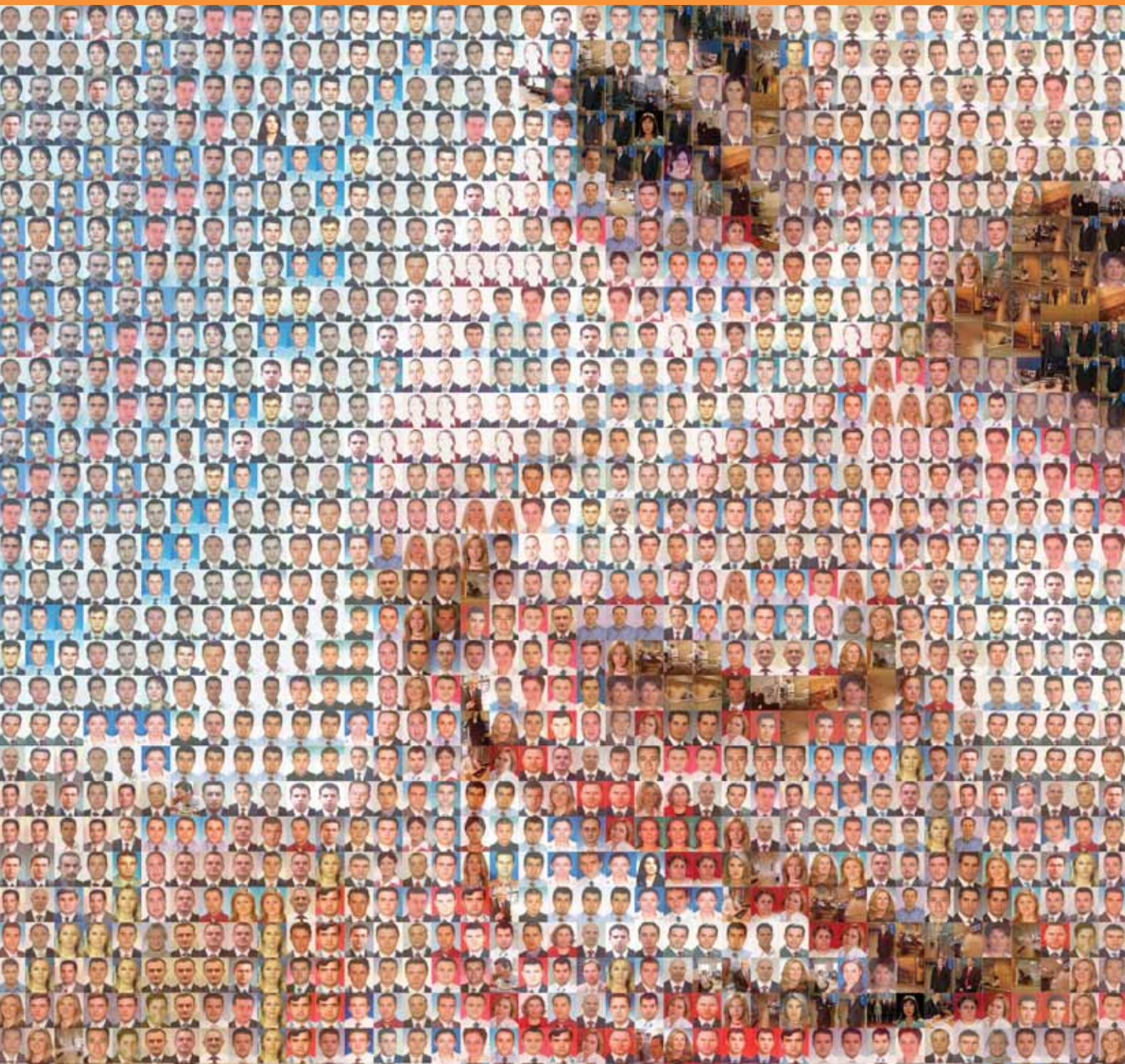


2006

ANNUAL REPORT

A DECADE OF SUCCESS

CELEBRATING ITS TENTH ANNIVERSARY, İŞ INVESTMENT IS GETTING READY FOR AN IPO... THE WORLD ECONOMY HAS WELCOMED 2007 WITH OPTIMISM. DESPITE TIGHT MONETARY POLICIES, GLOBAL LIQUIDITY HAS BEEN GRADUALLY EXPANDING.... İŞ INVESTMENT RANKS FIRST ON THE İSE STOCK MARKET AND THE DERIVATIVES EXCHANGE... İŞ INVESTMENT ENTERS THE WORLD'S FINANCIAL CENTER, LONDON, WITH MAXIS SECURITIES, A WHOLLY-OWNED SUBSIDIARY... TRADEMASTER: A NEW ONLINE PLATFORM.



A close-up photograph of a fluffy yellow chick, looking directly at the camera. The chick's feathers are soft and downy. The background is a solid, vibrant green color. The chick's feet are visible at the bottom of the frame.

1997

East Asia faces a financial crisis... UK hands over Hong Kong to China... Great strides forward in the field of genetics; Dolly the sheep is cloned... Turkey enacts a law for eight-year compulsory education...

A STAR IS BORN IN INVESTMENT BANKING

ADOPTING AN INVESTOR-ORIENTED, MARKET-FOCUSED SERVICE APPROACH, İŞBANK FOUNDED İŞ INVESTMENT FOR ALL INVESTMENT TRANSACTIONS ON NATIONAL AND INTERNATIONAL CAPITAL MARKETS.

MANAGEMENT

İlhami Koç
General Manager

Murat Kural
Assistant General Manager

Ufuk Ümit Onbaşı
Assistant General Manager

Ertuğ Yıldırımcan
Assistant General Manager

Mert Erdoğan
Assistant General Manager

Banu Taşkın
Assistant General Manager

Şükrü Bozkurt
Coordinator, Information Technology

Serhat Gürleyen, CFA
Director, Research

Yiğit Arıkök
Manager, Domestic Markets

Nuran Aydınöğlü
Manager - Brokerage

Evren Bolgün
Manager - Risk Management

Efsane Çam
Manager - Mergers and Acquisitions

İlkay Dalkılıç
Manager - International Capital Markets

Yeşim Karayel
Manager - Public Offerings and Privatization

Can Pamir
Manager - Marketing

Emre Sezan
Manager - Research

Arkin Şengönlü
Manager - Information Technology

Bige Özçubukçu
Manager - Corporate Communications

Meriç Uygurçetin
Manager - Human Resources

Fatma Ütül
Manager - Operations

İbrahim Yavuz
Manager - Software Development

Çağlan Yazıcı
Manager - Institutional Sales

Berrin Dümen
Assistant Director, Board of Internal Auditors

Evren Karabulut
Assistant Manager - Investment Advisory

Alper Kaymak
Assistant Manager - Investment Advisory

Nurtaç Kelle
Assistant Manager - Investment Advisory

Levent Tokgözoğlu
Assistant Manager -
Financial and Administrative Affairs

Tufan Deriner
Yeniköy Branch Manager

Merih Derinsu
İzmir Branch Manager

Yeşim Özden
Ankara Branch Manager

Nihan Özenç
Kalamış Branch Manager

Murat Balaban
Head of Levent Representative Office

Cengiz Macun
Head of Almaty, Kazakhstan Representative Office

Editor's Review of 2006

Overview of the world economy

The world economy entered 2007 with an air of cautious optimism. The slowdown in the US economy and falling oil prices has eased concerns about global inflation. The fall in US consumer spending is expected to result in a slight decline in global growth.

Despite tight monetary policies, liquidity is gradually growing around the world. The Federal Reserve is not expected to continue raising interest rates however, it should be kept in mind that interest rates in G-7 countries are still well below long-term averages. The picture seems to be quite optimistic, but we still expect global capital to be more selective when it comes to developing countries, in the aftermath of the May-June 2006 disruption.

Overview of the Turkish economy

Turkey enjoyed tremendous economic success following the economic crisis in 2001. Inflation and interest rates went down as growth went up.

Yet, politics is expected to loom large once again after years of quiet. Parliamentary elections will certainly affect markets. Starting an election year with a growing foreign deficit and high real interest rates with an inflation rate higher than the projected causes uncertainty in the economy and in financial markets, which in turn renders it difficult to make predictions. The risk appetite of global markets and national economic policies and politics will determine whether there will be an 'adjustment' and if yes, what will be its extent.

İş Investment 2007 Strategy

İş Investment has based its 2007 strategy on two aspects:

1. Domestic events, i.e parliamentary elections: The number of political parties that will enter the Parliament is important since this will determine whether a one-party government will continue or not.
2. International developments; ample liquidity conditions and favorable global investment conditions.

No significant development is expected in 2007 in relation to EU accession negotiations. Unless a UN solution is brought, Cyprus will continue to be the scapegoat of the EU negotiations.

The government aims for higher economic growth and may be expected to adopt a less tight fiscal policy in 2007 compared to previous years. Even so, we believe that the IMF peg and pressure by markets will act as fuses to prevent budget troubles from upsetting economic balances.

We predict that inflation will fall gradually and the Turkish Central Bank will continue its tight monetary policy due to existing political uncertainties. We do not expect a cutback in interest rates in the short-term. If global risk appetite continues in 2007, the value of the Turkish currency may continue to be suppressed despite potential political tensions.

Risk premiums will probably remain high due to concerns over fiscal policies and uncertainties in relation to election results. Political uncertainty and high real interest will most likely limit growth in special consumption spending and investments. We believe that export growth will not be able to offset shrinking domestic demand. Therefore, we predict that the economy will slow down and will probably grow at the reasonable pace of 4%.

Recommendations for investors

We predict that in 2007, the bonds and bills market will have a higher yield compared to the stock market, due to the slowdown in economic growth, high real interest rates and political risks. Therefore, we continue to recommend short and medium-term Turkish lira bonds which have a high yield at maturity.

Despite uncertainties, we do not expect a decline in the stock market, unless a fluctuation occurs in international markets. In 2006, the Istanbul Stock Exchange (ISE) performed poorly and stocks traded at below world averages. Therefore, the ISE will probably experience a limited fall in times of uncertainty.

Although we do not recommend buying on the stock market in general, we would like to remind investors who would like to seize opportunities on a stock basis that they may benefit from İş Investment's recommended portfolio which out-performed the ISE-100 index by 28% in 2006.

With the potential of high foreign currency inflow in the form of foreign direct investment, we do expect another strong Turkish Lira year ahead.

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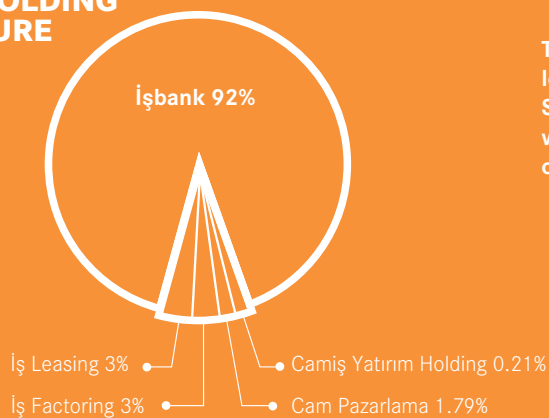
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FINANCIAL HIGHLIGHTS

(YTL 000)

SUMMARY BALANCE SHEET	2006	2005	2004
Assets			
Current Assets	522,704	352,302	227,056
Fixed Assets	19,440	16,091	19,482
Total Assets	542,144	368,393	246,538
Liabilities			
Short-term Liabilities	261,246	104,072	34,497
Long-term Liabilities	739	737	846
Minority Interest	127,536	124,929	104,503
Shareholders' Equity	152,623	138,655	106,692
Total Liabilities	542,144	368,393	246,538
SUMMARY INCOME STATEMENT			
2006			
Sales Revenue (Net)	21,227,501	28,970,137	19,413,374
Stocks	5,885,482	5,213,656	4,714,026
Private Bonds	1,024	-	-
Government Bonds	11,834,739	22,548,477	11,337,176
Treasury Bills	3,247,539	1,140,142	3,355,821
Mutual Funds	258,717	67,862	6,351
Cost of Sales	(21,225,640)	(28,937,464)	(19,373,538)
Service Revenue (Net)	41,967	38,447	29,563
Other Operating Income	6,592	3,113	2,721
Gross Profit	50,421	74,234	72,119
Operating Expenses (-)	(42,347)	(31,136)	(29,241)
Minority Interest	(8,385)	(34,397)	(13,341)
Profit before Taxation	17,962	34,097	10,776
Net Profit	15,735	26,525	5,494

SHAREHOLDING STRUCTURE



The shareholding structure of İş Investment is as indicated on the left, after the shares held by Camiř Menkul Deęerler A.ř. (Camiř Securities) and Camiř Sigorta Hizmetleri A.ř. (Camiř Insurance) were sold to Camiř Yatırım Holding A.ř. and Cam Pazarlama A.ř. on December 28, 2006 and March 28, 2006, respectively.



1998

Turkey celebrates the 75th anniversary of the Republic ... Russian crisis: Devaluation and moratorium... Inflation exceeds 100%... Stocks taxation system amended... Google is born.

THE MOST PRESTIGIOUS BROKERAGE HOUSE IN PUBLIC OFFERINGS

WITH A STRONG DISTRIBUTION NETWORK COMPOSED OF 880 İŞBANK BRANCHES THROUGHOUT TURKEY, İŞ INVESTMENT SOLD 72% OF THE SHARES IN THE SECONDARY PUBLIC OFFERING OF İŞBANK.

İŞ INVESTMENT 2006 HIGHLIGHTS

İŞ INVESTMENT IN CAPITAL MARKETS

- *Stock Market leader with a trading volume of YTL 41,836 million (US\$ 29,081 million).*
- *The highest number of transactions on the Turkish Derivatives Exchange with a trading volume of YTL 9,044 million (US\$ 6,287 million) and a market share of 25.29%.*
- *US\$ 4.5 billion in foreign securities transactions on international markets.*
- *Second place among brokerage houses in the Outright Purchases and Sales Market of the Fixed-Income Securities Market, with a trading volume of YTL 19,814 million (US\$ 13,773 million).*
- *Ranked tenth in the Repo-Reverse Repo Market with a transaction volume of YTL 19,058 million (US\$ 13,247 million).*

İŞ INVESTMENT AND CORPORATE FINANCE

- *Realized the public offering of Selçuk Ecza Deposu as the domestic and international lead bookrunner.*
- *Acted as domestic lead manager and bookrunner, international co-lead manager in the public offering of Coca Cola İçecek A.Ş.*
- *Completed the third public offering of Turkish Airlines as global coordinator, joint international and domestic bookrunner.*
- *Provided consultation services to the Turkish Privatization Authority for the privatization of Sümer Holding A.Ş.'s Taşucu Paper Mill (asset sale) and Taşucu Port (transfer of operating rights).*
- *Participated as co-manager in the issuance of US\$ 2.25 billion in Turkish Eurobonds to mature in 2036.*
- *Acted as co-manager in the US\$ 250 million Eurobond issue of Alliance Bank to mature in 2011. Alliance Bank is among the top ten banks of Kazakhstan.*
- *In a consortium with Goldman Sachs and CAIB, İş Investment signed a consultation contract with the Privatization Administration for the privatization of Halkbank.*
- *Provided consultations in the merger of Coca Cola İçecek A.Ş. and Efes Sınai Yatırım Holding A.Ş.*

CELEBRATING ITS 10TH ANNIVERSARY, İŞ INVESTMENT PREPARES FOR AN IPO

Committed to achieving its mission of contributing to the development of the capital markets and upholding İşbank's tradition, İş Investment is preparing for an initial public offering. Since its inception, İş Investment has proven itself not only as a brokerage house but as an investment bank that is capable of operating in all segments of the capital markets. Now, İş Investment will share its strength with its investors.

Pursuant to the decision taken by İşbank's Board of Directors on November 30, 2006, new and existing shares of the Company will be sold through an initial public offering. If the "greenshoe" option is exercised following the IPO, İş Investment's free float will reach 29.73%.

A total of YTL 22.6 million of nominally valued new shares will be issued and offered to the public. This amount will comprise about 73% of the total public offering.

The offering will also include a total of YTL 8.3 million of nominally valued shares owned by İşbank. Such stock will comprise of about 27% of the total public offering. Thus, the total nominal value of the shares to be offered to the public will reach YTL 30.9 million.

In case of significant oversubscription in the public offering, the "greenshoe" option may be exercised for the YTL 4.6 million of nominally valued shares owned by İşbank. The use of the "greenshoe" option would therefore raise the total nominal value of shares offered to the public to YTL 35.5 million, lifting the free float rate to 29.73%.

The IPO will also confirm İş Investment's leading and pioneering role in the sector. The IPO will contribute to the growth of the Company and enable İş Investment to offer better services to its investors.



1999

Marmara and Düzce earthquakes... Turkey becomes an accession candidate at the EU's Helsinki Summit... Early general elections held.

LARGEST INVESTOR PORTFOLIO IN TURKEY

WITH 218,000 ACTIVE STOCK INVESTMENT ACCOUNTS, İŞ INVESTMENT MANAGES 37% OF ALL INVESTMENT ACCOUNTS IN TURKEY AND POSSESSES THE LARGEST CORPORATE AND INDIVIDUAL CUSTOMER PORTFOLIO IN THE COUNTRY.



2000

Oil prices spike at their highest level in the last decade at US\$ 27 per barrel... Ahmet Necdet Sezer is elected as the 10th President of Turkey... The Turkish Central Bank switches to a monetary policy based on the value of a currency basket... Banking Regulation and Supervision Agency is established.

A PIONEER IN THE CAPITAL MARKETS

WITH ITS EXPERIENCED STAFF, ROBUST FINANCIAL STRUCTURE AND INNOVATIVE PRODUCTS, İŞ INVESTMENT CONTINUED TO CONTRIBUTE TO THE DEVELOPMENT OF TURKISH CAPITAL MARKETS.

İŞ INVESTMENT OPENS ITS FOURTH BRANCH IN YENİKÖY

Experiencing rapid and healthy growth, İş Investment opened its fourth branch in Yeniköy after its Ankara, İzmir and Kalamış branches. The Yeniköy branch is İş Investment's second branch in Istanbul. Located in a historical waterfront mansion, the Yeniköy branch will offer İş Investment's experience and expertise to its investors. With an eight-member investment advisory team, the Yeniköy branch will provide brokerage, investment advisory and private portfolio management services in national and international markets.

Following its representative office in Almaty, İş Investment opened its second representative office in Levent to offer brokerage services to investors.



MAXIS SECURITIES: İŞ INVESTMENT MEETS LONDON, THE WORLD'S FINANCIAL CENTER

In 2006, İş Investment took an important step toward becoming more effective in international markets with the establishment of a wholly-owned subsidiary in London, the world's financial center. İş Investment obtained the necessary authorization from the FSA in August 2006 for Maxis Securities, which will be its gateway to international markets. Maxis will offer a wide product range to investors under the leadership of Meltem Çitçi, the former İş Investment International Capital Markets Manager before her appointment as the General Manager of Maxis. Maxis Securities will start operations in 2007.



İŞ SANAT AND İŞ INVESTMENT BRING JAZZ DIVA DIANNE REEVES TO ISTANBUL

Jazz diva Diana Reeves, the only singer to win three consecutive Grammy Awards for the "best jazz vocalist album," was welcomed by jazz fans in Istanbul at a concert organized by İş Sanat and İş Investment. Diana Reeves' unforgettable concert will be remembered for many years by jazz fans.

CAPITAL CONTINUES ITS "WIDE-ANGLE INSERTS"

As has become a tradition in the past three years, İş Investment continued to hold interviews with world-famous figures. Capital magazine shares these quarterly interviews with readers in its "wide-angle inserts." Some of the topics (also available on www.isyatirim.com.tr) presented in 2006 were as follows:

- How Can Turkish Companies Go Global?
- Corporate Governance in the World and in Turkey
- Where is the Football Economy Heading?
- How Will Companies Benefit from Private Sector Bonds?

WIDE ANGLE HOSTS NOBEL PRIZE LAUREATE ROBERT MUNDELL

This year's guest at the "Wide Angle" meetings was Prof. Robert Mundell, the 1999 Nobel Prize Laureate in Economics. Mundell, who has been an economy professor at Columbia University for the last twenty five years, has conducted extensive studies and written articles about the international economy. One of the advocates of a common currency for Europe, Prof. Mundell was awarded the Nobel Economy Prize in 1999 for his studies on "Monetary and fiscal policies under different currency regimes and optimum currency." The pioneer of supply-side economics with his theory on money and monetary policies, inflation and interest, he has written extensively on the history of the international currency system.

At his conference entitled "The Strong Turkish Lira, Current Account Deficit and the Inflation Target" Prof. Robert Mundell shed new light on sensitive issues in the Turkish economy and presented an extensive analysis on Turkey. His speech was received very positively by the audience.



“İŞ INVESTMENT PREPARES TO SHARE ITS SUCCESS WITH ITS INVESTORS”



OUT OF THE TOTAL US\$ 930 MILLION RAISED IN THE FIFTEEN IPOs COMPLETED IN TURKEY IN 2006, İŞ INVESTMENT ACTED AS THE LEAD MANAGER FOR TWO IPOs WORTH US\$ 500 MILLION.

2006 has brought the economic and political stability Turkey has been longing for. The disruption to the global markets in May did not significantly impact the Turkish economy. Optimism continued in world economies and developing countries made the most out of increasing global liquidity. However, in the aftermath of the disruption, global capital has become more selective toward developing countries. Even so, Turkey continues to attract foreign direct investment at a level which could not even be dreamt of a few years ago. On the whole, I believe that, in general, this optimism will continue in 2007.

A record foreign deficit and a high inflation rate in a year of two elections have once again placed political concerns high on the economic and financial agenda. However, my prediction is that the risk appetite of global markets as well as national economic and political strategies will guide the markets.

İş Investment maintained its leadership among brokerage houses in 2006, ranking first on the ISE Stock Market and second on the Outright Purchases and Sales Market of the Fixed-Income Securities Market in terms of trading volume. İş Investment completed the highest number of transactions on the Turkish Derivatives Exchange with a market share of 25.29%.

As in previous years, private sector borrowing instruments failed to reach the desired performance. The high real interest rates, which cannot be reduced below a certain level, prevent private sector issues and the establishment of the necessary economic conditions. However, the recent economic stability has raised interest for derivatives among both institutional and individual investors. During the spell of financial turbulence in the middle of 2006, in particular, the Turkish Derivatives Exchange gained

considerable momentum; its trade volume and number of investors increased significantly. I predict that, investors will show greater interest in the Turkish Derivatives Exchange depending on the political and economic agenda and in parallel with investors' needs to minimize risk.

I believe that in the coming years, the trading volume on the Derivatives Exchange will reach and may even exceed the trading volume on the spot markets. İş Investment's aim is to contribute to and pioneer the formation and development of these markets. This is why we have developed a new service called 'Financial Risk Management' for companies. In this context, we will focus on identifying, prioritizing, eliminating or mitigating the financial risk of companies.

Turkish capital and money markets have fundamentally changed in recent years. Economic stability, a successful anti-inflationary program and interest rates falling in parallel with the fall in the Treasury's borrowing requirement have not only encouraged institutional capital markets players such as İş Investment but also individual investors to seek new products. İş Investment will focus on new products and services since it believes that such products and services will develop the industry as a whole.

For many years, İş Investment has been providing brokerage services for transactions in international stocks, raw materials and bonds markets until the close of trading in the US market. Customers will now be able to access the Turkish Derivatives Exchange and international markets more safely and be able to quickly perform real-time transactions with the “TradeMaster” online platform, now used for ISE transactions. TradeMaster is not only an online transaction platform; it is more of an advanced software application offering extensive analysis opportunities to professional investors.



Out of US\$ 930 million raised in the fifteen IPOs completed in Turkey in 2006, İş Investment acted as the lead manager for two IPOs worth US\$ 500 million. Orders received by the Company were almost eleven times higher than the amount offered for Coca Cola İçecek A.Ş. and almost ten times the amount offered for Selçuk Ecza Deposu A.Ş. This successful performance stands as testament to İş Investment's strength to issuers and investors.

İş Investment plays a prominent role in privatization projects and I estimate that both the number and volume of mergers and acquisitions will increase in the coming years. İş Investment has proven its expertise on several occasions, undertaking numerous major mergers and acquisitions.

Maxis Securities, a wholly-owned subsidiary based in London will open for business in 2007. This subsidiary will be İş Investment's gateway to European and world markets.

2007 will mark a turning point for İş Investment, which will celebrate its 10th year in the industry. The Company has been involved in public offerings of several major companies and aims to share its strength with investors through an IPO. This IPO will help the Company achieve its mission of contributing to the development of capital markets.

I would like to thank the employees and managers of our major shareholder İşbank for their unfailing support, our employees in particular for their self-sacrifice and our esteemed investors and business partners for their confidence in us. I would also like to welcome our new shareholders who will join us soon. Our family will grow larger and stronger with you.

Özcan Türkakın
Chairman

BOARD OF DIRECTORS

Özcan Türkakın, Chairman
Buket Himmetoğlu, Dep. Chairman
İbrahim Akar, Member
F. Güliz Aykan, Member
Oğuz Dinçer, Member
G. Meltem Kökden*, Member
Serpil Kılıboz, Auditor
Gürkan Öztoprak, Auditor

Chairman and members of the Board of Directors and Auditors were elected on April 28, 2006.

* Rıza İhsan Kutlusoy was replaced by G. Meltem Kökden on October 12, 2006.



İŞ INVESTMENT GENERAL MANAGER İLHAMİ KOÇ:

“WE MAINTAIN OUR LEADERSHIP IN CAPITAL MARKETS”

Let's start with what happened in the economy and in the markets in 2006. Could you please give us an overview of the national and international markets last year?

The capital markets entered 2006 with optimism. The index reached 48,000 as interest rates fell to record-low levels. However, we are still feeling the impact of the disruption that hit the markets in May due to the fluctuations in global markets.

In the past, we had reminded the investors that Turkey had two major problems: political and financial instability. The establishment of a single-party government in 2002 marked the beginning of a new era for the markets. Political stability brought financial stability with it. The markets enjoyed a new-dawn atmosphere amid increasing risk appetite from foreign investors in international markets. However, in May we witnessed a weakening in the lira and a rise in interest rates, as well as a plunge in ISE on the back of the increasing risks. Bond yields had fallen to 13.24% during the year but ended the year at 20%.

We can say that 2007 was a “wait-and-see” year, in other words, a year of transition. I do not expect a major downturn in the markets, assuming that international markets will maintain their current position. Until May 2006, domestic developments were mainly in parallel with local stock exchanges. However, today there is a significant gap between global valuation multiples and the ISE's valuation multipliers. Due to this gap, 2007 may bring about significant returns if the uncertainties are eliminated.



I don't expect a massive impact from the presidential elections this year; the general election and its aftermath are more important. The markets seek political stability. However, since Turkey has strengthened its position thanks to its economic performance in recent years and its developing relations with the EU and the IMF, I predict that the political risk posed by the elections will be limited when compared to previous years.

İş Investment is celebrating its tenth anniversary this year. What did İş Investment focus on in 2006?

İş Investment was once again been the most active broker on the ISE Stock Market and the Turkish Derivatives Exchange in 2006. İş Investment has been the leader in terms of trading volume on the ISE Stock Market for the last four years and on the Turkish Derivatives Exchange since its inception two years ago. These achievements confirm İş Investment's strength in capital markets.

As part of our efforts to develop new products and services, we lodged an application to the Capital Markets Board to issue exchange-traded funds. In line with our growth strategy, at the beginning of the second half of 2006, we added the Yeniköy branch to our sales network consisting of an Investment Advisory Department and branches in Kalamış, İzmir and Ankara. We established a marketing department at our head office to expand our product range and cover new investment opportunities efficiently.

Which corporate finance projects did you undertake in 2006?

Fifteen IPOs took place in Turkey in 2006, with a total value of US\$ 930 million. İş Investment was the lead manager in two of these with a total value of US\$ 500 million. The number of orders we received in these IPOs was almost eleven times the amount offered for Coca Cola İçecek A.Ş. and almost ten times the amount offered for Selçuk Ecza Deposu A.Ş.

İş Investment was the consortium leader in the secondary public offering of THY for 25% of its shares in 2006. The issue was 1.6 times oversubscribed, with a total of US\$ 208 million worth of shares issued. In a consortium with Goldman Sachs and CAIB, we were awarded the consulting contract of the Turkish Privatization Administration for the privatization of Türkiye Halk Bankası A.Ş. This privatization will be one of the most important public offerings on the near term agenda.

Other major corporate finance projects in which we participated during 2006 were:

- Provided advisory services to the Turkish Privatization Administration for the privatization of Sümer Holding A.Ş.'s Taşucu Paper Mill (asset sale) and Taşucu Port (transfer of operating rights).
- Provided advisory services to İş Venture Capital.
- Acted as a buy-side advisor for İş Venture Capital's investment for Beyaz Filo (White Fleet) and sell-side advisor in the divestment of Cinemars, acquired in 2003.
- Acted as co-leader in Alliance Bank's 2011 Eurobond issue. Alliance Bank is among the top ten banks of Kazakhstan.

What do you expect from Maxis Securities, your London-based subsidiary, which will start operations soon? Could you briefly tell us about your targets?

In order to consolidate our position in international markets, we established a brokerage house in London, Europe's financial center. Our subsidiary Maxis Securities is located next to the İşbank London branch; operations will commence soon. İş Investment has been monitoring capital markets closely since its inception and this subsidiary serves as an important gateway to global



TOP MANAGEMENT FROM LEFT TO RIGHT: **Ertuğ Yıldırımcan** Assistant General Manager, **Ufuk Ümit Onbaşı** Assistant General Manager, **Banu Taşkın** Assistant General Manager, **Mert Erdoğan** Assistant General Manager, **Murat Kural** Assistant General Manager, **İlhami Koç** General Manager

markets. The necessary authorization was obtained in August 2006 from the FSA; investors will soon be offered a wide range of international securities.

It is reported that trading volume on the Turkish Derivatives Exchange (TDE) was somewhat lacking in 2006. What is your view; will this change in the future and how do you see this happening?

Although derivatives may present opportunities for significant returns as in the spot markets, the actual usefulness of these instruments lies in hedging transactions. Investors willing to control future cash flows can protect themselves against risk by using derivatives.

In developing countries, derivatives markets are growing and spreading as anticipated. It would appear that Turkey is lagging behind other countries in this respect. The TDE may be somewhat lacking in terms of instrument diversity and trading volume at first since foreign investors showed little interest in the market, claiming that trading volume was low. However, the market, which had a daily trading volume of YTL 1-2 million in the first months of 2005 went on to achieve a volume of between YTL 140 to 180 million in the last two years. This recent growth may attract the attention of foreign investors and precipitate a substantial increase. My personal belief is that the trading volume will increase exponentially.

Although the TDE offers investors forward contracts for several assets (such as US dollars, EUR, ISE-100, ISE-30, Gold, Wheat, Cotton and Government Bonds), short-term ISE-30 and US\$/YTL contracts are the most popular. Forward contracts based on certain stocks will start trading soon. The most important development will be the introduction of options.

If the market had been structured like this during the 2001 crisis, the impact of the crisis might have been more limited. In fact, as companies build hedging positions, the economy is also hedging itself, thus reducing the magnitude of likely volatility in the economy.

I predict that hedging transactions will grow very rapidly. We expect several new companies to enter to the TDE market. This instrument is new to Turkey; expertise in derivatives trading is inadequate at this time in the country and is being formed from scratch. We are trying to expedite the process, but explaining something in theory is not very helpful. Therefore, we recommend companies attempt small transactions at first and we will help train their finance departments.

You have the highest trading volume on the TDE. How did you achieve it?

The major reason was that we were ready on Day One. Our employees and software applications were ready before the TDE was launched. Secondly, we worked hard to promote the TDE; not only did we train our own people, but we also introduced this system to our investors. We sent our team abroad where they met hedge fund investors. Foreign investors were initially hesitant, since trading volume was low. Now, as trading volume increases, they are beginning to get involved.

Our market share on the TDE is roughly 25%. This is a very high figure; it cannot remain at this level. Our market share will probably fall as trading volume increases.

You are planning an IPO for İş Investment in 2007. Can you tell us briefly why you took such a decision?

Our major shareholder is İşbank; its strategy is to offer the shares of its more mature subsidiaries to the public, since this is a basic principle of institutionalization. İş Investment has acted as the lead manager of several public offerings and has encouraged Turkish companies who have reached a certain size and maturity to offer their shares and adopt corporate governance principles. İş Investment's decision to hold an IPO is part of its mission to contribute to the development of capital markets. This decision must be seen as an important step towards institutionalization.

This public offering is crucial for the development and growth of İş Investment.

Do you have anything to add?

We have undertaken the public offerings of several large, important organizations in Turkey. In 2007, our most important project will be our own IPO. This project is also an indication of our pioneering role in this industry; it will give us additional strength and we will share it with our investors. We will grow stronger and offer even better services to investors.

Thank you.



2001

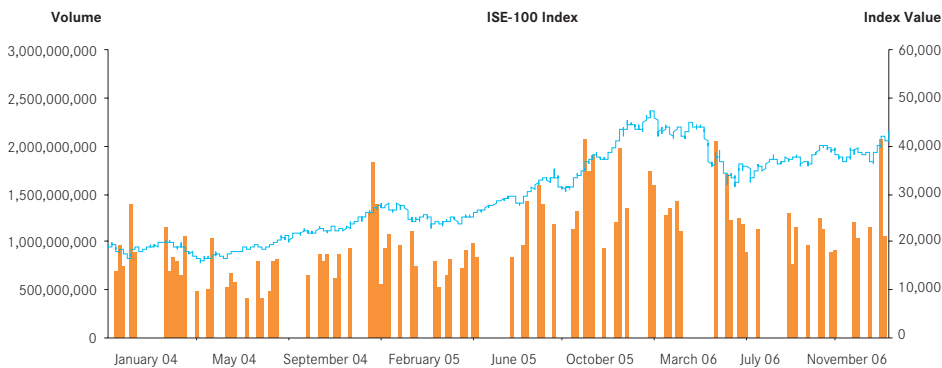
The most destructive economic decline in the history of the Republic of Turkey ... Government abandons currency basket policy and allows the lira to float freely... Turkish Parliament enacts a law granting autonomy to the Turkish Central Bank ... George W. Bush becomes US president after Clinton... New York's World Trade Center collapses following a terrorist attack.

ALWAYS A WINNER

İŞ INVESTMENT'S CLIENTS CONTINUED TO ENJOY GAINS DESPITE ECONOMIC INSTABILITY AND DIFFICULT CONDITIONS. İŞ INVESTMENT'S TYPE-B VARIABLE MUTUAL FUND BECAME THE MOST PROFITABLE MUTUAL FUND WITH A 131.77% RETURN.

SLOWDOWN IN MARKETS

Stock Market



INCREASING ITS MARKET SHARE TO 6.43% IN 2006, İŞ INVESTMENT MAINTAINED ITS LEADING POSITION IN THE ISE STOCK MARKET.

Domestic Markets in 2006

The upward trend prevailing in domestic markets for the last three years ended in 2006. The markets started the year optimistically, but then experienced a sudden downturn in May, caused by various factors. The disruption that emerged due to international developments was quickly replaced by optimism.

The impact of global economic developments and expectations about US interest rates on emerging markets, specifically the Turkish market, increased dramatically in 2006. Turkey was among the best-performing markets in the first half of the year; however, in May Turkey started to attract caution among investors due to its high current account deficit. The markets, which had gained depth in recent years by grabbing a higher share of global liquidity, became relatively shallow as a result of fluctuations caused by foreign investors.

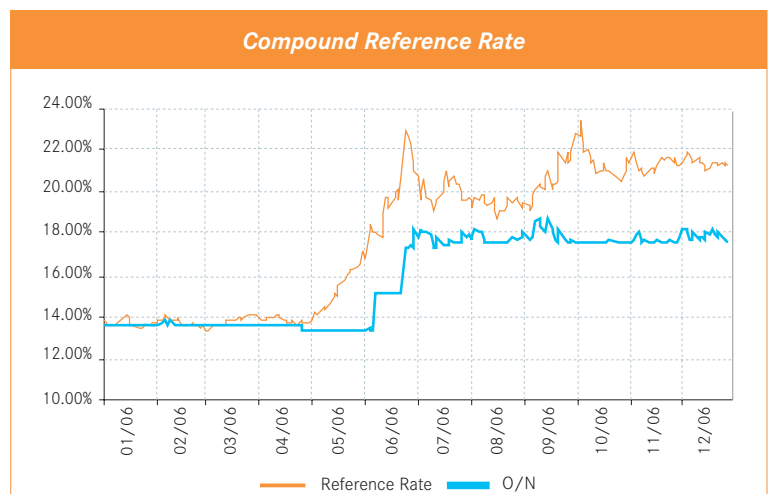
Since the significant devaluation in the Turkish currency late in the spring due to higher-than-expected inflation and global fluctuations, inflation expectations for 2006 grew more pessimistic. In an effort to manage this process, the Turkish Central Bank raised overnight interest rates by 425 base-points following a 25 base-point cut at the beginning of the year. Despite an inflation target of 5% in 2006, consumer inflation reached almost 10%, well above the upper limit of 7% announced by the Turkish Central Bank.

The disruption that occurred after May was mostly due to international events; however, even during the steepest declines in the index, there was relatively little selling by foreign investors on the Stock Market. The ratio of stocks held by foreign investors fell to 64% before climbing back to 66% by the end of 2006.

Daily average trading volume on the ISE Stock Market increased by 22% to YTL 1.3 billion. New stocks were listed in the first half of the year through several IPOs. Supply was rather limited apart from for the Selçuk Ecza, THY and Coca-Cola İçecek public offerings, which were all led by İş Investment. On the other hand, rapid growth in acquisitions had a positive impact on share prices on the ISE. In particular, the revision of company valuations in the popular banking industry in accordance with multipliers produced a very positive effect on stock indices.

Increasing its market share to 6.43% in 2006, İş Investment maintained its leadership in ISE Stock Market.

In 2006, the number of orders sent by İş Investment through the Ex-Api system increased 124% over 2005 figures, from 284,480 (daily





REPEATING THE SUCCESS ACHIEVED IN 2005, İŞ INVESTMENT MAINTAINED ITS LEADERSHIP IN THE TURKISH DERIVATIVES EXCHANGE IN 2006, WITH A MARKET SHARE OF 25.29%.

average of 1,120 orders) to 638,070 (daily average of 2,552 orders). This figure is expected to increase even further in 2007.

Although bond interest rates got off to a good start to 2006, they were also affected by the turbulence that occurred after May. While other markets recovered, interest rates on bills and bonds only saw a limited fall. A resistance emerged in interest rates when the Turkish Central Bank raised short-term rates by 4.5 percentage points, maintaining a tight monetary policy to control inflation. The benchmark bond, which started 2006 at a 14% annual compound yield, closed the year at a yield of 21%, after testing the 23% mark.

In 2006, İŞ Investment ranked second among brokerage houses in terms of trading volume on the ISE Bills and Bonds Market. İŞ Investment ranked 14th on the Bills and Bonds Market among all institutions including banks.

Private sector bond issues remained well below expectations as a result of the overall rise in interest rates. Two issues worth YTL 100 million and YTL 5 million were made but their secondary transaction performance was not satisfactory.

Derivatives Market

The Turkish Derivatives Exchange (TDE) developed rapidly after its launch in February 2005 and has become a market closely monitored by investors.

In 2006, ISE stock futures experienced the most trading volume, followed by FX futures. The benchmark bond rate was added to interest futures, but the market could not attain the desired trading volume due to unresolved technical problems and economic conditions. Likewise, the

volume of trading in gold futures, launched in 2006, did not reach satisfactory levels, either. Commodity futures exhibited the lowest liquidity last year.

Repeating its success in 2005, İŞ Investment maintained its leadership on the TDE with a market share of 25.29%.

The volume of arbitrage transactions also increased considerably in 2006. Also benefiting from price differences between various products and markets, Quantitative transactions were also launched. A quantitative analyst joined the İŞ Investment team to develop so-called “quantitatives,” which have become quite popular abroad and are based on quantitative models.

A NEW INSTITUTIONAL SERVICE: FINANCIAL RISK MANAGEMENT

Financial risk management includes all activities, including coordination and planning, for identifying, prioritizing, eliminating or mitigating financial risk in a dynamic process.

With financial risk management:

- *uncertainties regarding exchange rates, raw material and commodity prices and interest rates due to price movements are eliminated and*
- *institutional investors are protected against financial risks arising from price movements in national and international markets, with derivatives including forward contracts, futures, options and swaps.*

Financial risk management is advantageous because it:

- *provides insurance against high price volatility resulting from unexpected developments,*
- *allows companies to plan their production and operations realistically and independently of price fluctuations in financial markets and*
- *allows companies to focus on their core business by helping them avoid risk through financial risk management.*

Financial risk management is offered to:

- *institutional investors who carry short or long-term currency positions in their balance sheets due to the nature of their business,*
- *medium-size companies using certain types of raw materials and*
- *medium-size companies borrowing in foreign currencies.*

This year, the Company aims to harvest the fruit of its very first transactions that were carried out to become acquainted with and to test these models.

In addition to customer and corporate portfolio transactions, the number of foreign-origin transactions has also increased. Transaction terminals have been installed in Investment Advisory Units to improve service quality and reduce transaction time. Also, a separate team has been set up to perform transactions for foreign customers and to achieve the high international service standards they demand.

Mutual Funds and Investment Trust

The selling pressure that emerged in May and June combined with the amendments to the tax laws had an adverse impact on the mutual funds market. With the exception of liquid funds, the value of funds was almost halved during the year and returns on almost all funds remained below the net return of the overnight repo, which is deemed to be risk-free.

İş Investment expanded its mutual funds portfolio by introducing a Type-B Bills and Bonds Fund at the end of March 2006. Public and private-sector borrowing instruments comprise 51% of the assets included in the Type-B Bills and Bonds Fund; the total size of this portfolio reached YTL 16 million by the end of year. With a return of 7.40%, this fund ranked 14th among Type-B Bills and Bonds Funds, excluding Eurobond funds.

İş Investment's Type-A Variable Fund offered above benchmark returns, while the return on the Type-B Variable Fund remained below the benchmark due to tax law amendments in 2006.

The İş Investment Trust remains Turkey's largest investment trust with YTL 167 million in assets.

Launched in 2004, the size of the Sütaş Type-B Special Variable Fund reached YTL 52 million.

Private Portfolio Management

İş Investment offers private portfolio management services to investors who do not have the time to monitor the performance of their investments and need professional assistance. Investors receiving portfolio management services choose one or more of İş Investment's existing portfolio groups and assigns management rights of their portfolio to İş Investment. A special portfolio fund may be created for investors who own a certain amount of assets.

Private portfolio management takes into account the risk and return expectations of investors and aims to achieve maximum performance and optimum return in line with their preferences. In developing convenient investment scenarios for investors, İş Investment capitalizes on its abilities to research and monitor the market.



WITH ITS PORTFOLIO ASSETS OF YTL 167 MILLION, İŞ INVESTMENT TRUST IS TURKEY'S LARGEST INVESTMENT TRUST.

The investor chooses at least one ready-made portfolio group with a pre-determined benchmark that specifies the return targeted at the end of the management period. Private portfolio management is based on quarterly performance periods.

Private portfolio management offers investors the choice of eight portfolio groups:

- Stock Portfolio
- Bond Portfolio 456
- Bond Portfolio 365
- Bond Portfolio 182
- International US\$ Bond Portfolio
- International Euro Bond Portfolio
- International Stock Portfolio
- Personal Portfolios

İŞ INVESTMENT LAUNCHES AN EXCHANGE-TRADED FUND (İŞBYF)



Exchange-traded funds invest in a particular index that generally represents certain stocks. Such funds are traded daily on the market just like any other stock. In 2006, İş Investment applied to the CMB in order to launch an exchange-traded fund.

Major characteristics of an exchange-traded fund are as follows:

- *creates an index that is identical to a basket composed of certain stocks,*
- *allows investors to benefit from positive changes in the index,*
- *is traded continuously on the Stock Exchange just like any other stock and*
- *is subject to taxation just like mutual funds.*

An exchange-traded fund is advantageous because it:

- *has a transparent composition and performance, since the types and weights of stocks are known,*
- *offers a continuous 'put and call' option to investors during the trading hours of the Stock Exchange,*
- *allows investors to monitor prices during the day, since its price is declared continuously and clearly and*
- *is highly liquid since it is traded just like a stock.*

Exchange-traded funds are suitable for the investors who wish to:

- *invest in more than one stock but do not want to trade in each stock individually,*
- *invest in a specific index,*
- *buy and sell a specific index during the day,*
- *monitor the price of their investments during the day,*
- *assume the risk of a price change in the market without expecting a net or fixed return in the early days of the investment and*
- *prefer to invest in funds that are more liquid.*

2002

Following general elections, the AK Party formed a single-party 58th government... Many countries in the EU start using the Euro, the single European currency... The Turkish Central Bank introduces "implicit inflation targeting"... The Turkish National Football Team ranks third in the 17th World Cup.

UNPARALLELED IN CORPORATE FINANCE SERVICES

WITH ITS PUBLIC OFFERINGS, PRIVATIZATION CONSULTANCY, M&As, VENTURE CAPITAL, RESTRUCTURING AND PROJECT FINANCE SERVICES OFFERED TO NATIONAL AND INTERNATIONAL COMPANIES, İŞ INVESTMENT BOASTS UNPARALLELED EXPERTISE IN ALL CORPORATE FINANCE SEGMENTS.



BRAND-NEW PRODUCTS, BRAND-NEW TARGETS...

Domestic Sales and Marketing

Although recent optimism in capital and money markets has weakened to a certain extent, İş Investment has been very active in terms of domestic sales and marketing and investment advisory services during 2006.

In line with its growth strategy, İş Investment added the Yeniköy branch to its sales network composed of an Investment Advisory Department and branches in Ankara, İzmir and Kalamış. With the opening of its fourth branch in the second half of 2006, the Company took an important step toward obtaining greater market share and more effective access to investors. Responding to increased trading volume and the need to maintain service quality, the Company opened its Levent Representative Office at Yapı Kredi Plaza operating under the Investment Advisory Department. New offices will be launched if this model proves successful.

İş Investment's Almaty Representative Office, established in Kazakhstan in 2003, continued to serve institutional investors in the region. At the end of 2006, the Company also established a marketing department at its head office, to achieve effective coordination between local branches, expand its product range and seize new investment opportunities.

Fluctuations and price movements in 2006 encouraged İş Investment to offer its clients alternative instruments structured in accordance with these conditions. Thus, the Company developed new product strategies in coordination with other relevant units. Communicating these strategies to investors, it offered derivatives and achieved significant growth and depth in derivative markets. Since derivatives are expected to become more popular with the introduction of relevant legislation, the Company intensified its efforts in this direction.

International Sales and Marketing

Investor confidence in developing markets was shaken when the Federal Reserve and the central banks of Japan and Europe, actors who control global liquidity, raised interest rates. However, international investors continued to be interested in Turkey throughout 2006. Turkey was among the countries most badly affected by the disruption that occurred in the middle of the year; still, Turkish stocks maintained their position in foreign investors' portfolios, with continued interest in small and medium-size companies.



İŞ INVESTMENT'S INTERNATIONAL SALES AND MARKETING DEPARTMENT INCREASED ITS MARKET SHARE BY 20% AND STRENGTHENED ITS LEADING POSITION THANKS TO INTERNATIONAL SERVICES AT CONTINUOUSLY IMPROVING QUALITY STANDARDS.

In 2006, foreign investors' trading volume broke last year's record, reaching US\$ 89 billion. Investors with experience in previous EU accession countries and who take long-term investment decisions have clearly expressed their confidence in Turkey.

İş Investment's International Sales and Marketing Department increased its market share by 20% and strengthened its leading position thanks to international services at continuously improving quality standards.

2006 was quite active in terms of public offerings. Foreign investors purchased stocks worth US\$ 500 million in sixteen IPOs. İş Investment's International Sales and Marketing Department played an important role in the successful IPOs of Coca-Cola İçecek and Selçuk Ecza Deposu. Among these two IPOs, Selçuk Ecza was the largest offering performed abroad by a national institution.

TradeMaster



TradeMaster is an electronic application that gives investors online access to their accounts. Using this application, investors can view in-depth immediate market data and can rapidly perform transactions on all stocks traded in the ISE Stock Market.

Some of TradeMaster's basic features:

- Investors can perform their transactions using a PC connected to the Internet
- TradeMaster is a very simple, easy-to-use application enabling investors to do whatever they want in a very short time
- Each time TradeMaster is run, new versions, if any, are automatically downloaded. This ensures continuous updating and investors have the opportunity to use the most recent version and features.
- TradeMaster provides extra safety to investors with various safety features.

Advantages of TradeMaster include:

- Account limits defined by İş Investment are uploaded to TradeMaster to allow investors to trade within such limits.
- In the first half of 2007, investors will be able to trade on the Turkish Derivatives Exchange using TradeMaster. Also, in the second half of 2007, investors will be able to access international stock markets and derivatives markets using TradeMaster.
- TradeMaster facilitates transactions and allows investors to directly and quickly perform their transactions without using an intermediary.
- Investors have easy access to in-depth and immediate market quotes.
- Thanks to simple and easy-to-use menus, investors complete their transactions easily and quickly.
- Investors enjoy around-the-clock access to their portfolios.

TradeMaster is used by investors who:

- trade frequently during the day,
- need to monitor their investments during their business and personal trips,
- believe that speed is of the essence when trading
- seek to be close to the market at all times and
- prefer to perform their transactions without an investment advisor.

A CONTINUOUS UPTREND

International Stock Markets

Index	Local Currency (%)	US\$ (%)
Dow Jones	14.90	14.90
FTSE	9.49	23.00
DAX	21.04	35.06
CAC 40	16.55	30.05
NIKKEI	5.28	2.55

Global markets were on the rise during the year, with good news coming from companies. Expecting an interest rate cut by the FED, the markets maintained their upward trend. With the Dow Index reaching an historical peak, the morale in the global markets received a boost and remained strong, assuming that an economic slowdown would not adversely affect company earnings. Although the May crisis was short-lived in developed markets, Middle Eastern indices slumped 50% by the end of 2006. However, this fall in stock indices did not have a global impact, since Middle Eastern markets lack a wide investor base and their economies are robust with the rising oil prices.

Based on these developments, investors chose to benefit from rising share prices by investing in stocks with high beta levels. Since investors aimed for short-term fluctuations rather than long-term investments, İş Investment built its investment strategy on economic data, balance sheet announcements and similar events.

International Bond Markets

Concerns over interest-rate hikes and inflation in the US during May and June briefly shook international bond markets. Still, Eurobonds from developing countries remained stable for most of 2006. During the year, major borrowers including Venezuela, Mexico, Russia and especially Brazil, one of the countries frequently compared to Turkey, borrowed less on the markets. Against a backdrop of stagnant markets, Turkish investors held their Eurobonds and settled for interest income.

Since low price volatility in Turkish bonds limited trade opportunities except during the May-June period and since the markets were quite optimistic, İş Investment recommended select Eurobond issues toward the end of 2006. Tax exemption ensured that Turkish Eurobonds won hands down in comparison with Eurobonds issued by other



countries and companies, despite their high levels of return. İş Investment's Eurobond trading volume reached almost US\$ 3 billion in 2006.

International Foreign Exchange Markets

Foreign exchange markets fluctuated wildly in line with the actions of central banks and market expectations. When the FED raised interest rates aggressively, the dollar appreciated against the euro. Consequently, the dollar-euro rate fell back to 1.33 on the back of expectations that the European Central Bank would continue raising interest rates, while FED rates would remain unchanged. The Japanese Yen appreciated in May, since the Bank of Japan had been expected to raise interest rates more than once during the year. However, when this expectation failed to materialize towards the end of the year, the Yen fell back to 117 against the American dollar.

İŞ INVESTMENT'S BROKERAGE SERVICES ON THE INTERNATIONAL DERIVATIVES MARKETS HAVE GAINED MOMENTUM SINCE THE LAUNCH OF THESE SERVICES IN 2006; THIS MOMENTUM IS EXPECTED TO CONTINUE INTO 2007.

Commodity Markets

Uncertainties in global central bank policies urged increased activity in currency derivatives, while rising commodity prices resulted in record trading in commodity futures and options. Many derivative exchanges chose to increase their margins in the face of complaints from the non-financial sector and dangerous growth from speculations. However, this did not prevent significant losses from companies that carried energy positions on derivative exchanges, such as Amaranth.

İş Investment's brokerage service on international derivatives markets gained momentum since the launch of these services in 2006. This momentum is expected to continue into 2007. As a new instrument with significant leverage, derivative contracts motivated investors to trade during the day. İş Investment correctly forecast price increases in major contracts such as gold, oil and copper and informed investors in advance above rapid changes in the market.

Performance of bonds issued by developing countries 2005/2006 (%)

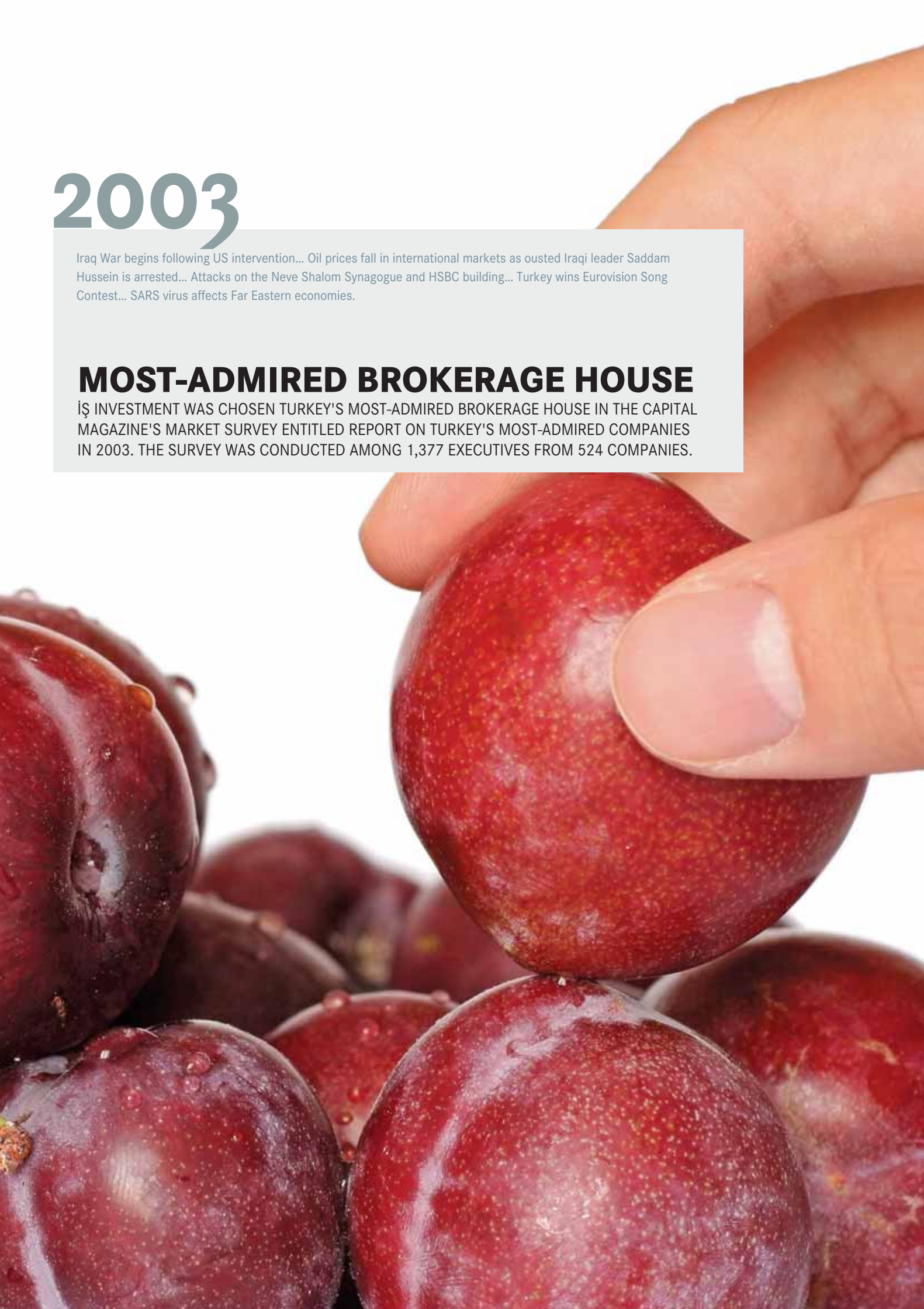
Country	2005	2006
EMBI+	12.0	10.187
Philippines	20.7	15.60
Brazil	13.8	14.59
Panama	12.5	12.52
Peru	5.0	12.05
Venezuela	15.8	10.31
Ukraine	6.8	6.58
Mexico	8.3	6.27
Russia	13.3	5.84
Turkey	9.8	5.65

2003

Iraq War begins following US intervention... Oil prices fall in international markets as ousted Iraqi leader Saddam Hussein is arrested... Attacks on the Neve Shalom Synagogue and HSBC building... Turkey wins Eurovision Song Contest... SARS virus affects Far Eastern economies.

MOST-ADMIRED BROKERAGE HOUSE

İŞ INVESTMENT WAS CHOSEN TURKEY'S MOST-ADMIRED BROKERAGE HOUSE IN THE CAPITAL MAGAZINE'S MARKET SURVEY ENTITLED REPORT ON TURKEY'S MOST-ADMIRED COMPANIES IN 2003. THE SURVEY WAS CONDUCTED AMONG 1,377 EXECUTIVES FROM 524 COMPANIES.



2004

A woman with dark hair, wearing a dark jacket, is pointing her right index finger towards the camera. The background is a light-colored world map with a grid overlay. The year '2004' is prominently displayed in the top left corner.

The European Union decides to start accession negotiations with Turkey... NATO summit is held in Istanbul... Ten new members join the European Union... George W. Bush is elected US president for the second time... Tsunami disaster in Southeast Asia...

COMPETENCE IN INTERNATIONAL MARKETS

ADDING TO ITS SUCCESS IN DOMESTIC MARKETS, İŞ INVESTMENT'S AVERAGE DAILY TRADING VOLUME IN INTERNATIONAL MARKETS REACHED US\$ 1 MILLION, AN INCREASE OF 261% OVER THE PREVIOUS YEAR.

AS OUR SUCCESS AND LEADERSHIP CONTINUE...

PUBLIC OFFERINGS AND PRIVATIZATION

Public Offerings

Following 2005, the most successful year of the last six years in terms of public offerings, favorable market conditions allowed 15 major public offerings to take place in 2006. While this number was higher than previous year's figure, the IPOs realized in 2006 were smaller in scale.

In 2006, out of a total offering amount of US\$ 930 million in fifteen IPOs, İş Investment acted as the lead manager of two IPOs worth US\$ 500 million.

Coca-Cola İçecek A.Ş. IPO was 2006's largest with a total value of US\$ 318 million. İş Investment was the national lead manager and received final orders almost eleven-fold the actual size of the public offering. Excluding the greenshoe option, 68% of the shares were sold to foreign institutional investors and 32% to domestic investors. İş Investment accounted for 79% of the domestic sales, including the greenshoe option, enjoying another successful public offering together with CSFB, the international lead manager of the transaction.

İş Investment also completed the offering of Selçuk Ecza Deposu A.Ş. worth US\$ 182 million, one of the largest IPOs in 2006. This was the first IPO where a Turkish investment bank acted as both national and international lead manager. The issue was almost ten times oversubscribed. İş Investment also acted as the consortium leader in the third public offering of 25% of THY A.O shares. which was 1.6 times oversubscribed. The size of this offering was approximately US\$ 208 million.

Privatization Advisory

In terms of privatizations, 2006 was as active as the previous year. İş Investment continued to work on the privatization of the Tekel General Directorate, following its appointment as national consultant in the last quarter of 2002. The privatization of the alcoholic beverage section of Tekel has been completed and now privatization efforts are focused on Tekel's cigarette division. Moreover, İş Investment is the sole responsible advisor for the privatization of the salt operations of the Tekel General Directorate. On August 31, 2005, a tender was held for the privatization of the Kaldırım, Kayacık and Yavşan salt pans, by way of a transfer of operating rights. In 2006, contracts were awarded and signed for these salt pans.



IPO Schemes Concluded in Turkey in 2006

	Total Revenues	
	(YTL)	(US\$)
1 Reysaş Taşımacılık ve Lojistik Ticaret A.Ş.	69,000,000	52,221,297
2 Datagate Bilgisayar Malzemeleri Ticaret A.Ş.	7,000,000	5,297,813
3 Vestel Beyaz Eşya San. ve Tic. A.Ş.	191,360,000	143,545,120
4 Selçuk Ecza Deposu Ticaret ve Sanayi A.Ş.*	240,745,095	181,845,377
5 Asya Katılım Bankası A.Ş.	241,500,000	183,259,979
6 Coca-Cola İçecek A.Ş.*	419,467,201	318,308,697
7 Başkent Menkul Kıymetler Yatırım Ortaklığı A.Ş.	1,417,500	948,161
8 Türk Hava Yolları A.O.*	310,691,125	207,820,151
9 Metro Menkul Kıymetler Yatırım Ortaklığı A.Ş.	2,833,191	1,881,894
10 Taksim Yatırım Ortaklığı A.Ş.	3,172,188	2,060,398
11 Armada Bilgisayar Sistemleri Sanayi ve Ticaret A.Ş.	9,000,000	5,785,921
12 Silverline Endüstri ve Ticaret A.Ş.	20,020,000	12,584,072
13 Euro Menkul Kıymetler Yatırım Ortaklığı A.Ş.	3,533,193	2,282,424
14 Tacirler Yatırım Ortaklığı A.Ş.	4,505,000	2,869,975
15 Karel Elektronik Sanayi ve Ticaret A.Ş.	24,568,600	16,573,529
16 Marbaş B Tipi Menkul Kıymetler Yatırım Ortaklığı A.Ş.	1,530,000	1,036,866
Total	1,550,343,093	1,138,321,674

* Public Offerings led by İş Investment
Source: İSE



THE IPO OF COCA-COLA İÇECEK A.Ş. WAS THE LARGEST IPO IN 2006 WITH A TOTAL VALUE OF US\$ 318 MILLION. İŞ INVESTMENT WAS THE NATIONAL LEAD MANAGER AND COLLECTED FINAL ORDERS ALMOST ELEVEN TIMES THE ACTUAL SIZE OF THE PUBLIC OFFERING.

A consortium composed of İş Investment, Goldman Sachs and CAIB was assigned by the Turkish Privatization Authority for the privatization of Türkiye Halk Bankası A.Ş. through a public offering.

İş Investment provided advisory services to the Privatization Authority for the privatization of Sümer Holding A.Ş.'s Taşucu Paper Mill (sale) and Taşucu Port (transfer of operating rights). The Company also worked on the privatization of nine affiliates and subsidiaries of Sümer Holding A.Ş.

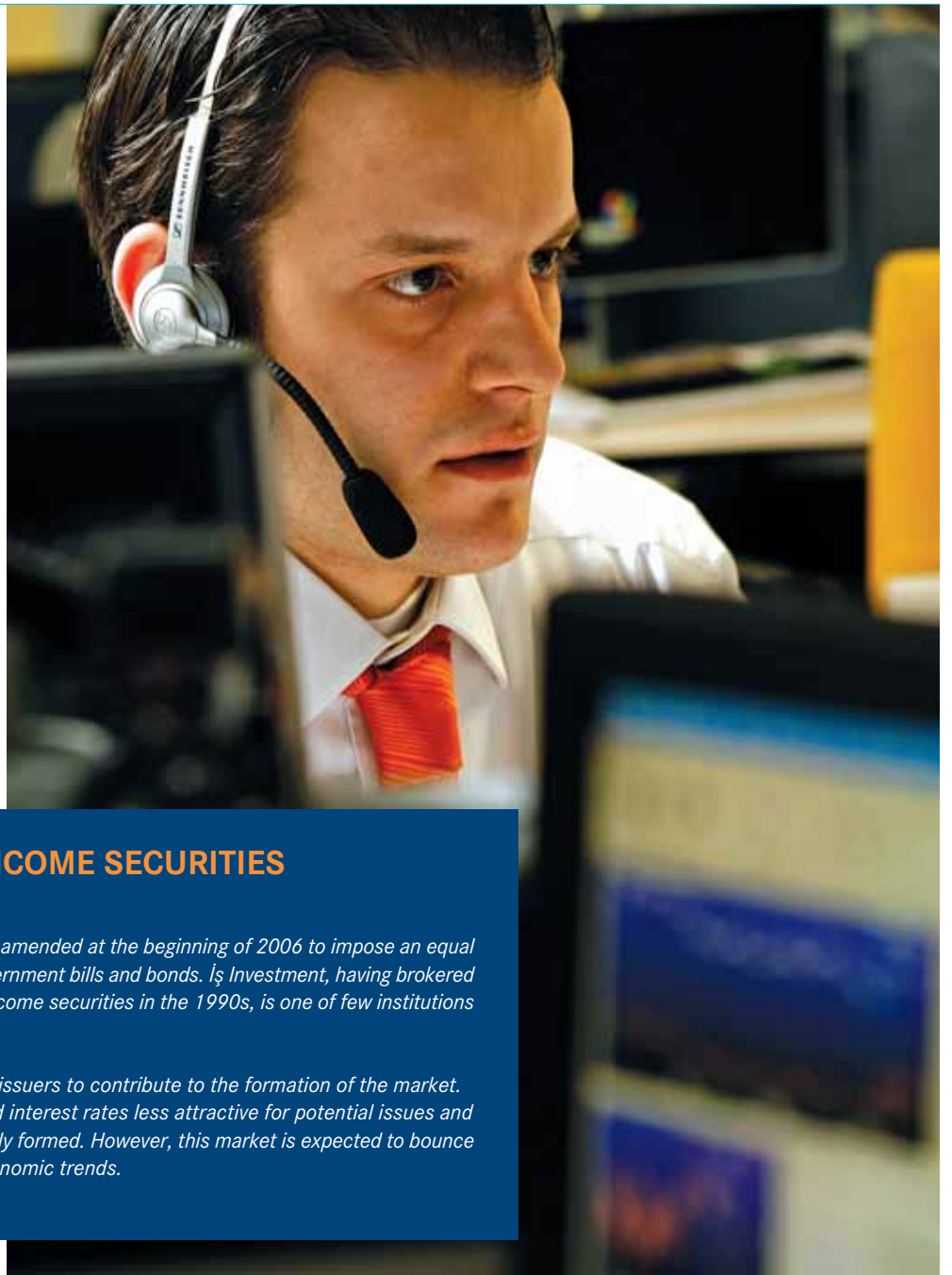
İş Investment brokered several block sales and Wholesale Market transactions on the ISE thanks to favorable market conditions and strong investor interest. In addition to these projects, the Company provided brokerage services to publicly-held companies for raising capital and distributing dividends. İş Investment also offers intermediation services to companies for the dematerialization of

their capital market securities and for all their transactions on the Central Registration Agency.

ADVISORY SERVICES FOR MERGERS AND ACQUISITIONS

To maximize the benefit of foreign investor interest in Turkey, İş Investment acted as sell side advisor for several Turkish companies in establishing foreign partnerships and/or for the block sale of shares.

In addition to serving as an advisor for private-sector mergers and acquisitions, the Company acted as buy side advisor to İş Venture Capital, the largest domestic venture capital trust, in its US\$ 4 million investment in Beyaz Filo (White Fleet). Additionally, the Company acted as sell side advisor in the US\$ 19.4 million divestment of Cinemars, which was acquired in 2003.



PRIVATE SECTOR FIXED INCOME SECURITIES

A new market was born as tax legislation was amended at the beginning of 2006 to impose an equal withholding tax rate on private sector and government bills and bonds. İş Investment, having brokered the issuance of several private sector fixed-income securities in the 1990s, is one of few institutions with the necessary expertise in this industry.

İş Investment contacted several prospective issuers to contribute to the formation of the market. The market turbulence in May 2006 rendered interest rates less attractive for potential issues and the market went flat even before it was actually formed. However, this market is expected to bounce back again shortly, as a result of positive economic trends.

Following the Coca-Cola İçecek A.Ş. public offering, İş Investment acted as their advisor in its merger with Efes Sınai Yatırım Holding A.Ş.

İş Investment has acted as buy-side advisor in almost every privatization project undertaken in Turkey. It served as the advisor for a European investor in the privatization of the Electrical Energy Distribution Company, the advisor for a local company in the sale of the Ereğli, Ilgın and Bor sugar plants and the advisor for Anadolu Insurance and Anadolu Life Insurance and Pension Fund in the privatization of Basak Insurance and Basak Pension Fund.

Project Finance Advisory Services

İş Investment continued to work actively in project finance, which is a critical aspect of mergers and acquisitions. The Company offered advisory services to several companies, especially in the electricity sector, for the project finance used for acquisitions and project development.

Private-Sector Advisory Services

It is observed that companies which apply to a brokerage house for a public offering or an M&A transaction are not generally ready for these transactions. They must undergo through some restructuring before undertaking these transactions. In 2006, İş Investment performed strategic planning for a holding company prior to its public offering. The Company also performed due diligence for several companies in 2006.



2005

Inflation falls to a 35-year low... The New Turkish Lira is launched after removing six zeroes from the TL... Turkey starts accession negotiations with the EU... Turkish Telecom, TÜPRAŞ and Erdemir are privatized... Al-Qaida attacks in London...

MAINTAINING LEADERSHIP IN CAPITAL MARKETS

İŞ INVESTMENT MAINTAINED ITS LEADERSHIP, ACHIEVING THE HIGHEST TRADING VOLUME ON THE ISE STOCK MARKET, OUTRIGHT PURCHASES AND SALES MARKET OF THE FIXED-INCOME SECURITIES MARKET AND THE DERIVATIVES EXCHANGE.

MORE EFFICIENT DATA PRODUCTION...

The Research Department continued to play a major role in expanding the national and international institutional portfolio of İş Investment, as well as improving customer satisfaction. In 2006, the Department issued comprehensive English and Turkish presentations and reports on the economy and on stock strategies, for institutional and major individual investors.

The Research Department monitors 65 companies and issues regular reports on 75% of the market value of the stock exchange. The recommended portfolio, composed of most attractive stocks with a "Buy" recommendation, outperformed the ISE-100 index by 28% in 2006.

Early in the year, when developing the recommended portfolio, the Research Department prioritized companies that were sensitive to economic growth. Following the disruption in the global markets, priority was given to companies which had smaller short positions, were less vulnerable to economic downturn, produced international commercial goods and had a history of restructuring and acquisition.

In line with medium-term growth objectives, the Research Department recruited two experienced and four junior analysts in 2006. The average professional experience of the Research Department members stands at 5.5 years. Most team members joined İş Investment within the last three years. Efforts to expand the team with young analysts raised the number of companies being monitored by the department, which has become more efficient in terms of data production.

Research analysts are now involved in the sales process to improve their relationships with institutional clients and better meet their needs. Accompanied by Company executives, these analysts visited foreign institutional clients to provide comments and give timely recommendation, giving rise to better-informed investment decisions.

Competition is expected to heat up in 2007, as foreign brokerage houses open offices in Turkey. In the face of mounting competition, it will become more important to produce information with high added-value and to guide investors accurately.



THE RESEARCH DEPARTMENT MONITORS 65 COMPANIES AND ISSUES REGULAR REPORTS ON COMPANIES REPRESENTING 75% OF THE MARKET VALUE OF THE STOCK EXCHANGE. THE RECOMMENDED PORTFOLIO, COMPOSED OF MOST ATTRACTIVE STOCKS WITH A "BUY" RECOMMENDATION, HAS OUTPERFORMED THE ISE-100 INDEX BY 28% IN 2006.





2006

EU accession negotiations suspended in eight chapters upon the recommendation of the European Commission... Orhan Pamuk wins the Nobel Prize for Literature... The Turkish Central Bank launches "explicit inflation targeting"... Oil prices hit US\$ 79 a barrel in international markets and then fall to below US\$ 60 for the first time in the last six months... Thailand's "hot money measure" shakes the markets... Saddam Hussein is executed...

LEADER OF ISE UNCHANGED

İŞ INVESTMENT MAINTAINED ITS UNDISPUTABLE LEADERSHIP ON THE ISE STOCK MARKET WITH A TRADING VOLUME OF YTL 41,836 MILLION

FASTER, SAFER AND UNINTERRUPTED...

2006 witnessed technological innovation, transition and expansion. The 'Kybele Integrated Investment Banking System' launched at the beginning of 2005 and its peripheral systems were improved further in 2006 in line with İş Investment's rapid growth. Also, significant and extensive changes were made to the system and its security, data storage, server and data communication infrastructures. The need to use new software and hardware emerged not only as a result of the continuous improvement of work processes but also because of radical changes in securities legislation, recently developing domestic markets, the Company's new operations in international markets and service channels based on software platforms.

Investment advisors use the Kybele system to send real-time orders to the ISE Stock Market. İş Investment has ensured that control and risk monitoring is performed more quickly and safely.

İş Investment launched Kybele's short-selling and securities borrowing features in order to monitor transactions on stock short-selling and securities lending/borrowing markets, which have become highly active. The Company also launched and completed new projects in 2006 to monitor derivatives and structured instruments in international markets using this system.

A state-of-the-art IT infrastructure has been built at the Company's Yeniköy Branch and infrastructure expansion continued with a new office at İş Towers. The infrastructure of the new liaison office in Levent has been configured as a fully-secure branch infrastructure. The Company has installed VoIP-based switchboards, voice recording systems, wireless connections, remote wireless data links and virtual server mechanisms for these expansions and configurations.

İş Investment has adopted international ITIL standards in its internal system support services and started configuring mechanisms to monitor

IN 2006, THE COMPANY RECONFIGURED ITS INTERNATIONAL CHANNEL INFRASTRUCTURE, ISE AND SETTLEMENT CONNECTION INFRASTRUCTURE AND TDE INFRASTRUCTURE.

its expanding and growing technological infrastructure around the clock and to report any extraordinary circumstances. In 2006, the Company reconfigured its international channel infrastructure, ISE and settlement connection infrastructure and TDE infrastructure.

İş Investment is committed to offering a faster, safer and uninterrupted infrastructure to investors.



INVESTING IN PEOPLE, INVESTING IN THE FUTURE...

İŞ INVESTMENT WILL PROVIDE COACHING AND LEADERSHIP TRAINING IN THE FIRST MONTHS OF 2007, IN ORDER TO CONTRIBUTE TO THE DEVELOPMENT OF ITS EXECUTIVES.



The number of İş Investment employees increased from 207 to 247 during the year. In 2006, both BS/BA and MS/MA graduates wishing to work in capital markets were recruited for training in line with İş Investment's goals and corporate culture. The training of these recruits in 2007 will include on-the-job and professional training sessions, as well as personal development courses.

İş Investment is a customer-focused, success-oriented Company committed to the excellence of its employees. Training programs were ongoing in 2006 to motivate employees and help them develop new competencies and skills. These programs were divided into three groups; capital markets licensing, specialization and professional development. The Company also held training sessions abroad to better monitor global developments and improves its corporate vision.

İş Investment will provide coaching and leadership training in the first months of 2007 to contribute to the development of its executives.

In 2006, 132 İş Investment employees received licenses. The Company aims to ensure that assistant specialist interns subject to rotation obtain their licenses by September 2007.

Eighty young students completed their internship at the Company, mostly in the Brokerage Department. Most of these were selected from among graduates of the business administration and economics departments of universities.

RISK MANAGEMENT

The Risk Management Unit was restructured as a department in the second half of 2006. This department reports to the Board of Directors and operates independently of executive operations. It is responsible for the central management of potential risk, by achieving an efficient coordination inside the Company. The unit's main tasks include measuring operational risk, developing risk management policies, ensuring that such risk is in line with strategic objectives and the risk appetite of the Company.

Within the context of market risk management, the department reviewed portfolio structures, detailed risk management efforts, undertook risk-based limit allocation, measured portfolio risks and controlled limits using the "Value at Risk" method.

In terms of operational risk management, the department continuously monitors and updates activities at the head office and branches in relation to identifying, monitoring and managing points of operational risk.

In terms of credit risk management, the Department ensures that relevant legislation, as well as the transaction limits determined by the Board of Directors, are complied with in transactions such as buying stocks on margin, short-selling of stocks, trading in futures and options and other forward contracts and acquiring partnership interests.

In terms of reputation risk and legal risk management, the Department ensures that all other departments and units, especially the Legislation and Compliance Unit working on maintaining corporate reputation, are supported by internal and external training on legal obligations, compliance with corporate governance principles, customer satisfaction, reputation and reliability.

**İŞ YATIRIM MENKUL DEĞERLER A.Ş.
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
31 DECEMBER 2006, 2005 AND 2004**

To the Board of Directors of
İş Yatırım Menkul Değerler A.Ş.
İstanbul

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2006

1. We have audited the accompanying consolidated financial statements of İş Yatırım Menkul Değerler A.Ş. (the "Company") and its subsidiaries (together the "Group") comprising the consolidated balance sheets as at 31 December 2006, 2005 and 2004 and the consolidated income statements, consolidated statements of changes in equity and consolidated cash flows statements for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards published by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards published by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of İş Yatırım Menkul Değerler A.Ş. and its subsidiaries as at 31 December 2006, 2005 and 2004 and their performance and their cash flows for the years then ended in accordance with the financial reporting standards published by the Capital Markets Board.
7. Without qualifying our opinion, we draw attention to the following:

We have previously issued our audit report on the accompanying consolidated financial statements on 2 March 2007 in which we did not refer to the financial statements for the years ended 31 December 2005 and 2004 due to the fact that we issued our opinions in prior years in accordance with the formats required in the appendices of Communiqué No: X/16 "Communiqué on Independent Auditing in Capital Markets" ("Communiqué No: X/16"). As the audit reports of the preceding years were prepared based on the formats required in the appendices of Communiqué No: X/16 formerly effective, the independent auditor's report on 2 March 2007 covers only the financial year ended on 31 December 2006. Due to the requirements in connection with the public offering of the Company's shares, our audit opinion is reissued in order to cover the accompanying three years comparative financials statements.

8. Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Note 2 and the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified and reflected in the accompanying consolidated financial statements. The accounting principles used in the preparation of the accompanying consolidated financial statements differ materially from IFRS, principally with respect to the accounting for the effects of hyperinflation and presentation. Accordingly, the accompanying consolidated financial statements are not intended to present the Group's consolidated financial position and results of its consolidated operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

İstanbul, 2 March 2007
(27 March 2007, based on the explanation in paragraph 7 above)

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

Hasan Kılıç
Partner

İŞ YATIRIM MENKUL DEĞERLER A.Ş.

CONSOLIDATED BALANCE SHEETS

AS OF 31 DECEMBER 2006, 2005 AND 2004

(Amounts are expressed in New Turkish Lira ["NTL"] unless otherwise indicated.)

ASSETS	Note	31 December 2006	31 December 2005	31 December 2004
Current Assets		522,703,863	352,302,443	227,056,044
Cash and cash equivalents	4	171,507,113	57,130,946	8,268,127
Marketable securities (net)	5	206,017,936	217,748,706	204,205,672
Trade receivables (net)	7	128,237,027	69,733,888	12,976,308
Cash and cash equivalents	4	171,507,113	57,130,946	8,268,127
Marketable securities (net)	5	206,017,936	217,748,706	204,205,672
Trade receivables (net)	7	128,237,027	69,733,888	12,976,308
Long-term Assets		19,439,715	16,091,367	19,482,061
Trade receivables (net)	7	-	-	-
Due from related parties (net)	9	-	-	-
Other receivables (net)	10	-	-	-
Financial assets (net)	13	21,962,867	19,401,056	18,364,508
Positive/(negative) goodwill (net)	14	(6,324,476)	(5,961,268)	(2,608,705)
Tangible assets (net)	15	3,060,175	2,390,850	3,565,930
Intangible assets (net)	16	328,868	147,104	160,328
Deferred tax assets (net)	11	412,281	113,625	-
Other long-term assets	12	-	-	-
TOTAL ASSETS		542,143,578	368,393,810	246,538,105

The accompanying notes form an integral part of these financial statements.

İŞ YATIRIM MENKUL DEĞERLER A.Ş.

CONSOLIDATED BALANCE SHEETS

AS OF 31 DECEMBER 2006, 2005 AND 2004

(Amounts are expressed in New Turkish Lira ["NTL"] unless otherwise indicated.)

LIABILITIES	Note	31 December 2006	31 December 2005	31 December 2004
Short-term Liabilities		261,245,608	104,072,453	34,497,382
Short-term borrowings (net)	6	14,758,730	24,067,744	3,469
Short-term portions of long-term borrowings	6	-	-	-
Finance lease payables (net)	8	-	-	-
Other financial liabilities (net)	10	188,653,836	36,417,505	-
Trade payables (net)	7	49,165,893	37,644,277	29,572,211
Due to related parties (net)	9	162,700	26,371	15,614
Advances received	17	-	-	-
Provisions (net)	19	4,837,908	4,217,489	2,018,072
Deferred tax liabilities (net)	11	-	-	-
Other short-term liabilities (net)	10	3,666,541	1,699,067	2,888,016
Long-term Liabilities		738,862	737,287	846,150
Long-term borrowings (net)	6	-	-	-
Finance lease payables (net)	8	-	-	-
Other financial liabilities (net)	10	-	-	-
Trade payables (net)	7	-	-	-
Due to related parties (net)	9	624	631	505
Advances received	17	-	-	-
Provisions	19	738,238	736,656	632,492
Deferred tax liabilities (net)	11	-	-	213,153
Other long-term liabilities (net)	10	-	-	-
Minority interest	20	127,536,324	124,928,895	104,502,957
Shareholders' Equity		152,622,784	138,655,175	106,691,616
Capital	21	96,800,000	96,800,000	45,000,000
Treasury stock	21	-	(215,738)	(215,738)
Capital reserves	22	6,516,930	8,565,064	43,560,622
- Premium in excess of par		-	-	-
- Gain on cancellation of equity shares		-	-	-
- Revaluation fund		-	-	-
- Valuation fund on financial assets		6,500,536	8,548,670	3,075,121
- Shareholders' equity inflation restatement differences		16,394	16,394	40,485,501
Profit reserves	23	28,367,316	1,103,806	1,217,909
- Legal reserves		1,815,324	322,076	-
- Statutory reserves		2,168	-	-
- Extraordinary reserves		23,260,139	35,372	-
- Special reserves		3,258,929	781,061	-
- Gain on sale of properties and equity participations transferred to capital		-	-	1,217,909
- Currency translation reserve		30,756	(34,703)	-
Net profit/(loss) for the period		15,734,546	26,524,713	5,494,076
Retained earnings	24	5,203,992	5,877,330	11,634,747
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		542,143,578	368,393,810	246,538,105

The accompanying notes form an integral part of these financial statements.

İŞ YATIRIM MENKUL DEĞERLER A.Ş.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

(Amounts are expressed in New Turkish Lira ["NTL"] unless otherwise indicated.)

STATEMENTS OF INCOME	Note	2006	2005	2004
OPERATING INCOME				
Sales revenue (net)	32	21,227,501,429	28,970,138,302	19,413,374,000
Cost of sales (-)	32	(21,225,639,866)	(28,937,464,486)	(19,373,538,238)
Income from services (net)	32	41,967,285	38,446,837	29,562,762
Other operating income/(expenses) (net)	32	6,592,348	3,113,350	2,720,376
GROSS PROFIT				
Operating expenses (-)	33	(42,347,012)	(31,135,501)	(29,240,753)
NET OPERATING PROFIT				
Other income and profit	34	56,423,759	29,809,831	13,431,115
Other expenses and losses (-)	34	(12,731,708)	(3,698,247)	(10,990,948)
Finance income/(expenses) (net)	35	(25,419,497)	(715,494)	11,963
PROFIT BEFORE MONETARY GAIN/(LOSS) AND TAX				
Net monetary gain/(loss)	36	-	-	(21,214,120)
MINORITY INTEREST				
PROFIT BEFORE TAXATION				
Taxation	37	(2,227,454)	(7,572,722)	(5,281,439)
NET PROFIT/(LOSS) FOR THE PERIOD				
EARNINGS PER SHARE				
	38	0.1625	0.2740	0.0568

The accompanying notes form an integral part of these financial statements.

İŞ YATIRIM MENKUL DEĞERLER A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

(Amounts are expressed in New Turkish Lira ["NTL"] unless otherwise indicated.)

	Capital	Treasury Stock	Valuation Fund on Financial Assets	Shareholders' Equity Inflation Restatement Differences	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Participations Transferred To Capital	Special Reserves	Currency Translation Reserve	Net Profit/(Loss) for the Period	Retained Earnings	Total
Balance as of 1 January 2004	45,000,000	(215,738)	-	63,450,438	3,289,582	-	995,023	-	-	-	18,732,722	(34,347,517)	96,904,510
Transfers to retained earnings	-	-	-	-	-	-	-	-	-	-	(18,732,722)	18,732,722	-
Transfers to reserves	-	-	-	1,031,203	1,062,065	-	13,907,494	-	-	-	(5,494,076)	(16,000,762)	-
Offsetting accumulated losses	-	-	-	(23,996,140)	(4,351,647)	-	(14,902,517)	-	-	-	-	43,250,304	-
Gain on sale of properties and equity participations which will be transferred to capital	-	-	-	-	-	-	-	1,217,909	-	-	-	-	1,217,909
Increase in value of securities available for sale	-	-	3,075,121	-	-	-	-	-	-	-	-	-	3,075,121
Net period profit	-	-	-	-	-	-	-	-	-	-	5,494,076	-	5,494,076
Balance as of 31 December 2004	45,000,000	(215,738)	3,075,121	40,485,501	-	-	35,372	1,217,909	-	-	5,494,076	11,634,747	106,691,616
Capital Increase	51,800,000	-	-	(40,469,107)	-	-	-	(1,217,909)	-	-	-	(10,112,984)	-
Transfers to retained earnings	-	-	-	-	-	-	-	-	-	-	(5,494,076)	5,494,076	-
Transfers to reserves	-	-	-	-	322,076	-	35,372	-	781,061	-	-	(1,138,509)	-
Increase in value of securities available for sale	-	-	5,473,549	-	-	-	-	-	-	-	-	-	5,473,549
Currency translation reserves	-	-	-	-	-	-	-	-	-	(34,703)	-	(34,703)	-
Net period profit	-	-	-	-	-	-	-	-	-	-	26,524,713	-	26,524,713
Balance as of 31 December 2005	96,800,000	(215,738)	8,548,670	16,394	322,076	-	35,372	-	781,061	(34,703)	26,524,713	5,877,330	138,655,175
Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to retained earnings	-	-	-	-	-	-	-	-	-	-	(26,524,713)	26,524,713	-
Sales of treasury stock of the Company held by the subsidiary	-	215,738	-	-	-	-	-	-	-	-	-	-	215,738
Transfers to reserves	-	-	-	-	1,493,24	2,168	23,224,767	-	2,477,868	-	-	(27,198,051)	-
Gain on sale of properties and equity participations which will be transferred to capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in value of securities available for sale	-	-	(2,048,134)	-	-	-	-	-	-	-	-	-	(2,048,134)
Currency translation reserves	-	-	-	-	-	-	-	-	-	65,459	-	-	65,459
Net period profit	-	-	-	-	-	-	-	-	-	-	15,734,546	-	15,734,546
Balance as of 31 December 2006	96,800,000	-	6,500,536	16,394	1,815,324	2,168	23,260,139	-	3,258,929	30,756	15,734,546	5,203,992	152,622,784

The accompanying notes form an integral part of these financial statements.

İŞ YATIRIM MENKUL DEĞERLER A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

(Amounts are expressed in New Turkish Lira ["NTL"] unless otherwise indicated.)

STATEMENTS OF CASH FLOWS	Note	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the period		15,734,546	26,524,713	5,494,076
Adjustments to reconcile net profit to net cash used in operating activities:				
Depreciation of tangible assets	15	1,052,967	1,595,958	1,837,428
Amortization of intangible assets	16	95,254	79,547	76,593
Amortization of goodwill	14	(344,101)	(279,773)	(142,332)
Retirement pay provision	19	110,976	259,219	207,018
Minority interest	20	8,384,738	34,397,157	13,340,642
Discount of marketable securities		811,894	(16,850,227)	(5,171,227)
Interest accruals of time deposits		(695,104)	(221,973)	(239,410)
Accrued income for derivate transactions		3,094,980	500,525	-
Interest accrual for borrowings		2,065,566	115,249	-
Dividend income		(2,132,879)	(1,966,122)	(1,057,564)
Impairment/(increase) in value of financial assets		(2,561,811)	(1,036,550)	1,995,863
Income tax provision (net of monetary gain/loss)	37	2,231,693	7,572,722	5,218,408
Operating cash flows before movements in working capital		27,848,719	50,690,445	21,559,495
Change in trade receivables		(58,503,139)	(56,757,580)	6,987,666
Change in due from related parties		(30,158)	(184,385)	99,070
Change in other receivables		(9,969,371)	(4,998,743)	10,983,336
Change in other current assets		2,050,661	55,931	114,804
Change in trade payables		11,521,616	8,072,066	(13,675,529)
Change in due to related parties		136,322	10,883	(4,016)
Change in provisions for liabilities		177,822	(993)	(16,587)
Change in other liabilities		1,967,474	(1,188,949)	1,514,086
Cash (used in)/provided from operations		(24,800,054)	(4,301,325)	27,562,325
Income taxes paid		(6,828,882)	(7,155,384)	(6,625,438)
Retirement pay provisions paid	19	(109,394)	(155,055)	(111,803)
Net cash (used in)/provided from operating activities		(31,738,330)	(11,611,764)	20,825,084
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in marketable securities (net)		9,212,876	8,780,742	(44,103,182)
Purchases of tangible assets	15	(1,722,292)	(426,300)	(335,482)
Purchases of intangible assets	16	(277,018)	(66,323)	(1,317)
Changes in currency translation reserve		65,459	(34,703)	-
Dividends received		2,132,879	1,966,122	1,057,564
(Purchase)/sale of subsidiaries and investments		(5,070,000)	(8,519,998)	16,515,861
Gain on sale of equity participations		-	-	1,217,909
Sales of treasury stock		215,738	-	-
Net book value of tangible and intangible assets	15	-	5,422	296
Cash (used in)/provided from investing activities		4,557,642	1,704,962	(25,648,351)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank borrowings raised	6	13,362,000	24,000,000	3,469
Repayment of borrowings	6	(24,067,744)	(3,469)	-
Change in minority interest		-	(1,818,883)	-
Other new borrowings raised	10	187,985,000	36,370,000	-
Other financial debts repaid	10	(36,417,505)	-	-
Net cash provided from financing activities		140,861,751	58,547,648	3,469
NET CHANGE IN CASH AND CASH EQUIVALENTS		113,681,063	48,640,846	(4,819,798)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	4	57,130,946	8,268,127	12,848,515
Effect of foreign exchange rate changes on cash and cash equivalents		695,104	221,973	239,410
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	4	171,507,113	57,130,946	8,268,127

The accompanying notes form an integral part of these financial statements.

İŞ YATIRIM MENKUL DEĞERLER A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

(Amounts are expressed in New Turkish Lira ["NTL"] unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

İş Yatırım Menkul Değerler A.Ş.:

The purpose of İş Yatırım Menkul Değerler A.Ş. (the "Company") is to perform capital market activities in accordance with its Articles of Association and Capital Markets Law number 2499 as amended by Law number 3794. In this respect, the Company obtained the establishment permission through the Capital Market Board's (the "CMB") meeting No: 51/1515 on 5 December 1996.

The Company is located in Turkey and its contact information is stated below:

İş Kuleleri Kule-2 Kat 12, 4. Levent 34330 Beşiktaş/Istanbul/Turkey
Telephone: + 90 (212) 350 20 00 Fax: + 90 (212) 350 20 01
http://www.isyatirim.com.tr

The Company is a Türkiye İş Bankası A.Ş. Group entity and Türkiye İş Bankası A.Ş. is the main shareholder with 92% shareholding. The equity shares of the Company are not traded in the capital markets.

As of the balance sheet date, the Company's personnel number is 246 (2005: 208, 2004: 197).

The Company and its consolidated subsidiaries are referred to as the "Group" in this report. The operations of the affiliates and subsidiaries included in the consolidation are stated below:

Camiş Menkul Değerler A.Ş.:

The purpose of this subsidiary is to perform capital market activities in accordance with its Articles of Association and Capital Markets Law and the related regulation. In this respect, the subsidiary is operating as a securities brokerage for Şişecam Group in the capital market activities and established in 1984.

İş Yatırım Ortaklığı A.Ş.:

The purpose of this subsidiary is to perform capital market activities in accordance with its Articles of Association and Capital Markets Law and the related regulation. This subsidiary performs capital market activities and managing its own portfolio.

İş Portföy Yönetimi A.Ş.:

This equity participation was registered with the Istanbul Trade Registry on 23 September 2000 and its foundation was published in the Trade Registry Gazette with number 5168 on 6 November 2000. Its purpose is to perform capital market activities in accordance with its Articles of Association and Capital Markets Law and the related regulation. This participation offers only portfolio management and investment consultancy services within the context of capital market activities to institutional investors.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.:

The activities of this equity participation are mainly making long-term investments in entrepreneurship founded or to be found in Turkey with a development potential, in need of capital.

Maxis Securities Ltd:

The subsidiary has been established with the official registration to "The Official Seal of the Registrar of Companies" on 8 August 2005 located on 8 Prince Street London. The purpose of the subsidiary is to perform profitable activities in the international capital markets.

2. BASIS OF THE FINANCIAL STATEMENTS

Accounting Standards:

The CMB has published Communiqué No: XI/25 "Communiqué on Capital Market Accounting Standards" ("Communiqué No: XI/25") on 15 November 2003. This Communiqué is applicable commencing from the first interim financial statements which will be prepared after 1 January 2005.

The Group maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code ("TCC") and tax legislation. The accompanying financial statements include adjustments and reclassifications to the statutory records in accordance with accounting standards issued by the CMB's Communiqué No: XI/25. The Group's financial statements were prepared in accordance with the CMB rules for accounting and reporting ("CMB Accounting Standards").

Basis of Preparation of Financial Statements:

Communiqué No: XI/25 issued by the CMB, provides a detailed set of accounting principles. The Communiqué declared that as an alternative the compliance with the accounting standards issued by International Accounting Standards Board ("IASB") and International Accounting Standards Committee ("IASC") will be counted as in compliance to the CMB Accounting Standards. The accompanying consolidated financial statements were prepared in accordance with the CMB's above Communiqué and with the CMB's announcement on 20 December 2004 regarding the format of the financial statements and notes.

Preparation of Financial Statements in Hyperinflationary Periods:

Measurement and the reporting currency of the Company is the New Turkish Lira (“NTL”). Restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, in accordance with the CMB’s Communiqué No: XI/20 “Communiqué on the Principles of Preparation of Financial Statements in Hyperinflationary Periods” (“Communiqué No: XI/20”) for the financial statements prepared before 1 January 2005. Communiqué No: XI/20 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date.

In the CMB’s meeting numbered 11/367 on 17 March 2005, it was denoted that hyperinflationary period, as defined in the Communiqué No: XI/20 paragraph 6 and the Communiqué No: XI/25 paragraph 375 is over. In addition, other criteria regarding the continuation of hyperinflationary period deemed to be no longer valid therefore, preparation of financial statements according to inflation accounting has been ceased in 2005 and inflation accounting has not been applied for the periods subsequent to 1 January 2005.

Restatement adjustments as of 31 December 2004 have been made according to the wholesale price index (“WPI”) published by the Turkish Statistical Institute (“TURKSTAT”).

Such index and the conversion factors used to restate the accompanying financial statements as of the end of 31 December 2004 are given below:

	Index	Conversion Factor
31 December 2001	4,951.7	1.697155
31 December 2002	6,478.8	1.297123
31 December 2003	7,382.1	1.138402
31 December 2004	8,403.8	1.000000

The annual change in the NTL exchange rate against the US Dollar can be compared with the rates of general price inflation in Turkey according to the WPI as set out below:

Year:	2006	2005	2004	2003	2002	2001
Change in US \$ exchange rate-(%)	4.75	(0.02)	(3.9)	(14.6)	13.6	114.3
WPI Inflation-(%)	11.6	4.54	13.8	13.9	30.8	88.6

As at 31 December 2006, the exchange rate announced by the Turkish Central Bank was NTL 1.4056 = US\$ 1 (31 December 2005: NTL 1.3418 = US\$ 1.131 December 2004: NTL 1.3421 = US\$ 1).

The main guidelines for the restatement until 31 December 2004 in accordance with Communiqué No: XI/20 are as follows:

- All amounts as of 31 December 2004 not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general wholesale price index (the “WPI”).
- As of 31 December 2004, monetary assets and liabilities are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- As of 31 December 2004, non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value. Depreciation is calculated at their restated amounts. The components of equity are restated by applying the applicable general price index from the dates when components were contributed or otherwise arose.
- As of 31 December 2004, all items in the statement of income, except non monetary balance sheet items that have effect on statement of income, are restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the financial statements. Income statement items, such as, depreciation, fixed asset sales income/(loss) that are related to adjustment of non-monetary items are included to income statement at their indexed values.
- The gain or loss on the net monetary position as of 31 December 2004 is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in net income.

New Turkish Lira

A new law number 5083 on the Monetary Unit of the Republic of Turkey was enacted effective from 1 January 2005, which deletes six zeroes from the former currency of the Turkish Republic, the Turkish Lira (“TL”), to form a new currency the New Turkish Lira (“NTL”). Thus NTL 1 = TL 1,000,000. The New Turkish Lira is divided into 100 New Turkish cents (“YKr”). As per CMB decision MSD-10/832-43399 dated 1 December 2004, the financial statements to be publicly announced in 2005 should be prepared in NTL monetary unit including comparatives. Accordingly, the accompanying financial statements are presented in New Turkish Lira.

Consolidation:

The accompanying consolidated financial statements incorporate the financial statements of the parent company and its subsidiaries prepared in accordance with the CMB’s Communiqué No: XI/25. Assets, liabilities, shareholder’s equities, all profit and losses in the financial statements of the parent company and its subsidiaries within the consolidation scope are combined and necessary elimination adjustments are made in accordance with the consolidation principles. The shares in the shareholders’ equity and income statement which belong to third parties are separately disclosed as minority interest by taking the shares of the subsidiaries owned by the parent company into consideration.

The Company’s affiliates are initially recorded at cost. Under the equity method, investor’s share in the net assets of the investee company are reflected to the financial statements by increasing or decreasing the initial cost and the investor’s share in the investee company’s results of operations is recognized in the consolidated statement of income.

The subsidiaries and affiliates, which are fully consolidated and accounted under the equity method in the accompanying consolidated financial statements, are as follows.

Subsidiaries	31 December 2006	31 December 2005	31 December 2004
Camiş Menkul Değerler A.Ş.	99.79%	99.79%	99.79%
İş Yatırım Ortaklığı A.Ş. (*)	23.60%	19.60%	9.60%
Maxis Securities Ltd.	100.00%	100.00%	-

(*) This enterprise is fully consolidated, due to the parent's power to exercise control over the financial and operating policy decisions of the investee.

Affiliates	31 December 2006	31 December 2005	31 December 2004
İş Portföy Yönetimi A.Ş.	20.00%	20.00%	20.00%
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	20.08%	20.08%	20.08%

Goodwill:

On acquisition of an investment any difference between the cost of investment and the Company's share of net fair value of the investee's identifiable assets, liabilities and contingent liabilities are accounted as positive or negative goodwill at consolidation. Positive and negative goodwill is carried in the balance sheet at cost less accumulated amortizations and impairment losses after the initial recognition.

Goodwill, which is recognized for each affiliate or subsidiary, is carried under "Positive/(Negative) Goodwill-net" account in assets of the consolidated balance sheet. Positive and negative goodwill is amortized in 20 years.

Recorded identifiable assets, liabilities and contingent liabilities represent the identifiable assets, liabilities and contingent liabilities of the investment on the acquisition date.

Positive or negative goodwill represents the residual portion of the initial acquisition cost after recognition of the identifiable assets, liabilities and contingent liabilities of an investment.

Comparative information and adjustments made in previous periods' consolidated financial statements:

Required reclassifications and adjustments are made to the prior year financial statements to comply with the current year presentation, wherever necessary.

Offsetting:

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used to prepare the accompanying consolidated financial statements are as follows

a. Revenue Recognition:

Revenue is reflecting the gross amount of economic benefit which the Group has realized from its ordinary activities.

b. Tangible Assets:

Tangible assets purchased before 1 January 2005 are carried at restated historical cost and purchases in the following periods are carried at acquisition cost, less any accumulated depreciation and impairment.

Tangible assets are depreciated principally on a straight-line basis considering the expected useful lives, acquisition and assembly dates. Expected useful lives used by the Group are summarized below:

Machinery and equipment	3-15 years
Vehicles	5 years
Furniture and fixtures	5-10 years
Leasehold improvements	5-10 years
Other tangible assets	5-10 years

c. Intangible Assets:

Intangible assets that are acquired before 1 January 2005 are carried at restated historical cost as of 31 December 2004; and intangible assets that are acquired after 1 January 2005 are carried at acquisition cost, less any accumulated amortization and impairment.

Intangible assets are amortized principally on a straight-line basis considering expected useful lives. Intangible assets are amortized when they are ready to use. The useful lives used for intangible assets are between 3 and 5 years.

d. Impairment of Assets:

At each balance sheet date, assets other than deferred tax and financial assets are reviewed to determine whether there is an indication of an impairment loss. If there is such an indication, recoverable amount of that asset is estimated. If the carrying amount of an asset exceeds its recoverable amount, allowance for impairment should be provided. Recoverable amount of an asset is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its life.

e. Borrowing Costs:

All borrowing costs are recorded in the income statement in the period in which they are incurred.

f. Financial Instruments:

Financial instruments include financial assets, financial liabilities and derivatives. Financial instruments constitute the basis of the Group's commercial operations and activities. These instruments and associated risks constitute the majority of the Group's total risk. Financial instruments have the ability to generate, affect and decrease credit, collections and price risk over financial statements. The Company trades in financial instruments for customer facilitation and as principal.

After initial recognition, all financial assets are valued at their fair values other than trade receivables, held-to-maturity investments, assets that do not have a quoted market price in an active market and whose fair values can not be reliably estimated. Financial assets which are not valued at their fair values with certain maturities are recorded at amortized cost and assets without certain maturities are recorded at cost. Valuations of financial assets are checked periodically for the allowance for impairment.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Market value is the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

The estimated fair values of financial instruments have been determined by using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value.

Balances with banks and receivables are important financial instruments which would have negative effects on the financial structure of the Group if the other party failed to comply with the terms and conditions of the agreement.

The fair values of certain financial assets carried at cost are considered to be representative of carrying values due to their short-term nature.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value.

Cash and cash equivalents: Cash and bank balances denominated in foreign currencies are translated at year-end exchange rates. The carrying amounts of the remaining cash and bank balances are reasonable estimates of their fair value.

Marketable securities: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

Trade receivables and trade payables: Book values of the trade receivables along with the related allowances for uncollectibility and trade payables balances are estimated to be their fair values.

Due to/from related parties: The carrying value of due to and due from related parties are estimated to be their fair values.

Borrowings: Interest-bearing bank loans are subject to the interest rates which are fixed on an entry value basis. Bank loans are recorded at the proceeds received. Finance charges are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

Credit Risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment.

Price Risk

Price risk is the fluctuations in interest rates, exchange rates and the price of marketable securities and financial agreements adversely affecting the Group. Main risks for the Group are the changes in interest rates and exchange rates.

Liquidity Risk

The Group is generally raising funds by liquidating its short-term financial instruments such as collecting its receivables and disposing of marketable securities. The Group's proceedings from these instruments generally approximate their fair values.

g. Mergers and Acquisitions:

None.

h. Foreign Currency Transactions:

In the statutory accounts of the Group, transactions in foreign currencies (currencies other than NTL) are translated into NTL at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated into NTL at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

i. Earnings per Share:

Earning per share is the portion of the net profit or loss that accounts for the common share, which divided by the weighted average number of common shares.

j. Subsequent Events:

Subsequent events cover the events which arise between the reporting date and the balance sheet date even though they occur subsequent to any public disclosures of the net profit for the period or other selected financial information.

The Group adjusts its consolidated financial statements if such subsequent events arise which require to adjust financial statements.

k. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

l. Change in Accounting Policies, Accounting Estimates and Errors:

Changes in accounting policies or fundamental accounting errors are applied retrospectively and the consolidated financial statements for the prior periods are restated. If changes in accounting estimates relate only for one period, changes are applied in the current period but if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively.

m. Financial Lease:

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

n. Related Parties:

For the purpose of accompanying consolidated financial statements, shareholders of İş Yatırım Menkul Değerler A.Ş. and other companies owned by the shareholders, their directors and key management personnel and any companies to which they are known to be related, are considered and referred to as related parties.

o. Segmental Information:

Since the Group predominantly operates in Turkey and only in marketable securities sector, the accompanying financial statements do not include segmental information.

p. Discontinued Operations:

None.

r. Government Grants and Incentives:

None.

q. Taxation:

Taxes on income in the accompanying financial statements comprise of current tax and the change in deferred taxes.

Provision is made in the accompanying financial statements for the estimated current taxation, income tax and other liabilities based on the results for the year. Current taxation is calculated from the statutory accounting profit by adding back non-deductible expenses and taking into consideration of other income exemptions.

Deferred tax assets and liabilities are recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets are recognized when it is probable that the tax benefit will be utilized in the future. Deferred tax asset is written off to the extent that could not be realized.

s. Employee Benefits/Retirement Pay Provision:

Under Turkish Law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Total provision represents the vested benefit obligation as at the balance sheet date. Future retirement payments are discounted to their present value at the balance sheet date and reflected to the accompanying consolidated financial statements.

t. Pension Obligations:

None.

u. Agricultural Operations:

None.

v. Statement of Cash Flows:

The statement of cash flows is reported by classifying the items such as operating, investment and financing activities. Cash and cash equivalents represent the items such as cash and banks which are held for the current liabilities and not used for investing and other purposes.

w. Marketable Securities:

The Group designates its securities portfolio as follows:

Securities held for trading:

Securities held for trading are those acquired principally for the purpose of generating profit from short-term fluctuations in their price or dealer's margin. Subsequent to initial recognition, held for trading securities are valued at their fair value if reliably measured. Gains or losses on held for trading securities are included in net profit or loss for the period in which they arise.

Securities held to maturity:

Held to maturity investments are securities with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Held to maturity securities are measured at amortized cost using the effective interest rate method.

Securities available for sale:

Available for sale securities are those that are not (a) held-to-maturity investments or (b) securities held for trading. Subsequent to acquisition, available for sale securities are valued at their fair value if reliably measurable. Otherwise, they are accounted for at amortized cost. For available for sale investments, gains and losses are recognized in the statement of income and gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

x. Derivative Financial Instruments and Hedge Accounting:

As of the balance sheet date the Group has derivative financial instrument transactions which predominantly consist of positions related to forward contracts and contracts indexed to Istanbul Stock Exchange ("ISE") Index. The Group uses foreign currency forward contracts and futures to hedge its risks associated with market fluctuations in connection with trading portfolio transactions. The Group participates in derivative transactions indexed to foreign currencies and securities, also performs brokerage activities relating to derivative transactions on behalf of its customers.

As of the balance sheet date, transactions related to derivative financial instruments are entered into for trading purposes and measured at fair value. Interest and foreign currency gains and losses on these instruments are accounted for in "Other income and profit" in the statement of income.

4. CASH AND CASH EQUIVALENTS

	31 December 2006	31 December 2005	31 December 2004
Cash	2,074	2,811	3,175
Demand deposits	10,427,424	566,854	634,406
Time deposits	156,138,892	51,274,271	5,789,420
Other liquid assets (*)	4,938,723	5,287,010	1,841,126
	171,507,113	57,130,946	8,268,127

(*) As of 31 December 2006, 2005 and 2004 other liquid assets consist of funds loaned under marketable securities repurchase agreements (reverse repo).

Maturity and interest rate of time deposits as of 31 December 2006, 2005 and 2004 are as follows:

	Interest Rate	Maturity	FC Type	31 December 2006
Time deposits in NTL	21.25%-21.60%	5/1/2007-19/3/2007	NTL	155,000,000
Foreign currency deposits	5.21%	28/3/2007	GBP	443,788
Interest accrual				695,104
				156,138,892

	Interest Rate	Maturity	FC Type	31 December 2005
Time deposits in NTL	17.75%-19.00%	6/1/2006-22/3/2006	NTL	50,000,000
Foreign currency deposits	4.52%	31/3/2006	GBP	1,052,298
Interest accrual				221,973
				51,274,271

	Interest Rate	Maturity	FC Type	31 December 2004
Time deposits in NTL	23.50%	26/1/2005	NTL	5,550,010
Foreign currency deposits				-
Interest accrual				239,410
				5,789,420

5. MARKETABLE SECURITIES (NET)

	31 December 2006	31 December 2005	31 December 2004
Securities held for trading	190,183,376	199,162,148	191,272,663
Securities available for sale	15,834,560	18,586,558	12,933,009
Securities held to maturity	-	-	-
	206,017,936	217,748,706	204,205,672

Securities held for trading	Cost	31 December 2006	
		Fair Value	Carrying Value
Equity shares	93,961,090	91,780,896	91,780,896
Treasury bills	96,058,364	96,913,778	96,913,778
Foreign currency securities	1,097,134	1,101,585	1,101,585
Investment funds	387,117	387,117	387,117
	191,503,705	190,183,376	190,183,376

Securities held for trading	Cost	31 December 2005	
		Fair Value	Carrying Value
Equity shares	72,432,892	87,622,575	87,622,575
Government bonds	88,972,300	91,502,138	91,502,138
Treasury bills	19,012,021	19,651,432	19,651,432
Foreign currency securities	327,261	332,018	332,018
Investment funds	53,958	53,985	53,985
	180,798,432	199,162,148	199,162,148

Securities held for trading	Cost	31 December 2004	
		Fair Value	Carrying Value
Equity shares	71,640,771	75,661,755	75,661,755
Government bonds	58,013,643	69,345,463	69,345,463
Treasury bills	43,157,794	46,075,300	46,075,300
Foreign currency securities	198,751	190,145	190,145
	173,010,959	191,272,663	191,272,663

Marketable securities given as guarantee as of the balance sheet date are as follows:

	Nominal	31 December 2006	
		Cost	Carrying Value
İMKB Takas ve Saklama Bankası A.Ş. (For securities lending activities)	665,000	723,549	750,453
İMKB Takas ve Saklama Bankası A.Ş. (VOB)	350,000	384,021	
TOTAL	1,015,000	1,107,570	1,145,603

	Nominal	31 December 2005	
		Cost	Carrying Value
İMKB Takas ve Saklama Bankası A.Ş. (For securities lending activities)	13,216,797	12,164,719	13,019,274
TOTAL	13,216,797	12,164,719	13,019,274

	Nominal	31 December 2004	
		Cost	Carrying Value
T.C. Merkez Bankası (API)	4,750,000	5,555,952	4,986,495
CMB	3,600,000	3,865,490	3,839,672
İMKB Takas ve Saklama Bankası A.Ş.	2,000,000	2,488,385	2,125,040
İstanbul Menkul Kıymetler Borsası	50,500	53,514	52,333
TOTAL	10,400,500	11,963,341	11,003,540

Securities available for sale	31 December 2006		31 December 2005		31 December 2004	
	Share	Amount NTL	Share	Amount NTL	Share	Amount NTL
Yatırım Finansman Menkul Değ. A.Ş.	0.55%	6,571	0.55%	42,038	0.55%	42,038
Vadeli İşlem ve Opsiyon Borsası A.Ş.	6.00%	647,435	6.00%	647,435	6.00%	467,435
Vadeli İşlemler Eğitim ve Danış. A.Ş.	0.00%	-	1.69%	20,618	1.69%	20,618
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1.37%	12,986,991	1.64%	15,932,904	1.64%	10,459,355
İMKB Takas ve Saklama Bankası A.Ş.	0.97%	1,943,563	0.97%	1,943,563	0.97%	1,943,563
Gelişen İşletmeler Piyasası A.Ş.	5.00%	250,000	0.00%	-	0.00%	-
		15,834,560		18,586,558		12,933,009

The Company has valued the equity shares of İş Gayrimenkul Yatırım Ortaklığı A.Ş. under securities available for sale having a cost value of NTL 6,144,321 (31 December 2005: NTL 7,384,234, 31 December 2004: NTL 7,384,234), with the market prices realized on Istanbul Stock Exchange ("ISE"). As a result of this valuation, the Company has accounted for the valuation increase amounted to NTL 6,842,670 (31 December 2005: NTL 8,548,670, 31 December 2004: NTL 3,075,121) by netting-off the deferred tax liability due to this valuation increase amounted to NTL 342,134 (31 December 2005: None, 31 December 2004: None) under "Valuation Fund on Financial Assets" under shareholders' equity.

6. BORROWINGS (NET)

	31 December 2006	31 December 2005	31 December 2004
Short-term borrowings	14,758,730	24,067,744	3,469
	14,758,730	24,067,744	3,469

As of 31 December 2006 and 2005 interest rates and maturities of short term bank loans are as follows:

Description	Amount	Currency	31 December 2006		Amount NTL
			Interest Rate	Maturity	
Foreign currency loan	10,000,000	US Dollars	6.06%	19 March 2007	14,056,000
Interest accrual	499,950	US Dollar			702,730
					14,758,730

Description	Amount	Currency	31 December 2005		Amount NTL
			Interest Rate	Maturity	
NTL loan	10,000,000	NTL	14.75%	22 March 2006	10,000,000
NTL loan	3,000,000	NTL	15.00%	16 January 2006	3,000,000
NTL loan	3,000,000	NTL	15.00%	23 January 2006	3,000,000
NTL loan	8,000,000	NTL	14.65%	27 January 2006	8,000,000
Interest accrual					67,744
					24,067,744

7. TRADE RECEIVABLES AND PAYABLES (NET)

Trade receivables	31 December 2006	31 December 2005	31 December 2004
Receivables from customers	21,589,855	988,049	11,840
Receivables from customers on margin trading	50,236,059	32,974,457	12,023,494
Allowance for doubtful receivables (-)	-	-	(221)
Deposits and guarantees given	603,429	222,588	-
Receivables from clearing houses	-	23,441,548	-
Guarantee receivables due to derivative transactions	47,412,533	10,969,050	-
Receivables due to sales of marketable securities	7,210,000	-	-
Other trade receivables	1,185,151	1,138,196	941,195
	128,237,027	69,733,888	12,976,308

Allowance is provided for estimated irrecoverable amounts. This allowance is determined by reference to past experience. Movement in allowance for doubtful receivables is as follows:

	2006	2005	2004
Opening balance, 1 January	-	221	252
Collections during the period	-	(221)	-
Monetary gain	-	-	(31)
Closing balance, 31 December	-	-	221

Trade payables	31 December 2006	31 December 2005	31 December 2004
Payables to customers	1,695,723	23,277,246	33,739
Payables due to marketable securities purchases	-	1,589,095	-
Payables on repo transactions from the portfolio	4,803,770	3,979,300	28,880,286
Margin payables to customers on derivative transactions	20,047,074	1,968,604	-
Liabilities from short selling transactions	555,000	4,823,846	-
Commission payables	3,170	9,119	-
Payables to clearing houses	22,041,593	-	-
Other trade payables	19,563	1,997,067	658,186
	49,165,893	37,644,277	29,572,211

8. FINANCE LEASE RECEIVABLES AND PAYABLES (NET)

As of 31 December 2006, 2005 and 2004, there are no finance lease receivables or payables.

9. DUE FROM/TO RELATED PARTIES (NET))

	31 December 2006	31 December 2005	31 December 2004
Due from related parties			
İş Finansal Kiralama A.Ş.	-	-	23,648
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	46,519	-
Receivable from personnel	625,955	471,890	412,263
İş Merkezleri Yönetim ve İşletim A.Ş.	1,114	1,114	1,114
T. İş Bankası A.Ş.	24,499	101,887	-
	651,568	621,410	437,025
Bank balances with related parties			
T. İş Bankası A.Ş.	90,657,502	51,705,964	571,910
	90,657,502	51,705,964	571,910
Due to related parties			
Anadolu Anonim Türk Sigorta A.Ş.	21,542	17,158	13,920
Şişecam Sig. ve Aracılık Hizm. A.Ş.	413	331	331
T. Şişe ve Cam Fabrikaları A.Ş.	10,188	7,508	-
Trakya Cam Sanayi A.Ş.	-	-	1,343
İş Merkezleri Yönetim ve İşletim A.Ş.	26,863	1,354	-
T. İş Bankası A.Ş.	44,476	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	45,712	-	-
Payable to personnel	13,506	-	-
Other	-	20	20
	162,700	26,371	15,614
Due to related parties (long-term)			
Due to shareholders	624	631	505
	624	631	505
Fee and brokerage commission income	2006	2005	2004
T. İş Bankası A.Ş.	7,157,559	8,502,613	6,239,735
Camiş Sigorta Hizmetleri A.Ş.	-	4,111	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	200,629	27,005	-
İş Net Elektronik Bilgi Üretim A.Ş.	5	-	-
Miltaş Sigorta Aracılığı A.Ş.	26	-	-
Miltaş Turizm İnşaat Ticaret A.Ş.	93	-	-
İş Factoring Finansman Hizmetleri A.Ş.	30	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	92,643	-	-
Probil Bilgi İşlem Destek Danışmanlık A.Ş.	234	-	-
Yatırım Finansman Menkul Değerler A.Ş.	397	-	-
Efes Holding A.Ş.	308	-	-
Anadolu Hayat Emeklilik A.Ş.	352,560	-	-
	7,804,484	8,533,729	6,239,735
Letters of guarantee commissions			
T. İş Bankası A.Ş.	16,670	11,656	10,863
	16,670	11,656	10,863
Custody commissions			
T. İş Bankası A.Ş.	12,845	2,077	-
	12,845	2,077	-
Interest on borrowings			
T. İş Bankası A.Ş.	63,103	28,408	20,134
	63,103	28,408	20,134
Finance lease interests			
İş Finansal Kiralama A.Ş.	1,431	2,221	1,653
	1,431	2,221	1,653
Bank transaction commissions			
T. İş Bankası A.Ş.	10,425	-	-
	10,425	-	-
Interest income on time deposits			
T. İş Bankası A.Ş.	12,257,713	543,797	897,773
	12,257,713	543,797	897,773

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	2006	2005	2004
Dividends received			
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	262,297	290,477	-
T. İş Bankası A.Ş.	-	5,060	-
Yatırım Finansman Menkul A.Ş.	4,581	-	-
	266,878	295,537	-
Personnel health insurance contributions			
Anadolu Anonim Türk Sigorta Şirketi	202,441	158,086	142,588
	202,441	158,086	142,588
Office insurance expenses			
Anadolu Anonim Türk Sigorta Şirketi	33,110	39,798	36,554
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	45,712	-	-
	78,822	39,798	36,554
Commission income from related parties			
İş Finansal Kiralama A.Ş.	30	1,677	5,198
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	31,121	175,240	179,357
	31,151	176,917	184,555
Commission expenses to related parties			
T. İş Bankası A.Ş.	861,952	424,235	679,783
	861,952	424,235	679,783
Rent expenses to related parties			
Türkiye İş Bankası A.Ş.	57,296	42,553	47,591
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,644,500	1,296,524	1,407,357
	1,701,796	1,339,077	1,454,948
Administrative expenses to related parties			
İş Merkezleri Yönetim ve İşletim A.Ş.	580,537	405,980	456,251
	580,537	405,980	456,251
Network providing expenses to related parties			
İş Net Elektronik Hizmetler A.Ş.	73,730	24,326	22,140
	73,730	24,326	22,140
Technical assistance expenses			
İş Portföy Yönetimi A.Ş.	16,396	16,118	14,380
	16,396	16,118	14,380
Technical assistance, consultancy and audit expenses paid to related parties			
T. Şişecam Fabrikaları A.Ş.	33,125	-	-
	33,125	-	-
Personnel private pension plan expenses			
Anadolu Hayat Emeklilik A.Ş.	26,257	-	-
	26,257	-	-
Gain on sale of subsidiaries from related parties			
Camiş Holding A.Ş.	72,099	-	-
	72,099	-	-

10. OTHER RECEIVABLES AND PAYABLES (NET)

Other short-term receivables	31 December 2006	31 December 2005	31 December 2004
Prepaid taxes and funds	1,304,620	194,096	113,357
Receivables from Stock Exchange Money Market	14,627,072	5,863,977	200,087
Other short term receivables	97,863	2,111	747,997
	16,029,555	6,060,184	1,061,441
Other liabilities			
Payables for expenses	883,601	722,898	1,824,246
Taxes and dues payable	2,782,940	976,169	1,063,770
	3,666,541	1,699,067	2,888,016
Other financial liabilities			
Payables to Stock Exchange Money Market	187,985,000	36,370,000	-
Interest accruals	668,836	47,505	-
	188,653,836	36,417,505	-

11. DEFERRED TAX ASSETS AND LIABILITIES (NET)

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its consolidated financial statements as reported in compliance with Communiqué No: XI/25 and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for Communiqué No: XI/25 and tax purposes and are set out below.

The temporary differences subject to deferred tax are as follows:

Temporary differences subject to deferred tax	31 December 2006	31 December 2005	31 December 2004
Useful life differences on tangible and intangible assets	580,458	800,024	1,325,798
Retirement pay provision (*)	(714,081)	(720,829)	(621,230)
Valuation of marketable securities	1,712,001	42,583	5,942
Income and expense accruals on forwards (net)	(3,094,980)	(500,525)	-
Accrued expenses	(602,747)	-	-
	(2,119,349)	(378,747)	710,510
Deferred tax assets/(liabilities)			
Useful life differences on tangible and intangible assets	116,091	240,007	397,739
Retirement pay provision	(142,816)	(216,249)	(186,369)
Valuation of marketable securities	342,400	12,775	1,783
Income and expense accruals on forwards (net)	(618,996)	(150,158)	-
Accrued expenses	(120,549)	-	-
	(423,870)	(113,625)	213,153
Valuation allowance (**)	11,589	-	-
	(412,281)	(113,625)	213,153
Movement of deferred tax assets/(liabilities)	2006	2005	2004
Opening balance, 1 January	(113,625)	213,153	518,451
Deferred tax (benefit)/charge (Note 37)	(652,379)	(326,778)	(242,267)
Deferred tax charged to valuation fund on financial assets	342,134	-	-
Deferred tax asset allowance (Note 37)	11,589	-	-
Monetary gain	-	-	(63,031)
Closing balance, 31 December	(412,281)	(113,625)	213,153

(*) Since İş Yatırım Ortaklığı A.Ş. is exempt from taxation, retirement pay provision amounting to NTL 24,157 (31 December 2005: NTL 15,827, 31 December 2004: NTL 11,262) is not considered in deferred tax provision calculation.

(**) Tax legislation in Turkey does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, are calculated on a separate-entity basis. Deferred tax assets are recognized when it is probable that the tax benefit will be utilized in the future. Deferred tax asset is written off to the extent that could not be realized. In this respect, allowance is made for the deferred tax asset calculated by Camiș Menkul Değerler A.Ş. amounting to NTL 11,589 in the accompanying financial statements.

12. OTHER CURRENT/LONG-TERM ASSETS AND LONG-TERM LIABILITIES

Other current assets	31 December 2006		31 December 2005		31 December 2004	
Prepaid expenses		260,664		244,809		107,471
Income accruals on derivative transactions		-		762,500		-
		260,664		1,007,309		107,471

13. FINANCIAL ASSETS (NET)

	31 December 2006		31 December 2005		31 December 2004	
	Share	Amount	Share	Amount	Share	Amount
İş Portföy Yönetimi A.Ş.	20.00	4,881,991	20.00	3,495,056	20.00	2,476,583
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (*)	20.08	17,080,876	20.08	15,906,000	20.08	15,887,925
		21,962,867		19,401,056		18,364,508

(*) İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. is accounted for under the equity method and NTL 3,844,144 of allowance for the impairment between market value and equity method is provided (31 December 2005: NTL 1,989,254, 31 December 2004: NTL 15,918 value increase).

Financial information of the Group's investments in associates accounted under the equity method is as follows:

	31 December 2006		31 December 2005		31 December 2004	
Total assets		130,215,254		122,498,399		95,890,473
Total liabilities		1,597,028		15,903,330		4,463,702
Net assets		128,618,226		106,595,069		91,426,771
Group's share in net assets		25,807,011		21,390,310		18,348,590
Impairment allowance (-)		(3,844,144)		(1,989,254)		15,918
		21,962,867		19,401,056		18,364,508

14. POSITIVE/ (NEGATIVE) GOODWILL (NET)

	31 December 2006		31 December 2005		31 December 2004	
Camiş Menkul Değerler A.Ş.		672,486		672,486		672,486
İş Yatırım Ortaklığı A.Ş.		(7,850,987)		(7,143,678)		(3,511,342)
		(7,178,501)		(6,471,192)		(2,838,856)
Accumulated amortization		854,025		509,924		230,151
		(6,324,476)		(5,961,268)		(2,608,705)

15. TANGIBLE ASSETS (NET)

	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Other Tangible Assets	Total
Acquisition cost						
Opening balance, 1 January 2006	2,957,926	35,792	1,178,837	3,319,859	4,126,479	11,618,893
Additions	561,960	-	576,205	584,127	-	1,722,292
Disposals	-	(35,792)	-	-	-	(35,792)
Closing balance, 31 December 2006	3,519,886	-	1,755,042	3,903,986	4,126,479	13,305,393
Accumulated depreciation						
Opening balance, 1 January 2006	(2,205,988)	(34,599)	(748,868)	(2,153,583)	(4,085,005)	(9,228,043)
Charge for the period	(413,352)	(1,193)	(177,794)	(419,154)	(41,474)	(1,052,967)
Disposals	-	35,792	-	-	-	35,792
Closing balance, 31 December 2006	(2,619,340)	-	(926,662)	(2,572,737)	(4,126,479)	(10,245,218)
Net book value						
as of 31 December 2005	751,938	1,193	429,969	1,166,276	41,474	2,390,850
Net book value						
as of 31 December 2006	900,546	-	828,380	1,331,249	-	3,060,175
Acquisition cost						
Opening balance, 1 January 2005	2,671,485	216,957	1,052,522	3,314,241	4,126,479	11,381,684
Additions	294,367	-	126,315	5,618	-	426,300
Disposals	(7,926)	(181,165)	-	-	-	(189,091)
Closing balance, 31 December 2005	2,957,926	35,792	1,178,837	3,319,859	4,126,479	11,618,893
Accumulated depreciation						
Opening balance, 1 January 2005	(1,699,442)	(204,536)	(581,451)	(1,678,549)	(3,651,776)	(7,815,754)
Charge for the period	(509,050)	(11,228)	(167,417)	(475,034)	(433,229)	(1,595,958)
Disposals	2,504	181,165	-	-	-	183,669
Closing balance, 31 December 2005	(2,205,988)	(34,599)	(748,868)	(2,153,583)	(4,085,005)	(9,228,043)
Net book value						
as of 31 December 2004	972,043	12,421	471,071	1,635,692	474,703	3,565,930
Net book value						
as of 31 December 2005	751,938	1,193	429,969	1,166,276	41,474	2,390,850
Acquisition cost						
Opening balance, 1 January 2004	2,442,678	216,957	954,699	3,314,241	4,126,479	11,055,054
Additions	228,807	-	106,675	-	-	335,482
Disposals	-	-	(8,852)	-	-	(8,852)
Closing balance, 31 December 2004	2,671,485	216,957	1,052,522	3,314,241	4,126,479	11,381,684
Accumulated depreciation						
Opening balance, 1 January 2004	(1,207,938)	(172,961)	(434,521)	(1,201,531)	(2,969,931)	(5,986,882)
Charge for the period	(491,504)	(31,575)	(155,486)	(477,018)	(681,845)	(1,837,428)
Disposals	-	-	8,556	-	-	8,556
Closing balance, 31 December 2004	(1,699,442)	(204,536)	(581,451)	(1,678,549)	(3,651,776)	(7,815,754)
Net book value						
as of 31 December 2003	1,234,740	43,996	520,178	2,112,710	1,156,548	5,068,172
Net book value						
as of 31 December 2004	972,043	12,421	471,071	1,635,692	474,703	3,565,930

16. INTANGIBLE ASSETS (NET)

Acquisition cost	Rights
Opening balance, 1 January 2006	461,355
Additions	277,018
Disposals	-
Closing balance, 31 December 2006	738,373
Opening balance, 1 January 2005	395,032
Additions	66,323
Disposals	-
Closing balance, 31 December 2005	461,355
Opening balance, 1 January 2004	394,168
Additions	1,317
Disposals	(453)
Closing balance, 31 December 2004	395,032
Accumulated amortization	
Opening balance, 1 January 2006	(314,251)
Charge for the period	(95,254)
Disposals	-
Closing balance, 31 December 2006	(409,505)
Opening balance, 1 January 2005	(234,704)
Charge for the period	(79,547)
Disposals	-
Closing balance, 31 December 2005	(314,251)
Opening balance, 1 January 2004	(158,564)
Charge for the period	(76,593)
Disposals	453
Closing balance, 31 December 2004	(234,704)
Net book value as of 31 December 2004	160,328
Net book value as of 31 December 2005	147,104
Net book value as of 31 December 2006	328,868

17. ADVANCES RECEIVED

As of 31 December 2006, 2005 and 2004, there are no advances received.

18. RETIREMENT BENEFITS

During 2006, the Group has started to contribute certain amount of private pension payments for its employees. As of 31 December 2006, the total amount of contribution paid is NTL 26,257 (31 December 2005: None, 31 December 2004: None).

19. PROVISIONS

Short-term	31 December 2006	31 December 2005	31 December 2004
Provision for corporate tax (Note 37)	2,872,483	7,899,500	5,523,706
Advance corporation tax (-)	(2,849,106)	(5,224,343)	(3,785,934)
Expense accruals on derivative transactions	3,094,980	1,263,025	-
Other liabilities and provisions	1,719,551	279,307	280,300
	4,837,908	4,217,489	2,018,072

Long-term	31 December 2006	31 December 2005	31 December 2004
Retirement pay provision	738,238	736,656	632,492
	738,238	736,656	632,492

Under Turkish Law, the Group is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The retirement pay provision ceiling as at the balance sheet date is subject to a maximum of NTL 1,857.44 per month for the year 2006 (31 December 2005: NTL 1,727.15 per month, 31 December 2004: NTL 1,574.74 per month). As the maximum liability is revised semi annually, the maximum amount of NTL 1,960.69 effective from 1 January 2007 has been taken into consideration in calculation of provision for employment termination benefits.

Communiqué No: XI/25, Section 29 ("Employee Benefits") requires the recognition of the related provision taking into consideration that this liability is for future periods:

- An expected inflation rate and an appropriate discount rate should both be determined, the net of these being the real discount rate. This real discount rate should be used to discount future retirement payments to their present value at the balance sheet date.
- The anticipated rate of forfeitures should be considered.

Consequently, in the accompanying consolidated financial statements provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

Retirement pay provision is calculated by using the estimated annual inflation rate of 5.00% (2005: 6.175%, 2004: 10.00%) and discount rate of 11.00% (2005: 12.00%, 2004: 16.00%) resulting in approximately 5.71% of real discount rate (2005: 5.49%, 2004: 5.45%).

	2006	2005	2004
Opening balance, 1 January	736,656	632,492	537,277
Charge for the period	110,976	259,219	270,673
Retirement payments made	(109,394)	(155,055)	(111,803)
Monetary gain	-	-	(63,655)
Closing balance, 31 December	738,238	736,656	632,492

20. MINORITY INTEREST

The minority interest as of 31 December 2006 is amounted to NTL 127,536,324 (31 December 2005: NTL 124,928,895, 31 December 2004: NTL 104,502,957). The minority interest occurred for the year 1 January-31 December 2006 is amounted to NTL 8,384,738 (2005: NTL 34,397,157, 2004: NTL 13,340,642) and disclosed separately from the net profit for the period in the accompanying consolidated financial statements.

	2006	2005	2004
Opening balance, 1 January	124,928,895	104,502,957	91,162,315
Minority portion of the net profit for the period	8,384,738	34,397,157	13,340,642
Decrease in minority interest due to subsidiary purchase	(5,777,309)	(11,259,219)	-
Dividends paid	-	(2,712,000)	-
Closing balance, 31 December	127,536,324	124,928,895	104,502,957

21. CAPITAL/TREASURY STOCK

The capital structure of the Company is as follows:

Shareholders	31 December 2006		31 December 2005		31 December 2004	
	Share %	Amount	Share %	Amount	Share %	Amount
T. İş Bankası A.Ş. (A Group)	0.15	150,000	0.15	150,000	0.30	150,000
T. İş Bankası A.Ş. (B Group)	91.85	88,906,000	91.85	88,906,000	91.70	41,250,000
Others	8.00	7,744,000	8.00	7,744,000	8.00	3,600,000
Total	100.00	96,800,000	100.00	96,800,000	100.00	45,000,000

The capital of the Company is NTL 96,800,000 (NTL ninety six million eight hundred thousand). The capital consists of 96,800,000 (Ninety six million eight hundred thousand) shares of NTL 1 (NTL one) each. NTL 150,000 of the shares is Group A and NTL 96,650,000 is Group B shares. According to the Articles of Association, additional Group A shares cannot be issued during new capital increases. The capital increase of NTL 51,800,000 (NTL fifty one million eight hundred thousand) in 2005 was met by the gain on sale of affiliates of NTL 1,217,909 and the inflation restatement differences in the legal books of NTL 50,582,091. The members of the Board of Directors and the statutory auditors are elected among the nominees determined by A Group shareholders.

Until 31 December 2005, the Parent Company's shares held by the Camış Menkul Değerler A.Ş. amounted to NTL 215,738 (2005: NTL 215,738) representing 0.21% of the parent's capital are eliminated as part of the capital- investment eliminations and presented in the "Treasury Stock" account under the shareholders' equity. During the current year, Camış Menkul Değerler A.Ş. sold the Parent Company's shares and consequently the "Treasury Stock" account under the shareholders' equity is eliminated.

22. CAPITAL RESERVES

As of 31 December 2006, 2005 and 2004, capital reserves are as follows:

	31 December 2006	31 December 2005	31 December 2004
Premium in excess of par	-	-	-
Gain on cancellation of equity shares	-	-	-
Revaluation fund	-	-	-
Valuation fund on financial assets	6,500,536	8,548,670	3,075,121
Shareholders' equity inflation restatement differences	16,394	16,394	40,485,501
	6,516,930	8,565,064	43,560,622

23. PROFIT RESERVES

As of 31 December 2006, 2005 and 2004, profit reserves are as follows:

	31 December 2006	31 December 2005	31 December 2004
Legal reserves	1,815,324	322,076	-
Statutory reserves	2,168	-	-
Extraordinary reserves	23,260,139	35,372	-
Special reserves	3,258,929	781,061	-
Gain on sale of properties and equity participations that will be transferred to capital	-	-	1,217,909
Currency translation reserve	30,756	(34,703)	-
	28,367,316	1,103,806	1,217,909

24. RETAINED EARNINGS

	31 December 2006	31 December 2005	31 December 2004
Retained earnings	5,203,992	5,877,330	11,634,747
	5,203,992	5,877,330	11,634,747

25. FOREIGN CURRENCY POSITION

Foreign currencies and receivables and payables denominated in foreign currencies as of 31 December 2006 are as follows:

Bank Deposits	Amount	Currency	FX Rate	NTL
Shuaa Capital	96,934	UAED	0.38455	37,276
T. İş Bankası A.Ş.	3,305,376	US Dollars	1.40560	4,646,037
T. İş Bankası A.Ş.	19,381	EUR	1.85150	35,884
T. İş Bankası A.Ş.	104,962	GBP	2.75690	289,370
T. İş Bankası A.Ş.	25,338	CAD	1.21190	30,707
T. İş Bankası A.Ş.	2,190	CHF	1.15030	2,519
T. İş Bankası A.Ş.	2,452	NOK	0.22391	549
Cedelbank	394	Hong Kong Dollars	0.18164	72
JP Morgan	320,747	US Dollars	1.40560	450,842
JP Morgan	167,291	EUR	1.85150	309,739
Global Investment House	72,260	KWD	4.82120	348,380
Saxo Bank	37,383	US Dollars	1.40560	52,546
Refco LLC	3,200	EUR	1.85150	5,925
Refco LLC	284,501	US Dollars	1.40560	399,895
Standard Bank	1,850,000	US Dollars	1.40560	2,600,360
				9,210,101
Marketable Securities				
Equity shares	49,969	US Dollars	1.40560	70,236
Equity shares	206,965	EUR	1.85150	383,196
Foreign currency securities	119,067	EUR	1.85150	220,453
Foreign currency securities	201,679	US Dollars	1.40560	283,480
Foreign currency securities	86,630	Azerbaijan Manat	1.61340	139,769
				1,097,134
Total assets				10,307,235
Loans				
Akbank	(10,499,950)	US Dollars	1.40560	(14,758,730)
Total liabilities				(14,758,730)
Derivative instruments	4,280,000	US Dollars	1.40560	6,015,968
Net foreign currency position				1,564,473

Foreign currencies and receivables and payables denominated in foreign currencies as of 31 December 2005 are as follows:

Bank Deposits	Amount	Currency	FX Rate	NTL
Shuaa Capital	280,659	UAED	0.3653	102,525
T. İş Bankası A.Ş.	7,360	US Dollars	1.3418	9,876
T. İş Bankası A.Ş.	10,044	EUR	1.5875	15,945
T. İş Bankası A.Ş.	576,089	GBP	2.3121	1,331,975
				1,460,321
Marketable Securities				
Foreign currency securities	103,691	US Dollars	1.3418	139,133
Foreign currency securities	121,503	EUR	1.5875	192,886
Equity shares	15,624	EUR	1.5875	24,803
Equity shares	88,501	US Dollars	1.3418	118,751
				475,573
Total assets				1,935,894
Total liabilities				-
Derivative instruments	(1,948,000)	US Dollars	1.3418	(2,613,826)
Net foreign currency position				(677,932)

CONSOLIDATED BALANCE SHEETS

Foreign currencies and receivables and payables denominated in foreign currencies as of 31 December 2004 are as follows:

Bank Deposits	Amount	Currency	FX Rate	NTL
Türkiye İş Bankası A.Ş.	230,142	US Dollars	1.3421	308,874
Refco LLC	45,379	US Dollars	1.3421	60,903
Türkiye İş Bankası A.Ş.	48,553	EUR	1.8268	88,697
				458,474
Marketable Securities				
Foreign currency securities	104,086	EUR	1.8268	190,144
Equity shares	298,338	EUR	1.8268	545,004
				735,148
Total assets				1,193,622
Total liabilities				-
Net foreign currency position				1,193,622

26. GOVERNMENT GRANTS AND INCENTIVES

As of 31 December 2006, 2005 and 2004, there are no government grants or incentives.

27. COMMITMENTS AND CONTINGENCIES

	31 December 2006	31 December 2005	31 December 2004
Letters of guarantee given	284,727,216	72,165,943	22,267,167

There are two pending litigation cases filed against the Company as of the balance sheet date. The Company has provided the required provision in the accompanying financial statements for these litigations amounting to NTL 278,701 (31 December 2005: NTL 278,701, 31 December 2004: NTL 278,701).

Purchase commitments and option agreements of the Group as of 31 December 2006 and 2005 (31 December 2004: None) are as follows:

Derivative Instrument Description	31 DECEMBER 2006							
	SHORT POSITION		LONG POSITION		SHORT POSITION		LONG POSITION	
Notional Amount	Type	Notional Amount (NTL)	Fair Value	Notional Amount	Type	Notional Amount (NTL)	Fair Value	
NTL/Foreign Currency								
Forward agreements	4,850,000	USD	6,817,160	6,839,060	107,080,000	USD	150,511,648	155,462,475
Future agreements	97,950,000	USD	137,678,520	142,249,050	-	-	-	-
Index								
Option agreements	60	Call	2,727,000	2,913,000	60	Put	2,970,000	2,913,041
Future agreements	1,000	NTL	4,855,138	5,002,500	-	-	-	-
Equity Share								
Option agreements	1,000,000	Call	7,210,000	7,307,910	-	-	-	-

31 DECEMBER 2005

Derivative Instrument Description	SHORT POSITION				LONG POSITION			
	Notional Amount	Type	Notional Amount (NTL)	Fair Value	Notional Amount	Type	Notional Amount (NTL)	Fair Value
NTL/Foreign Currency								
Forward agreements	22,000,000	USD	29,519,600	30,150,000	62,000,000	USD	83,191,600	85,754,000
Forward agreements	800,000	EURO	1,270,000	1,307,400	2,050,000	EUR	3,254,375	3,366,875
Future agreements	42,202,000	USD	56,626,644	58,660,780	254,000	USD	341,122	347,980
Future agreements	1,250,000	EURO	1,984,375	2,059,475	-	-	-	-
Index								
Future agreements	199	NTL	1,004,304	1,008,433	1,632	NTL	6,616,792	6,620,160
91 days bond interest								
Future agreements	200	Interest	1,970,960	1,935,000	-	-	-	-

28. MERGERS AND ACQUISITIONS

As of 31 December 2006, 2005 and 2004, there are no mergers or acquisitions.

29. SEGMENTAL INFORMATION

Since the Group predominantly operates in Turkey, and only in marketable securities sector, it is not required to disclose segmental financial information.

30. SUBSEQUENT EVENTS

In accordance with the decision of the Board of Directors numbered 457 and dated 30 November 2006, the Company decided to sell 12,907,000 (Twelve million nine hundred seven thousand) of B group shares having nominal value of NTL 1 (NTL one) pertaining to one of the shareholders of the Company, held by Türkiye İş Bankası A.Ş. with their additional right of sale by a public offering. Also upon the afore-mentioned decision, the Company's paid-in capital is decided to be increased from NTL 96,800,000 (NTL ninety six million eight hundred thousand) to NTL 119,387,000 (NTL one hundred and nineteen million three hundred and eighty seven thousand) and NTL 22,587,000 (NTL twenty two million five hundred and eighty seven thousand) of the related increased amount having a nominal value of NTL 1 per share with the total quantity of 22,587,000 (Twenty two million five hundred and eighty seven) is to be offered to public by fully restraining the preemptive rights of those shares for the existing shareholders under the regulations and statements of the Capital Markets Board. Accordingly, it has been decided to amend the Company's articles of association in accordance with the regulations and statements of the Capital Markets Board and to obtain the authorization from the Ministry of Trade and Industry, to complete the legal procedures for the amendment.

In this context, the Company's public offering registration application is published in the CMB's Weekly Bulletin No: 2007/7 on 12/02/2007-16/02/2007 under the heading of "Entities Applied to the Board For the Purpose of Public Offerings".

31. DISCONTINUED OPERATIONS

As of 31 December 2006, 2005 and 2004, there are no discontinued operations.

32. OPERATING INCOME (NET)

Sales income (net)	2006	2005	2004
Sales of equity shares	5,885,481,850	5,213,656,378	4,714,025,878
Sales of private sector bonds	1,024,000	-	-
Sales of public sector bonds	11,834,739,258	22,548,477,393	11,337,176,100
Sales of treasury bills	3,247,539,062	1,140,142,498	3,355,821,338
Sales of mutual funds	258,717,259	67,862,033	6,350,684
	21,227,501,429	28,970,138,302	19,413,374,000
Cost of sales			
Purchases of equity shares	(5,892,481,502)	(5,198,528,626)	(4,701,217,110)
Purchases of private sector bonds	(1,000,000)	-	-
Purchases of public sector bonds	(11,829,604,149)	(22,531,760,482)	(11,317,941,519)
Purchases of treasury bills	(3,243,715,118)	(1,139,305,666)	(3,348,027,719)
Purchases of mutual funds	(258,839,097)	(67,869,712)	(6,351,890)
	(21,225,639,866)	(28,937,464,486)	(19,373,538,238)
Service income			
Commission income on trading of equity shares	25,223,793	35,191,938	26,365,561
Commission income on trading of government bonds and treasury bills	1,005,282	789,054	907,504
Commission income on trading of FC government bonds and treasury bills	68,115	296	404,968
Stock exchange money market agency commissions	7,631	24,557	-
Commission income on derivatives transactions	1,967,375	133,925	-
Public offering agency commissions	2,806,699	363,173	2,016,666
Public offering underwriting commissions	1,800,344	354,051	409,397
Public offering administration commissions	1,017,754	1,395,381	1,183,490
Mergers-acquisitions agency commissions	-	447,960	-
Investment advisory services income	25,500	24,793	22,456
Other corporate consultancy income	1,867,284	1,263,879	1,003,707
Capital increase/dividend distribution agency income	40,900	36,550	17,583
Investment fund management fee commissions	4,541,297	7,470,177	6,108,933
Portfolio management commissions	512,666	659,649	395,977
Securities lending commissions	922,584	-	-
Other commissions and income	2,063,312	1,582,852	855,957
	43,870,536	49,738,235	39,692,199
Deductions from service income			
Commission reimbursements to customers	(195,588)	(10,777,561)	(7,903,688)
Commissions paid to agencies	(950,386)	(335,797)	(673,330)
Commissions paid	(710,958)	(96,719)	(1,552,419)
Other discounts	(46,319)	(81,321)	-
	(1,903,251)	(11,291,398)	(10,129,437)
Service income (net)	41,967,285	38,446,837	29,562,762
Other operating income (net)			
Interest income from customers	6,592,348	3,113,350	2,720,376

33. OPERATING EXPENSES

Marketing, selling and distribution expenses (-)	2006	2005	2004
Equity shares transaction and registration fees	(457,738)	(340,406)	(1,073,795)
Fixed income securities transaction and registration fees	(1,200,236)	(747,848)	(867,018)
Custody expenses	(478,664)	(776,407)	(942,744)
Foreign marketable security transaction shares	(770,072)	(490,654)	(705,414)
Other marketing, selling and distribution expenses	(259,475)	(145,512)	(54,275)
	(3,166,185)	(2,500,827)	(3,643,246)

General administrative expenses (-)

Personnel expenses	(19,521,462)	(14,306,855)	(11,801,649)
Board of Directors remunerations	(924,546)	(646,860)	(647,202)
Retirement pay provision	(110,976)	(259,219)	(270,673)
Depreciation and amortization charges	(1,148,221)	(1,675,505)	(1,914,021)
Membership fees	(468,254)	(447,396)	(408,658)
Technical assistance and consulting expenses	(1,458,505)	(1,071,801)	(931,923)
Outsourcing expenses	(304,591)	(221,257)	(363,016)
Taxes and dues	(5,999,066)	(2,448,822)	(2,138,202)
Rent expenses	(2,411,975)	(2,120,797)	(1,902,570)
Communication and IT expenses	(3,462,017)	(2,681,502)	(2,229,054)
Advertisement expenses	(1,637,346)	(1,180,390)	(1,327,579)
Amortization of goodwill	344,101	279,773	142,333
Entertainment expenses	(319,990)	(376,880)	(435,412)
Stationary expenses	(336,244)	(297,269)	(354,399)
Vehicle expenses	(631,592)	(528,481)	(383,307)
Maintenance expenses	(124,611)	(133,597)	(138,764)
Other	(665,532)	(517,816)	(493,411)
	(39,180,827)	(28,634,674)	(25,597,507)

Total operating expenses	(42,347,012)	(31,135,501)	(29,240,753)
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34. OTHER INCOME/EXPENSES AND PROFITS/LOSSES

Other income and profits	2006	2005	2004
Dividend income from affiliates	2,132,879	1,936,262	890,838
Gains on sale of affiliates	1,524,337	-	-
Equity pick-up income	2,561,811	1,036,549	693,110
Government securities interest income	9,596,343	875,115	2,009,405
Foreign marketable securities interest income	-	-	7,001
Interest income on time deposit	17,910,409	2,147,662	1,409,237
Stock exchange money market interest income	20,894	26,208	65,990
Marketable securities accrual income	640,111	22,267,617	8,352,945
Derivate instruments income (net)	19,324,051	1,057,491	-
Other	2,712,924	462,927	2,589
	56,423,759	29,809,831	13,431,115

Other expenses and losses (-)

Impairment allowance on affiliates	-	(1,150,244)	(2,165,713)
Securities accrual expenses	(5,636,864)	(1,654,111)	(8,309,192)
Securities lending commission expenses	(5,916,365)	(494,251)	-
Other	(1,178,479)	(399,641)	(516,043)
	(12,731,708)	(3,698,247)	(10,990,948)

35. FINANCE INCOME/(EXPENSES) (NET)

	2006	2005	2004
Finance expenses on short-term borrowings (-)	(3,919,579)	(131,367)	(30,951)
Stock exchange money market interest expenses (-)	(12,107,330)	(1,413,732)	(47,779)
Foreign currency losses (-)	(25,197,070)	(3,349,101)	(5,729,807)
Foreign currency gains	15,944,039	3,956,011	5,844,312
Other finance (expenses)/income (net)	(139,557)	222,695	(23,812)
	(25,419,497)	(715,494)	11,963

36. NET MONETARY GAIN/(LOSS)

According to the CMB's decision No: 11/367 on 17 March 2005, the application of inflation accounting has been ceased in 2005, therefore there is no monetary gain or loss in the accompanying consolidated statement of income (31 December 2004: NTL 21,214,120).

37. TAXES

Corporate Tax:

The Group is subject to Turkish corporate taxes. Tax legislation in Turkey does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2006 is 20% (2005: 30%, 2004: 33%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was 20% for 2006 (2005: 30%, 2004: 33%). The excess advance tax paid of corporate income that was calculated at the rate of 30% during the taxation of the corporate income in advance taxation periods after 1 January 2006 over 20% were deducted from future advance tax returns.

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. The companies with special accounting periods file their tax returns between 1st and 25th days of fourth month after the fiscal year end. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% by Article 15 in the Code numbered 5520 commencing from 21 June 2006. However until a new resolution of the Council of Ministers, it was used as 10%. After the Council of Ministers resolution declared in the Official Gazette on 23 July 2006, this rate was increased from 10% to 15% effective from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to the following years as of 31 December 2005 so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to the following years.

The tax rate that the companies can use in the case of deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Company cannot use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be forfeited.

As the Company did not use the investment incentives, 20% is used as the corporate tax rate.

Inflation Adjusted Tax Calculation:

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No: 5024 published in the Official Gazette No: 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in the Communiqué No: XI/20 paragraph 6 and the Communiqué No: XI/25 paragraph 375. As inflation met certain thresholds as of 31 December 2004, the Company has adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No: 5024 and inflation adjusted balances as at 31 December 2004 were taken as opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds in 2005 and following period, inflation accounting is not applied.

Taxation for Investment Trusts:

Based on the Clause 1(d) of the 5th Article of the Corporate Tax Law No: 5520 and dated 13 June 2006 in effect from 1 January 2006, portfolio management income of the securities investment funds and trusts in Turkey is exempt from tax. This exemption is also applied to the advance corporate tax.

Based on the Clause 3 of the 15th Article of the same law, 15% withholding tax is applied on the portfolio management income of the securities investment funds and trusts in Turkey, which is exempt from tax, whether it is distributed or not. Based on the Clause 4 of the same article, the Council of Ministers is authorized to reduce this withholding rate to 0% or to increase it up to the corporate tax rate and differentiate the related withholding rate according to fund and trust types or the nature and composition of the assets in their portfolio within the related limits.

In accordance with the Clause 4 of the 1st Provisional Article of the Corporate Tax Law No: 5520, until new decisions are made by the Council of Ministers under the jurisdiction of this law, regarding the tax rates and other issues within the context of Income Tax No: 193 and Corporate Tax Law No: 5422 announced as per the Council of Ministers resolutions, which is abolished as of 1 January 2006, are still binding provided that the limitations specified in Law No: 5520 are complied with.

In accordance with the Clause 1 of the Article 34 of the Corporate Tax Law No: 5520, withholdings made at the source of the securities investment funds and trusts' income included in their corporate tax returns under the 1st Clause of the 15th Article and 1st and 2nd Clause of the 30th Article of the same law are deducted against the corporate tax calculated in the tax returns.

It is stated in the 8th Clause of the Article 34 of the related law that withholdings made from the securities investment funds and trusts' portfolio management income under the 15th Article, to the extent that withholding taxes are paid to the related tax authorities, are deductible against the company's structural tax withholding under the 3rd Clause of the 15th Article of the same law and nondeductible withholdings are refunded whenever claimed.

Upon the Law No: 5527 and 1st Clause of the Provisional Article 67 introduced in the Income Tax Law No: 193 according to the Law No: 5281 which will be applied from 1 January 2006 to 31 December 2015 and effective as of 1 January 2006, 15%, 10% and 0% of withholding tax is applied for securities investment funds and trusts' purchase and sale income from securities and other capital market instruments and periodical returns through banks and brokerage companies for the periods of 1 January 2006-22 July 2006, 23 July 2006-30 September 2006 and as of 1 October 2006, respectively.

There is no withholding tax for the collection of income from trading of securities issued abroad by the Treasury, returns from their redemption and their periodical returns, which are attributable to tax-payers; for the disposal of securities retained for more than one year regarding the quoted shares on Istanbul Stock Exchange which are held for more than one year and investment funds permanently consisting of at minimum 51% quoted shares on Istanbul Stock Exchange in its portfolio and; for the collection of share dividends on behalf of the shareholders.

Upon the 8th Clause of the Provisional Article 67, 15% withholding tax is applied on the securities investment funds established in accordance with the Capital Markets Law (including exchange traded funds, housing finance funds and asset finance funds) and securities investment trusts' portfolio income that is exempt from corporate tax, whether distributed or not. There is no further withholding tax for the related income under Article 94. Upon the decision made by the Council of Ministers numbered 2006/10731 and dated 22 July 2006, the related withholding tax rate was applied as 10% for the period 23 July 2006-30 September 2006 and 0% subsequent to 1 October 2006.

As per Clauses 2 and 4 of the Provisional Article 67, no further withholding tax can be made against the securities investment funds' and trusts' income withheld under this article in accordance with the Corporate and Income Tax Laws.

In accordance with the Clause 2 of the 1st Provisional Article of the Corporate Tax Law No: 5520, withholding tax is not applied under this law for income and proceedings that are subject to withholding tax in accordance with the Provisional Article 67 of the Income Tax Law. Withholding taxes in accordance with the foregoing article can be deducted against the corporate tax under the 34th Article. Excess amount arising from the calculation of multiplying the tax withheld under 2 and 3 Clause of the afore-mentioned article by the tax rate of the transaction is not deducted against the tax amount calculated in the annual return.

Requirements of the Provisional Article 67 are not applied to the shares acquired by the securities investment funds and trusts prior to 1 January 2006, bonds and treasury bills issued before that date and securities issued by the Housing Development Administration and Privatization Administration. Prevailing requirements as of 31 December 2005 are applied for these securities. In accordance with the pronouncements made in "7. Taxation of Securities Investment Funds and Associates" of the General Communiqué of the Income Tax Serial No: 257 published within this context, taxation regarding the securities held in the securities investment funds and trusts' portfolio as of 31 December 2005 is as follows:

Shares included in the portfolios of securities investment funds established in accordance with the Capital Markets Law (except for exchange traded funds) and trusts as of 31 December 2005 that are quoted in Istanbul Stock Exchange will be carried at the higher of the weighted average price or cost on the last transaction date in 2005. This amount will be regarded as the purchase price of the related shares in the following periods.

These funds and trusts will monitor their 31 December 2005 portfolios separately from the securities to be traded subsequent to that date. For these securities, income arising from the disposal or retention of shares acquired before 1 January 2006 and bonds and treasury bills issued prior to that date that are exempt from corporate tax, if this portion of the portfolio consists of at minimum 25% of shares, there will be no withholding tax in accordance with the 94th Article of the Income Tax Law, or otherwise 10% withholding tax will be applied.

Shares to be purchased as of 1 January 2006 by these funds and trusts will not be included in this portion of the portfolio whereas share sales subsequent to this date will be considered as those sales are made primarily from the current portion of the 31 December 2005 portfolio. However, income arising from the disposal or retention of bonds and treasury bills issued prior to 31 December 2005 will be monitored in this portion of the portfolio until those shares are fully redeemed.

Corporate tax and deferred taxes are as follows:

Tax Provision	2006	2005	2004
Current corporate tax provision	(2,872,483)	(7,899,500)	(5,523,706)
Deferred tax charge/(benefit)	640,790	326,778	242,267
Unpaid 2005 corporate tax deduction of Maxis Securities	4,239	-	-
	(2,227,454)	(7,572,722)	(5,281,439)
Reconciliation of tax provision:	2006	2005	2004
Profit before tax and monetary loss	26,346,738	68,494,592	45,330,277
Monetary loss	-	-	(21,214,120)
Operating income	26,346,738	68,494,592	24,116,157
(Profit)/loss of subsidiary exempt from tax	(11,548,173)	(42,782,712)	(14,758,231)
Taxable profit before tax	14,798,565	25,711,880	9,357,926
Calculated tax (2006: 20%, 2005: 30%, 2004: 33%)	(2,959,713)	(7,713,564)	(3,088,116)
Effects of undeductable expenses	(1,086,190)	(657,845)	(2,525,037)
Dividend and other tax exempt income/expenses	1,416,070	1,499,281	2,525,891
Carry forward tax losses	(111,697)	(46,412)	(128,527)
Effects of adjustments	(126,714)	(980,960)	(2,307,917)
Deferred tax benefit/(charge)	652,379	326,778	242,267
Deferred tax asset allowance	(11,589)	-	-
Taxation	(2,227,454)	(7,572,722)	(5,281,439)

38. EARNINGS PER SHARE

As of 31 December 2006, 2005 and 2004 the Company's weighted average number of shares and computation of earnings per share are as follows:

	2006	2005	2004
Number of shares in circulation as of 1 January (total)	96,800,000	96,800,000	96,800,000
Cash capital increases	-	-	-
Number of shares in circulation as of 31 December (total)	96,800,000	96,800,000	96,800,000
Weighted average number of shares circulating	96,800,000	96,800,000	96,800,000
Net profit (NTL)	15,734,546	26,524,713	5,494,076
Earnings per share (NTL)	0.1625	0.2740	0.0568

39. OTHER ISSUES THAT HAS SIGNIFICANT AFFECT ON THE UNDERSTANDING AND INTERPRETING FINANCIAL STATEMENTS

None.

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