

*(Convenience Translation of Financial Statements and Related Disclosures  
and Footnotes Originally Issued in Turkish)*

# **Albaraka Türk Katılım Bankası Anonim Şirketi**

**UNCONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND  
FOR THE PERIOD ENDED DECEMBER 31, 2006  
TOGETHER WITH INDEPENDENT  
AUDITORS' REPORT**

**(Convenience Translation of the Auditors' Report  
Originally Prepared and Issued in Turkish)**

**ALBARAKA TÜRK KATILIM BANKASI ANONİM ŞİRKETİ  
INDEPENDENT AUDITORS' REPORT AS OF AND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

To the Board of Directors of Albaraka Türk Katılım Bankası Anonim Şirketi:

1. We have audited the accompanying financial statements of Albaraka Türk Katılım Bankası Anonim Şirketi (The Bank), which comprise the balance sheet as at December 31, 2006 and the income statement, the cash flow statement and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.
2. The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for adopting sound accounting policies in compliance with the 'Regulation on Accounting Applications for Banks and Safeguarding of Documents' published on the Official Gazette no. 26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and statements and guidances published by the Banking and Supervision Agency (BRSA) on accounting and financial reporting principles.
3. Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgement by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.
4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Albaraka Türk Katılım Bankası Anonim Şirketi as of December 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with the accounting principles and standards set forth by the regulations in effect as per Article 37 of the Banking Law Number 5411.

**KAPİTAL BAĞIMSIZ DENETİM VE YMM A.Ş.**  
**Correspondent Firm of RSM International**

Lokman Ketenci  
Partner

Istanbul, March 14, 2007

**Additional paragraph for convenience translation to English:**

The accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED FINANCIAL REPORT PREPARED**  
**AS OF DECEMBER 31, 2006**

The Bank's;  
Address of the head office : Büyükdere cad. No:78 34387 Mecidiyeköy / İSTANBUL  
Phone number : 0212 274 99 00  
Facsimile number : 0212 272 44 70  
Web page : [www.albarakaturk.com.tr](http://www.albarakaturk.com.tr)  
E-mail address : albarakaturk@albarakaturk.com.tr

The Reporting Package, prepared in accordance with "Regulation on Accounting Applications on the Financial Statements to be Announced to the Public and the Accompanying Footnotes and Explanations" as regulated by the Banking Regulation and Supervision Agency, consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER FOOTNOTES AND EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances and are in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in thousands of New Turkish Lira (YTL).

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**Adnan Ahmed Yusuf ABDULMALEK**  
Chairman of The Board of Directors

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**Dr. Adnan Büyükdemiz**  
Chief General Manager

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**Fahrettin Yahşi**  
Executive Vice General  
Manager

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**Ahmet Ocak**  
Financial Affairs Manager

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**Yalçın Öner**  
Member of The Audit  
Committee

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**Othman Ahmed SULIMAN**  
Member of The Audit  
Committee

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**İbrahim Fayez Humaid  
ALSHAMSI**  
Member of The Audit  
Committee

Information of contact personnel for the questions regarding this report

Name / Status : Fahrettin Yahşi / Executive Vice General Manager in charge of Financial Control & Financial Reporting Dept.  
Phone : (212) 274 99 00  
Facsimile : (212) 272 44 70

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# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31,2006 AND 2005  
(CURRENCY – THOUSANDS OF YTL)

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## SECTION ONE

### I. GENERAL INFORMATION ABOUT THE BANK

**a. Bank's Trade Name:**

Albaraka Türk Katılım Bankası A.Ş.

**b. The Bank's;**

**Address of the head office** : Büyükdere cad. No:78 34387 Mecidiyeköy / İSTANBUL

**Phone number** : 0212 274 99 00

**Facsimile number** : 0212 272 44 70

**c. Web page**

: [www.albarakaturk.com.tr](http://www.albarakaturk.com.tr)

**E-mail address**

: [albarakaturk@albarakaturk.com.tr](mailto:albarakaturk@albarakaturk.com.tr)

**d. Reporting Period**

: January 01 – December 31, 2006

### II. HISTORY OF THE BANK INCLUDING ITS' INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

Albaraka Türk Katılım Bankası Anonim Şirketi (The Bank) was incorporated in 1984 relying on the decision of Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained an operating permit from The Central Bank of Turkey by letter number 10912 dated January 21, 1985. Special Finance Houses, operating in accordance with the Communiqués of Undersecretariat of Treasury and The Central Bank of Turkey based on the decision mentioned above, has been subject to provisions of Banking Law numbered 4389 by the change in law dated December 17, 1999 and numbered as Law 4491. According to the temporary clause 3 of the Law numbered 4491, an adaptation period of two years was provided to these institutions. However, "Decree on Establishment and Operations of Special Finance Houses" was published by Banking Regulations and Supervision Agency at the Official Gazette dated September 20, 2001 and numbered 24529, and according to the clause 44 of this decree all the clauses were decided to become valid at the date of the publishment of the decree except for the clauses whose validity date have been declared separately. The name of the Bank changed as "Albaraka Türk Katılım Bankası A.Ş." with the decision taken on Extraordinary General Meeting dated December 21, 2005 in the framework of Banking Law numbered 5411 published at November 1, 2005 in the Official Gazette numbered 25983 and registered to trade registry records numbered 6461 on December 27, 2005.

### III. THE BANK'S SHAREHOLDER STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SAHREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING THE YEAR AND INFORMATION ON BANK'S RISK GROUP

As of the balance sheet date, the Bank has 171 shareholders. 67.76% of Bank's shares are owned by the Albaraka Banking Group and the duration of the Bank is determined as indefinite. The General Assembly of Shareholders has the authority to determine, limit or decrease the duration of the Bank.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### IV. EXPLANATIONS ABOUT THE QUALIFICATIONS OF THE CHAIRMAN AND MEMBERS OF BOARD OF DIRECTORS, MEMBERS OF AUDIT COMMITTEE, GENERAL MANAGER AND ASSISTANT GENERAL MANAGERS, ANY CHANGES IN QUALIFICATIONS AND THE INFORMATION ABOUT THE BANK SHARES THEY HOLD

Name	Title	Education	Explanations	Shares
Adnan Ahmed Yusuf ABDULMALEK	Chairman	University Of Hull (Mba)	Chairman since 08.04.2005	-
Yalçın ÖNER	Vice Chairman	University Of Minnesota (Public Adm.) Master Degree	From 1985 to 1995 General Manager, From 1995 to 2000 Member of BOD and since 2000 Vice Chairman	0.0612 %
Faysal Abdulaziz Al ZAMEL	Board Member	New Haven University Master Of Finance Adm.	Member of BOD since 2003	-
İbrahim Fayeز Humaid ALSHAMSI	Board Member	Arab University Of Bahrain	Member of BOD since 08/04/2005	-
Osman Ahmed SULIMAN	Board Member	The International Banking School / Czech Republic-Banking Dept.	Member of BOD since 08/04/2005	-
Osman AKYÜZ	Board Member	Ank. Ün. Sbf. İktisat/ Finance Dept.	From 1996 to 2000 General Manager and Member of BOD since 2002	0.0825 %
Dr. Adnan BÜYÜKDENİZ	Board Member and General Manager	İstanbul Ün. Sosyal Bil. Ens. Money Banking Department-Phd	From 1995 to 2003 Assistant General Manager, General Manager and Member of BOD since 2003	0.0249 %
Fahrettin Yahşi	Assistant General Manager	Ank. Ün. SBF. Economics Dept.	Assistant General Manager Since 1998.	0.0132 %
Temel HAZIROĞLU	Assistant General Manager	İ.T.Ü. Temel Bil. Fakültesi Mathematics Dept.	From 1996 to 2003 IT Manager and Assistant General Manager since 2003	0.0416 %
Bülent TABAN	Assistant General Manager	İ.T.Ü. Sosyal Bilimler Ens. Business Administrative Dept.	From 2002 to 2003 Individual Banking Manager and Assistant General Manager since 2003	-
M. Ali VERÇİN	Assistant General Manager	ANK. Ün. SBF. Economics Dept.	From 2003 to 2005 Marketing Manager and Assistant General Manager since 2005.	-
Seyfettin YENİDÜNYA	Auditor	İst. Yüksek İktisat Ve Tic. Yük. Okulu İç Ticaret Finance Dept.	Auditor since 2003	-
Arif Ateş VURAN	Auditor	İst. İktisadi Ve Ticari İlimler Akademisi Business Administrative Dept.	Auditor since 1986	-
Memduh COŞKUNER	Auditor	Ank. Ün. Sbf.	Auditor since 1998	-

### V. INFORMATION ON THE BANK'S QUALIFIED SHAREHOLDERS:

Company	Shares	Ownership	Paid in Capital	Unpaid Portion
Albaraka Banking Group	108,418	% 67,76	108,418	-

### VI. EXPLANATIONS ON THE BANKS' SERVICE ACTIVITIES AND OPERATING AREAS:

The Bank's operating areas include corporate banking, international banking activities, and individual banking and credit card operations. The main activity of the Bank is fund collection through current and participation accounts by interest-free regulations and providing this fund to its customers. As of December 31, 2006 Bank has 63 local branches and 1.156 employees.

# **ALBARAKA TÜRK KATILIM BANKASI A.Ş.**

**BALANCE SHEET AS OF DECEMBER 31,2006 AND 2005  
(CURRENCY - THOUSANDS OF YTL)**

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance sheet - Assets  
- Liabilities
- II. Statement of Contingencies and Commitments
- III. Statement of Income
- IV. Statement of Cash Flow
- V. Statement of Changes in Equity
- VI. Statement of Profit Distribution

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## BALANCE SHEET AS OF DECEMBER 31,2006 AND 2005 (CURRENCY - THOUSANDS OF YTL)

ASSETS	Notes	Audited 31.12.2006			Audited 31.12.2005		
		YTL	FC	Total	YTL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	<b>65,793</b>	<b>158,563</b>	<b>224,356</b>	<b>110,186</b>	<b>119,145</b>	<b>229,331</b>
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH</b>							
<b>II. PROFIT/ LOSS (NET)</b>	(2)	-	-	-	-	-	-
2.1 Trading Securities		-	-	-	-	-	-
2.1.1 Government Debt Securities		-	-	-	-	-	-
2.1.2 Equity Securities		-	-	-	-	-	-
2.1.3 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets Valued at Fair Value Through P/L		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Equity Securities		-	-	-	-	-	-
2.2.3 Other Marketable Securities		-	-	-	-	-	-
2.3 Trading Derivatives		-	-	-	-	-	-
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>	(3)	<b>112,409</b>	<b>105,620</b>	<b>218,029</b>	<b>76,070</b>	<b>97,596</b>	<b>173,666</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V. SECURITIES AVAILABLE FOR SALE (Net)</b>	(4)	-	-	-	-	-	-
5.1 Equity Securities		-	-	-	-	-	-
5.2 Government Dept Securities		-	-	-	-	-	-
5.3 Other Marketable Securities		-	-	-	-	-	-
<b>VI. LOANS</b>	(5)	<b>1,795,192</b>	<b>37,669</b>	<b>1,832,861</b>	<b>1,366,564</b>	<b>4,262</b>	<b>1,370,826</b>
6.1 Loans		1,794,958	37,669	1,832,627	1,359,413	4,113	1,363,526
6.2 Loans under follow-up		25,127	9,568	34,695	19,617	11,564	31,181
6.3 Specific provisions (-)		(24,893)	(9,568)	(34,461)	(12,466)	(11,415)	(23,881)
<b>VII. SECURITIES HELD TO MATURITY (Net)</b>	(6)	-	-	-	-	-	-
<b>VIII. ASSOCIATES (Net)</b>	(7)	<b>4,858</b>	-	<b>4,858</b>	<b>4,844</b>	<b>13</b>	<b>4,857</b>
8.1 Consolidated by Equity Method		-	-	-	-	-	-
8.2 Unconsolidated Associates		4,858	-	4,858	4,844	13	4,857
8.2.1 Financial associates		-	-	-	-	-	-
8.2.2 Non-financial associates		4,858	-	4,858	4,844	13	4,857
<b>IX. SUBSIDIARIES (Net)</b>	(8)	-	-	-	-	-	-
9.1 Unconsolidated Financial subsidiaries		-	-	-	-	-	-
9.2 Unconsolidated Non-financial subsidiaries		-	-	-	-	-	-
<b>X. JOINT VENTURES (Net)</b>	(9)	-	-	-	-	-	-
10.1 Consolidated by Equity Method		-	-	-	-	-	-
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial Investments in Joint-Ventures		-	-	-	-	-	-
10.2.2 Non-financial Investments in Joint-Ventures		-	-	-	-	-	-
<b>XI. LEASE RECEIVABLES (Net)</b>	(10)	<b>150,412</b>	-	<b>150,412</b>	<b>129,553</b>	-	<b>129,553</b>
11.1 Financial Lease Receivables		175,901	-	175,901	144,920	-	144,920
11.2 Operational Lease Receivables		-	-	-	-	-	-
11.3 Others		-	-	-	-	-	-
11.4 Unearned Income (-)		(25,489)	-	(25,489)	(15,367)	-	(15,367)
<b>DERIVATIVE FINANCIAL ASSETS HELD FOR RISK</b>							
<b>XII. MANAGEMENT</b>	(11)	-	-	-	-	-	-
12.1 Fair Value Hedges		-	-	-	-	-	-
12.2 Cash Flow Hedges		-	-	-	-	-	-
12.3 Net Foreign Investments Hedges		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (Net)</b>	(12)	<b>35,240</b>	-	<b>35,240</b>	<b>32,769</b>	-	<b>32,769</b>
<b>XIV. INTANGIBLE ASSETS (Net)</b>	(13)	<b>494</b>	-	<b>494</b>	<b>474</b>	-	<b>474</b>
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		494	-	494	474	-	474
<b>XV. TAX ASSET</b>	(14)	<b>6,580</b>	-	<b>6,580</b>	<b>8,826</b>	-	<b>8,826</b>
15.1 Current Tax Asset		-	-	-	-	-	-
15.2 Deferred Tax Asset		6,580	-	6,580	8,826	-	8,826
<b>XVI. ASSETS HELD FOR SALE (Net)</b>	(15)	<b>8,403</b>	-	<b>8,403</b>	<b>13,985</b>	-	<b>13,985</b>
<b>XVII. OTHER ASSETS</b>	(16)	<b>9,352</b>	<b>1,228</b>	<b>10,580</b>	<b>4,880</b>	<b>291</b>	<b>5,171</b>
<b>TOTAL ASSETS</b>		<b>2,188,733</b>	<b>303,080</b>	<b>2,491,813</b>	<b>1,748,151</b>	<b>221,307</b>	<b>1,969,458</b>

The accompanying notes are an integral part of these unconsolidated financial statements.



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## BALANCE SHEET AS OF DECEMBER 31,2006 AND 2005 (CURRENCY - THOUSANDS OF YTL)

LIABILITIES	Notes	Audited			Audited		
		31.12.2006			31.12.2005		
		YTL	FC	Total	YTL	FC	Total
<b>I. FUNDS COLLECTED</b>	(1)	<b>943,378</b>	<b>1,210,636</b>	<b>2,154,014</b>	<b>820,812</b>	<b>904,897</b>	<b>1,725,709</b>
<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR</b>							
<b>II. TRADING</b>	(2)	-	-	-	-	-	-
<b>III. FUNDS BORROWED</b>	(3)	-	-	-	-	-	-
<b>IV. INTERBANK MONEY MARKETS</b>		-	-	-	-	-	-
<b>V. SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
<b>VI. MISCELLANEOUS PAYABLES</b>		<b>58,217</b>	<b>7,973</b>	<b>66,190</b>	<b>37,865</b>	<b>5,362</b>	<b>43,227</b>
<b>VII. OTHER EXTERNAL RESOURCES</b>	(4)	-	-	-	-	-	-
<b>XIII. FINANCIAL LEASE PAYABLES (Net)</b>	(5)	<b>383</b>	-	<b>383</b>	-	<b>188</b>	<b>188</b>
8.1 Finance lease payables		429	-	429	-	194	194
8.2 Operational lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		(46)	-	(46)	-	(6)	(6)
<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR</b>							
<b>RISK MANAGEMENT</b>	(6)	-	-	-	-	-	-
9.1 Fair value hedges		-	-	-	-	-	-
9.2 Cash flow hedges		-	-	-	-	-	-
9.3 Net foreign investment hedges		-	-	-	-	-	-
<b>X. PROVISIONS</b>	(7)	<b>14,081</b>	<b>4,434</b>	<b>18,515</b>	<b>9,690</b>	<b>2,926</b>	<b>12,616</b>
10.1 General provisions		8,833	3,733	12,566	5,570	2,653	8,223
10.2 Restructuring reserves		-	-	-	-	-	-
10.3 Provision for employee benefits		3,868	-	3,868	3,139	-	3,139
10.4 Other provisions		1,380	701	2,081	981	273	1,254
<b>XI. TAX LIABILITY</b>	(8)	<b>6,806</b>	-	<b>6,806</b>	<b>4,901</b>	-	<b>4,901</b>
11.1 Current tax liability		6,806	-	6,806	4,901	-	4,901
11.2 Deferred tax liability		-	-	-	-	-	-
<b>XI. PAYABLES FOR ASSETS HELD FOR SALE</b>	(9)	-	-	-	-	-	-
<b>XIII. SUBORDINATED DEBTS</b>	(10)	-	-	-	-	-	-
<b>XIV. SHAREHOLDERS' EQUITY</b>	(11)	<b>245,905</b>	-	<b>245,905</b>	<b>182,817</b>	-	<b>182,817</b>
14.1 Paid-in capital		<b>160,000</b>	-	<b>160,000</b>	<b>126,000</b>	-	<b>126,000</b>
14.2 Capital reserves		-	-	-	<b>577</b>	-	<b>577</b>
14.2.1 Share premium	(11)	-	-	-	-	-	-
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Securities value increase fund		-	-	-	-	-	-
14.2.4 Revaluation surplus on tangible assets		-	-	-	-	-	-
14.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
14.2.6 Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-
14.2.7 Hedging reserves (effective portion)		-	-	-	-	-	-
14.2.8 Revaluation surplus on assets held for sale		-	-	-	-	-	-
14.2.9 Other capital reserves		-	-	-	577	-	577
14.3 Profit reserves		<b>16,197</b>	-	<b>16,197</b>	<b>10,001</b>	-	<b>10,001</b>
14.3.1 Legal reserves		7,220	-	7,220	4,924	-	4,924
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		8,977	-	8,977	5,077	-	5,077
14.3.4 Other profit reserves		-	-	-	-	-	-
14.4 Profit or loss		<b>69,708</b>	-	<b>69,708</b>	<b>46,239</b>	-	<b>46,239</b>
14.4.1 Prior periods profit/loss		327	-	327	(178)	-	(178)
14.4.2 Current period profit/loss		69,381	-	69,381	46,417	-	46,417
14.5 Minority interest	(12)	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>		<b>1,268,770</b>	<b>1,223,043</b>	<b>2,491,813</b>	<b>1,056,085</b>	<b>913,373</b>	<b>1,969,458</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**
**STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS AS OF DECEMBER**
**31,2006 AND 2005**
**(CURRENCY – THOUSANDS OF YTL)**

OFF-BALANCE SHEET ITEMS	Notes	Audited			Audited		
		YTL	FC	Total	YTL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>472,947</b>	<b>375,174</b>	<b>848,121</b>	<b>231,820</b>	<b>123,834</b>	<b>355,654</b>
<b>I. GUARANTEES AND SURETIES</b>	(1),(3)	<b>306,313</b>	<b>375,174</b>	<b>681,487</b>	<b>109,197</b>	<b>123,834</b>	<b>233,031</b>
1.1. Letters of guarantee		<b>306,313</b>	<b>213,580</b>	<b>519,893</b>	<b>109,197</b>	<b>35,411</b>	<b>144,608</b>
1.1.1. Guarantees subject to State Tender Law		16,849	4,562	21,411	35,286	4,352	39,638
1.1.2. Guarantees given for foreign trade operations		-	134,371	134,371	-	12,427	12,427
1.1.3. Other letters of guarantee		289,464	74,647	364,111	73,911	18,632	92,543
1.2. Bank acceptances		-	<b>4,438</b>	<b>4,438</b>	-	<b>3,996</b>	<b>3,996</b>
1.2.1. Import letter of acceptance		-	4,438	4,438	-	3,996	3,996
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	<b>156,243</b>	<b>156,243</b>	-	<b>84,277</b>	<b>84,277</b>
1.3.1. Documentary letters of credit		-	-	-	-	-	-
1.3.2. Other letters of credit		-	156,243	156,243	-	84,277	84,277
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		-	-	-	-	-	-
1.7. Other sureties		-	<b>913</b>	<b>913</b>	-	<b>150</b>	<b>150</b>
<b>II. COMMITMENTS</b>	(1),(3)	<b>166,634</b>	-	<b>166,634</b>	<b>122,623</b>	-	<b>122,623</b>
2.1. Irrevocable commitments		<b>166,634</b>	-	<b>166,634</b>	<b>122,623</b>	-	<b>122,623</b>
2.1.1. Asset purchase commitments with maturity		-	-	-	-	-	-
2.1.2. Participation accounts purchase and sales commitments with maturity		-	-	-	-	-	-
2.1.3. Loan granting commitments		-	-	-	-	-	-
2.1.4. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.5. Obligatory deposit payment commitments		-	-	-	-	-	-
2.1.6. Payment commitment for checks		127,445	-	127,445	102,563	-	102,563
2.1.7. Payables for export taxes commitments		-	-	-	-	-	-
2.1.8. Commitments for credit card limits		39,189	-	39,189	20,060	-	20,060
2.1.9. Receivables from short sale commitments		-	-	-	-	-	-
2.1.10. Payables for short sale commitments		-	-	-	-	-	-
2.1.11. Other irrevocable commitments		-	-	-	-	-	-
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(2)	-	-	-	-	-	-
3.1. Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	-	-	-	-	-
3.1.3. Net foreign investment hedges.		-	-	-	-	-	-
3.2. Trading derivatives		-	-	-	-	-	-
3.2.1. Forward foreign currency buy/sell transactions		-	-	-	-	-	-
3.2.1.1. Forward foreign currency transactions-buy		-	-	-	-	-	-
3.2.1.2. Forward foreign currency transactions-sell		-	-	-	-	-	-
3.2.2. Other Forward foreign currency buy/sell transactions		-	-	-	-	-	-
3.3. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>2,763,404</b>	<b>459,432</b>	<b>3,222,836</b>	<b>1,805,615</b>	<b>420,994</b>	<b>2,226,609</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>656,079</b>	<b>167,666</b>	<b>823,745</b>	<b>450,058</b>	<b>136,450</b>	<b>586,508</b>
4.1. Fund and portfolio of customers		-	-	-	-	-	-
4.2. Securities held in custody		5,564	-	5,564	6,703	-	6,703
4.3. Checks received for collection		575,697	52,222	627,919	384,782	34,395	419,177
4.4. Commercial notes received for collection		71,809	57,121	128,930	57,808	52,886	110,694
4.5. Other assets received for collection		874	-	874	693	-	693
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		72	58,309	58,381	72	49,169	49,241
4.8. Custodians		2,063	14	2,077	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>2,107,325</b>	<b>291,766</b>	<b>2,399,091</b>	<b>1,355,557</b>	<b>284,544</b>	<b>1,640,101</b>
5.1. Securities		11,770	-	11,770	7,121	809	7,930
5.2. Guarantee notes		82,740	38,898	121,638	74,135	35,951	110,086
5.3. Commodity		225,495	82,497	307,992	222,885	73,480	296,365
5.4. Warranty		-	-	-	-	-	-
5.5. Property		1,784,688	168,197	1,952,885	1,048,784	172,506	1,221,290
5.6. Other pledged items		1,445	2,174	3,619	1,445	1,798	3,243
5.7. Pledged items-depository		1,187	-	1,187	1,187	-	1,187
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>3,236,351</b>	<b>834,606</b>	<b>4,070,957</b>	<b>2,037,435</b>	<b>544,828</b>	<b>2,582,263</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## STATEMENT OF INCOME FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

INCOME AND EXPENSE ITEMS	Notes	Audited	
		01.01.2006- 31.12.2006	01.01.2005- 31.12.2005
<b>I. PROFIT SHARE INCOME</b>	(1)	<b>262,052</b>	<b>186,105</b>
1.1 Profit share on loans		236,499	166,933
1.2 Income received from obligatory deposits		9,028	5,083
1.3 Income received from banks		-	-
1.4 Income received from money market transactions		-	-
1.5 Income received from securities portfolio		-	-
1.5.1 Trading financial assets		-	-
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		-	-
1.5.4 Investments held-to-maturity		-	-
1.6 Financial lease income		16,519	14,085
1.7 Other profit share income		6	4
<b>II. PROFIT SHARE EXPENSE</b>	(2)	<b>157,896</b>	<b>112,275</b>
2.1 Profit share on participation accounts		157,866	112,265
2.2 Profit share on funds borrowed		30	10
2.3 Profit share on money market transactions		-	-
2.4 Profit share on securities issued		-	-
2.5 Other profit share expense		-	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>104,156</b>	<b>73,830</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>36,842</b>	<b>28,897</b>
4.1 Fees and commissions received		<b>46,122</b>	<b>33,978</b>
4.1.1 Cash loans		18,237	15,014
4.1.2 Non-cash loans		5,807	2,288
4.1.3 Other		22,078	16,676
4.2 Fees and commissions paid		<b>9,280</b>	<b>5,081</b>
4.2.1 Cash loans		9,236	5,043
4.2.2 Non-cash loans		44	38
4.2.3 Other		-	-
<b>V. DIVIDEND INCOME</b>	(3)	-	<b>1,156</b>
<b>VI. NET TRADING INCOME/LOSSES (Net)</b>	(4)	<b>(56,311)</b>	<b>52,483</b>
6.1 Trading account income/losses (Net)		-	-
6.2 Foreign exchange gains/losses (Net)		(56,311)	52,483
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>115,221</b>	<b>7,497</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>199,908</b>	<b>163,863</b>
<b>PROVISION FOR LOSSES ON LOANS AND OTHER</b>			
<b>IX. RECEIVABLES (-)</b>	(6)	<b>8,825</b>	<b>2,750</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>119,456</b>	<b>119,099</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>71,627</b>	<b>42,014</b>
<b>XII. INCOME RESULTING FROM MERGERS</b>		-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITIONS</b>		-	-
<b>XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)</b>	(8)	<b>71,627</b>	<b>42,014</b>
<b>XVI. PROVISION FOR TAXES (-)</b>	(9)	<b>2,246</b>	<b>(4,403)</b>
16.1 Current tax charge		-	-
16.2 Deferred tax charge		2,246	(4,403)
<b>XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XIV-XV)</b>	(10)	<b>69,381</b>	<b>46,417</b>
17.1 Discontinued operations		-	-
17.2 Others		-	-
<b>XVIII. NET PROFIT LOSS (XVI+XVII)</b>	(11)	<b>69,381</b>	<b>46,417</b>
18.1 Profit/loss of the group		-	-
18.2 Profit/loss of the minority rights (-)		-	-
Earnings/losses per share (full amount)		0.043	0.037

The accompanying notes are an integral part of these unconsolidated financial statements.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

	Notes	Paid-in Capital	Inflation adjustment to Paid-in capital	Share Premium	Share Cancellation profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current period Profit / (Loss)	Prior period Profit / (Loss)	Securities Value Increase fund	(Except minority interest) Total Equity	Minority Rights	Total Equity
<b>PRIOR PERIOD (01/01-31/12/2005)</b>															
<b>I. Balances at beginning of the period</b>		<b>100,000</b>	-	-	-	<b>2,707</b>	-	<b>6,772</b>	<b>2,188</b>	<b>31,377</b>	<b>2,741</b>	-	<b>145,785</b>	-	<b>145,785</b>
<b>II. Correction made as per TAS 8</b>		-	-	-	-	-	-	-	-	-	<b>38</b>	-	38	-	<b>38</b>
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changing in accounting policies		-	-	-	-	-	-	-	-	-	38	-	38	-	<b>38</b>
<b>III. Adjusted balances at the beginning of the period (I+II)</b>		<b>100,000</b>	-	-	-	<b>2,707</b>	-	<b>6,772</b>	<b>2,188</b>	<b>31,377</b>	<b>2,779</b>	-	<b>145,823</b>	-	<b>145,823</b>
Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Mergers</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Available-for-sale securities</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Hedges for risk management</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Available-for-sale securities</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Hedges for risk management</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Current period net profit</b>		-	-	-	-	-	-	-	-	<b>46,417</b>	-	-	<b>46,417</b>	-	<b>46,417</b>
<b>X. Profit distribution</b>		-	-	-	-	<b>2,217</b>	-	<b>4,995</b>	-	<b>(31,377)</b>	<b>14,165</b>	-	<b>(10,000)</b>	-	<b>(10,000)</b>
10.1 Dividends		-	-	-	-	-	-	-	-	-	(10,000)	-	(10,000)	-	<b>(10,000)</b>
10.2 Transferred to reserves		-	-	-	-	2,217	-	4,995	-	(31,377)	24,165	-	-	-	-
10.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Capital increase</b>		<b>26,000</b>	-	-	-	-	-	<b>(6,690)</b>	<b>(2,188)</b>	-	<b>(17,122)</b>	-	-	-	-
11.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.4 Securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.5 Capital reserves from inflation adjustment to paid-in-capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.6 Issuance of share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.7 Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.8 Other		26,000	-	-	-	-	-	(6,690)	(2,188)	-	(17,122)	-	-	-	-
<b>XII. Changes resulting from disposal of assets</b>		-	-	-	-	-	-	-	577	-	-	-	577	-	<b>577</b>
<b>XIII. Changes resulting from reclassification of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Primary subordinated debts</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Secondary subordinated debts</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. The effect of changes in subsidiary equity to Bank's equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the period(III+IV+V+VI+VII+VIII+IX+X+XI+....+XVI)</b>		<b>126,000</b>	-	-	-	<b>4,924</b>	-	<b>5,077</b>	<b>577</b>	<b>46,417</b>	<b>(178)</b>	-	<b>182,817</b>	-	<b>182,817</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

	Notes	Paid-in Capital	Inflation adjustment to Paid-in capital	Share Premium	Share Cancellation profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current period Profit / (Loss)	Prior period Profit / (Loss)	Securities Value Increase fund	Except minority interest Total Equity	Minority Rights	Total Equity
<b>CURRENT PERIOD (01/01-31/12/2006)</b>															
<b>I. Balances at the end of the prior period</b>		<b>126,000</b>	-	-	-	<b>4,924</b>	-	<b>5,077</b>	<b>577</b>	<b>46,417</b>	<b>(178)</b>	-	<b>182,817</b>	-	<b>182,817</b>
Changes during the period	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Mergers</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Available-for-sale securities</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Hedges for risk management</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Available-for-sale securities</b>		-	-	-	-	-	-	-	<b>7</b>	-	-	-	<b>7</b>	-	<b>7</b>
<b>VI. Hedges for risk management</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Current period net profit</b>		-	-	-	-	-	-	-	-	<b>69,381</b>	-	-	<b>69,381</b>	-	<b>69,381</b>
<b>VIII. Profit distribution</b>		-	-	-	-	<b>2,296</b>	-	<b>4,536</b>	-	<b>(46,417)</b>	<b>33,285</b>	-	<b>(6,300)</b>	-	<b>(6,300)</b>
8.1 Dividends	(3)	-	-	-	-	-	-	-	-	-	(6,300)	-	<b>(6,300)</b>	-	<b>(6,300)</b>
8.2 Transferred to reserves	(4)	-	-	-	-	2,296	-	4,536	-	-	(6,832)	-	-	-	-
8.3 Other		-	-	-	-	-	-	-	-	(46,417)	46,417	-	-	-	-
<b>IX. Capital increase</b>		<b>34,000</b>	-	-	-	-	-	<b>(636)</b>	<b>(584)</b>	-	<b>(32,780)</b>	-	-	-	-
9.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.2 Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.3 Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.4 Securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.5 Capital reserves from inflation adjustment to paid-in-capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.6 Issuance of share certificates	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.7 Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.8 Other		34,000	-	-	-	-	-	(636)	(584)	-	(32,780)	-	-	-	-
<b>X. Changes resulted from disposal of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Changes resulted from reclassification of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Primary subordinated debts</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Secondary subordinated debts</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. The effect of changes in subsidiary equity to Bank's equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the period(III+IV+V+VI+VII+VIII+IX+X+XI+....+XVI)</b>		<b>160,000</b>	-	-	-	<b>7,220</b>	-	<b>8,977</b>	-	<b>69,381</b>	<b>327</b>	-	<b>245,905</b>	-	<b>245,905</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## STATEMENT OF CASH FLOW FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS YTL)

		Audited	Audited
STATEMENT OF CASH FLOW	Notes	31 .12. 2006	31.12. 2005
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating profit before changes in operating assets and liabilities		74,728	47,216
1.1.1 Profit share received		259,553	171,564
1.1.2 Profit share paid		(157,896)	(104,298)
1.1.3 Dividend received		-	1,156
1.1.4 Fees and commissions received		36,842	28,897
1.1.5 Other income		115,221	54,164
1.1.6 Collections from previously written off loans and other receivables		2,499	5,613
1.1.7 Payments to personnel and service suppliers		(41,416)	(30,023)
1.1.8 Taxes paid		(2,590)	(1,000)
1.1.9 Other	(1)	(137,485)	(78,857)
1.2 Changes in operating assets and liabilities		(57,841)	28,415
1.2.1 Net (increase) decrease in trading securities		-	-
1.2.2 Net (increase) decrease in due from banks and other financial institutions		-	-
1.2.3 Net (increase) decrease in loans		-	-
1.2.4 Net (increase) decrease in other assets		(462,035)	(454,401)
1.2.5 Net increase (decrease) in banks and other financial institutions deposits		(55,074)	16,079
1.2.6 Net increase (decrease) in other deposits		-	-
1.2.7 Net increase (decrease) in funds borrowed		428,305	441,089
1.2.8 Net increase (decrease) in matured payables		-	-
1.2.9 Net increase (decrease) in other liabilities		-	-
1.2.9 Changes in operating assets and liabilities	(1)	30,963	25,648
<b>I. Net cash provided from banking operations</b>		<b>16,887</b>	<b>75,631</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>(5)</b>	<b>23,524</b>
2.1 Purchase of investments, associates and subsidiaries	(2)	-	(651)
2.2 Sale of investments, associates and subsidiaries	(3)	-	31,734
2.3 Fixed assets purchases		(9,960)	(7,104)
2.4 Fixed assets sales		9,955	(455)
2.5 Purchase of investments available for sale		-	-
2.6 Sale of investments available for sale		-	-
2.7 Purchase of investment securities		-	-
2.8 Sale of investment securities		-	-
2.9 Other	(1)	-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>(6,300)</b>	<b>(10,000)</b>
3.1 Cash received from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Common stocks issued		-	-
3.4 Dividends Paid		(6,300)	(10,000)
3.5 Payments for finance leases		-	-
3.6 Other	(1)	-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(1)	<b>-</b>	<b>-</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>10,582</b>	<b>89,155</b>
<b>VI. Cash and cash equivalents at beginning of the year</b>	(4)	<b>305,342</b>	<b>216,187</b>
<b>VII. Cash and cash equivalents at end of the year</b>	<b>(5)</b>	<b>315,924</b>	<b>305,342</b>

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## STATEMENT OF PROFIT DISTRIBUTION FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

	Audited 31. 12.2006	Audited 31.12. 2005
<b>I. APPROPRIATION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR PROFIT	69,381	46,417
1.2 TAXES AND OTHER DUTIES PAYABLE (-)	-	-
1.2.1 Corporate Tax (Income Tax)	-	-
1.2.2 Other Tax and Duties	-	-
<b>A. NET PROFIT (1.1. - 1.2)</b>	<b>69,381</b>	<b>46,417</b>
1.3 PRIOR YEAR INCOME/LOSS (-)	-	178
1.4 FIRST LEGAL RESERVES (-)	3,469	2,296
1.5 OTHER MANDATORY STATUTORY RESERVES (-)	-	-
<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A- (1.3+1.4+1.5)]</b>	<b>65,912</b>	<b>43,943</b>
<b>B. FIRST DIVIDEND TO SHAREHOLDERS (-)</b>	<b>8,000</b>	<b>6,300</b>
1.6.1 To Owners of Ordinary Shares	8,000	6,300
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Participation Certificates	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	2,000	-
1.9.1 To Owners of Ordinary Shares	2,000	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Participation Certificates	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	200	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	15,712	4,536
1.13 OTHER RESERVES	40,000	33,107
1.14 SPECIAL FUNDS	-	-
<b>II. APPROPRIATION OF RESERVES</b>	<b>-</b>	<b>-</b>
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDEND TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Participation Certificates	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNING PER SHARE</b>	<b>-</b>	<b>-</b>
.3.1 TO OWNERS OF ORDINARY SHARES	0.43	0.37
.3.2 TO OWNERS OF ORDINARY SHARES (%)	%43	% 36.61
.3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
.3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>	<b>-</b>	<b>-</b>
4.1 TO OWNERS OF ORDINARY SHARES	0.25	0.05
4.2 TO OWNERS OF ORDINARY SHARES (%)	%25	%5.00
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(\*) General Assembly of the Bank is authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of these financial statements. The table above is the suggested profit appropriation table which will be proposed by the BOD to the General Assembly.

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005  
(CURRENCY – THOUSANDS OF YTL)**

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**SECTION THREE**

**ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

a) The Bank prepares its financial statements in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents for Banks” published by the Banking Regulation and Supervision Agency (BRSA) and in effect since 1 November 2006, published on the Official Gazette no.26333, related communiqués and further explanations and communiqués which modify or supplement such communiqués.

**b) The Valuation Methods used in the Financial Statements**

The “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published by the Banking Regulation and Supervision Agency (BRSA) which has gone into effect since 1 November 2006, published on the Official Gazette no.26333 has cancelled the “Regulation on Accounting Applications” in effect since 22 June 2002, published on the Official Gazette no. 24793. The Bank keeps its accounting records and prepares its unconsolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in “Turkish Accounting Standards and Turkish Financial Reporting Standards” as per the communiqué no.1 “Framework for Preparation and Presentation of Financial Statements” of the Turkish Accounting Standards Board published on the Official Gazette no.25702 dated 16 January 16, 2005. The accounting principles and valuation methods are disclosed in footnote no.II below.

**c) Accounting Policies of the Financial Statements**

Accounting Policies used in the Financial Statements have been based on the “Turkish Accounting Standards” (TAS). The” Turkish Financial Reporting Standards 1” regulated first time application of Turkish Financial Reporting Standards. In accordance with the related standard, in order to present the financial statements on a comparative basis , the opening balance sheet as of 1 January 2005 have been prepared according to TAS and adjustments and reclassifications have been booked in the financial statements as of December 31,2005. . The accounting principles and valuation methods which have been used and disclosed under the footnote no.II below.

**II. ACCOUNTING POLICIES DISCLOSURE**

**a) Strategy for the use of financial instruments and foreign currency transactions**

Main funding source of the Bank is funds collected from customers. Average maturity of these funds collected is one month. The Bank does not have any funding sources other than current and participating accounts. The Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

Among the activities of the Bank, there are no activities generating yields higher than the calculated average yield. The Bank does not perform any transactions in money, equity and commodity markets.

The Bank does not hold any equity instruments in foreign currency classified as available for sale.

The Bank’s transactions in foreign currencies are accounted in accordance with the “Accounting Standard on the Effect of Changes in Foreign Currency Rates”, Communiqué No:11 and converted with the currency rate at the transaction date into New Turkish Lira(YTL). Foreign currency assets and liabilities have been translated into New Turkish Lira (YTL) at the rate of exchange ruling at the balance sheet date announced by the Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.



## ALBARAKA TÜRK KATILIM BANKASI A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

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#### **b) Explanations on forward and option contracts and derivative instruments**

In order to determine the fair values of forward contracts, current foreign currency market rates ruling at the balance sheet date are assumed to reflect the discounted values of forward rates at maturity, due to the fact that there are no defined market prices and it is impossible to make a reliable estimation for future periods by using other methods in a highly changing financial environment. As a result, the fair value differences are calculated by comparing the contractual forward rates discounted to the balance sheet date by using the effective interest rate method with the Bank's foreign currency buying rates at the balance sheet date.

There are no embedded derivatives separated from the host contract and no derivatives that are designated as hedging instruments.

#### **c) Profit share income and expense**

##### *Profit Share Income*

The Bank computes profit share accruals and discounts by using Internal Rate of Return (IRR) method. IRR method is the rate that is used for discounting the expected future cash flows provided from funds utilized until their maturity, to a value at the balance sheet date. These profit share accruals and discounts are reflected under "Loans" in the balance sheets. In accordance with the related legislation, profit share income accruals and discounts of non-performing loans are cancelled and such amounts are excluded from the profit share income until they are collected.

##### *Profit Share Expense*

Profit share expense has been recognized on an accrual basis. As of balance sheet dates, accrued amounts are classified under profit share and expenses in the balance sheets.

#### **d) Fees and commission income and expense**

Other than commission income and fees and expenses for various banking services that are reflected as income when collected, the commission income and expenses are accounted on accrual basis.

#### **e) Financial assets**

Except for loans and receivables, the Bank has no financial assets under the scope of "Turkish Accounting Standards" "Financial Instruments: Presentation (TAS 32) and Recognition and Measurement (TAS 39).

**Loans and receivables;** are those generated by lending money to the customer and exclude those that are held with the intention of trading or selling in near future.

#### **f) Impairment of financial assets**

If financial instruments' estimated collectible amounts calculated by discounting expected future cash flows with "Internal Rate of Return" or fair value amount , are less than the carrying values, these financial instruments are considered to be impaired. In case of impairment, provision is provided for and booked in related expense account.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

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### **g) Netting of financial instruments**

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously.

There are no such netted-off of financial assets and liabilities.

### **h) Repurchase and Resale agreements and securities lending**

Securities sold under agreements to repurchase (“repurchase”) are classified as “trading securities”, “available-for-sale securities” and “held-to-maturity securities” in the balance sheet according to the investment purposes and measured according to the portfolio of the Group to which they belong. Funds deposited under repurchase agreements are accounted under “Funds Provided under Repurchase Agreements” and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the internal rate of return method.

Securities purchased under agreements to resell (“reverse repurchase”) are accounted under “Receivables from reverse repurchase agreements” on the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the internal rate of return method.

The Group has no securities lending transactions.

### **i) Assets held for sale and discontinued operations**

The Bank’s fixed assets, acquired through its receivables, are recorded at cost in the account-fixed assets held for sale. These assets are classified in balance sheet under assets held for sale are depreciated according to “The Regulation on Procedures for Sale/ Disposal of Merchandise and Real Property by Banks Acquired Through Their Receivables and Purchase /Sale of Valuable Metals” published by the BRSA in the Official Gazette no. 26333 and dated 1 November 2006. The negative differences between the values established by reports expert values and the book values of the real properties in question are booked on losses for reduction in value. The provision for impairment in value of assets held for sale amounted to YTL 632 as of December 31, 2006.

### **j) Goodwill and other intangible assets**

There is no goodwill arising from associates.

Intangible assets are stated at inflation adjusted cost until December 31, 2004 and amortized on a straight-line basis after provision for impairment, if any, has been reduced.

The software classified as other intangible assets are carried at inflation adjusted acquisition costs. The useful lives of these mentioned assets are determined as three to four years.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### k) Tangible assets

Tangible assets are stated at inflation adjusted cost until December 31, 2004 less accumulated depreciation and provision for impairment, if any.

As of December 31, 2006, the inflation adjusted net book values of the immovables were compared with the expertise values of independent experts' reports prepared at December 2006 and a provision of YTL 670 was provided for impairment.

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated useful life of the assets. The annual rates used are as follows:

	%
Buildings	2
Motor vehicles	20 – 25
Furniture, fixture and office equipment	4 – 33
Safe-deposit boxes	2 – 20
Leasehold improvements	Leasing period (5 to 10 years)

Gain or loss resulting from disposals of the tangible assets are recorded in "Gain/Loss from Sales of Assets" account and reflected to the "Other Operating Income/Loss" at the statement of income as the difference between the net proceeds and the net book value of the related asset.

The repair costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair costs are expensed.

There are no pledges, mortgages or other restrictions on the tangible fixed assets.

There are no purchase commitments related to the tangible fixed assets.

### l) Leasing transactions

#### *Transactions as a Lessee*

Fixed assets acquired by financial lease contracts are recorded in accordance with the "Turkish Accounting Standards"; "Leasing Transactions (TAS 17)". Such assets are recorded with the lower of fair value or the present value of the future rental payments under tangible assets and are depreciated over the restated cost with respect to their useful lives by using straight-line method. The depreciation rate used for such assets is 20%. The liabilities for the leasing agreements are reflected under "Financial Lease Payables" at the liability side of the balance sheet. The profit share expenses and foreign exchange losses are reflected to the income statement.

The payments made under operating leases are charged to income statement on a straight line basis over the period of the lease. There are no penalty payments made and expenses recorded to the lessors for agreements cancelled before the operational lease agreement period ended.

#### *Transactions as a Lessor*

The Bank began to record for the financial lease transactions in accordance with the "Turkish Accounting Standards"; "Leasing Transactions (TAS 17)" starting from March 31, 2004 and prepared the financial statements within these provisions. Accordingly, in the financial statements as of December 31, 2006, total amount of capital payments and profit share income resulting from financial lease agreement is reflected as "Financial Lease Receivables", difference between capitalized lease receivables and present value of these receivables is reflected as unearned financial lease income as a deduction from financial lease receivables.

## ALBARAKA TÜRK KATILIM BANKASI A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

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#### **m) Provisions and contingent liabilities**

In accordance with the Turkish Accounting Standard 39 (TAS 39) “Financial Instruments: Recognition and Measurement”, the Bank initially records originated loans and receivables at cost, and subsequently, these loans are carried at amortized cost by using the effective interest rate method. Taxes, transaction costs and other expenses paid for the guarantees taken are collected from the customers and no expense is recorded.

Cash loans are recorded in accordance with the regulations stated at the “Communiqué on the Uniform Chart of Accounts and Its Explanations”.

Considering the existing risk classifications, The Bank’s Board of Directors determines and revises the provisions according to the “Regulation on Bank’s Internal Control and Risk Management Systems” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in Official Gazette no. 26333 dated 1 November 2006.

These general and specific provisions are reflected to the statement of income under “Provision for Loan Losses and Other Receivables” account.

The collections made regarding such loans are offset against the “Provision for Loan Losses and Other Receivables” account. The principal collections made related to the loans that were written off or for which a provision was made in previous years are recorded under “Collections Regarding Previous Year’s Expenses” account under “Other Operating Income” account and related profit share income is recorded to “Profit Share Income on Loans under Follow-up” account.

Releases of reserve balances are offset against “Provision for Impairment– Specific Reserves” account. Releases of reserve balances related with the loans for which provisions were provided in the prior years are recognized by recording income to the “Collections from Prior Year Expenses” account

The Bank reflects the foreign currency loans resourced by current accounts and equity, and the Bank’s portion of the loans resourced by participation accounts which are recorded at loans and receivables with limited collectibility, loans and receivables with doubtful collectibility and uncollectible loans and receivables accounts by converting the amounts to New Turkish Lira with the effective currency rate of the date these amounts are transferred to follow-up accounts. The portion of the foreign currency loans resourced by participation accounts for which the risk is taken by participation accounts are revalued with the current currency rates and the recognized currency gains and losses are reflected at foreign exchange gain/loss accounts.

The provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with the “Turkish Accounting Standards for Provisions, Contingent Liabilities and Assets (TAS 37)”.

The provisions are accounted if; there is a legal or contractual obligation as of the balance sheet date or originating from past, there is a possibility of outflow of the economic resources and a reliable estimate for the liability amount can be made.

Provisions are made and reflected in the financial statements when there is a present obligation as a result of a past event and the amount of the obligation can be estimated.

#### **n) Liabilities regarding employee benefits**

In accordance with the existing social legislation, the Bank is required to make lump-sum termination indemnities to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over the 30 days salary or the official ceiling amount per year of employment The Bank sets provision for retirement and holiday pay liabilities in accordance with the Turkish Accounting Standard 19 (TAS 19) “Employee Benefits”.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

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The Bank does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date.

The Bank employees are not members of any pension fund.

There are no liabilities that require additional provisions related to other employee rights.

### **o) Taxation**

#### **Corporate Tax:**

The Bank is subject to tax laws and legislation effective in Turkey.

In accordance with the new Corporate Tax Law no.5520 published in the Official Gazette no.26205 dated June 21 2006, the corporate tax rate is reduced from 30% to 20%. The corporation tax rate applied for the year 2005 was 30%. 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. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. 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. This rate was 30% for the first quarter of 2006, and 20% for the subsequent quarters. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings. After the deduction, the excess value can also be deducted from the other taxes or can draw back.

The profits, 75%, of properties and share certificates held for sale for two years or more, are tax exemptions in condition of addition to the capital according to the Corporate Tax Law.

Income generated by the transfer of properties, share certificates of subsidiaries, founders' shares, preferred shares and preemptive rights owned by corporations under legal follow-up together with their guarantors and mortgagers, which are transferred to banks due to their debts and used for winding up the debts is exempt from corporation tax. Additionally, 75% of the profit generated by sales of above mentioned instruments is also exempt from corporation tax.

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 reassessments based on their findings.

The Bank calculates and records deferred tax on the temporary timing differences between the book value of an asset or liability and its value based on the tax regulations according to the communiqué number 18 "Accounting Standard for Taxation" and commentary of BRSA related there to.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

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### **Deferred Taxes:**

In accordance with Turkish Accounting Standards 12 “Taxes on Income” ,the Bank has calculated deferred tax assets in cases where deduction from future profits is considered possible and a deferred tax liability on all taxable temporary timing differences. Deferred tax assets and deferred tax liabilities and netted off and the net balance is reflected in the financial statements.

### **p) Funds borrowed:**

Financial liabilities are recognized at amortized cost using the effective interest rate method in the following periods after the initial recognition. Derivative instruments are reflected with the fair values.

The Bank does not have any debt securities.

### **n) Shares and share issuances**

None.

### **r) Confirmed bills of exchange and acceptances**

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as commitments in off-balance sheet accounts.

### **s) Government grants**

None.

### **t) Other disclosures**

For comparison with the financial statements as of December 31, 2006, the Bank has made adjustments and reclassifications to the financial statements as of December 31 . Such adjustments relate to the calculations of provisions for personnel severance pay and for accrued holiday pay in accordance with Turkish Accounting Standards 19 “Employee Benefits” and to calculation of deferred taxes in accordance Turkish Accounting Standards 12 “Taxes on Income” in respect of the previous year. The reclassifications relate to adaptation of the financial statements as of December 31, 2005 and the notes attached there to the format explained in the communiqué of BRSA on “Financial Statements and Notes There to be Presented to the Public” issued in the Official Gazette dated 10 February 2007 and numbered 26430.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### SECTION FOUR

#### INFORMATION ON FINANCIAL STRUCTURE

##### I. Capital Adequacy Standard Ratio

Risk measurement methods used in the computation of the capital adequacy standard ratio; The capital adequacy standard ratio is calculated in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” published in the Official Gazette numbered 2633 and dated November 1, 2006. Bank’s capital adequacy ratio is 15,29% which is calculated in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”.

For the calculation of the capital adequacy ratio, the Bank classifies the risk weighted assets and non-cash loans according to the risk weights defined by the regulations and calculates “Total risk weighed assets” . The following tables present the classifications of “risk weighed assets” and the calculation of “shareholders’ equity” for the capital adequacy ratio calculation.

	Risk Weights			
	Bank			
	0%	20%	50%	100%
<b>Value at Credit Risk</b>				
<b>Balance Sheet Items (Net)</b>	<b>222,401</b>	<b>215,114</b>	<b>320,525</b>	<b>1,229,783</b>
Cash	46,848	-	-	-
Securities in Redemption	-	-	-	-
Balances with the Central Bank of Turkey	51,047	-	-	-
Domestic and Foreign Banks, Foreign Headoffices and Branches	-	215,114	-	2,915
Interbank Money Market Placements	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-
Reserve Deposits	93,661	-	-	-
Loans	21,487	-	320,525	1,029,722
Loans under Follow-Up (Net)	-	-	-	234
Lease Receivables	-	-	-	110,213
Financial Assets Available-for-Sale	-	-	-	-
Investments Held-to-Maturity	-	-	-	-
Receivables from Term Sale of Assets	-	-	-	644
Miscellaneous Receivables	-	-	-	393
Accrued Interest and Income	2,574	-	-	35,844
Investments in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	4,858
Tangible Assets (Net)	-	-	-	43,596
Other Assets	6,784	-	-	1,364
<b>Off-Balance Sheet Items</b>	<b>1,138</b>	<b>80,125</b>	<b>77,298</b>	<b>108,829</b>
Non-Cash Loans and Commitments	1,138	80,125	77,298	108,829
Derivative Financial Instruments	-	-	-	-
Non-Risk-Weighted Account	-	-	-	-
<b>Total Risk-Weighted Assets</b>	<b>223,539</b>	<b>295,239</b>	<b>397,823</b>	<b>1,338,612</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### Summary information related to capital adequacy ratio

	Current Period	Prior Period
Value at Credit Risk	1,596,571	1,420,091
Value at Market Risk	1,405	5,523
Value at Operational Risk	-	-
Shareholders' Equity	244,383	182,001
Shareholders' Equity / (VaCR+VaMR+VaOR)*100	15.29	12.77

### Components of shareholders' equity items

	Current Period	Prior Period
<b>CAPITAL</b>		
Paid-in Capital	160,000	126,000
Nominal Capital	160,000	126,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	7,220	4,924
I. Legal Reserve (Turkish Commercial Code 466/1)	5,441	3,145
II. Legal Reserve (Turkish Commercial Code 466/2)	1,779	1,779
Reserves allocated as per Special Legislations	-	-
Status Reserves	-	-
Extraordinary Reserves	8,977	5,077
Reserve allocated as per the Decision held by the General Assembly	-	-
Retained Earnings	8,977	5,077
Accumulated Losses	-	-
Exchange Rate Differences on Foreign Currency Capital	-	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-	-
Profit	69,708	46,417
Current Period Profit	69,381	46,417
Prior Periods Profit	327	-
Provision for Possible Losses (up to 25% of Core Capital)	1,120	-
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	-	-
Primary Subordinated Debt (up to 15% of Core Capital)	-	-
Loss excess of Reserves (-)	-	(178)
Current Period Loss	-	-
Prior Periods Loss	-	(178)
Leasehold Improvements (-)	(6,087)	(2,936)
Prepaid Expenses (-)	(1,888)	(753)
Intangible Assets (-)	(494)	-
Deferred Tax Asset excess of 10% of Core Capital (-)	-	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-	-
<b>Total Capital</b>	<b>238,556</b>	<b>178,551</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	5,874	2,873
45% of Revaluation Surplus on Movables	-	-
45% of Revaluation Surplus on Immovables	-	577
Bonus shares of Associates, Subsidiaries and Joint-Ventures	-	-
Primary Subordinated Debt excluding the Portion included in Core Capital	-	-
Secondary Subordinated Debt	-	-
45% of Securities Value Increase Fund	-	-
Associates and Subsidiaries	-	-
Investment Securities Available for Sale	-	-
Inflation adjustments related to Capital Reserves, Revenue Reserves and accumulated profits (excluding inflation adjustments for legal reserves, statutory reserves and extraordinary reserves)	-	-
<b>Total Supplementary Capital</b>	<b>5,874</b>	<b>3,450</b>
<b>TIER III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>244,430</b>	<b>182,001</b>



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

<b>DEDUCTIONS FROM CAPITAL</b>	<b>47</b>	<b>-</b>
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at 10% or more	-	-
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained more than Five Years	47	-
Others	-	-
<b>Total Equity</b>	<b>244,383</b>	<b>182,001</b>

## II. Credit Risk

1. a.1) Bank's branches had been opened on the strong economic and financial geographical regions of the country. Therefore, risk limitation solely based on geographic regions does not exist.
- a.2) In accordance with the decision taken by the Board of Directors of the Bank, unless a new decision has been taken, the Bank can not grant loans above the 15% of its equity to a Company, Group or Bank. Exception to this decision in the special projects is subject to the decision of the Board of Management. Before this decision had been taken, there were already three groups that the risk amounts approaching of 20% of the Bank's equity and these three groups are financially strong companies which are closely monitored by the Bank.
- a.3) The Bank focuses to distribute the risk in different sectors in a balanced manner; accordingly the branches of the Bank are trying to reach companies from various sectors. In accordance with this strategy the share of the textile sector, constituting 15% of the Bank's total risk, is planned to be decreased to 14% by the end of 2007 and this issue is considered in the loan proposals.

Risk distribution by sector is monitored monthly. In addition to the textile sector, an increase has been noted in the construction sector parallel to the economic development in the country. The share of construction sector in the total cash loans is 16% as of the end of the year 2006 and the Bank does not consider increasing its concentration in this sector.

- a.4) Loan assignment authority belongs to the Board of Directors and in accordance with the authority given by the Board of Directors the risk limits of the Bank have been designated into four groups:
  - a. Corporate Banking Management Loan Committee: Has the authority to allocate loan limits up to YTL 500,000 (full). The members are Assistant General Manager responsible from Loans, Corporate Banking Manager and Assistant Corporate Banking Manager.
  - b. General Management Loan Committee: Has the authority to allocate loan limits up to YTL 2,000,000. The members are General Manager, Assistant General Manager responsible from Loans and Corporate Banking Manager.

## ALBARAKA TÜRK KATILIM BANKASI A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

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- c. Loan Committee: Has the authority to allocate loan limits between YTL 2,000,000. and 10% of the Bank's shareholders' equity. The members are Chairman of the Board of Directors, a member of the Board of Directors and General Manager.
- d. Board of Directors; The approval of the Board of Management is required in the case where the total of the limit granted to a company on a group of companies is to exceed 10% of the equity of the Bank.

Although the authority to allocate loan limits up to USD 10,000,000 (full) belongs to the Loan committee, the Board of Directors is informed of such limit allocations.

Proposal for loans are presented in a written format, which is signed by the members of loan proposal committee.

Members of Loan Proposal Committee:

For the loan limits between YTL 500,000 (full) and YTL 2,000,000: Assistant General Manager responsible from Loans, Assistant General Manager responsible from Marketing, Assistant General Manager responsible from Individual Banking and Corporate Banking Manager.

For the loan limits above YTL 2,000,000: General Manager, Assistant General Manager responsible from Loans, Assistant General Manager responsible from Marketing and Assistant General Manager responsible from Individual Banking.

- b.1) For daily transactions a limit has not been identified. However transactions are performed under the control of the Marketing and Operation Directorates in respect of price and amount determination.
- b.2) Risk concentration related to the off-balance sheet items are monitored weekly by the asset liability meetings and daily fund management department chiefs.
- c) The credibility of the debtors of the Bank is closely monitored by the branches. While Risk follow-up directorate follows the payment performance of the debtors, the risk follow-up service of the corporate banking directorate monitors in a monthly basis the payment and guarantees of debtors, whose limits are higher than 1,000,000 YTL (full). Assigned loan limits are effective for one year, limits higher than 1,000,000 YTL (full) are automatically disabled and can not be used unless a new evaluation and assignment is made. Financial leasing limits and limits assigned for a specific project for one time usage can not be used again since it is used for that project.

The ratio of limits assigned to a company or group to the equity of the Bank is monitored due to the legal requirements and is monthly reported to the Banking Regulation and Supervision Agency.

Statement of Accounts is obtained from the customers for whom a loan is allocated or a guarantee provided. Such statement is renewed each year within six months following the accounting period as long as the loans are used. Statement of accounts also includes information regarding the financial and shareholding information, including the signatures and stamps.

If the amount of funds used or guarantees provided exceeds YTL 2,000,000 (full), statement of accounts to be obtained should include financial statements, which should be prepared in accordance with the legislation applicable in Turkey, audited by a Turkish Chartered Accountant.

- 2. There are no derivative financial instruments.

## ALBARAKA TÜRK KATILIM BANKASI A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

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3. a) Indemnified non-cash loans are closely monitored for some period, and transferred to legal follow-up when such credits are considered as uncollectible. The risk of the Bank arising from non-cash is immaterial in amount and the Bank applies a tight policy with regard to these.

b) Each customer, whose loans are restructured or rescheduled, is evaluated separately and if the delays in payments are related with the temporary problems of the customer, the Bank continues to work under normal working conditions. If the financial problems of the customer increase, the risk is liquidated and limit of the customer is terminated. Since such customers are liquidated, no further credibility assessment is performed.

In order to keep the asset/liability balance, except for financial leasing and project based transactions, transactions with maturity over one year are not performed . In general, long term transactions are performed with a mortgage on properties. In accordance with the credit policy and application, the Bank focuses on the equilibrium of maturity of long term transactions and the risk weight point of view.

4. a) The Bank has credit lines in 32 countries within framework of its banking activity and due inquires (economic, cycles etc.) are carried out during the allocation and revision of credit lines.

b) With the exception of the cash kept idle and the deposits/ placings at banks where commodity transactions are carried out, the Bank does not lend money to any company outside of Turkey. For the Banks where correspondent activity and international commodity transactions and intended to be carried out the credit limits and set by the related credit committees; such limits are set after taking into account the capacity of the Bank with which business is contemplated the intention being to avoid concentration of risk. The Bank does not carry any serious risk in this respect.

5. a. The share of the Bank's receivables from its top 100 cash credit customers in its total cash loan portfolio is 34% (2005-35%).

b. The share of the Bank's receivables from its top 100 non-cash credit customers in its total non-cash loan is 69% (2005-53%).

c. The ratio of the Bank's total cash and non-cash receivables from its top 100 customers to its total balance a sheet and off-balance sheet asset is 35% (2005-37%).

6. The Bank has calculated a general provision in accordance with the communiqués of “Methods and Principles for the Determination of the Status of the Loans and Other Receivables to be Reserved for and Allocation of Reserves” amounting to YTL 12,566 (2005 - YTL 8,222) of which YTL 11,599 (2005 - YTL 7,867) is provided for the first group of cash loans and YTL 967 (2005 - YTL 355) for non-cash loans.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### Information according to geographical concentration:

	Assets	Liabilities (***)	Non-cash loans	Fixed Capital Investments	Net Profit
Current Period					
Domestic	2,402,071	2,172,096	626,669	-	69,381
European Union Countries	20,326	7,628	903	-	-
OECD Countries (*)	2,905	36	-	-	-
Off-shore Banking Regions	21,004	5,636	2,064	-	-
USA, Canada	23,172	99	-	-	-
Other Countries	17,477	60,413	51,851	-	-
Joint - Ventures	-	-	-	4,858	-
Unallocated Assets/liabilities (**)	-	-	-	-	-
<b>Total</b>	<b>2,486,955</b>	<b>2,245,908</b>	<b>681,487</b>	<b>4,858</b>	<b>69,381</b>
Prior Period					
Domestic	1,900,753	1,718,461	217,593	-	46,417
European Union Countries	18,789	3,243	4,172	-	-
OECD Countries (*)	1,732	4,892	-	-	-
Off-shore Banking Regions	1,669	5,277	917	-	-
USA, Canada	33,766	18	-	-	-
Other Countries	7,892	54,750	10,349	-	-
Joint - Ventures	-	-	-	4,857	-
Unallocated Assets/liabilities (**)	-	-	-	-	-
<b>Total</b>	<b>1,964,601</b>	<b>1,786,641</b>	<b>233,031</b>	<b>4,857</b>	<b>46,417</b>

(\*) OECD Countries other than EU countries, USA and Canada

(\*\*) Unallocated assets / liabilities which could not be distributed according to consistent criteria

(\*\*\*) Excluding shareholders' equity.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### Sectoral Breakdown of Cash Loans:

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agricultural	<b>67,450</b>	<b>3.76</b>			<b>41,739</b>	<b>3.06</b>	-	-
Farming and Stockbreeding	52,743	2.94			32,141	2.36	-	-
Forestry	14,499	0.81			9,478	0.70	-	-
Fishing	208	0.01			120	0.00	-	-
Manufacturing	<b>831,032</b>	<b>46.30</b>			<b>722,263</b>	<b>53.13</b>	-	-
Mining	9,619	0.54			8,684	0.64	-	-
Production	814,597	45.38			709,212	52.17	-	-
Electric, gas and water	6,816	0.38			4,367	0.32	-	-
Construction	<b>265,527</b>	<b>14.79</b>			<b>130,790</b>	<b>9.62</b>	-	-
Services	<b>586,510</b>	<b>32.68</b>	<b>37,563</b>	<b>99.72</b>	<b>440,087</b>	<b>32.36</b>	<b>4,055</b>	<b>98.59</b>
Wholesale and retail trade	225,691	12.57			121,886	8.97	-	-
Hotel, food and beverage services	13,019	0.73			3,847	0.28	-	-
Transportation and telecommunication	27,801	1.55			38,661	2.84	-	-
Financial institutions	36,379	2.03			11,062	0.81	-	-
Real estate and renting services	26,899	1.50			15,190	1.12	-	-
Self-employment services	120,475	6.71			101,207	7.44	-	-
Education services	20,894	1.16			12,675	0.93	-	-
Health and social services	17,299	0.96			10,389	0.76	-	-
Others	98,053	5.46	37,563	99.72	125,170	9.21	-	-
Profit Share and Income Accruals (*)	<b>44,439</b>	<b>2.48</b>	<b>106</b>	<b>0.28</b>	<b>24,534</b>	<b>1.80</b>	<b>58</b>	<b>1.41</b>
<b>Total</b>	<b>1,794,958</b>		<b>37,669</b>		<b>1,359,413</b>		<b>4,113</b>	

(\*) Sectoral breakdown can not be provided for profit share and income accruals.

### III. Market Risk

The Bank has only currency risk as market risk and the risk is reported to BRSA monthly, weekly and on a quarterly basis.

#### a) Information on market risk

	Amount
(I) Capital to be employed for general market risk - Standard Method	-
(II) Capital to be employed for specific risk- Standard Method	-
(III) Capital to be employed for currency risk - Standard Method	112
(IV) Capital to be employed for stocks risk- Standard Method	-
(V) Capital to be employed for exchange risk- Standard Method	-
(VI) Capital obligation against market risk of options- Standard Method	-
(VII) Capital obligation against market risk of Banks applying risk measurement models	-
(VIII) Total capital to be employed for market risk (I+II+III+IV+V+VI)	112
(IX) Amount subject to market risk (12,5 x VIII) or (12,5 x VII)	1,405

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

b) Monthly average values at market risk:

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	-	-	-	-	-	-
Common Share Risk	-	-	-	-	-	-
Currency Risk	7,779	13,603	1,405	9,290	24,720	2,973
Merchandise Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
<b>Total Value at Risk</b>	<b>7,779</b>	<b>13,603</b>	<b>1,405</b>	<b>9,290</b>	<b>24,720</b>	<b>2,973</b>

#### IV. Operational risk

As per the Article 24 of “Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” operational risk is not calculated. Operational risk calculates Basel II method.

#### V. Foreign currency risk

a) The Bank does not hold short or long term position relating to currency risk.

b) The Bank does not have derivative financial instruments held for risk management.

c) Management policy of foreign currency risk:

As a result of the uncertainty and volatility in the markets, no short or long positions are maintained, and accordingly, no currency risk is anticipated. The Bank provides required precautions to keep the currency risk at a minimum level. However, the currency risk that may arise has been calculated with the Standard Method on a weekly and monthly basis, and the results are reported to the official institutions and the Bank’s senior management. In this regard, currency risk is closely monitored. Currency risk is taken into consideration as part of the general market risk within the calculation of the Capital Adequacy Ratio

Foreign exchange buying rates of the last five business days before the balance sheet date as publicly announced by the Bank are as follows:

	US Dollar	EURO
As of December 29, 2006	1,400	1,84
As of December 28, 2006	1,403	1,846
As of December 27, 2006	1,420	1,868
As of December 26, 2006	1,419	1,864
As of December 25, 2006	1,419	1,863

The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty one days before the balance sheet date is 1.421581 US Dollar/ YTL (2005- 1.3469 US Dollar/ YTL), 1.879484 EURO/ YTL (2005-1.5964 EURO/ YTL ) and 0.012089 Japanese Yen/ YTL (2005- 0.011343 Yen/ YTL).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### Information on currency risk of the Bank: Foreign currencies (in thousands of YTL)

	EURO	USD	Yen	Other FC	Total
<b>Current Period</b>					
Assets					
Cash (cash in vault, money in transit, cheques purchased) and balances with the Central Bank of Turkey	64,778	93,683	-	102	158,563
Due from other banks and financial institutions	51,108	51,571	172	2,769	105,620
Financial assets at fair value through profit/loss	-	-	-	-	-
Due from Interbank Money Market	-	-	-	-	-
Financial Assets Available for Sale	-	-	-	-	-
Loans (*)	361,680	595,469	-	-	957,149
Investments in Associates,Subsidiaries and Joint Ventures	-	-	-	-	-
Investments Held- to- Maturity	-	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	-	-	-	-
Tangible Fixed Assets	-	-	-	-	-
Intangible Fixed Assets	-	-	-	-	-
Other Assets	5	1,198	-	25	1,228
<b>Total Assets</b>	<b>477,571</b>	<b>741,921</b>	<b>172</b>	<b>2,896</b>	<b>1,222,560</b>
Liabilities					
Funs collected from banks through special current and participation accounts	16,959	55,900	-	3	72,862
Other Special Current and Participation Accounts	457,418	679,277	59	1,020	1,137,774
Interbank Money Market Takings	-	-	-	-	-
Funds Borrowed from Other Financial Institutions	-	-	-	-	-
Securities Issued	-	-	-	-	-
Miscellaneous Payables	1,533	5,680	31	729	7,973
Derivative Financial Liabilities Held for Risk Management	-	-	-	-	-
Other Liabilities	1,497	2,937	-	-	4,434
<b>Total Liabilities</b>	<b>477,407</b>	<b>743,794</b>	<b>90</b>	<b>1,752</b>	<b>1,223,043</b>
Net on Balance Sheet Position	<b>164</b>	<b>(1,873)</b>	<b>82</b>	<b>1,144</b>	<b>(483)</b>
Net off Balance Sheet Position					
Derivative Financial Instruments Assets					
Derivative Financial Instruments Liabilities					
Non-cash Loans	79,397	281,352	1,010	13,415	375,174
<b>Prior Period</b>					
Total Assets	358,973	555,952	332	1,826	917,083
Total Liabilities	360,786	551,366	99	1,122	913,373
Net on Balance Sheet Position	(1,813)	4,586	233	704	3,710
Net off Balance Sheet Position					
Derivative Financial Instruments Assets					
Derivative Financial Instruments Liabilities					
Non-cash Loans	21,334	97,754	592	4,004	123,684

(\*) The balance includes foreign currency indexed loans and financial lease receivables of YTL 896,216 (2005- YTL 684,160) and profit share discounts of YTL 23,264 (2005- YTL 11,616).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### VI. Liquidity Risk

- a) Liquidity risk represents the risk of not having sufficient cash or cash inflows to meet the cash outflows completely and on time, as a result of instable cash flows. The Bank manages liquidity risk by determining funds that can be granted according to the position of the excess liquidity.
- b) The Bank does not have structural interest rate risk.
- c) The Bank has not had any instruments which may lead to supply of money.
- d) Amounts, sources and maturity analysis of cash flows are given in the table below.

### Presentation of assets and liabilities based on their outstanding maturities

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and over	Unallocated (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (cash in vault, money in transit, cheques purchased) and Balances with the Central Bank of Turkey.	97,895	126,461	-	-	-	-	-	224,356
Due from banks and other financial institutions	218,029	-	-	-	-	-	-	218,029
Financial Assets at Fair Value through Profit/Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Securities Available-for-Sale	-	-	-	-	-	-	-	-
Loans (**)	-	263,769	369,613	387,030	424,845	490,221	47,561	1,983,039
Securities Held-to-Maturity.	-	-	-	-	-	-	-	-
Other assets(*)	-	-	-	-	-	-	66,389	66,389
<b>Total Assets</b>	<b>315,924</b>	<b>390,230</b>	<b>369,613</b>	<b>387,030</b>	<b>424,845</b>	<b>490,221</b>	<b>113,950</b>	<b>2,491,813</b>
<b>Liabilities</b>								
Funds collected from banks through special current and participation accounts	23,320	11,546	30,671	-	7,844	-	-	73,381
Other Special Current and Participation Accounts(***)	391,286	1,391,662	192,452	47,983	42,831	-	14,419	2,080,633
Funds Borrowed from Other Institutions	-	-	-	-	-	-	-	-
Interbank Money Market Takings	-	-	-	-	-	-	-	-
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	66,190	66,190
Other liabilities	-	-	-	-	-	-	271,609	271,609
<b>Total Liabilities</b>	<b>414,606</b>	<b>1,403,208</b>	<b>223,123</b>	<b>47,983</b>	<b>50,675</b>	<b>-</b>	<b>352,218</b>	<b>2,491,813</b>
<b>Net Liquidity Gap/Excess</b>	<b>(98,682)</b>	<b>(1,012,978)</b>	<b>146,490</b>	<b>339,047</b>	<b>374,170</b>	<b>490,221</b>	<b>(238,268)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	305,342	305,538	280,233	311,860	335,238	357,865	73,382	1,969,458
Total Liabilities	344,148	1,081,999	194,151	43,195	45,501	5,454	255,010	1,969,598
<b>Liquidity Gap</b>	<b>(38,806)</b>	<b>(776,461)</b>	<b>86,082</b>	<b>268,665</b>	<b>289,737</b>	<b>352,411</b>	<b>(181,628)</b>	<b>-</b>

(\*) Such assets as fixed assets, subsidiaries and investments in associates, stationary, prepaid expenses and loans under follow-up, are included under this column.

(\*\*) The "Unallocated" balance of YTL 47,561 comprises profit share and income accrued on loans.

(\*\*\*) The "Unallocated" balance of YTL 14,419 comprises profit share and expense accrued on participation accounts.



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### VII. PRESENTATION OF ASSETS AND LIABILITIES WITH THEIR FAIR VALUES

The table below presents fair values and book values of financial assets and liabilities which are not reflected at their fair values in the financial statements.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	<b>2,328,441</b>	<b>1,836,659</b>	<b>2,378,576</b>	<b>1,863,821</b>
Interbank Money Market Placements	-	-	-	-
Banks and Other Financials Institutions	392,963	369,251	395,537	370,742
Securities Available-for-Sale	-	-	-	-
Securities Held-to-Maturity	-	-	-	-
Loans	1,935,478	1,467,408	1,983,039	1,493,079
Financial Liabilities	<b>2,194,557</b>	<b>1,740,234</b>	<b>2,208,976</b>	<b>1,751,495</b>
Funds Obtained from Banks	73,381	54,909	73,894	55,255
Other Funds Obtained	2,066,214	1,659,539	2,080,120	1,670,454
Funds Obtained from Other Financial Institutions	383	188	383	188
Securities Issued	-	-	-	-
Miscellaneous Payables	54,579	25,598	54,579	25,598

Banks and Other Financials Institutions include demand deposits and unrestricted and reserve deposits at The Central Bank of Turkey.

The fair values of the current accounts are considered to be the amount to be paid at the time of withholding. The approximate fair value of the participation accounts is the unit value of the participation accounts calculated as of such date.

### VIII. TRANSACTIONS IN THE NAME AND ACCOUNT OF THIRD PARTIES, FIDUCIARY TRANSACTIONS

1. The Bank does not perform any purchase, sales transactions in the name of others and does not provide management or consultancy services but provides custody services.
2. The Bank is not engaged in trust activities.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005  
(CURRENCY – THOUSANDS OF YTL)

## SECTION FIVE FOOTNOTES AND EXPLANATIONS ON FINANCIAL STATEMENTS

### I. Explanation and footnotes on assets

#### 1. a) Information on Cash and The Central Bank of Turkey :

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Cash/ Cash in Foreign Currency	13,332	32,466	11,677	20,578
Central Bank of Turkey	52,461	125,047	98,509	98,567
Other	-	1,050	-	-
<b>Total</b>	<b>65,793</b>	<b>158,563</b>	<b>110,186</b>	<b>119,145</b>

#### b) Information on The Central Bank of Turkey:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Demand Unrestricted Deposit	50,500	547	97,377	2,044
Time Unrestricted Deposit	-	-	-	-
Time Restricted Deposit (Reserve Deposits)	1,961	124,500	1,132	96,523
<b>Total</b>	<b>52,461</b>	<b>125,047</b>	<b>98,509</b>	<b>98,567</b>

#### 2. a) Financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/ blocked;

None.

#### b) Positive differences on trading derivative instruments:

None.

#### 3. a) Information on banks and other financial institutions

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	112,409	105,620	76,070	97,596
Domestic	112,409	56,302	76,070	40,660
Foreign	-	49,318	-	56,936
Head Office and Branches Abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
<b>Total</b>	<b>112,409</b>	<b>105,620</b>	<b>76,070</b>	<b>97,596</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### b) Information on foreign banks:

	Unrestricted Deposit	Restricted Deposit	Unrestricted Deposit	Restricted Deposit
	Current Period	Current Period	Prior Period	Prior Period
European Union Countries	20,326	-	18,789	-
USA and Canada	23,172	-	33,766	-
OECD Countries (*)	2,905	-	1,732	-
Off-shore banking regions	4	-	1,669	-
Other	2,911	-	980	-
<b>Total</b>	<b>49,318</b>	<b>-</b>	<b>56,936</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada.

### 4. Information on financial assets available-for-sale:

a) Financial assets subject to repurchase agreements and provided as collateral/blocked:

None.

b) Information on financial assets available-for-sale;

None.

### 5. Information on loans:

a. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	17,000	12,022	12,961	3,497
Corporate shareholders	16,131	12,013	12,003	3,457
Real person shareholders	869	9	958	40
Indirect loans granted to shareholders	45,903	12,160	29,848	5,164
Loans granted to employees	458	-	378	-
<b>Total</b>	<b>63,361</b>	<b>24,182</b>	<b>43,187</b>	<b>8,661</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

- b. Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other receivables	Restructured or Rescheduled	Loans and other receivables	Restructured or Rescheduled
Loans				
Financing of certificates against goods				-
Export loans	33,081			-
Import loans	347,718			-
Operational loans	1,114,001	7,564	14,396	-
Consumer loans	139,513		356	-
Credit cards	12,260			-
Profit/loss sharing loans	19,205			-
Precious metals loans (Gold, etc.)	-			-
Loans given to financial sector	844			-
Loans given to foreign customers	35,565			-
Other	84,184			-
Foreign Exchange loss provision on FC indexed loans	(20,605)			-
Profit share income and accrual (*)	44,545			-
Other receivables	152,856	8,123	13	-
<b>Total</b>	<b>1,963,167</b>	<b>15,687</b>	<b>14,765</b>	<b>-</b>

(\*) As profit share income and accruals are not classified as above in the Uniform Chart of Accounts, the balance could not be segregated.

- c. The distribution of cash loans according to maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term loans and Other Receivables	<b>1,195,376</b>	<b>7,564</b>	<b>14,752</b>	-
Loans	1,195,376	7,564	14,752	-
Other Receivables	-	-		-
Medium and long term loans and other receivables	<b>709,650</b>	<b>8,123</b>	<b>13</b>	-
Loans	709,650	8,123	13	-
Other Receivables	-	-	-	-
Profit share income and accruals (*)	<b>47,561</b>	-	-	-

(\*)As profit share income and accruals are not classified as above in the Uniform Chart of Accounts, the balance could not be segregated. The above balance includes medium and long term loans and discounts on finance lease receivables included in other receivables (YTL 3,016).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### d. Information on consumer loans:

	Short Term	Medium and long-term	Profit Share and Income Receivable and Accruals(*)	Total
<b>Consumer Loans-YTL</b>	<b>2,032</b>	<b>124,278</b>	<b>1,231</b>	<b>127,541</b>
Real estate loans	992	111,944	1,076	114,012
Vehicle loans	960	11,598	143	12,701
General purpose loans	19	92	1	112
Other	61	644	11	716
<b>Consumer Loans- FC Indexed</b>	<b>885</b>	<b>12,162</b>	<b>55</b>	<b>13,102</b>
Real estate loans	401	9,302	41	9,744
Vehicle loans	422	2,071	11	2,504
General purpose loans	-	-	-	-
Other	62	789	3	854
<b>Consumer Loans –FC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate loans	-	-	-	-
Vehicle loans	-	-	-	-
General purpose loans	-	-	-	-
Other	-	-	-	-
<b>Credit Cards – YTL</b>	<b>8,678</b>	<b>-</b>	<b>-</b>	<b>8,678</b>
With instalment	-	-	-	-
Without instalment	8,678	-	-	8,678
<b>Credit Cards – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
With instalment	-	-	-	-
Without instalment	-	-	-	-
<b>Personnel Loans – YTL</b>	<b>45</b>	<b>111</b>	<b>-</b>	<b>156</b>
Real estate loans	-	15	-	15
Vehicle loans	39	82	-	121
General purpose loans	2	2	-	4
Other	4	12	-	16
<b>Personnel Loans - FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate loans	-	-	-	-
Vehicle loans	-	-	-	-
General purpose loans	-	-	-	-
Other	-	-	-	-
<b>Personnel Loans –YTL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate loans	-	-	-	-
Vehicle loans	-	-	-	-
General purpose loans	-	-	-	-
Other	-	-	-	-
<b>Personnel Credit Cards -YTL</b>	<b>302</b>	<b>-</b>	<b>-</b>	<b>302</b>
With instalment	-	-	-	-
Without instalment	302	-	-	302
<b>Personnel Credit Cards - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
With instalment	-	-	-	-
Without instalment	-	-	-	-
<b>Deposit Account –YTL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deposit Account –FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>11,942</b>	<b>136,551</b>	<b>1,286</b>	<b>149,779</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

e. Information on commercial loans with instalments and corporate credit cards:

	Short Term	Medium and long-term	Profit Share and Income Receivable and Accruals (*)	Total
<b>Instalment based commercial loans-YTL</b>	<b>2,108</b>	<b>74,188</b>	<b>455</b>	<b>76,751</b>
Business Loans	267	28,843	212	29,322
Vehicle Loans	1,841	43,474	229	45,544
General purpose Loans	-	-	-	-
Other	-	1,871	14	1,885
<b>Instalment based commercial loans - FC indexed</b>	<b>48</b>	<b>7,585</b>	<b>55</b>	<b>7,688</b>
Business Loans	-	1,085	3	1,088
Vehicle Loans	48	6,500	52	6,600
General purpose Loans	-	-	-	-
Other	-	-	-	-
<b>Instalment based commercial loans -FC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-	-
Vehicle Loans	-	-	-	-
General purpose Loans	-	-	-	-
Other	-	-	-	-
<b>Corporate Credit Cards-YTL</b>	<b>3,280</b>	<b>-</b>	<b>-</b>	<b>3,280</b>
With instalment	-	-	-	-
Without instalment	3,280	-	-	3,280
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
With instalment	-	-	-	-
Without instalment	-	-	-	-
<b>Deposit Account –YTL (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deposit Account –FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5,436</b>	<b>81,773</b>	<b>510</b>	<b>87,719</b>

f. Loans according to type of borrowers:

	Current Period	Prior Period
Public	5,314	4,610
Private	1,782,768	1,334,324
Profit Share Income Receivable and Accruals	44,545	24,592
<b>Total</b>	<b>1,832,627</b>	<b>1,363,526</b>

g. Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	1,752,517	1,332,023
Foreign loans	35,565	6,911
Profit Share Income Receivable and Accruals	44,545	24,592
<b>Total</b>	<b>1,832,627</b>	<b>1,363,526</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

h. Loans granted to subsidiaries and associates:

None.

1. Specific provisions provided for loans:

Specific provisions	Current Period	Prior Period
Loans and receivables with limited collectibility	4,820	5,616
Loans and receivables with doubtful collectibility	5,597	2,257
Uncollectible loans and receivables	24,044	16,008
<b>Total</b>	<b>34,461</b>	<b>23,881</b>

The Bank provides provision after taking collaterals into consideration and provides minimum 20% provision for Loans and receivables with limited collectibility, minimum 50% for loans and receivables with doubtful collectibility and 100% for uncollectible loans and receivables.

j. Information on loans under follow-up account (net):

j.1. Loans and other receivables included in loans under follow-up account which are restructured or rescheduled amounts to YTL 4,937 and classified in uncollectible loans and receivables.

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Period			
(Gross amount before specific provisions)			
Restructured Loans and other Receivables	-	-	1,418
Rescheduled Loans and other receivables	-	-	3,519
Prior Period			
(Gross amounts before special provisions)			
Restructured Loans and other Receivables	-	-	1,613
Rescheduled Loans and other receivables	-	-	4,443

j.2. Movement of loans under follow-up:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Prior period ending balance	10,844	3,732	16,605
Additions (+)	19,412	3,194	2,108
Transfers from other categories of loans under follow-up (+)	-	16,575	12,282
Transfers to other categories of loans under follow-up (-)	(16,584)	(12,274)	-
Collections (-)	(8,785)	(5,362)	(6,493)
Write-offs (-)	(27)	(253)	(279)
Current period ending balance	4,860	5,612	24,223
Specific provision (-)	(4,820)	(5,597)	(24,044)
<b>Net balance on balance sheet</b>	<b>40</b>	<b>15</b>	<b>179</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### j.3. Information on foreign currency loans and other receivables under follow-up:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period:			
Period end balance	544	1,027	12,218
Specific provision (-)	(544)	(1,027)	(12,218)
Net balance on balance sheet	-	-	-
Prior period:			
Period end balance	2,161	1,658	12,521
Specific provision (-)	(1,367)	(1,005)	(12,352)
Net balance on balance sheet	794	653	169

Not: For the III., IV and V. Group receivables YTL 4,221 of foreign currency indexed receivable under follow-up foreign currency indexed specific reserves are included. (2005 – YTL 4,776 of foreign currency indexed receivable under follow-up, YTL 3,309 of foreign currency indexed specific reserves)

### k. Liquidation policies for the uncollectible loans and other receivables:

The loans and other receivables determined as uncollectible are written off from the assets according to the Tax Law by the decision of the top management in accordance with the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” related to the clause announced at the Banking Law numbered 53. and 93. and dated October 19, 2005.

## 6. Information on securities held-to-maturity (Net):

None.

## 7. Information on associates (Net):

The Bank has a participation of 12.5% and 0.5% respectively in Rozi Kağıt ve Temizlik Ürünleri Sanayi ve Ticaret A.Ş. and Islamic International Rating Agency (IAA). As the shareholding in these companies do not exceed 50% and as the Bank does not have power of control, they have not been consolidated. The participation in Rozi Kağıt was reflected at cost adjusted for inflation as of December 31, 2004. The participation in IAA is in foreign currency and it was booked by converting into YTL at exchange rate valid on December 31, 2006.

### a.2. Information on the unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1) Rozi Kağıt ve Temizlik Ürünleri San ve Tic A.Ş. (ROZI)	İstanbul / Turkey	12.5	12.5
2) Islamic International Rating Agency (IAA)	Manama / Bahrain	0.5	0.5



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

The balances presented in the below table are obtained from the financial statements of the Rozi Kağıt ve Temizlik Ürünleri San ve Tic A.Ş. prepared as of September 30, 2006 and Islamic International Rating Agency as of September 30, 2005.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Dividend or Profit Share Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
1)	30,481	5,830	25,273	-	-	(6,074)	(5,017)	-
2) (*)	1,534	1,513	15	-	-	(155)	(197)	-

(\*) Prepared in accordance with the local regulations of the country in which the related associate is incorporated.

b. The Bank does not have consolidated associates as of the balance sheet date.

### 8. Information on unconsolidated subsidiaries (Net):

1. The Bank does not have unconsolidated subsidiaries as of the balance sheet date.

### 9. Investments in joint- ventures:

None.

### 10. Information on finance lease receivables :( Net)

a) Investments in financial leases as to remaining maturity:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	83,933	69,739	78,059	67,599
1 to 4 years	87,824	76,625	64,977	60,096
Over 4 years	1,128	1,032	805	779
Profit Share Income Receivable and Accruals	3,016	3,016	1,079	1,079
Total	175,901	150,412	144,920	129,553

b) Information on finance lease receivables:

	Current Period	Prior Period
Finance Lease Receivable, Gross	175,901	144,920
Unearned Financial Lease Receivable (-)	(25,489)	(15,367)
Cancelled Lease Amounts (-)	-	-
Financial Lease Receivable, Net	150,412	129,553

b) In relation to leasing agreements; points like criteria used to determine conditional lease instalments, if any, existing conditions for options of renewable or purchase and updating of agreement and restrictions of lease agreement, if any, existing penalty fee, whether agreements is renewed, if renewed, conditions for renewable, whether renewable brings new restrictions and other points about rent agreement: There is no conditional instalments for leasing receivables. The customer has the right to buy the leased asset with an immaterial amount defined in the leasing agreements subsequent to the finalization of the required period for legal title transfer.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### 11. Derivative financial instruments held for risk management:

None.

### 12. Information on Fixed Assets: (Net)

	Land and buildings	Leased fixed assets	Vehicles	Other fixed assets	Total
Prior Period End:					
Cost	28,843	522	2,964	24,365	56,694
Accumulated depreciation (-)	7,007	54	1,299	15,565	23,925
<b>Net book value</b>	<b>21,836</b>	<b>468</b>	<b>1,665</b>	<b>8,800</b>	<b>32,769</b>
Current Period End:					
<b>Net book value-beginning of period</b>	<b>21,836</b>	<b>468</b>	<b>1,665</b>	<b>8,800</b>	<b>32,769</b>
Additions	561	876	852	4,051	6,340
Disposals (-)	-	-	(5)	(29)	(34)
Impairment (+)	450	-	-	-	450
Depreciation expense (-)	(631)	(196)	(570)	(2,888)	(4,285)
Currency translation differences resulting from foreign investments (-)	-	-	-	-	-
Cost at the end of period	29,854	1,398	3,594	27,500	62,346
Accumulated depreciation at the end of period (-)	(7,638)	(250)	(1,652)	(17,566)	(27,106)
<b>Net book value at the end of period</b>	<b>21,216</b>	<b>1,148</b>	<b>1,942</b>	<b>9,934</b>	<b>35,240</b>

There are no impairment provisions provided or released on any individual asset or group of assets which are not material to the financial statements on an individual basis but material on a total basis.

### 13. Information on Intangible Fixed Assets:

a. Useful life or amortization rates:

The value of the intangible assets subject to amortization is distributed systematically over its estimated useful lives starting from the effective usage date of the asset.

b. Depreciation Method: Intangible fixed assets are amortized by using straight-line method over the inflation adjusted book values. Depreciation rates used are %33 and %25.

c. Book value and accumulated depreciation amounts at beginning and end of period:

	Current Period	Prior Period
Gross book value	1,610	1,253
Accumulated depreciation	(1,116)	(779)
<b>Total</b>	<b>494</b>	<b>474</b>

## ALBARAKA TÜRK KATILIM BANKASI A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

d. Movement of intangible assets for the current period:

	Current Period
Net book value at the end of Prior Period	474
Balances created internally	-
Additions due to mergers, transfers and acquisitions	357
Not used and disposed items (-)	-
Increases or decreases in the revaluation fund	-
Impairment charges	-
Reversal of impairment charges	-
Depreciation expenses (-)	(337)
Currency translation differences on foreign investments	-
Other differences in book values	-
Net book value at the end of Current Period	494

- e. There is no specific intangible asset that is material to the financial statements.
- f. There are no intangible assets acquired through government incentives and accounted at fair value.
- g. There are no intangible assets that are pledged or restricted for use.
- i. The Bank has no commitments for the intangible fixed asset purchases.
- j. The Bank has no revalued intangible assets.
- k. The Bank has no research and development expenses recorded in income statement within the period.
- l. The Bank has no positive or negative consolidation goodwill arising from consolidated subsidiaries.
- m. Net book value of the goodwill at the beginning of the period, at the end of the period and movement in the current period: None.

Net book value of the negative goodwill at the beginning of the period, at the end of period and movement in the current period: None.

#### 14. Information on deferred tax asset:

As of December 31, 2005 the Bank calculated deferred tax assets of YTL 7,884 related to its investments tax credits. As of December 31, 2005 the Bank calculated deferred tax assets YTL 21,660 related to its financial leasing receivables however, this was not considered as assets as it was not realisable through a deduction from the taxes payable in the foreseeable future and the balance was provided for.

As of December 31, 2006 The Bank took into account the consideration that it would not be interested in benefiting from investment tax credits due to the changes in tax regulations (2007) and did not calculate a deferred tax assets on its investments tax credits. However deferred tax assets of YTL 5,428 were calculated on financial leasing receivables because it was foreseen that these will be deductible from the taxable profits in the foreseeable future. The deferred tax assets amounting to YTL 1,152 are related to other temporary timing differences (YTL 5,428 + YTL 1,152= YTL 6,580).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

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### 15. Information on Assets held for sale:

	Current Period
Balance at Beginning of Current Period	13,985
Accumulated depreciation - beginning of period	-
Net book value-beginning of period	13,985
Addition	3,264
Disposals	9,921
Reversal of Impairment Losses (+)	1,386
Depreciation Expense (-)	(311)
Cost - end of period	8,714
Accumulated depreciation - end of period	(311)
Net book value-end of Current Period	8,403

### 16. Information on assets held for sale:

As of the balance sheet date, other assets, excluding the off balance sheet commitments, do not exceed 10% of the balance sheet total.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### II. EXPLANATIONS AND FOOTNOTES ON LIABILITIES:

#### 1. Information on funds collected:

##### a. Information of maturity structure of funds collected:

##### a.1. Current Period

	Demand	Up to 1 month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	Over 1 Year	Accumulating Deposit Accounts	Total
I. Real Persons Current Accounts Non-Trade YTL	71,368	-	-	-	-	-	-	-	71,368
II. Real Persons Participation Accounts Non-Trade YTL	-	524,108	99,539	21,211	-	29,216	12,995	-	687,069
III. Current Account. other-YTL	96,441	-	-	-	-	-	-	-	96,441
Public sector	104	-	-	-	-	-	-	-	104
Commercial institutions	92,329	-	-	-	-	-	-	-	92,329
Other institutions	3,900	-	-	-	-	-	-	-	3,900
Commercial and Other institutions	2	-	-	-	-	-	-	-	2
Banks and Participation Banks	106	-	-	-	-	-	-	-	106
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Bank	106	-	-	-	-	-	-	-	106
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-YTL	-	75,098	3,597	81	-	238	-	-	79,014
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	61,256	2,630	1	-	219	-	-	64,106
Other institutions	-	13,842	50	80	-	19	-	-	13,991
Commercial and Other institutions	-	-	917	-	-	-	-	-	917
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
V. Real Persons Current Accounts FC	111,721	-	-	-	-	-	-	-	111,721
VI. Real Persons Participation Accounts Non-Trade FC	-	586,928	143,906	28,113	-	59,387	-	-	818,334
VII. Other Current Accounts Non-Trade FC	135,076	-	-	-	-	-	-	-	135,076
Residents in Turkey-corporate	110,932	-	-	-	-	-	-	-	110,932
Residents abroad-corporate	930	-	-	-	-	-	-	-	930
Banks and Participation Banks	23,214	-	-	-	-	-	-	-	23,214
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	11,200	-	-	-	-	-	-	-	11,200
Foreign Banks	6,772	-	-	-	-	-	-	-	6,772
Participation Bank	5,242	-	-	-	-	-	-	-	5,242
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts, other- FC	-	98,176	33,373	723	-	8,300	-	-	140,572
Public sector	-	-	-	-	-	0	-	-	-
Commercial institutions	-	62,987	2,156	723	-	54	-	-	65,920
Other institutions	-	17,421	1,463	-	-	14	-	-	18,898
Commercial and Other institutions	-	17,768	29,754	-	-	8,232	-	-	55,754
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
IX. Precious metals deposits	-	-	-	-	-	-	-	-	-
X. Participation accounts special fund pools YTL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special fund pools -FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
Profit Share and Expense Discounts	14,419	-	-	-	-	-	-	-	14,419
<b>Total</b>	<b>429,025</b>	<b>1,284,310</b>	<b>280,415</b>	<b>50,128</b>	<b>-</b>	<b>97,141</b>	<b>12,995</b>	<b>-</b>	<b>2,154,014</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### a.2. Prior Period

	Demand	Up to 1 month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	Over 1 Year	Accumulating Deposit Accounts	Total
I. Real Persons Current Accounts Non-Trade YTL	69,727	-	-	-	-	-	-	-	69,727
II. Real Persons Participation Accounts Non-Trade YTL	-	453,328	84,114	19,802	-	26,139	10,036	-	593,419
III. Current Account. other-YTL	76,696	-	-	-	-	-	-	-	76,696
Public sector	18	-	-	-	-	-	-	-	18
Commercial institutions	73,894	-	-	-	-	-	-	-	73,894
Other institutions	691	-	-	-	-	-	-	-	691
Commercial and Other institutions	13	-	-	-	-	-	-	-	13
Banks and Participation Banks	2,080	-	-	-	-	-	-	-	2,080
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Bank	2,080	-	-	-	-	-	-	-	2,080
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-YTL	-	70,692	1,996	58	-	29	-	-	72,775
Public sector	-	6,852	-	-	-	-	-	-	6,852
Commercial institutions	-	63,361	1,153	1	-	14	-	-	64,529
Other institutions	-	447	30	57	-	15	-	-	549
Commercial and Other institutions	-	32	813	-	-	-	-	-	845
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
V. Real Persons Current Accounts FC	91,943	-	-	-	-	-	-	-	91,943
VI Real Persons Participation Accounts Non-Trade FC	-	394,910	133,265	24,403	-	49,443	-	-	602,021
VII. Other Current Accounts Non-Trade FC	105,784	-	-	-	-	-	-	-	105,784
Residents in Turkey-corporate	95,544	-	-	-	-	-	-	-	95,544
Residents abroad-corporate	4,230	-	-	-	-	-	-	-	4,230
Banks and Participation Banks	6,010	-	-	-	-	-	-	-	6,010
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	4,649	-	-	-	-	-	-	-	4,649
Participation Bank	1,361	-	-	-	-	-	-	-	1,361
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts, other- FC	-	72,068	15,666	85	-	8,810	-	-	96,629
Public sector	-	12,858	-	-	-	-	-	-	12,858
Commercial institutions	-	33,137	1,337	85	-	1,167	-	-	35,726
Other institutions	-	43	27	-	-	10	-	-	80
Commercial and Other institutions	-	129	-	-	-	1,017	-	-	1,146
Banks and Participation Banks	-	25,901	14,302	-	-	6,616	-	-	46,819
IX. Precious metals deposits	-	-	-	-	-	-	-	-	-
X. Participation accounts special fund pools YTL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special fund pools -FC	-	-	-	-	-	-	5,454	-	5,454
Residents in Turkey	-	-	-	-	-	-	5,454	-	5,454
Residents abroad	-	-	-	-	-	-	-	-	-
Profit Share and Expense Discounts	11,261	-	-	-	-	-	-	-	11,261
<b>Total</b>	<b>355,411</b>	<b>990,998</b>	<b>235,041</b>	<b>44,348</b>	<b>-</b>	<b>84,421</b>	<b>15,490</b>	<b>-</b>	<b>1,725,709</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

b.1. Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund :

Funds Collected	Under the Savings Deposit Insurance Fund		Exceeding the limit of Guarantee Fund	
	Current Period	Prior Period	Current Period	Prior Period
Real persons current and participation accounts not subject to trading transactions				
Turkish lira accounts	550,371	477,090	214,964	194,430
Foreign currency accounts	418,970	340,628	517,559	359,993
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore deposits under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except foreign branches) from current and investment accounts opened on behalf of a real person denominated in Turkish Lira or foreign currency with a limit of maximum of YTL 50 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law Number 5411 published at the official gazette dated November 1, 2005 and numbered 25983.

b.2. Since the headquarter of the Bank is not located abroad, current and participation accounts not subject to trading transactions of real persons is not insured in the country of the head office.

b.3. Funds collected which are not under guarantee fund:

The Bank does not have any branches abroad or off-shore banking regions.

### 2. Information on available- for- sale derivative financial Instruments:

None.

### 3. There are no funds borrowed.

### 4. Breakdown of items in other external resources which exceed 10 % of the balance sheet total (excluding off-balance sheet commitments) and breakdown of items which constitute at least 20% of grand total:

Other external resources (excluding off balance sheet commitments) do not exceed 10% of the balance sheet total.

### 5. Information on finance lease obligations:

a. Information on financial lease obligations:

The Bank has acquired some of its IT equipments through financial leasing and performs monthly payments to financial lease company in accordance with the obligations originated from the leasing agreements. Such agreements do not result in any other important obligations to the Bank other than the committed payments.

b. Explanations on the changes in agreements and new obligations originating from these changes: None.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

c. Explanations on the obligations originating from financial leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	429	383	194	188
1 to 4 years	-	-	-	-
Over 4 years	-	-	-	-
<b>Total</b>	<b>429</b>	<b>383</b>	<b>194</b>	<b>188</b>

d. Explanations on operational leases:

The leasing transactions, in which all risks and benefits are held by the lessor, are classified as operational leases. Such transactions consist of rent contracts of branches which may be cancelled by declaration. The payments related with operational leases are recognized as expense in the income statement during the period of the agreement.

There are no significant commitments regarding the changes at the operational lease agreements.

The rent obligations resulting from the operational leases are as follows; the payables represent the rent payments which are not recorded because the related invoices are not issued .

	Current Period	Prior Period
Less than a year	2,623	1,435
1 to 4 years	9,694	4,401
Over 4 years	9,836	2,884
<b>Total</b>	<b>22,153</b>	<b>8,720</b>

e. There are no sale and lease back transactions.

### 6. Derivative financial liabilities held for risk management:

None.

### 7. Information on provisions:

a)Information on general provisions:

	Current Period	Prior Period
General provision	12,566	8,222
I. Group loans and receivables	11,599	7,867
Participation Account Share	6,692	4,818
Institution Share	4,907	3,049
Others	-	-
II. Group loans and receivables	-	-
Participation Account Share	-	-
Institution Share	-	-
Others	-	-
Provisions for non-cash loans	967	355
Others	-	-



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

b) Information on foreign exchange losses on foreign currency indexed loans:

	Current Period	Prior Period
Foreign currency indexed loans		
Foreign Exchange losses (netted-off from loans)	20,605	15,878

c) Information on specific provisions for non-cash loans that are not indemnified and liquidated:

	Current Period	Prior Period
Provisions for non-cash loans that are not indemnified and liquidated	961	1,254

d) Information on other provisions:

d.1.Information on Provisions for possible losses.

	Current Period	Prior Period
Provisions for possible losses	1,120	-

d.2. If other provisions exceeds %10 of total provisions, explanations on such items: None.

### 8. Information on taxes payable:

a.1) Corporate tax: None.

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	-	-
Taxation of Securities	2,139	1,863
Property Tax	39	24
Banking insurance Transaction Tax	1,542	1,076
Foreign Exchange Transaction Tax	270	130
Value Added Tax Payable	82	103
Other	1,488	772
<b>Total</b>	<b>5,560</b>	<b>3,968</b>

a.3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	472	354
Social Security Premiums-Employer	675	504
Bank Pension Fund Premium- Employees	-	-
Bank Pension Fund Premium- Employer	-	-
Pension Fund Membership Fees and Provisions- Employees	-	-
Pension Fund Membership Fees and Provisions- Employer	-	-
Unemployment insurance-Employee	33	25
Unemployment insurance-Employer	66	50
Other	-	-
<b>Total</b>	<b>1,246</b>	<b>933</b>

b) There are no deferred tax payables.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### 9. Information on payables for assets held for sale;

None.

### 10. Subordinated loans:

None.

### 11. Information on equity:

#### a. Presentation of paid-in capital:

	Current Period	Prior Period
Common Stock	160,000	126,000
Preferred Stock	-	-

#### b. The Bank is not subject to registered share capital system .

#### c. Information on share capital increases and their sources; other information on increased share capital in current period:

December 31, 2006

At the Ordinary General Meeting held on February 28, 2006, the Bank decided to increase its share capital from YTL 126,000 to YTL 160,000 , by transferring YTL 32,780 from prior years' profit, YTL 584 from gain on sale of fixed assets and YTL 636 from extraordinary reserves, and the increase has been recorded on March 31, 2006.

December 31, 2005

At the Ordinary General Meeting held on April 7, 2005, the Bank decided to increase its share capital from YTL 100,000 to YTL 125,000 , by transferring YTL 17,122 from prior years' profit, YTL 1,377 from gain on sale of fixed assets and YTL 6,500 from extraordinary reserves, and the increase has been recorded on April 25, 2005.

At the Ordinary General Meeting held on July 21, 2005, the Bank decided to increase its share capital from YTL 125,000 to YTL 126,000 , by transferring YTL 810 from gain on sale of fixed assets and YTL 190 from extraordinary reserves, and the increase has been recorded on July 26, 2005

#### d. The Bank has supplemented YTL 584, capital reserves to capital.

#### e. There are no capital commitments in the last fiscal year and at the end of the following interim period.

#### f. Prior periods' indicators related with the Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Bank's equity:

The Bank collects large amount of funds, uses these funds to give domestic loans and continues to realize profit possibilities. In the forthcoming periods, the management foresees that when the demand for loans increases, the profitability of the Bank will rise and these profits will positively affect the equity.

#### g. There are no privileges attributed to the shares constituting the share capital.

### 12. Information on minority interest: None.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

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### III. EXPLANATIONS OF CONTINGENCIES AND COMMITMENTS:

#### 1. Disclosures on other contingent liabilities:

##### a. Nature and amount of irrevocable loan commitments:

The Bank has credit card expenditure limit commitments amounting to YTL 39,189 (2005- YTL 20,060) payment commitments for checks, amounting to YTL 127,445 (2005- YTL 102,563) and in total YTL 166,634 (2005- YTL 122,623) of irrevocable loan commitments as of December 31, 2006.

##### b. Nature and amount of contingent loss and commitments from off-balance sheet items including below statements:

##### b.1. Non-cash loans including guarantees, acceptances, financial collaterals and other letters of credits:

As of the balance sheet date ,total letters of credit amounts to YTL 156,243 (2005- YTL 84,227) and acceptances amounts to YTL 4,438 (2005- YTL 3,996)

##### b.2. Definite guarantees, temporary guarantees, sureties and similar transactions:

As of the balance sheet date, total letters of guarantees amounts to YTL 519,893 (2005- YTL 144,608)

##### c.1. Total amount of non-cash loans:

	Current Period	Prior Period
Guarantees given against cash loans	-	-
With maturity of 1 year or less	-	-
With maturity of more than 1 year	-	-
Other non-cash loans	681,487	233,031
<b>Total</b>	<b>681,487</b>	<b>233,031</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### c.2) Information on the sectoral risk concentration of non-cash loans:

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agricultural	<b>2,031</b>	<b>0.66</b>	<b>3,236</b>	<b>0.86</b>	-	-	<b>1,102</b>	<b>0.01</b>
Farming and stockbreeding	980	0.32	2,872	0.77	-	-	1,027	0.83
Forestry	1,051	0.34	340	0.09	-	-	75	0.06
Fishing	-	-	24	0.00	-	-	-	-
	<b>61,266</b>	<b>20.00</b>	<b>114,675</b>	<b>30.57</b>	-	-	-	-
Manufacturing							<b>60,094</b>	48.52
Mining	10	0.00	696	0.19	-	-	8,338	6.73
Production	60,780	19.84	110,106	29.35	-	-	51,639	41.70
Electric, gas and water	476	0.16	3,873	1.03	-	-	117	0.09
	<b>16,531</b>	<b>5.40</b>	<b>42,372</b>	<b>11.29</b>	-	-	-	-
Construction							<b>1,359</b>	1.10
	<b>226,485</b>	<b>73.14</b>	<b>214,891</b>	<b>57.29</b>	<b>109,197</b>	<b>100</b>	-	-
Services							<b>61,279</b>	49.49
Wholesale and retail trade	7,296	2.38	18,401	4.91	-	-	12,369	9.99
Hotel, food and beverage services	168	0.05	94	0.03	-	-	-	-
Transportation and telecommunication	1,764	0.58	3,560	0.95	-	-	192	0.16
Financial institutions	147	0.05	-	-	-	-	-	-
Real estate and renting services	249	0.08	894	0.24	-	-	-	-
Self-employment services	195,512	63.83	189,990	50.64	-	-	47,840	38.63
Education services	251	0.08	-	-	-	-	-	-
Health and social services	6,113	1.20	1,438	0.38	-	-	-	-
Other	14,985	4.89	514	0.14	109,197	100	842	0.68
							36	0.03
<b>Total</b>	<b>306,313</b>		<b>375,174</b>		<b>109,197</b>		<b>123,834</b>	

### c.3 Information on non-cash loans in Ist and IInd Groups :

	I st Group		II nd Group	
	YTL	FC	YTL	FC
Non-cash loans	<b>306,313</b>	<b>375,174</b>		
Letters of guarantee	306,313	213,580	-	-
Bank acceptances	-	4,438	-	-
Letters of credit	-	156,243	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring of guarantee	-	-	-	-
Other commitments and contingencies	-	913	-	-

## 2. Information on derivative financial instruments:

None.

## **ALBARAKA TÜRK KATILIM BANKASI A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005  
(CURRENCY – THOUSANDS OF YTL)**

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### **3. Accounting and presentation of contingent assets and liabilities in the financial statements:**

3.a). For contingent assets, if realization probability is close to certain, it is accounted for in the financial statements. If realization probability is high, then it is explained in the footnotes. As of December 31, 2006 there are no contingent assets that need to be explained.

3.b) There are no provisions set for contingent liabilities.

### **4. Information on the services in the name and account of third parties:**

The Bank does not have any operations in the name and account of real persons, legal entries, foundations, retirement insurance funds and other legal entities.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### IV. I. EXPLANATIONS AND FOOTNOTES RELATED WITH STATEMENT OF INCOME:

#### 1. a) Information on profit share income from loans:

	I st Group		II nd Group	
	YTL	FC	YTL	FC
Profit Share Income	235,458	1,041	-	-
Short Term Loans	152,734	992	-	-
Medium and Long Term Loans	80,225	49	-	-
Loans under follow-up	2,499	-	-	-
Premiums received from Resource Utilization Support Fund	-	-	-	-

#### b) Information on profit share income from banks:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Headoffices and Branches	-	-	-	-
<b>Total</b>	-	-	-	-

c) The Bank has no profit share income from marketable securities.

d) The Bank has no profit share income from associates and subsidiaries.

#### 2. a) Information on profit share expenses on funds borrowed :

	Current Period		Prior Period	
	YTL	FC	YTL	FC
<b>Banks</b>				
Central Bank of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	-	-	-
Headoffices and Branches Abroad	-	-	-	-
Other Institutions (Related to Financial Leasing Payables)	30	-	10	-
<b>Total</b>	<b>30</b>	-	<b>10</b>	-

b) Profit share income paid to associates and subsidiaries: None.

c) Profit share expenses paid to securities: None.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

d) Maturity structure of the profit share expenses paid to participation accounts:

Account	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 9 Month	Up to 1 Year	Over a year	Accumulating Deposit Account	Total
Turkish Lira								
Participation accounts granted to banks and special finance houses	-	-	-	-	-	-	-	-
Participation accounts of real persons(non- trading)	80,618	15,524	3,479	-	4,943	-	-	104,564
Participation accounts of public institutions(non- trading)	218	-	-	-	-	-	-	218
Participation accounts of commercial institutions.	11,212	443	-	-	35	-	-	11,690
Participation accounts of other institutions	1,329	140	9	-	3	-	-	1,481
<b>Total</b>	<b>93,377</b>	<b>16,107</b>	<b>3,488</b>	<b>-</b>	<b>4,981</b>	<b>-</b>	<b>-</b>	<b>117,953</b>
Foreign Currency								
Banks	319	93	-	-	81	-	-	493
Participation accounts of real persons(non- trading)	20,599	6,293	1,156	-	2,704	3,953	-	34,705
Participation accounts of public institutions(non- trading)	126	-	-	-	-	-	-	126
Participation accounts of commercial institutions	1,713	88	18	-	13	-	-	1,832
Participation accounts of other Institution	1,556	882	-	-	319	-	-	2,757
Precious Metal Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>24,313</b>	<b>7,356</b>	<b>1,174</b>	<b>-</b>	<b>3,117</b>	<b>3,953</b>	<b>-</b>	<b>39,913</b>
<b>General Total</b>	<b>117,690</b>	<b>23,463</b>	<b>4,662</b>	<b>-</b>	<b>8,098</b>	<b>3,953</b>	<b>-</b>	<b>157,866</b>

### 3. Information on dividend income;

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets Valued at Fair Value Through Profit/Loss	-	-
Financial Assets Available for Sale	-	-
Other	-	1,156
<b>Total</b>	<b>-</b>	<b>1,156</b>

### 4. Information on trading profit/loss :

	Current Period	Prior Period
<b>Profit</b>	<b>152,958</b>	<b>313,288</b>
Trading Account Income	-	-
Derivative financial instruments	-	-
Other	-	-
Foreign Exchange Gain	152,958	313,288
<b>Loss (-)</b>	<b>(209,269)</b>	<b>(260,805)</b>
Trading Account Loss	-	-
Derivative financial instruments	-	-
Other	-	-
Foreign Exchange Loss	(209,269)	(260,805)

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### 5. Information on other operating income:

Total operating income amounting to YTL 115,221 comprises income from foreign exchange loans in the amount of YTL 81,186, cancellation of expenses foreign exchange loans in the amount of YTL 20,911, YTL 8,019 of the remaining comprises income from sale of assets and property and YTL 5,105 adjustments to prior year expenses and other income.

### 6. Provision for loan losses and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	4,121	1,420
III. Group	1,034	875
IV. Group	595	15
V. Group	1,908	530
Doubtful fees and commissions receivable and other receivables	584	-
General provision expenses	2,975	829
Provision for possible losses	1,144	-
Foreign currency indexed loans exchange differences	-	-
Financial assets at fair value through profit or loss	-	-
Financial assets available for sale	-	-
Impairment losses on associates, subsidiaries and investments held-to- maturity	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Investments held-to-maturity	-	-
Other	585	501
<b>Total</b>	<b>8,825</b>	<b>2,750</b>

### 7.a) Information on other operating expenses:

	Current Period	Prior Period
Foreign Exchange Expenses	35,497	48,228
Personnel Expenses	41,416	30,024
Reserve for Employee Termination Benefits	729	744
Deficit Provision for Pension Fund	-	-
Impairment Losses of Tangible Fixed Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	5,406	4,402
Impairment Losses of Intangible Fixed Assets	-	-
Impairment Losses Goodwill	-	-
Depreciation Expenses of Intangible Fixed Assets	337	294
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses of Assets to be Disposed	-	-
Impairment Losses on Assets held-for-Sale	-	-
Other Operating Expenses	16,499	15,791
Operational lease related expenses	3,657	2,285
Repair and maintenance expenses	766	744
Advertisement expenses	2,870	3,933
Other Expenses	9,206	8,829



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

Loss on Sale of Assets	1,265	8,371
Other	18,307	11,245
<b>Total</b>	<b>119,456</b>	<b>119,099</b>

**8. Information on profit/loss before taxes:** The Bank's profit before taxes YTL 71,627 (2005- YTL 42,014)

**9. Information on provision for taxes:**

a. Explanations on current and deferred tax income or expense:

As of December 31, 2006 the Bank has not recorded any current tax income or expense, but recorded deferred tax income amounting to YTL 2,246 (2005- YTL 4,403).

b. Deferred tax income or expense on temporary differences, carried forward tax losses or tax exemptions or deductions:

Temporary Differences	Current Period		Prior Period	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Fixed Assets Acquired by Financial Leases (net)	32,598	6,520	-	-
Financial Leasing Receivables	(5,460)	(1,092)	-	-
Impairment Losses Tangible Fixed Assets	1,302	260	-	-
Reserve for Employee Termination Benefits	3,868	774	3,139	942
Profit Share Discount	591	118	-	-
Investment allowance with withholding tax	-	-	28,743	2,932
Investment allowance exemption-without withholding tax	-	-	16,506	4,952
<b>Deferred Tax Assets</b>		<b>6,580</b>		<b>8,826</b>
<b>Deferred Tax Expenses</b>		<b>2,246</b>		

**10. Information on profit/loss after taxes:**

The Bank's profit after taxes is 69,381 YTL. (2005 – 46,417 YTL)

**11. Information on net income / loss for the period:**

a. The nature and amount of certain income and expense items from ordinary operations are disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

None.

b. The effect of the change in accounting estimates to the net profit/loss; including the effects on the future period:

None.

c. Income / loss of minority interest:

None.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

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**12. Components of other items in income statement, as each sub-account exceeding 20% of the total separately, exceeding 10% of total income statement.**

Other commissions income of YTL 22,078 shown in the statement of income included fees and commissions received of YTL 6,446 from member companies.

### **V. FOOTNOTES AND EXPLANATIONS RELATED TO STATEMENT OF SHAREHOLDERS' EQUITY MOVEMENT:**

**1. Explanations on the adjustments made in the current period related to the application of Accounting Standards on Financial Instruments:**

- a. Increase resulting from the measurement of available for sale securities: None.
- b. Increase in cash flow risk hedging items: None.
- c. Reconciliation of beginning and ending balances of the foreign currency differences: None.

**2. Explanations on the adjustments made in the current period regarding the application of Accounting Standard on Financial Instruments:**

- a. Information on securities available for sale: None
- b. Information on cash flow hedges: None.

**3. Information on dividend:**

- a. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- b. Dividends per share proposed subsequent to the balance sheet date: YTL 0,25 (2005- YTL 0,05)
- c. Proposals to General Assembly for the payment times of dividend and if it will not be appropriated the reasons of this: None.

**4. Amounts transferred to legal reserves:** Amount transferred to legal reserves from retained earnings was YTL 2,296 in 2005, and for 2006 proposed legal reserve amount is YTL 3,469 in the proposed profit distribution table.

**5. Information on shares issued:**

- a. There are no priorities or restrictions regarding the distribution of income and repayment of the capital. Income is equally distributed to all shareholders.
- b. Information on the other capital increase items in the statement of changes in shareholders' equity.:None.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### VI. FOOTNOTES AND EXPLANATIONS RELATED TO THE STATEMENT OF CASH FLOW:

**1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:**

“Other items” amounting to YTL 137,485 included in “Operating profit before changes in operating assets and liabilities” consist of foreign currency losses of foreign currency index loans and other expenses other than personnel expenses, loss on sales of assets, taxes paid and fees and commissions paid.

**2. Cash flows related to acquisition of participations, subsidiaries and other investments:**

	<b>Current Period</b>	<b>Prior Period</b>
Cash and cash equivalents	-	-
Loans granted	-	-
Other assets	-	-
Loans from other financial institutions	-	-
Other commitments	-	-
Goodwill	-	-
Cost (1)	-	-
Foreign currency gains (2)	-	-
Cost (3)	-	-
Cash and cash equivalent amount of the acquired investment (4)	-	-
Total cash outflow (5)	-	651

**3. Information on disposals of the participations, subsidiaries and other investments:**

	<b>Current Period</b>	<b>Prior Period</b>
Net assets (1)	-	-
Cash and cash equivalents	-	-
Receivables from other banks and other financial institutions	-	-
Loans granted	-	-
Current and participation accounts of banks	-	-
Loans granted to other financial institutions	-	-
Other commitments	-	-
Selling income (2)	-	-
Cash and cash equivalent amount of the disposed investment (3)	-	-
Net cash inflow from the disposal	-	31,734

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### 4. Information on cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	131,676	79,089
Cash/ Cash in Foreign Currency	32,255	26,647
Money in Transit		
The Central Bank of Turkey	99,421	52,442
Cash Equivalents	173,666	137,098
Domestic Banks	116,730	71,713
Foreign Banks	56,936	65,385
Total Cash and cash equivalents	305,342	216,187

### 5. Information on cash and cash equivalents at the end of period:

	Current Period	Prior Period
Cash	97,895	131,676
Cash/ Cash in Foreign Currency	45,798	32,255
Money in Transit	1,050	
The Central Bank of Turkey	51,047	99,421
Cash Equivalents	218,029	173,666
Domestic Banks	168,711	116,730
Foreign Banks	49,318	56,936
Total Cash and cash equivalents	315,924	305,342

### 6. There is no cash and cash equivalent item which are restricted for the usage of the Bank or subsidiaries of the Bank by legal or other limitations.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005 (CURRENCY – THOUSANDS OF YTL)

### VII. EXPLANATIONS AND FOOTNOTES FOR RELATED PARTY TRANSACTIONS:

#### 1. Volume of related party transactions, income and expense amounts involved and outstanding loan and funds collected balances:

##### a. Current Period:

Bank's Risk Group	Associates, Subsidiaries and Join- Ventures		Direct and indirect shareholders of the Bank		Other components in risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	-	42,809	8,661	-	-
Balance at end of the period	-	-	62,903	24,182	-	-
Profit share and commission income received	-	-	5,145	-	-	-

##### b. Prior Period:

Bank's Risk Group	Associates, Subsidiaries and Join- Ventures		Direct and indirect shareholders of the Bank		Other components in risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	475	48,695	2,858	-	-
Balance at end of the period	-	-	42,809	8,661	-	-
Profit share and commission income received	-	-	5,542	-	-	-

##### c.1. Information on special current and participation accounts related to the Bank's risk group:

Bank's Risk Group	Associates, Subsidiaries and Join- Ventures		Direct and indirect shareholders of the Bank		Other components in risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Special current and participation accounts						
Balance at the beginning of the period	-	2,847	96,134	68,090	-	-
Balance at end of the period	-	-	64,237	96,134	-	-
Profit share expense	-	-	4,016	1,961	-	-

##### c.2. Information on forward and option agreements and other similar agreements made with related parties:

None.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2006 AND 2005  
(CURRENCY – THOUSANDS OF YTL)

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## VIII. INFORMATION ON THE BANK'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES:

Information relating to the domestic, foreign, offshore branches and foreign representatives of the Bank;

	Number	Number of Employees			
Domestic branch	63	1,156			
				Country of Incorporation	
Foreign representatives	-	-	-		
				Total Assets	Statutory Share Capital
Foreign branch	-	-	-	-	-
Offshore banking region branches	-	-	-	-	-

Explanation on the opening and closing of branches and representations in Turkey or abroad or change in its organization structure with significant effect:

There is no change that significantly effects the organization

**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Other Disclosures and Footnotes:**

None.

- II.** The Bank does not have to prepare consolidated financial statements in accordance with the “Comminuque on the Preparation of Financial Statements by Banks” published in the Official Gazette dated 8 November 2006 and numbered 26340.

**SECTION SEVEN**

**EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT**

**I. Explanations on the independent auditors' report**

The financial statements of the Bank for the period between January 1 – December 31, 2006 were audited by Kapital Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

Independent audit report is presented preceding the financial statements and related disclosures to financial statements.

**II. Explanations and footnotes prepared by independent auditors**

None.