. Cash and cash equivalents

Cash and cash equivalents include cash, due from banks and financial assets at fair value through profit or loss with original maturity periods of less than three months. Cash and cash equivalents included in the accompanying consolidated cash flow statements are as follows:

	31 December 2007	31 December 2006
Cash on hand	131	-
Cash and balances with Central Bank	8,578	574
Loans and advances to banks	9,693	8,322
Cash and cash equivalents in the balance sheet	**18,402**	**8,896**
Less : Time deposits with original maturities of more than three months and interest accruals	(361)	(44)
Cash and cash equivalents in the cash flow statement	**18,041**	**8,852**

The effective interest rates on loans and advances to banks are as follows:

	2007		2006	
	Effective Interest Rate		Effective Interest Rate	
	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency
Loans and advances to banks	-	USD 4.75% EUR 3.50%	-	2.25%

Reserve deposits

	31 December 2007	31 December 2006
New Turkish Lira	-	51
Foreign currency	2,700	1,247
	2,700	**1,298**

According to the regulations of the Central Bank of Turkish Republic (the "Central Bank"), banks are obliged to reserve a portion of certain liability accounts as specified in the related decree. Such mandatory reserves are not available for use in the Group's day to day operations.

As at 31 December 2007 and 2006, reserve deposit rates applicable for YTL and foreign currency liability accounts with the Turkish Central Bank are 11% and 6%, respectively. As at 31 December 2007 and 2006, reserve deposit rates applicable for resident and foreign currency liability of foreign subsidiary are 6% and 8%, respectively.

As at 31 December 2007, the interest rates applied for YTL and USD reserve deposits by the Turkish Central Bank are 11.81%, 1,95% for US Dollar and 1,80% for Euro (2006 – 13.12 % and 2.52 %), respectively. The interest rate applied for foreign subsidiary's reserve deposits is zero.

(Currency - Thousands of New Turkish Lira (YTL))

12. Financial assets at fair value through profit or loss

	31 December 2007			31 December 2006	
	Face Value	Carrying Value	Interest rate range %	Face Value	Carrying Value
Debt and other instruments held at fair value:					
Government bonds in YTL	500	460	16.15%	8,000	7,491
	500	**460**		**8,000**	**7,491**
Derivative Financial Instruments:					
Currency Forward -assets		21			596
Currency Forward -liabilities		(89)			(593)

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

	31 December 2007	31 December 2006
Financial assets at fair value through profit or loss	-	3,741
Carrying value of securities given as collateral under repos (Note 22)	**-**	**3,741**

Repo securities are fixed interest securities. Repurchase agreements mature within 1 month. In addition, as of December 31, 2007, government securities with carrying values of YTL 460 (2006 - YTL 2,774) are pledged to the Central Bank, and the Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Istanbul Stock Exchange Clearing and Custody Incorporation) for regulatory requirements and as a guarantee for stock exchange and money market operations.

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards and swaps.

The table below shows the notional amounts of derivative instruments analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	31 December 2007					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Currency swaps:						
Purchases	2,329	-	-	-	-	2,329
Sales	2,400	-	-	-	-	2,400
Currency forwards:						
Purchases	-	-	15,838	-	-	15,838
Sales	-	-	16,101	-	-	16,101
Total of purchases	2,329	-	15,838	-	-	18,167
Total of sales	2,400	-	16,101	-	-	18,501
Total of transactions	**4,729**	**-**	**31,939**	**-**	**-**	**36,668**

(Currency - Thousands of New Turkish Lira (YTL))

12. Financial assets at fair value through profit or loss *(continued)*

	31 December 2006					
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Currency swaps:						
Purchases	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Currency forwards:						
Purchases	9,532	-	15,462	-	-	24,994
Sales	9,484	-	15,510	-	-	24,994
Total of purchases	9,532	-	15,462	-	-	24,994
Total of sales	9,484	-	15,510	-	-	24,994
Total of transactions	**19,016**	**-**	**30,972**	**-**	**-**	**49,988**

13. Loans and advances to customers

	31 December 2007					
	Amount				**Effective interest rate**	
	New Turkish Lira	**Foreign currency**	**Foreign currency indexed**	**Total**	**New Turkish Lira**	**Foreign Currency**
Corporate loans	101,857	14,267	9,814	125,938	22,40%	EUR 7.78% USD 7.59%
Consumer loans	57	-	-	57	20,40%	
Total loans	**101,914**	**14,267**	**9,814**	**125,995**		
Non performing loans				2,272		
Less: Specific reserve for impairment				(1,323)		
Less: Portfolio reserve for impairment				(1,203)		
				125,741		

(Currency - Thousands of New Turkish Lira (YTL))

13. Loans and advances to customers *(continued)*

	31 December 2006					
	Amount				Effective interest rate	
	New Turkish Lira	Foreign currency	Foreign currency indexed	Total	New Turkish Lira	Foreign currency
Corporate loans	41,341	6,383	10,939	58,663	25,49%	USD 9.36% EUR 8.74%
Consumer loans	70	-	-	70	24.12%	
Total loans	**41,411**	**6,383**	**10,939**	**58,733**		
Non performing loans				7,021		
Less: Specific reserve for impairment				(2,415)		
Less: Portfolio reserve for impairment				(522)		
				62,817		

Movements in non-performing loans as follows:

	31 December 2007	31 December 2006
Non performing loans at 1 January	7,023	6,855
Additions to non performing loans	693	168
Recoveries	(5,444)	-
Non performing loans at 31 December	**2,272**	**7,023**

Movements in the reserve for possible loan losses:

	31 December 2007	31 December 2006
Reserve at beginning of year	2,937	2,720
Provision net of recoveries	(411)	217
-Provision for loan impairment	940	217
- Recoveries	(1,351)	-
	2,526	**2,937**

14. Investment securities

Investment securities as of 31 December comprise:

Available for sale portfolio	31 December 2007	31 December 2006
Equity instruments:		
GSD Holding Shares	10,102	7,947
Total investment securities	**10,102**	**7,947**

(Currency - Thousands of New Turkish Lira (YTL))

15. Finance lease receivables

	31 December 2007	31 December 2006
Less than one year	1,624	2,190
Between one and five years	8	1,764
Finance lease receivables, gross	**1,632**	**3,954**
Less: Unearned future income on finance leases	(76)	(342)
Finance lease receivables, net	**1,556**	**3,612**

The financial leases typically run for a period of one to five years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease.

The receivables are secured by way of the underlying assets.

As at 31 December 2007, YTL 1,556 of net investment in finance leases is denominated in Euro.

As at 31 December 2007, the effective interest rate for finance lease receivables denominated in Euro is 8.25% (2006 – 8.25%),

16. Premises and equipment

Movement in premises and equipment for the year ended 31 December 2007 is as follows:

	Motor Vehicles	Furniture Fixture	Leased Assets	Leasehold Improvements	Total Amount
Cost, as of 1 January 2007	**264**	**203**	**408**	**478**	**1,353**
Additions to cost	-	193	-	176	369
Transfers and disposals from cost (-)	-	-	-	-	-
Cost, as of 31 December 2007	**264**	**396**	**408**	**654**	**1,722**
Accumulated depreciation, as of 1 January 2007	**(127)**	**(182)**	**(404)**	**(477)**	**(1190)**
Depreciation charge	(51)	(29)	(1)	(17)	(98)
Accumulated depreciation, as of 31 December 2007	**(178)**	**(211)**	**(405)**	**(494)**	**(1,288)**
Net value, as of 31 December 2007	**86**	**185**	**3**	**160**	**434**

(Currency - Thousands of New Turkish Lira (YTL))

16. Premises and equipment *(continued)*

Movement in premises and equipment for the year ended 31 December 2006 is as follows:

	Motor Vehicles	Furniture Fixture	Leased Assets	Leasehold Improvements	Total Amount
Cost, as of 1 January 2006	**332**	**200**	**401**	**486**	**1,419**
Additions to cost	2	8	7	-	17
Transfers and disposals from cost (-)	(70)	(5)	-	(8)	(83)
Cost, as of 31 December 2006	**264**	**203**	**408**	**478**	**1,353**
Accumulated depreciation, as of 1 January 2006	**(128)**	**(186)**	**(400)**	**(411)**	**(1,125)**
Transfers and disposals from accumulated depreciation	52	5	-	8	65
Depreciation charge	(51)	(1)	(4)	(74)	(130)
Accumulated depreciation, as of 31 December 2006	**(127)**	**(182)**	**(404)**	**(477)**	**(1,190)**
Net value, as of 31 December 2006	**137**	**21**	**4**	**1**	**163**

Depreciation is calculated on the restated cost amounts for the premises and equipment acquired before 1 January 2006 and calculated on the historical cost amounts for the bank premises and equipment acquired after 1 January 2006. Such depreciation expenses for 2007 and 2006 amount to YTL 98 and YTL 130 respectively.

17. Intangible assets

Movement in intangible assets for the year ended 31 December 2007 is as follows:

	Software	Total
Cost, as of 1 January 2007	815	815
Additions to cost	35	35
Cost, as of 31 December 2007	850	850
Accumulated amortization, as of 1 January 2007	(811)	(811)
Amortization charge	(6)	(6)
Accumulated amortization, as of 31 December 2007	(817)	(817)
Net value, as of 31 December 2007	**33**	**33**

(Currency - Thousands of New Turkish Lira (YTL))

17. Intangible assets *(continued)*

Movement in intangible assets for the year ended 31 December 2006 is as follows:

	Software	Total
Cost, as of 1 January 2006	815	815
Additions to cost	-	-
Cost, as of 31 December 2006	815	815
Accumulated amortization, as of 1 January 2006	(806)	(806)
Amortization charge	(5)	(5)
Accumulated amortization, as of 31 December 2006	(811)	(811)
Net value, as of 31 December 2006	4	4

Amortization for intangible assets is calculated on the restated cost amounts for the intangible assets acquired before 1 January 2006 and calculated on the historical cost amounts for the intangible assets acquired after 1 January 2006.Such amortization expenses for 2007 and 2006 amount to YTL 6 and YTL 4, respectively.

18. Deferred tax assets and liabilities

Deferred tax

The deferred tax included in the consolidated balance sheet and changes recorded in the income tax expense are as follows:

	31 December 2007	31 December 2006
Deferred tax asset		
Impairment losses on loans	241	104
Reserve for employee severance indemnity	16	29
Vacation pay liability	22	14
Bonus Provision	44	-
Derivative financial instruments	14	-
Total deferred tax asset	**337**	**147**
Deferred tax liability		
Depreciation methodology differences	(10)	-
Total deferred tax liability	**(10)**	**-**
Deferred tax asset, net	**327**	**147**

(Currency - Thousands of New Turkish Lira (YTL))

19. Other assets

Other assets as of 31 December 2007 and 2006 are comprised of the following items:

	31 December 2007	31 December 2006
Prepaid expenses	60	105
VAT deductible	23	164
Others	46	44
Total	**129**	**313**

20. Current accounts of loan customers

	31 December 2007				31 December 2006			
	Amount		Effective interest rate		Amount		Effective interest rate	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
Corporate customers								
Demand	3,946	550	-	-	183	766	-	-
Time	28,502	8,622	18.77%	USD-5.51% EUR 5.91%	-	-	-	-
Total	**32,448**	**9,172**			**183**	**766**		

21. Funds borrowed

	31 December 2007		
		Effective Interest Rate	
	Amount	New Turkish Lira	Foreign Currency
Short-term			
Fixed interest	47,978	17.31%	USD 5.57% EUR 5.08%
Medium/long-term			
Fixed interest	9,628	-	USD 5.57% EUR 5.08%
Total	**57,606**		

	31 December 2006		
		Effective Interest Rate	
	Amount	New Turkish Lira	Foreign Currency
Short-term			
Fixed interest	30,366	18.42%	USD 5.77% EUR 3.57%
Medium/long-term			
Fixed interest	4,669	-	USD 5.77% EUR 3.57%
Total	**35,035**		

(Currency - Thousands of New Turkish Lira (YTL))

21. Funds borrowed (continued)

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

	31 December 2007		31 December 2006	
	Fixed rate	**Floating rate**	**Fixed rate**	**Floating rate**
2007	-	-	-	4,083
2008	-	9,628	-	586
Total	**-**	**9,628**	**-**	**4,669**

Funds borrowed are unsecured.

22. Other money market deposits

	31 December 2007	31 December 2006
Obligations under repurchase agreements:		
Due to banks	-	4,139
Other money market deposits	-	2,150
Total	**-**	**6,289**

Other money market deposits as of 31 December 2006 have fixed interest rates whose average is 17.28%.

23. Provisions

	31 December 2007	31 December 2006
Bonus Provision	221	-
Vacation pay liability	108	69
Employee termination benefits	82	144
Total	**411**	**213**

The movement in provision for employee termination benefits is as follows:

	31 December 2007	31 December 2006
At 1 January	144	318
Increase/decrease during the year	-	(160)
Paid	(62)	(14)
At 31 December	**82**	**144**

(Currency - Thousands of New Turkish Lira (YTL))

23. Provisions *(continued)*

Employee termination benefits

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of YTL 2.03 and YTL 1.86 at 31 December 2007 and 2006, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the consolidated financial statements as at 31 December 2007 and 2006, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date. The annual ceiling has been increased to YTL 2.09 effective 1 January 2008.

The principal actuarial assumptions used at the balance sheet dates are as follows:

	2007	**2006**
Discount rate	11%	11%
Expected rates of salary/limit increases	5.71%	5.71%

Actuarial gains / losses arising from changes in discount rates and expected rates of salary / limit increases and other demographic assumptions are recognized in the consolidated income statement in the period they occur.

24. Other liabilities and accrued expenses

	31 December 2007	**31 December 2006**
Taxes and funds payable	426	182
Transitory accounts	417	1
VAT payable	13	17
Others	191	24
Total	**1,047**	**224**

(Currency - Thousands of New Turkish Lira (YTL))

25. Capital and reserves

	31 December 2007	31 December 2006
Total number of shares, YTL 0.1 (in full YTL), par value	250.000.000	250.000.000

As of December 31, 2007, the Bank's historical subscribed and issued share capital is YTL 25,000.

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

	31 December 2007		31 December 2006	
	Amount	%	Amount	%
GSD Holding A.Ş.	25,000	100	25,000	100
	25,000		25,000	
Adjustment to share capital(*)	16,813		16,813	
	41,813		**41,813**	

Adjustment to share capital represents the restatement effect of share capital until 31 December 2005.

GSD Dış Ticaret A.Ş, Tekstil Factoring Hizmetleri A.Ş, GSD Sigorta Aracılık Hizmetleri A.Ş and Tekstil Finansal Kiralama A.Ş have shares amounting less then 1 YTL.

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

Dividends Paid and Proposed
The Group did not declare or pay dividends out of the profits for 2007 as of the date of preparation of these consolidated financial statements.

(Currency - Thousands of New Turkish Lira (YTL))

26. Commitments and contingencies

Litigation

There is no legal proceeding outstanding against the Group as at 31 December 2007.

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

	31 December 2007	31 December 2006
Letters of guarantee	50,386	63,530
Letters of credit	17,743	4,845
Acceptance credits	71	3,663
Other guarantees	92	-
Total	**68,292**	**72,038**

27. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Group is controlled by GSD Holding, which owns 100% of ordinary shares. For the purpose of these consolidated financial statements, shareholders of the Bank, GSD Holding, its subsidiaries (Tekstilbankası A.Ş., GSD Dış Ticaret A.Ş., GSD Faktoring Hizmetleri A.Ş., Tekstil Finansal Kiralama A.Ş., Tekstil Menkul Değerler A.Ş., Tekstil Faktoring Hizmetleri A.Ş., Tekstil Bilişim Hizmetleri A.Ş, GSD Eğitim Vakfı, GSD Sigorta Aracılık Hizmetleri A.Ş. and Eurobank Offshore) are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

(Currency - Thousands of New Turkish Lira (YTL))

27. Related party disclosures *(continued)*

Other balances and transactions with related parties:

2007

	Cash Loans	*Non-cash Loans*	*Placements*	*Current Accounts of Loan Customers*	*Funds Borrowed*	*Other Current Assets*	*Notional Amount of Derivative Transactions*
Related party							
Direct/Indirect shareholders	-	12,465	-	33,679	-	-	31,939
Others	-	3,101	154		17,646	-	-

	Interest Income	*Interest Expense*	*Other Operating Income*
Direct/Indirect shareholders	143	-	-
Others	19	4,001	149

2006

	Cash Loans	*Non-cash Loans*	*Placements*	*Current Accounts of Loan Customers*	*Funds Borrowed*	*Other Current Assets*	*Notional Amount of Derivative Transactions*
Related party							
Direct/Indirect shareholders	1,779	25,121	-	-	16,680	-	41,090
Others	10	6,291	7,908	3	-	-	-

	Interest Income	*Interest Expense*	*Other Operating Income*
Direct/Indirect shareholders	123	460	256
Others	-	-	2

The executive and non-executive members of Board of Directors and management received remuneration and fees totaling approximately YTL 1,504 (31 December 2006 – YTL 990) comprising salaries and other short-term benefits.