

**CONVENIENCE TRANSLATION INTO ENGLISH
OF FINANCIAL STATEMENTS AND
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH
SEE NOTE I.B.3**

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**FINANCIAL STATEMENTS
AT 31 DECEMBER 2006
TOGETHER WITH AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT

To the Central Bank of the Republic of Turkey

1. We have audited the accompanying financial statements of the Central Bank of the Republic of Turkey (the "Bank") which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Central Bank of the Republic of Turkey (the "Central Bank Law") and related legislation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

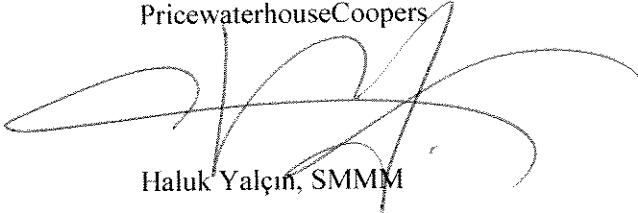
Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Central Bank of the Republic of Turkey as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with the Central Bank Law and related legislation.

Without qualifying our opinion, we draw attention to the following matter:

5. As explained in Note I.B.3, effects of differences between accounting principles and standards set out by the related legislation in Turkey and the Central Bank Law, and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers



Haluk Yalçın, SMMM

Istanbul, 2 March 2007

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH SEE NOTE I.B.3**

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005

(Amounts expressed in thousands of New Turkish Lira ("YTL"), unless otherwise indicated.)

ASSETS	Note (Part II)	31 December 2006	31 December 2005
I. GOLD	1	3,427,103	2,640,298
A. International Standards		3,335,423	2,569,462
B. Non-international Standards		91,680	70,836
II. FOREIGN CURRENCY RESERVES	2	85,618,500	67,781,346
A. Foreign Currency Banknotes		369,527	299,073
B. Correspondent Bank Accounts		85,009,416	67,264,933
C. Reserve Tranche Position		239,557	217,340
III. COINS		68,450	69,150
IV. DOMESTIC CORRESPONDENTS	3	-	-
V. SECURITIES PORTFOLIO	4	22,309,873	20,495,029
A. Government Securities		22,309,873	20,495,029
a) Coupon		20,638,674	20,495,029
b) Discount		1,671,199	-
B. Other		-	-
VI. DOMESTIC LOANS	5	755	1,372
A. Banking Sector		755	1,372
a) Discount Loans		755	1,372
b) Loans Given according to Law 1211 40/1-c		-	-
c) Other		-	-
B. Loans to Savings Deposit Insurance Fund		-	-
VII. OPEN MARKET OPERATIONS	4	3,514,338	1,026,306
A. Repurchase Agreements		3,514,338	1,026,306
a) Cash		3,512,338	1,026,306
i. Foreign Exchange		-	-
ii. Securities		3,512,338	1,026,306
b) Securities		2,000	-
B. Other		-	-
VIII. FOREIGN LOANS	5	43,350	45,169
IX. EQUITY PARTICIPATIONS	6	21,280	19,303
X. PROPERTY AND EQUIPMENT (Net)	7	282,550	292,230
XI. LOANS UNDER LEGAL FOLLOW-UP (Net)	5	-	-
XII. TREASURY LIABILITIES DUE TO SDR ALLOCATION		238,563	216,438
XIII. VALUATION ACCOUNT	17	1,243,948	2,029,328
XIV. INTEREST AND INCOME ACCRUALS	10	12,508	12,215
XV. MISCELLANEOUS RECEIVABLES	8	28,400	30,809
XVI. OTHER ASSETS	9	19,433	21,700
TOTAL ASSETS		116,829,051	94,680,693

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005

(Amounts expressed in thousands of New Turkish Lira ("YTL"), unless otherwise indicated.)

LIABILITIES		Note (Part II)	31 December 2006	31 December 2005
I.	CURRENCY IN CIRCULATION	11	26,815,151	19,612,019
II.	DUE TO TREASURY	12	278,355	259,565
	A. Gold		9,927	7,648
	B. Reserve Tranche Position		239,557	217,340
	C. Other (Net)		28,871	34,577
III.	FOREIGN CORRESPONDENTS	13	1,018	962
	DEPOSITS	14	76,442,369	63,482,072
	A. Public Sector		19,349,804	14,367,118
	a) Treasury, General and Annexed Budget Administrations		19,173,610	14,220,713
	b) Public Economic Enterprises	12	-	297
	c) State Economic Enterprises		75,112	57,306
	d) Other		101,070	88,802
	B. Banking Sector		33,758,305	27,665,722
	a) Domestic Banks		20,890,224	18,259,053
	b) Foreign Banks		7,556	6,897
	c) Reserve Requirements		12,860,345	9,399,748
	d) Other		180	24
	C. Miscellaneous		22,367,282	20,953,335
	a) Foreign Exchange Deposits By Citizens Abroad		22,297,642	20,884,256
	b) Other		69,640	69,079
	D. International Institutions		5,802	5,037
	E. Extrabudgetary Funds		961,176	490,860
	a) Saving Deposit Insurance Fund		13,935	15,893
	b) Other		947,241	474,967
V.	OPEN MARKET OPERATIONS	4	5,913,956	7,034,350
	A. Repurchase Agreements		3,502,006	1,025,000
	a) Cash		2,006	-
	i. Foreign Exchange		-	-
	ii. Securities		2,006	-
	b) Securities		3,500,000	1,025,000
	B. Other		2,411,950	6,009,350
VI.	FOREIGN LOANS		12,526	11,329
VII.	IMPORT TRANSFER ORDERS AND DEPOSITS		1,584,065	1,537,174
VIII.	NOTES AND REMITTANCES PAYABLE		24,363	18,068
IX.	SDR ALLOCATION		238,563	216,438
X.	CAPITAL	15	46,234	46,234
	A. Share Capital		25	25
	B. Adjustment to Share Capital		46,209	46,209
XI.	RESERVES	15	642,222	773,405
	A. Ordinary and Extraordinary Reserves		288,418	419,857
	B. Special Reserves (CBT's Law, # 1211 Art. 59)		431	175
	C. Inflation Adjustment to Ordinary and Extraordinary Reserves and Special Reserves		353,373	353,373
XII.	PROVISIONS	16	157,279	105,921
XIII.	VALUATION ACCOUNT	17	-	-
XIV.	INTEREST AND EXPENSE ACCRUALS	19	1,468,426	1,548,341
XV.	MISCELLANEOUS PAYABLES	18	47,416	77,841
XVI.	OTHER LIABILITIES	18	54,651	88,413
XVII.	NET PROFIT/(LOSS)		3,102,457	(131,439)
TOTAL LIABILITIES			116,829,051	94,680,693

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH SEE NOTE I.B.3

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Amounts expressed in thousands of New Turkish Lira ("YTL"), unless otherwise indicated.)

	Note (Part III)	1 January- 31 December 2006	1 January- 31 December 2005
I - INTEREST INCOME	1	4,565,432	3,034,502
A. Interest Income from Foreign Correspondent Accounts		2,691,575	1,432,202
B. Interest Income from Open Market Operations		1,744,606	1,521,798
C. Interest Income from Loans		43	63,096
D. Positive Valuation Differences		129,202	-
E. Other Interest Income		6	17,406
II - NON-INTEREST INCOME	2	4,813,692	581,461
A. Open Market Operations		1,144,344	275,938
B. Foreign Exchange Gains		3,617,644	266,138
C. Commissions and Services Income		39,247	32,842
D. Foreign Currency Valuation Differences of Provision for Doubtful Receivables		-	350
E. Dividend Income		4,757	3,226
F. Other Income		7,700	2,967
III - TOTAL INCOME		9,379,124	3,615,963
IV - INTEREST EXPENSE	3	3,629,212	2,598,342
A. Interest Expense on Deposits by Citizens Abroad		1,058,419	885,047
B. Interest Expense on Accounts with Foreign Correspondents		12,134	54,159
C. Interest Expense on Other Deposits		258,902	149,856
D. Interest Expenses on Due to Interbank Money Market Transactions		952,861	564,508
E. Other Interest Expense		1,290,022	821,042
F. Negative Valuation Differences		56,874	123,730
V - NON-INTEREST EXPENSE	4	2,212,146	762,067
A. Open Market Operations		1,479,419	378,832
B. Non-Interest Expense to Foreign Correspondents		398,627	212,352
C. Commission Expenses		151,300	118,258
D. Provision for Doubtful Receivables		182,389	51,819
E. Other Expenses		411	806
VI - GENERAL ADMINISTRATIVE EXPENSES		391,458	386,993
A. Personnel Expense		302,770	292,725
B. Provisions		3,048	7,664
C. Depreciation Expense		15,817	16,416
D. Other		69,823	70,188
VII - TOTAL EXPENSES		6,232,816	3,747,402
VIII- PROFIT / (LOSS) BEFORE TAX PROVISION [III - VII]		3,146,308	(131,439)
IX - TAX PROVISION		43,851	-
X - NET PROFIT/(LOSS) [VIII - IX]		3,102,457	(131,439)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

OFF - BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2006 AND 2005

(Amounts expressed in thousands of New Turkish Lira ("YTL"), unless otherwise indicated.)

OFF - BALANCE SHEET COMMITMENTS	31 December 2006	31 December 2005
A. Securities in Custody	167,546,016	175,492,602
1. Marketable Securities in Custody - Free	156,196,575	162,624,597
2. Deal Securities	5,817,101	7,484,921
3. Marketable Security Exchange Market Banks' Guarantee Letters	105,207	85,057
4. Savings Deposit Insurance Fund's Securities - exempt from income tax	37,330	100,749
5. Other	5,389,803	5,197,278
B. Guarantees Taken	9,873,508	10,796,736
1. Banks' Treasury Bonds as Foreign Currency Market Guarantees	1,107,033	1,825,344
2. Bonds as Interbank Money Market Operations Guarantees	8,695,785	8,825,139
3. Bonds accepted as Guarantees for Money Market Transactions	-	-
4. Bonds as Guarantees of YTL Banknotes and Coins	-	-
5. Letters of Guarantee received for Foreign Currency Market Transactions	-	-
6. Banking Regulation and Supervisory Agency Advance Loan Guarantees	-	-
7. Intermediary Firms' Treasury Bonds - Pledged	18,892	15,810
8. Other	51,798	130,443
C. Reserve Banknotes	31,798,679	17,506,149
1. Reserve Banknotes	31,369,882	16,994,259
2. Worn-out Banknotes	155,951	101,102
3. Reserve Banknotes - Branches	232,015	299,688
4. Reserve Banknotes - kept in Ziraat Bank	40,787	109,215
5. Recently Printed Banknotes	25	25
6. YTL Banknotes	19	1,860
D. Other	111,566,642	111,993,708
1. Repurchase Agreements Pledged Account	6,360,444	5,958,844
2. Bank's Treasury Bonds Portfolio	21,479,595	19,323,479
3. Customer Operations	81,273,183	84,646,098
4. Branches' Marketable Security in Electronic Security Fund Transfer System	2,024,788	1,542,225
5. Treasury Bonds of Marketable Security Exchange Market Members	45,032	42,948
6. YTL Coins	-	-
7. Other	383,600	480,114
E. Electronic Marketable Security Transfer Recording Follow-up Account for Marketable Securities, Classified with Physical Values in Above Accounts	257,845,543	258,193,200
TOTAL (A+B+C+D+E)	578,630,388	573,982,395

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

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

(Amounts expressed in thousands of New Turkish Lira ("YTL"), unless otherwise indicated.)

	Share capital	1st and 2nd group legal reserves	Share premium	Other legal reserves	Other reserves	Property and equipment revaluation fund	Cost increase fund	Retained earnings	Profit/(Loss) for the year	Net Total shareholders' equity
31 December 2005	46,234	-	-	-	773,405	-	-	-	(131,439)	688,200
1 January 2006	46,234	-	-	-	773,405	-	-	-	(131,439)	688,200
<u>Net-off of Previous Year Losses:</u>	-	-	-	-	(131,439)	-	-	-	131,439	-
<u>Profit Distribution:</u>										
- Dividends	-	-	-	-	-	-	-	-	-	-
- Share Premium transferred to Equity	-	-	-	-	-	-	-	-	-	-
- Taxes and Funds	-	-	-	-	-	-	-	-	-	-
- Transfers to Treasury	-	-	-	-	-	-	-	-	-	-
<u>Increase in Paid-in Capital</u>										
- Cash	-	-	-	-	-	-	-	-	-	-
- Transfer from Revaluation Fund	-	-	-	-	-	-	-	-	-	-
- Transfers from Profits from Sales of Equity Participations, Subsidiaries and Property and Equipment	-	-	-	-	-	-	-	-	-	-
Other (*)	-	-	-	-	-	-	-	-	-	256
Net profit for the year	-	-	-	-	-	-	-	-	3,102,457	3,102,457
31 December 2006	46,234	-	-	-	642,222	-	-	-	3,102,457	3,790,913

(*) "Other" includes the amount of expired banknotes transferred to special reserves according to the 59th article of Central Bank Law related to special reserves.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005**

(Amounts expressed in thousands of New Turkish Lira ("YTL"), unless otherwise indicated.)

	Share capital	1st and 2nd group legal reserves	Share premium	Other legal reserves	Other reserves	Property and equipment revaluation fund	Cost increase fund	Retained earnings	Profit / (Loss) for the year	Net Shareholders' Equity	Total Shareholders' Equity
31 December 2004	46,234	-	-	-	1,283,131	-	-	-	(509,726)	819,639	819,639
1 January 2005	46,234	-	-	-	1,283,131	-	-	-	(509,726)	819,639	819,639
<u>Net-off of Previous Year Losses:</u>	-	-	-	-	(509,726)	-	-	-	509,726	-	-
<u>Profit Distribution:</u>											
- Dividends	-	-	-	-	-	-	-	-	-	-	-
- Share Premium transferred to Equity	-	-	-	-	-	-	-	-	-	-	-
- Taxes and Funds	-	-	-	-	-	-	-	-	-	-	-
- Transfers to Treasury	-	-	-	-	-	-	-	-	-	-	-
<u>Increase in Paid-in Capital</u>											
- Cash	-	-	-	-	-	-	-	-	-	-	-
- Transfer from Revaluation Fund	-	-	-	-	-	-	-	-	-	-	-
- Transfers from Profits from Sales of Equity Participations, Subsidiaries and Property and Equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Net loss for the year	-	-	-	-	-	-	-	-	(131,439)	(131,439)	(131,439)
31 December 2005	46,234	-	-	-	773,405	-	-	-	(131,439)	688,200	688,200

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

PROFIT DISTRIBUTION TABLES

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Amounts expressed in thousands of New Turkish Lira ("YTL"), unless otherwise indicated.)

PROFIT DISTRIBUTION TABLE	2006 (*)	2005
A. DISTRIBUTION OF PROFIT FOR THE YEAR		
1. Profit/(loss) for the year	3,146,308	(131,439)
2. Taxes to be paid (-)	43,851	-
- Corporate Tax	43,851	-
- Income Tax	-	-
- Other Taxes	-	-
NET PROFIT/(LOSS) FOR THE YEAR	3,102,457	(131,439)
3. Prior year losses (-)	-	-
4. Extraordinary reserves (-)	2,180,966	-
5. Other legal funds (-)	-	-
NET PROFIT/(LOSS) FOR DISTRIBUTION	921,491	(131,439)
6. Dividends to shareholders (-)	3	-
7. Dividends to personnel (-)	156	-
Due to Treasury according to the Central Bank Law No. 1211	921,332	-

(*) The profit appropriation for the year 2006 will be presented to the General Assembly for approval on 6 April 2007 in accordance with the Board of Directors' decision dated 1 March 2007 and numbered 8863/18462.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH SEE NOTE LB.3

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Amounts expressed in thousands of New Turkish Lira ("YTL"), unless otherwise indicated.)

STATEMENTS OF CASH FLOWS	2006	2005
I- Cash Flows from Banking and Financing Activities (Main Operations)		
Interest Received	5,404,294	3,045,675
Interest Paid	(5,142,822)	(3,143,005)
Dividends Received	4,343	3,469
Commissions and Fees Received	38,838	32,465
Payments to Personnel and Service Providers	(907,537)	(686,040)
Cash flow from operational income before changes in assets and liabilities subject to main operations	(602,884)	(747,436)
Changes in assets and liabilities that are subject to operations		
<u>Decrease / (Increase) in assets subject to operations:</u>		
(Increase) / Decrease in Marketable Securities	(1,871,817)	2,669,450
Decrease in Loans	2,436	376,711
(Increase) / Decrease in Other Assets	(4,860)	498,957
<u>Decrease / (Increase) in liabilities subject to operations:</u>		
Increase in Deposits	12,960,297	7,437,398
Increase / (Decrease) in Funds Borrowed	1,197	(829)
Increase in Other Liabilities	3,604,846	9,421,315
Net Cash Flow from Banking and Financing Operations	14,089,215	19,655,566
II- Cash Flows from Financial and Non-financial Investments		
Equity Participations and Subsidiaries Purchased	-	-
Property and Equipment Purchased	(6,137)	(19,057)
Other Cash Inflows	3,640,576	615,255
Other Cash Outflows	(14,977)	(346,149)
Net Cash Used in Financial and Non-financial Investments	3,619,462	250,049
III- Cash Flows Regarding Capital financing Operations	-	-
Net Increase on Cash and Cash Equivalents	17,708,677	19,905,615
Cash and Cash Equivalents at the Beginning of the Period	70,490,794	50,585,179
Cash and Cash Equivalents at the End of the Period	88,199,471	70,490,794

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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira ("YTL"), unless otherwise indicated.)

I- NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL POSITION:

A. Notes and Explanations related to the Current Year

- (1) The financial statements of the Central Bank of the Republic of Turkey ("the Bank") as of 31 December 2006 have not yet been approved by the Board as of the auditor's report date.
- (2) **(a) Detailed explanations of all basic accounting policies applied by the Bank**

The basis of presentation of the financial statements and the significant accounting policies applied are as follows:

i. Basis of Presentation of the Financial Statements

The Bank maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code and Tax Legislation and Law No.1211 of the Central Bank of the Republic of Turkey (the "Central Bank Law"). According to the 57th and 58th articles of the Central Bank Law, the accounting period of the Bank is the calendar year. At the end of each calendar year, the Bank submits its balance sheet and income statement to the Prime Ministry along with the annual report prior to the General Assembly meeting and publishes the balance sheet in the Official Gazette.

Law No.5024 published in the Official Gazette No.25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years, if the actual rate of inflation meets certain thresholds. The Bank applied inflation adjustments as of 31 December 2004 as the certain thresholds had been met. In the communiqué of the Ministry of Finance published on 19 April 2005, it has been stated that the inflation adjustment resolutions in Law No.5024 have not been realised, and the Bank has ceased to restate its financial statements in accordance with the inflation accounting principles starting from 1 January 2005.

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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira ("YTL"), unless otherwise indicated.)

I- NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL POSITION (Continued):

A. Notes and Explanations related to the Current Year (Continued)

(2) (a) Detailed explanations of all basic accounting policies applied by the Bank (Continued)

ii. Summary of Significant Accounting Principles

Apart from the policies listed above, significant accounting principles applied in the preparation of the financial statements are as follows:

a. Accounting Principles

Financial statements have been prepared in accordance with the current Turkish legislation in effect as expressed in article "i" above.

b. Accounting of Income and Expense

Interest and other income and expenses are recognised on an accrual basis.

According to a change made in the 61st article of the Central Bank Law No. 4651 on 25 April 2001, in the event of a change in the value of the Turkish currency, unrealised gains and losses arising from the revaluation of gold, foreign exchange and foreign currency indexed assets and liabilities of the Bank are classified into a special account of the balance sheet named "Valuation Differences". Realised differences are reflected in the income statement as at the transaction date.

c. Provisions

According to the 59th article of Central Bank Law, provisions in amounts deemed appropriate by the Board may be provided for over the gross annual profit of the Bank in order to meet losses which may arise in future years. Provisions also include a retirement pay provision, tax provision and insurance provision for money in transit.

d. Foreign Currency Transactions

Foreign currency transactions are recorded at the foreign currency exchange rate applicable on the date of the transactions.

Gold is valued at the average of the gold prices quoted on the London exchange at 11:00 hrs as of 29 December 2006 and on the basis of 1 ounce equals 31.1035 grams.

Assets and liabilities denominated in foreign currency are valued at the foreign currency purchase rate of the Bank as at the balance sheet date. Differences arising from the currency revaluation are recorded in a special account separate from the income statement, as stated in paragraph "b" above.

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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish Lira ("YTL"), unless otherwise indicated.)

I- NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL POSITION (Continued):

A. Notes and Explanations related to the Current Year (Continued)

(2) (a) Detailed explanations of all basic accounting policies applied by the Bank (Continued)

e. Employment Termination Benefits

According to the Turkish Legislation and Labour Union agreements, employment termination benefits are paid upon the retirement of employees or in the case of layoff. The amount payable depends on the rank and years of service, as defined in The Pension Fund for Civil Servants of the Republic of Turkey and Social Security Insurance Institution rules. The Bank calculated a full provision for its employment termination benefits and recognised this provision in its financial statements as at 31 December 2006 and 2005.

f. Taxation

The Bank is subject to corporation tax in accordance with the Turkish legislation. In addition, the Bank is liable for income withholding tax of third parties.

Through the enactment of Corporate Tax Law No.5520 ("New Corporate Tax Law") published in the Official Gazette No.26205 dated 21 June 2006, corporation tax is payable at the rate of 20% (31 December 2005: 30%) effective from 1 January 2006 on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and investment and other allowances in accordance with the new tax legislation and the Central Bank Law No.1211.

g. Securities Portfolio

The securities portfolio consists of directly purchased government bonds and securities purchased under reverse repo transactions in order to regulate the money supply and liquidity in the economy in line with the monetary policy targets based on the 52nd article of the Central Bank Law related with open market operations.

The securities purchased by the Bank are valued at their fair values. The marketable security portfolio account represents the fair values of these securities.

Securities purchased by the Bank are valued at fair value as determined by the stock exchange. Securities which are not traded on a stock exchange are valued at prices declared by the Bank and published in the Official Gazette. Positive differences between cost and revalued amount are included in the "Securities Portfolio" in the balance sheet and in the "Interest Income-Positive Valuation Differences" account in the income statement. Whenever the difference is negative, it is recorded in "Securities Portfolio" account in the balance sheet and in the "Interest Expense-Negative Valuation Differences" account in the income statement.

Securities purchased under reverse repo transactions are valued on an accrual basis using the straight-line method with the interest rate of the agreement.

h. Equity Participations

The Bank recognises its equity participations at acquisition cost and revalues them at the Bank foreign currency bid rate at the balance sheet date.

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I- NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL POSITION (Continued):

A. Notes and Explanations related to the Current Year (Continued)

(2) (b) Changes in accounting policies in the current year and their financial effects

No changes in accounting policies in the current year have been noted.

(3) Compliance with the fundamental accounting characteristics of going concern, accruals and consistency

These financial statements have been prepared based on the going concern principle which is one of the basic principles of accounting, assuming that the Bank will continue its operations without interruption in the future.

(4) The effect of any modification which has been made in valuation methods affecting the year-end results

In accordance with the process of compliance with the European Union set of rules and legislation, the foreign exchange gain or loss from foreign exchange purchase and sale transactions is calculated using the 'weighted average' method starting from 1 January 2006, whereas this method has been adopted in compliance with the 'European Central Banks Guide'. With this method the date 1 January 2006 has been accepted as the starting point and the cost of the net foreign currency position of the Bank has been determined using the prevailing foreign exchange bid rates announced by the Bank as of 31 December 2005.

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I- NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL POSITION (Continued):

A. Notes and Explanations related to the Current Year (Continued)

(5) Detailed explanation of the valuation methods used for securities (Including Equity Participations, Subsidiaries, and Long-term Securities) in the order given below

A. Securities Portfolio

As of 31 December 2006 and 2005:

YTL Denominated Securities

1- Equity Shares - None

2- Other Securities:

- a) Securities indexed to inflation and foreign currency - Directly purchased securities are valued at their stock exchange prices. They are valued at prices announced daily in the Official Gazette, if they are not quoted on any stock exchange.
- b) Fixed Income Securities - Securities purchased under reverse repurchase agreements are carried at cost.
- c) Securities with variable interest rate - Securities purchased under reverse repurchase agreements are carried at cost.

Foreign Currency Denominated Securities

1- Equity Shares - None

2- Other Securities

- a) Securities indexed to inflation and foreign currency - None
- b) Fixed Income Securities - Foreign currency securities are valued marked to market as determined in the foreign stock exchange markets in which they are traded (*).
- c) Securities with variable interest rate - None

3- Gold (**) - Gold is valued according to the gold price quoted on the London exchange at 11:00 hrs as of 29 December 2006 and 30 December 2005 and on the basis 1 ounce equals 31.1035 grams.

(*) Foreign currency denominated securities are classified in the "Correspondent Bank" account in the balance sheet.

(**) Gold is classified in the balance sheet under the "Gold" account.

B. Equity Participations

As of 31 December 2006 and 2005:

YTL Denominated Participations - None

Foreign Currency Denominated Participations – valued at the Bank's foreign exchange bid rate at the balance sheet date.

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I- NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL POSITION (Continued):

A. Notes and Explanations related to the Current Year (Continued)

(5) Detailed explanation of the valuation methods used for securities (Including Equity Participations, Subsidiaries, and Long-term Securities) in the order given below (Continued)

C. Subsidiaries

As of 31 December 2006 and 2005:

YTL Denominated - None

Foreign Currency Denominated - None

D. Other Securities

As of 31 December 2006 and 2005:

YTL Denominated Securities

1- Equity Shares

- a) Long-term investments - None
- b) Equity shares given as collateral and pledged shares - None
- c) Equity shares subject to long-term transactions - None

2- Other Securities

- a) Long-term investments - None
- b) Equity shares given as collateral and pledged shares - None
- c) Equity shares subject to long-term transactions - None

Foreign Currency Denominated Securities

1- Equity Shares

- a) Long-term investments - None
- b) Equity shares given as collateral and pledged shares - None
- c) Equity shares subject to long-term transactions - None

2- Other Securities

- a) Long-term investments - None
- b) Equity shares given as collateral and pledged shares - None
- c) Equity shares subject to long-term transactions - None

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I- NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL POSITION (Continued):

A. Notes and Explanations related to the Current Year (Continued)

(6) Method of depreciation, any changes in methodology during the current year and financial effects of such changes

Property and equipment are subject to depreciation based on their economic useful lives. Depreciation has been calculated on a straight-line basis and there has been no change to depreciation methods during the current year. The annual depreciation rates applied are as follows:

Buildings	2-4%
Vehicles, Furniture and Fixtures	2-20%
Leasehold Improvements	20%

Due to the adjustments on tangible assets in accordance with Law No.5024 that stipulates the implication of inflation accounting on tangible assets, the effect of revaluation on tangible assets until 31 December 2004 has been eliminated from these financial statements.

Since the inflation adjustment resolutions in Law No.5024 have not been realised as of 31 December 2006 and 2005, the Bank did not restate its financial statements in accordance with the inflation accounting principles as of 31 December 2006 and 2005.

(7) The exchange rate used for the valuation of foreign currency items during the preparation of the balance sheet and the Bank's announced US dollar currency bid rate for the last five working days of the year are as follows:

	31 December 2006	31 December 2005
A. The Bank's "Exchange Rate for the Evaluation of Foreign Currency Items" (1 US dollar \$= YTL)		
	1,4056 YTL	1,3418 YTL
B. US dollar bid rates at the date of balance sheet date are as follows:		
US dollar bid rate at the date of balance sheet	1,4056 YTL	1,3418 YTL
US dollar purchase rates for the 5 working days before balance sheet date		
Bid rate of the 1st Day	1,4131 YTL	1,3430 YTL
Bid rate of the 2nd Day	1,4192 YTL	1,3422 YTL
Bid rate of the 3rd Day	1,4198 YTL	1,3433 YTL
Bid rate of the 4th Day	1,4222 YTL	1,3424 YTL
Bid rate of the 5th Day	1,4186 YTL	1,3435 YTL

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I- NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL POSITION (Continued):

A. Notes and Explanations related to the Current Year (Continued)

(8) Information on assets and liabilities denominated in foreign currencies, their US\$ equivalents and the foreign currency position is as follows:

I-FOREIGN CURRENCY ASSETS	31 December 2006		31 December 2005	
	Thousand YTL	Million US\$	Thousand YTL	Million US\$
1) GOLD	3,427,103	2,438	2,640,298	1,968
2) FOREIGN CURRENCY RESERVES	85,618,500	60,912	67,781,346	50,515
3) COINS	-	-	-	-
4) DOMESTIC CORRESPONDENTS	-	-	-	-
5) SECURITIES PORTFOLIO	-	-	-	-
6) DOMESTIC LOANS	755	1	1,372	1
7) OPEN MARKET OPERATIONS	-	-	-	-
8) FOREIGN LOANS	43,350	31	45,169	34
9) EQUITY PARTICIPATIONS	21,280	15	19,303	14
10) PROPERTY AND EQUIPMENT (NET)	-	-	-	-
11) LOANS UNDER LEGAL FOLLOW-UP (NET)	-	-	-	-
12) TREASURY LIABILITIES DUE TO SDR ALLOCATIONS	238,563	170	216,438	161
13) VALUATION ACCOUNT	-	-	-	-
14) INTEREST AND INCOME ACCRUALS	4,819	3	9,337	7
15) MISCELLANEOUS RECEIVABLES	1,888	1	1,677	1
16) OTHER ASSETS	1,053	1	3,663	3
OFF-BALANCE SHEET ITEMS (17)				
17) FORWARD PURCHASE TRANSACTIONS	-	-	-	-
TOTAL FOREIGN CURRENCY ASSETS (I+17)	89,357,311	63,572	70,718,603	52,704
II-FOREIGN CURRENCY LIABILITIES				
1) CURRENCY IN CIRCULATION	-	-	-	-
2) DUE TO TREASURY	249,526	178	225,027	168
3) FOREIGN CORRESPONDENTS	1,018	1	962	1
4) DEPOSITS				
a) PUBLIC SECTOR	17,633,219	12,545	13,410,013	9,994
b) BANKING SECTOR	19,338,435	13,758	14,766,854	11,005
c) MISCELLANEOUS	22,366,106	15,912	20,952,275	15,615
d) INTERNATIONAL INSTITUTIONS	5,802	4	5,037	4
e) EXTRABUDGETARY FUNDS	905,779	644	400,295	298
5) OPEN MARKET OPERATIONS	-	-	-	-
6) FOREIGN LOANS	12,526	9	11,329	8
7) IMPORT TRANSFER ORDERS AND DEPOSITS	1,584,061	1,127	1,537,170	1,146
8) NOTES AND REMITTANCES PAYABLE	24,363	17	18,068	13
9) SDR ALLOCATION	238,563	170	216,438	161
10) PROVISIONS	-	-	-	-
11) VALUATION ACCOUNT	-	-	-	-
12) INTEREST AND EXPENSE ACCRUALS	1,062,060	756	1,302,782	971
13) MISCELLANEOUS PAYABLES	45,838	33	74,211	55
14) OTHER LIABILITIES	39,005	28	85,561	65
OFF-BALANCE SHEET ITEMS (15)				
15) FORWARD SALE TRANSACTIONS	-	-	-	-
TOTAL FOREIGN CURRENCY LIABILITIES (II+15)	63,506,301	45,182	53,006,022	39,504
FOREIGN CURRENCY NET GENERAL POSITION	25,851,010	18,390	17,712,581	13,200

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I- NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL POSITION (Continued):

A. Notes and Explanations related to the Current Year (Continued)

(9) Book value of movable and immovable tangible assets, the depreciation allocated and their insurance coverage:

	31 December 2006				31 December 2005			
	Cost	Accumulated depreciation	Net book value	Insurance coverage	Cost	Accumulated depreciation	Net book value	Insurance coverage
Movables	78,107	63,588	14,519	79,290	73,192	54,147	19,045	54,085
Immovables	313,989	45,958	268,031	283,289	313,057	39,872	273,185	277,276
	392,096	109,546	282,550	362,579	386,249	94,019	292,230	331,361

(10) Information on contingent losses and gains, which are significant but cannot be quantified

The amounts of the legal cases pending against the Bank as at the balance sheet date are YTL80,548 thousand, US\$397,357 and EUR800,867 (2005: YTL83,577 thousand, US\$7,242,351 and EUR831,096). These financial statements do not include any provision provided for those cases.

(11) Other issues which significantly affect the balance sheet or which should be disclosed for a fair view of the financial statements

As explained in the Note I(2)iib in detail, the valuation account in the balance sheet represents the unrealised foreign exchange gains resulting from the valuation of foreign currency denominated balance sheet items. Realised differences are recognised in the income statement at the transaction date.

B. Other Notes and Explanations

(1) Information on events related with the Bank's functions occurring after the balance sheet date, which affect the financial activities and/or financial structure significantly

With the Board of Directors' decision dated 1 March 2007, the appropriation of the statutory net income as of 31 December 2006 amounting to YTL3,102,457 thousand in accordance with the Central Bank Law will be as follows: YTL3 thousand as shareholders share, YTL156 thousand as dividend to the employees, YTL2,180,966 thousand as legal reserves and YTL921,332 thousand as dividend to the Turkish Treasury. The decision regarding the profit appropriation will be presented to the General Assembly for approval on 6 April 2007.

(2) Information on the Bank's foreign branches

There are no foreign branches; however the Bank has representatives in Frankfurt, London, New York and Tokyo, and a liaison office in Berlin.

(3) The effects of differences between accounting principles and standards set out by the related legislation in Turkey and the Central Bank Law, and accounting principles generally accepted in countries in which these financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these financial statements. Accordingly, these financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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I- NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL POSITION (Continued):

C. The Opinion of the independent audit firm auditing the financial statements (in accordance with the format presented in the legislation)

The financial statements for the year ended 31 December 2006 have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("a member of PricewaterhouseCoopers") and an unqualified opinion is expressed in the auditor's report dated 2 March 2007.

The independent audit opinion is presented at the front of the financial statements and notes to the financial statements.

II. NOTES AND EXPLANATIONS ON THE BALANCE SHEET AND MEMORANDUM ACCOUNTS

(1) Information on the Gold Account

According to the 53rd article of the Central Bank Law, the Bank manages gold and foreign exchange reserves in the context of the monetary policy targets and applications. For this purpose the Bank performs banking operations in domestic and foreign markets including forward or spot purchase/sale of gold, foreign currency, marketable securities, derivative instruments and lending/borrowing transactions in accordance with the procedures and rules determined by its own investment, liquidity and yield priorities.

As of 31 December 2006 the Bank has 116,103,753 (2005: 116,103,753) net grams of gold in international standards and 3,191,297 (2005: 3,200,797) net grams of gold in non-international standards. 82,433,108(2005: 82,433,108) grams of the gold in international standards is kept at the Bank of England and Federal Reserve Bank of New York and 33,670,645 (2005: 33,670,645) grams is kept at the Head Office of the Bank. The gold in non-international standards is kept at the Head Office of the Bank; 345,575 (2005: 345,575) grams of gold in non-international standards belongs to the Treasury and the related liability is presented in the balance sheet under the "Due to Treasury" account.

The gold amount as of 31 December 2006 and 2005 is valued at the average of the gold prices quoted on the London exchange at 11:00 hrs, as of 29 December 2006 and 30 December 2005 respectively on the basis of 1 ounce equals 31.1035 grams.

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II. NOTES AND EXPLANATIONS ON THE BALANCE SHEET AND MEMORANDUM
ACCOUNTS (Continued)

(2) Information on the Foreign Currency Reserves Account

Correspondent Bank Accounts

	31 December 2006		31 December 2005	
	YTL'000 amount	US\$ amount (in millions)	YTL'000 amount	US\$ amount (in millions)
Current Accounts	5,121,238	3,643	5,362,844	3,997
Marketable Securities Portfolio	79,888,178	56,836	61,902,089	46,134
Total	85,009,416	60,479	67,264,933	50,131

Correspondent bank accounts consist of the current accounts and marketable securities held as reserve in foreign correspondent banks. The marketable securities portfolio consists of foreign currency government bonds and treasury bills issued by international financial institutions and kept in foreign banks.

As of 31 December 2006 marketable securities held for reserve purposes amount to YTL79,888,178 thousand (2005: YTL61,902,089 thousand) and are valued with quoted prices in the international markets at the balance sheet date.

Bank deposits and investment account (US treasury bills) belonging to the Turkish Defense Fund amount to YTL5,806 thousand (2005: YTL7,493 thousand) and YTL434,011 thousand (2005: YTL436,486 thousand), respectively. Securities held on behalf of the Turkish Defense Fund are not valued and are carried at their acquisition costs. The Bank acts as intermediary regarding the securities and investments of the Turkish Defense Fund in foreign correspondents.

(3) Domestic Correspondents

Foreign currency interbank transactions in which the Bank acts as intermediary are accounted under the domestic correspondents account in assets and bank deposits accounts in liabilities. The Bank carries the default risk of the borrower counterparty in these transactions.

The interest accrual amount of the Foreign Currency Interbank Money Market Transactions, in which the Bank acts as an intermediary, is recognised in the balance sheet as interest income (expense) accrual and in the income statement as other interest income (expense).

As of 31 December 2006, there are no foreign currency interbank money market transactions in which the Bank acts as an intermediary.

As of 31 December 2006 (apart from the interbank transactions in which the Bank acts as an intermediary), the Bank acts as a counterparty in YTL interbank transactions where the borrowing amount is YTL2,411,950 thousand (2005: YTL6,009,350 thousand), which is classified under the "Open Market Operations - Other" in liabilities. The interest expense accrual amounting to YTL3,520 thousand (2005: YTL4,507 thousand) related to this account is classified in "Interest and Expense Accruals".

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II. NOTES AND EXPLANATIONS ON THE BALANCE SHEET AND MEMORANDUM
ACCOUNTS (Continued)

(4) Marketable Securities Portfolio and Open Market Operations

(a) Information on the Marketable Securities Portfolio

As of 31 December 2006, the marketable securities portfolio amounting to YTL22,309,873 thousand (2005: YTL20,495,029 thousand) consists of directly purchased government bonds amounting to YTL18,809,873 thousand (2005: YTL19,470,029 thousand) and securities purchased under reverse repo transactions amounting to YTL3,500,000 thousand (2005: YTL1,025,000 thousand).

As of 31 December 2006, YTL5,288 thousand (2005: YTL871 thousand) classified under interest and income accruals represents accrued interest income calculated on securities purchased under reverse repo transactions based on the valuation of securities with Official Gazette prices.

Breakdown of securities portfolio as at 31 December 2006 is as follows:

	31 December 2006 Acquisition Cost	31 December 2006 Accrual (net)	31 December 2006 Balance Sheet Value	31 December 2006 Official Gazette Value
<u>Purchases under Agreements to Resell</u> <u>("Reverse repo")</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	1,671,199	2,527	1,671,199	1,671,199
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Securities in Foreign Currency	-	-	-	-
5. Floating Rate	1,828,801	2,761	1,828,801	1,828,801
<u>Direct Purchases</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	-	-	-	-
2. Indexed to Inflation	18,557,494	252,371	18,809,865	18,809,865
3. Indexed to Foreign Currency	-	-	-	-
4. Securities in Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<u>Other Marketable Securities</u>				
Accrued Income from securities sold under agreements to repurchase	-	8	8	8
TOTAL	22,057,494	257,667	22,309,873	22,309,873

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II. NOTES AND EXPLANATIONS ON THE BALANCE SHEET AND MEMORANDUM
ACCOUNTS (Continued)

(4) Marketable Securities Portfolio and Open Market Operations (Continued)

(a) Information on the Marketable Securities Portfolio (Continued)

Breakdown of securities portfolio as at 31 December 2005 is as follows:

	31 December 2005 Acquisition Cost	31 December 2005 Accrual (net)	31 December 2005 Balance Sheet Value	31 December 2005 Official Gazette Value
<u>Purchases under Agreements to Resell</u> <u>("Reverse repo")</u>				
Treasury Bills and Government Bonds	-	-	-	-
1. Fixed Income	-	-	-	-
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Securities in Foreign Currency	-	-	-	-
5. Floating Rate	1,025,000	871	1,025,000	1,025,000
<u>Direct Purchases</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	-	-	-	-
2. Indexed to Inflation	19,160,779	309,250	19,470,029	19,470,029
3. Indexed to Foreign Currency	-	-	-	-
4. Securities in Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<u>Other Marketable Securities</u>			-	-
Accrued Income from securities sold under agreements to repurchase	-	-	-	-
TOTAL	20,185,779	310,121	20,495,029	20,495,029

As at 31 December 2006 and 2005, the nominal values of YTL marketable securities acquired by direct purchase amount to YTL17,776,154 thousand and YTL18,427,087 thousand, respectively.

As of 31 December 2006, the nominal values of YTL marketable securities purchased by reverse repurchase agreements amount to YTL3,703,442 thousand (2005: YTL 896,392 thousand).

(b) Explanations on Open Market Operations

As of 31 December 2006, Open Market Operations in the assets amounting to YTL3,512,338 thousand (2005: YTL1,026,306 thousand) represent marketable securities purchased under reverse repo transactions including the interest that is going to be earned at the maturity of the transaction. Similarly, as of 31 December 2006, Open Market Operations in the assets amounting to YTL2,000 thousand (2005: None) represent the sale amount of the marketable securities sold under repo transactions.

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**II. NOTES AND EXPLANATIONS ON THE BALANCE SHEET AND MEMORANDUM
ACCOUNTS (Continued)**

(4) Marketable Securities Portfolio and Open Market Operations (Continued)

(b) Explanations on Open Market Operations (Continued)

As of 31 December 2006, YTL12,338 thousand (2005: YTL1,306 thousand) which is the amount to be received at the maturity date of the reverse repurchase of securities, is followed under the "Other Liabilities" account. As of 31 December 2006, YTL6 thousand (2005: None) which is the amount to be paid at the maturity date of the repurchase of securities, is followed under the "Other Assets" account.

As of 31 December 2006, the Open Market Operations presented in the liabilities amounting to YTL3,500,000 thousand (2005: YTL1,025,000 thousand) represent the cost of the securities that were purchased under reverse repo transactions and the amount of YTL2,006 thousand (2005:None) represents the funds borrowed from repurchase agreements including the interest amount that is going to be paid at the maturity of the transaction. The amount YTL2,411,950 thousand (2005: YTL6,009,350 thousand) represents the funds borrowed through the Interbank Money Market.

(5) Loans

(a) Information on Domestic Loans

As of 31 December 2006, YTL755 thousand (2005: YTL1,372 thousand) classified under domestic loans represents the loans extended to Türkiye İhracat ve Kredi Bankası A.Ş. ("Eximbank").

(b) Explanation on Loans and Advances Granted to the Bank's Shareholders or Personnel

None.

(c) Information on the Foreign Loans Account

Foreign loans are receivables which are converted to loans, arising from the accounts used to follow commercial transactions under treaties made with the relevant countries' central banks.

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II. NOTES AND EXPLANATIONS ON THE BALANCE SHEET AND MEMORANDUM
ACCOUNTS (Continued)

(5) Loans (Continued)

(d) Explanation on the Loans under Legal Follow-up (net)

The total balance consists of uncollectible receivables from Iraq as a result of the Gulf Crisis and from receivables related with trade affairs with Iraq. A full provision for these receivables has been provided for in these financial statements.

Movements in provision for loans and receivables under follow-up:

	31 December 2006		31 December 2005	
	YTL thousand	US\$	YTL thousand	US\$
Opening Balance	1,779,583	1,326,265,363	1,728,114	1,287,619,402
- Increases during the period (+)	97,773	69,559,500	51,819	38,645,961
- Transfers from other follow-up accounts (+)	-	-	-	-
- Transfers to other follow-up accounts (-)	-	-	-	-
- Collections during the period (-)	-	-	-	-
- Write-offs (-)	-	-	-	-
- Foreign exchange loss	84,616	-	(350)	-
Closing balance	1,961,972	1,395,824,863	1,779,583	1,326,265,363
- Specific provisions (-)	1,961,972	1,395,824,863	1,779,583	1,326,265,363
Net balance after provisions	-	-	-	-

According to the 61st article of the Central Bank Law, foreign currency denominated loans under follow-up are revalued at the period ends and unrealised gains and losses arising from the revaluation are classified into a special account named "Valuation Differences". Provisions for the related receivables including foreign currency rate differences are accounted in the income statement according to the 59th article of the Central Bank Law.

(6) Equity Participations

Equity participations are stated at acquisition cost and valued with the Bank's foreign currency bid rate at the year-end.

As of 31 December 2006 and 2005, the Bank's equity participations can be analysed as follows:

Name	Share (%)	Nominal Capital	Acquisition Cost	31 December 2006 Balance Sheet Amount	31 December 2005 Balance Sheet Amount
Bank for International Settlements	1.5	SDR 3,000,000,000 (*)	SDR 10,000,000	21,242	19,272
S.W.I.F.T.	0.007	EUR 14,009,000	EUR 20,320	38	31
Total equity participations				21,280	19,303

(*) The Bank has 8,000 shares in the Bank for International Settlements, where SDR10,000,000 is paid and SDR30,000,000 is unpaid.

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(6) Equity Participations (Continued)

During 2006, CHF3,594,189 (2005: CHF3,516,766) has been received as dividend income and YTL3,101 thousand (2005: YTL2,687 thousand) has been accrued as dividend income as at 31 December 2006.

There have been no additions or disposals to the equity participation account in the current and previous period.

(7) Property and Equipment

The Bank has no immovables held with the intention of being sold. As of 31 December 2006, the cost of immovables and related accumulated depreciation amounts to YTL313,989 thousand (2005: YTL313,057 thousand) and YTL45,958 thousand (2005: YTL39,872 thousand), respectively, whereas the cost of movables and related accumulated depreciation amounts to YTL78,107 thousand (2005: YTL73,192 thousand) and YTL63,588 thousand (2005: YTL54,147 thousand), respectively.

(8) Miscellaneous Receivables

Receivables from third parties other than the banking and public sector institutions are followed in this account.

The breakdown of miscellaneous receivables is as follows:

	<u>31 December 2006</u>	<u>31 December 2005</u>
YTL deposit accounts that are held in the foreign banks	21,171	21,724
Withholding tax payable that will be deducted from corporate income tax	3,656	5,535
Deposits and advances given	527	1,178
Import transfer orders of printing plant	680	799
Other	2,366	1,573
Total	28,400	30,809

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ACCOUNTS (Continued)

(9) Other Assets

The breakdown of the other assets is presented below:

	<u>31 December 2006</u>	<u>31 December 2005</u>
Printing plant inventory	9,214	10,126
Construction in progress	3,925	3,240
Other materials and warehouses	3,054	2,349
Money transfer orders to correspondent banks	1,053	2,102
Valuation account for foreign currency indexed securities	-	1,560
Prepaid expenses	425	463
Amounts to be written off according to court decision	230	457
Other	1,532	1,403
Total	19,433	21,700

(10) Interest and Income Accruals

	<u>31 December 2006</u>	<u>31 December 2005</u>
Interest income accrual on reverse repurchase agreements	5,288	871
Dividend income accruals	3,101	2,687
EFT commission income accrual	2,399	1,990
Foreign currency deposit interest income accrual	1,034	58
Foreign loans accrued interest income	103	6,212
Other	583	397
Total	12,508	12,215

(11) Currency in Circulation

According to the Central Bank Law Act 1, the Bank has the privilege of issuing banknotes in Turkey. The banknotes in circulation amount to YTL26,815,151 thousand as of 31 December 2005 (2005: YTL19,612,019 thousand).

(12) Due to Treasury

As of 31 December 2006, YTL9,927 thousand (2005: YTL7,648 thousand) of due to Treasury consists of gold in non-international standards belonging to the Treasury, deposited in the Bank. Tax and other liabilities to the Treasury amounting to YTL28,871 thousand (2005: YTL34,577 thousand) are also included in this account.

As of 1 November 2006, the country quota of Turkey increased by SDR 227,300,000 reaching SDR 1,191,300,000. 25% of the quota increase in the amount of SDR 56,825,000 has been paid in cash denominated in reserve money and the rest of the increase in the amount of SDR 170,475,000 has been paid in securities issued by the Turkish Treasury denominated in YTL.

Reserve Tranche Position is the paid in cash portion of the total IMF quota of SDR1,191,300,000. Reserve Tranche Position amounting to SDR112,775,000 is classified under "Foreign Currency Reserves" in the assets and under "Due to Treasury" in the liabilities. As of 31 December 2006, the balance of the account amounts to YTL239,557 thousand (2005: YTL217,340 thousand).

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(13) Foreign Correspondents

This account represents the foreign currency accounts of the correspondent banks.

(14) Deposit Accounts

The deposits balance is composed of deposits from the Treasury, public institutions, the banking sector, citizens abroad, the IMF and other funds.

The Treasury and public institutions accounts are included in demand deposits.

The balance of the banking sector consists of two-day call foreign currency accounts, demand local currency accounts and reserve deposits.

Deposits by citizens abroad consist of deposits by Turkish citizens living abroad. As of 31 December 2006 and 2005 the balance amounted to YTL22,297,642 thousand and YTL20,884,256 thousand, respectively.

The breakdown of the deposits by foreign currency type is as follows:

Foreign Currency Type	31 December 2006			31 December 2005		
	Foreign Currency Balance (000)	Thousand YTL	Interest Rates (*)	Foreign Currency Balance (000)	Thousand YTL	Interest Rates
EUR	11,266,862	20,860,595	%0.25-%3.75	12,145,614	19,281,162	2.50%-4.00%
US\$	946,513	1,330,418	%0.25-%4.50	1,115,006	1,496,115	2.25%-4.50%
CHF	80,872	93,027	%0.25-%0.75	92,232	93,966	0.81%-0.90%
Other	-	13,602	%0.25-%4.00	-	13,013	4.15%-4.43%
Total		22,297,642			20,884,256	

Maturities of the deposits vary between 1 to 3 years and interest rates vary according to the maturity and balance of the deposit account.

The International Institutions deposit balance is the YTL thousand equivalent of the balance transferred by the IMF as "special drawing rights" (SDR). The Bank is designated as "the depositor" to regulate the relations of the Turkish Treasury with the IMF. As of 31 December 2006, in line with the agreements between the IMF and the Turkish Treasury the amount of YTL5,802 thousand (2005: YTL5,037 thousand) granted is classified under the "Deposit" accounts.

Deposits of funds consist of the demand accounts of various funds controlled by the Prime Ministry of the Republic of Turkey.

(*) The Bank has two different deposit product types named super deposit accounts and deposits accounts with a credit letter attached. On 6 March 2006 the Bank ceased the application of deposit accounts of one year maturity with a credit letter attached. Accounts denominated in EUR, US\$, GBP and CHF which were opened prior to this date, are rolled over, unless there is a customer request to the contrary, at the rate of 0.25%. Minimum interest rates of the deposit accounts other than the ones that have ceased to be applied are 2.25%, 3.00%, 0.75% and 4.00% for EUR, US\$, CHF and GBP respectively.

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(15) Capital and Reserves

According to the 5th article of the Central Bank Law, the capital of the Bank is YTL25 thousand and it is divided into 250,000 shares, with a value of YKr10 each. The capital may be increased with the approval of the Government. The shares are divided into (A), (B), (C) and (D) shares. The (A) group shares belong solely to the Turkish Treasury and cannot be lower than 51% of capital.

As of 31 December 2006 and 2005, the capital of the Bank is presented below:

	<u>31 December 2006</u>	<u>31 December 2005</u>
Share capital	25	25
Adjustment to share capital	46,209	46,209
Total capital	46,234	46,234

The shareholders of the Bank are as listed below:

	<u>31 December 2006</u>		<u>31 December 2005</u>	
	<u>Participation</u>	<u>Share</u>	<u>Participation</u>	<u>Share</u>
	<u>Amount YTL</u>	<u>%</u>	<u>Amount YTL</u>	<u>%</u>
Turkish Treasury	13,680	55	13,680	55
T.C. Ziraat Bankası A.Ş.	4,806	19	4,795	19
T.C.M.B Mens. Sos. Güvenlik Yard.				
Sandığı Vakfı	1,280	5	1,280	5
Türkiye Garanti Bankası A.Ş.	621	2	621	2
T. İş Bankası A.Ş.	582	2	582	2
Türkiye Kızılay Derneği	301	1	301	1
T. Halk Bankası A.Ş.	277	1	277	1
T.C. Emekli Sandığı Gen.Müd.	250	1	250	1
Social Security Institution	100	<1	100	<1
Other	3,103	12	3,114	12
Total nominal share capital	25,000	100	25,000	100

20% of the annual gross profit of the Bank is allocated as ordinary reserves. In addition, after the deduction of ordinary reserves on gross profit, 10% of the remaining balance is allocated as extraordinary reserves.

According to the Bank Assembly Resolution No. 8722/18321 dated 6 March 2006, loss for the year ending 31 December 2005 has been deducted from ordinary and extraordinary reserves on the balance sheet as of 31 December 2006.

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II. NOTES AND EXPLANATIONS ON THE BALANCE SHEET AND MEMORANDUM
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(16) Provisions

Retirement Pay Provision

As of 31 December 2006, the Bank calculated a retirement pay provision amounting to YTL73,522 thousand (2005: YTL69,064 thousand) and this provision has been classified under the provision account.

Corporate Tax Provision

As of 31 December 2006, the Bank has calculated corporate tax provision in the amount of YTL43,851 thousand (2005: None) and recorded this amount under the provision account in balance sheet.

Insurance Provision for Money in Transit

The provision account also includes an amount of YTL39,906 thousand (2005: YTL36,857 thousand) which corresponds to the provision for the transfer insurance of banknotes, cash and securities.

(17) Valuation Account

According to a change made in the 61st article of the Central Bank Law No. 4651 on 25 April 2001, in the event of a change in the value of Turkish currency, unrealised positive and negative differences arising from the revaluation of gold and foreign exchange in the assets and liabilities of the Bank are classified into this transitory account.

(18) Other Liabilities and Miscellaneous Payables

Other Liabilities

	<u>31 December 2006</u>	<u>31 December 2005</u>
Correspondent account transactions with value dates in 2007	38,982	85,526
Reverse repurchase agreements interest receivable	12,338	1,306
Collaterals obtained for tenders	1,566	1,581
Other	1,765	2,886
Total	54,651	88,412

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II. NOTES AND EXPLANATIONS ON THE BALANCE SHEET AND MEMORANDUM
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Miscellaneous Payables

	<u>31 December 2006</u>	<u>31 December 2005</u>
Blocked accounts for pending court cases	28,603	27,305
Interest accrued on deposit accounts below specified limits	6,229	5,441
Creditors of foreign currencies that were deposited as trust	2,252	2,287
Blocked accounts of tax courts and courts for claim	1,744	32,157
Amount pending due to late application of beneficiary	1,142	2,518
Other	7,446	8,133
Total	47,416	77,841

(19) Interest and Expense Accruals

	<u>31 December 2006</u>	<u>31 December 2005</u>
Interest expense accruals on deposits by citizens abroad	982,549	1,261,000
Interest expense accruals on reserve deposits	439,081	262,102
Interest expense accruals on bank deposits with two days notice	21,902	9,582
Expense accruals on commissions payable	17,142	6,206
Interest expense accruals on interbank transactions in which the Bank acts as a counterparty	3,520	4,507
Interest expense accruals on IMF charges	1,587	2,613
Other	2,645	2,331
Total	1,468,426	1,548,341

(20) Derivative Instruments and Off-balance Sheet Items

As of 31 December 2006 and 2005, the Bank has no derivative instruments. The off-balance sheet items as of 31 December 2006 and 2005 are presented in the off-balance sheet tables.

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III. NOTES AND EXPLANATIONS RELATING TO THE INCOME STATEMENT:

(1) Interest Income

In the year ended at 31 December 2006, interest income amounting to YTL2,691,575 thousand (2005: YTL1,432,202 thousand) from foreign correspondents accounts represents income from the foreign investment portfolio.

In the year ended at 31 December 2006, income from open market operations represents income amounting to YTL18 thousand (2005: YTL10 thousand) obtained from placements through interbank operations and coupon interest income from the securities portfolio amounting to YTL1,744,588 thousand (2005: YTL1,521,788 thousand).

The "Positive Valuation Differences" account is composed of the positive differences between the market values and the original acquisition costs of the foreign currency and YTL denominated marketable securities portfolio. Since the difference between the market value and the original acquisition cost of the marketable security portfolio is YTL129,202 thousand as of 31 December 2006 (2005: None), it is represented under the "Positive Valuation Differences" account.

(2) Non-interest Income

In the year ended at 31 December 2006, non-interest income on open market operations amounting to YTL1,144,344 thousand (2005: 275,938 thousand) is composed of marketable security purchase and sales gain amounting to YTL1,143,696 thousand (2005: YTL273,763 thousand).

(3) Interest Expenses

In the year ended at 31 December 2006, total interest expenses amounting to YTL3,619,212 thousand (2005: YTL2,598,342 thousand) include interest expense on deposits from citizens abroad amounting to YTL1,058,419 thousand (2005: YTL885,047 thousand).

The "Negative Valuation Differences" account is composed of losses arising from the differences between the market values and the original acquisition costs of the foreign currency and YTL denominated marketable securities portfolio. As of 31 December 2006, the negative valuation difference on YTL denominated marketable securities portfolio in the amount of YTL56,874 thousand (2005: YTL123,730 thousand) is recorded under Negative Valuation Differences in statements of income.

(4) Non-interest Expenses

In the year ended at 31 December 2006, the open market transactions amounting to YTL1,479,419 thousand (2005: YTL344,297 thousand) include marketable securities trading losses.

Provision expense for doubtful receivables consists of the interest income accruals in the amount of YTL97,773 thousand calculated during the current period for loans under legal follow-up and the foreign exchange loss of YTL84,616 thousand (2005: YTL350 thousand) due to the revaluation of US\$ against YTL.

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IV. SUPPLEMENTARY FINANCIAL STATEMENTS

B. Illustration of Assets and Liabilities and other contingencies and other commitments according to their remaining maturities

CURRENT PERIOD (31/12/2006)

ASSETS	No maturity	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Demand	Total
Gold	3,427,103	-	-	-	-	-	-	3,427,103
Foreign Currency Reserves	2,237,851	7,431,439	13,861,100	15,051,916	46,409,536	387,101	239,557	85,618,500
Coins	68,450	-	-	-	-	-	-	68,450
Domestic Correspondents	-	-	-	-	-	-	-	-
Securities Portfolio	-	4,734,799	-	2,869,109	14,705,965	-	-	22,309,873
Domestic Loans	-	-	755	-	-	-	-	755
Open Market Operations	-	3,514,338	-	-	-	-	-	3,514,338
Foreign Loans	-	-	1,991	2,496	17,943	20,920	-	43,350
Equity Participations	21,280	-	-	-	-	-	-	21,280
Property and Equipment (Net)	-	-	-	-	-	-	282,550	282,550
Loans Under Legal Follow-up	-	-	-	-	-	-	1,961,972	1,961,972
Provisions for Loans Under Legal Follow-up	-	-	-	-	-	-	(1,961,972)	(1,961,972)
Treasury Liabilities due to SDR Allocation	-	-	-	-	-	-	238,563	238,563
Valuation Account	-	-	-	-	-	-	1,243,948	1,243,948
Interest and Income Accruals	-	8,950	457	3,101	-	-	-	12,508
Miscellaneous Receivables	-	3,656	-	-	-	-	24,744	28,400
Other Assets	-	2,073	-	337	-	-	17,023	19,433
Total Assets	5,754,684	15,695,255	13,864,303	17,926,959	61,133,444	408,021	2,046,385	116,829,051
LIABILITIES								
Currency in Circulation	26,815,151	-	-	-	-	-	-	26,815,151
Due to Treasury	9,927	28,871	-	-	-	-	239,557	278,355
Foreign Correspondents	1,018	-	-	-	-	-	-	1,018
Deposits	19,427,000	21,869,158	14,186,284	8,517,837	11,474,932	-	967,158	76,442,369
Open Market Operations	-	5,913,956	-	-	-	-	-	5,913,956
Foreign Loans	-	-	-	-	-	-	12,526	12,526
Import Transfer Orders and Deposits	-	-	-	1,584,065	-	-	-	1,584,065
Notes and Remittances Payable	-	24,363	-	-	-	-	-	24,363
SDR Allocation	-	-	-	-	-	-	238,563	238,563
Capital	-	-	-	-	-	-	46,234	46,234
Reserves	-	-	-	-	-	-	642,222	642,222
Provisions	-	-	-	-	-	-	157,279	157,279
Valuation Account	-	-	-	-	-	-	-	-
Interest and Expense Accruals	-	125,330	544,530	458,810	339,756	-	-	1,468,426
Miscellaneous Payables	6,380	1,320	-	5,769	-	-	33,947	47,416
Other Liabilities	-	39,005	-	-	-	-	15,646	54,651
Net income for the year	-	-	-	-	-	-	3,102,457	3,102,457
Total Liabilities	46,259,476	28,002,003	14,730,814	10,566,481	11,814,688	-	5,455,589	116,829,051

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PRECEDING PERIOD (31/12/2005)

ASSETS	No maturity	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Demand	Total
Gold	2,640,298	-	-	-	-	-	-	2,640,298
Foreign Currency Reserves	2,392,303	8,891,363	8,569,229	27,149,021	20,325,780	236,310	217,340	67,781,346
Coins	69,150	-	-	-	-	-	-	69,150
Domestic Correspondents	-	-	-	-	-	-	-	-
Securities Portfolio	-	1,025,000	1,372	681,366	18,788,663	-	-	20,495,029
Domestic Loans	-	-	-	-	-	-	-	1,372
Open Market Operations	-	1,026,306	-	-	-	-	-	1,026,306
Foreign Loans	-	-	1,900	2,244	18,641	22,384	-	45,169
Equity Participations	19,303	-	-	-	-	-	-	19,303
Property and Equipment (Net)	-	-	-	-	-	-	292,230	292,230
Loans Under Legal Follow-up	-	-	-	-	-	-	1,779,583	1,779,583
Provisions for Loans Under Legal Follow-up	-	-	-	-	-	-	(1,779,583)	(1,779,583)
Treasury Liabilities due to SDR Allocation	-	-	-	-	-	-	216,438	216,438
Valuation Account	-	-	-	-	-	-	2,029,328	2,029,328
Interest and Income Accruals	-	3,038	278	2,770	-	-	6,129	12,215
Miscellaneous Receivables	-	5,535	-	-	-	-	25,274	30,809
Other Assets	-	3,286	1,734	66	-	-	16,614	21,700
Total Assets	5,121,054	10,954,528	8,574,513	27,835,467	39,133,084	258,694	2,803,353	94,680,693
LIABILITIES								
Currency in Circulation	19,612,019	-	-	-	-	-	-	19,612,019
Due to Treasury	7,648	29,016	-	-	-	-	222,901	259,565
Foreign Correspondents	962	-	-	-	-	-	-	962
Deposits	14,449,422	19,167,986	10,700,876	8,776,197	9,891,668	-	495,923	63,482,072
Open Market Operations	-	7,034,350	-	-	-	-	-	7,034,350
Foreign Loans	-	-	-	-	-	-	11,329	11,329
Import Transfer Orders and Deposits	-	-	-	1,537,174	-	-	-	1,537,174
Notes and Remittances Payable	-	18,068	-	-	-	-	-	18,068
SDR Allocation	-	-	-	-	-	-	216,438	216,438
Capital	-	-	-	-	-	-	46,234	46,234
Reserves	-	-	-	-	-	-	773,405	773,405
Provisions	-	-	-	-	-	-	105,921	105,921
Valuation Account	-	-	-	-	-	-	-	-
Interest and Expense Accruals	-	338,805	81,253	530,432	597,851	-	-	1,548,341
Miscellaneous Payables	6,265	1,230	-	5,419	-	-	64,927	77,841
Other Liabilities	-	86,832	-	-	-	-	1,581	88,413
Net loss for the year	-	-	-	-	-	-	(131,439)	(131,439)
Total Liabilities	34,076,316	26,676,287	10,782,129	10,849,222	10,489,519	-	1,807,220	94,680,693