

**Bankpozitif Kredi ve Kalkınma
Bankası Anonim Şirketi**

**Independent Report on Review of Consolidated
Interim Condensed Financial Statements
31 March 2007**

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

TABLE OF CONTENTS

	Page -----
Independent report on review of consolidated interim condensed financial information	1
Consolidated Interim Balance Sheet	2
Consolidated Interim Income Statement	3
Consolidated Interim Statement of Changes in Equity	4
Consolidated Interim Cash Flow Statement	5
Selected Notes to the Consolidated Interim Condensed Financial Statements	6-42



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**Independent report on review of consolidated interim condensed financial
information**

To the Board of Directors of
Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi:

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi ("the Bank") and its subsidiaries (collectively "the Group") as at 31 March 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the three-months period then ended (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of the Group is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

4 May 2007
Istanbul, Turkey

KPMG Akis Bağımsız Denetim ve SMMM AŞ

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi**CONSOLIDATED INTERIM BALANCE SHEET****At 31 March 2007****(Currency - In thousands of New Turkish Lira)**

	Notes	Reviewed 31.03.2007	Audited 31.12.2006
ASSETS			
Cash and balances with the Central Bank		98	63
Deposits with other banks and financial institutions		118,649	113,711
Other money market placements		1,933	2,329
Reserve deposits at the Central Bank		39,273	23,577
Trading assets	4	1,660	1,773
Receivables from customers due to brokerage activities		11,590	12,442
Loans and advances	6	371,482	238,720
Minimum lease payments receivable	7	35,587	38,083
Investment securities	5	45,005	16,438
Loaned securities	5	12,232	19,205
Property and equipment		5,969	5,799
Intangible assets		4,497	4,438
Deferred tax assets	9	716	365
Other assets		7,240	3,534
Total assets		655,931	480,477
LIABILITIES			
Other money market deposits		29,880	23,524
Trading liabilities	4	761	341
Funds borrowed	8	279,109	156,944
Other liabilities		90,896	62,982
Provisions		550	442
Current tax liabilities	9	3,074	521
Deferred tax liabilities	9	-	18
Total liabilities		404,270	244,772
EQUITY			
Share capital and share premium	10	191,697	182,597
Adjustment to share capital	10	23,311	23,311
Unrealized losses in available-for-sale investments, net of tax		(296)	(58)
Legal reserves and retained earnings	11	36,949	29,855
Total equity		251,661	235,705
Total equity and liabilities		655,931	480,477

The accompanying notes are an integral part of this consolidated interim condensed financial statement.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi**CONSOLIDATED INTERIM INCOME STATEMENT****For the period ended 31 March 2007****(Currency - In thousands of New Turkish Lira)**

	Notes	Reviewed 31.03.2007	Reviewed 31.03.2006
Interest income			
Interest on loans and advances		11,298	2,695
Interest on securities		70	5
Interest on deposits with other banks and financial institutions		2,353	276
Interest on other money market placements		108	622
Interest on financial leases		905	1,089
Other interest income		802	506
Total interest income		15,536	5,193
Interest expense			
Interest on other money market deposits		(514)	(87)
Interest on funds borrowed		(3,781)	(1,068)
Other interest expense		(1,231)	(425)
Total interest expense		(5,526)	(1,580)
Net interest income		10,010	3,613
Fee and commission income	13	2,809	1,597
Commission income on brokerage activities		691	944
Fee and commission expense	13	(762)	(118)
Net fee and commission income		2,738	2,423
Net trading income		70	42
Foreign exchange gain, net		2,562	472
Gains from investment securities, net	5	2,108	734
(Provision for impairment) / recoveries of loan and lease receivables	6 and 7	(773)	642
Other operating income		102	417
Total operating income		16,817	8,343
Salaries and employee benefits		(4,181)	(2,353)
Depreciation and amortization		(682)	(263)
Administrative expenses		(2,253)	(1,563)
Taxes other than on income		(207)	(141)
Other expenses		(640)	(140)
Total operating expense		(7,963)	(4,460)
Profit from operating activities before income tax		8,854	3,883
Income tax – current		(2,129)	(1,342)
Income tax – deferred	9	369	62
Net profit for the period		7,094	2,603
Earnings per share (full YTL) - basic		0.0063	0.0055

The accompanying notes are an integral part of this consolidated interim condensed financial statement.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2007

(Currency – In thousands of New Turkish Lira

	Notes	Share capital	Share Premium	Adjustment to share capital	Unrealized gain in available-for-sale investments, net of tax	Legal reserves and Retained earnings	Total
At 1 January 2006		47,500	-	23,311	124	20,532	91,467
Share capital increase		-	-	-	-	-	-
Net change in unrealized gain on available- for-sale investments		-	-	-	17	-	17
Total income for the period recognized directly in equity		-	-	-	17	-	17
Net profit for the period		-	-	-	-	2,778	2,778
Total income / expense for the period		-	-	-	17	2,778	2,795
At 31 March 2006		47,500	-	23,311	141	23,310	94,262
At 31 December 2006/ 1 January 2007		111,896	70,701	23,311	(58)	29,855	235,705
Share capital increase		-	9,100	-	-	-	9,100
Net change in unrealized gain on available-for-sale investments	5	-	-	-	(238)	-	(238)
Total expense for the period recognized directly in equity		-	-	-	(238)	-	(238)
Net profit for the period		-	-	-	-	7,094	7,094
Total income / expense for the period		-	-	-	(238)	7,094	6,856
At 31 March 2007		111,896	79,801	23,311	(296)	36,949	251,661

The accompanying notes are an integral part of this consolidated interim condensed financial statement.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi**CONSOLIDATED INTERIM CASH FLOW STATEMENT****For the period ended 31 March 2007****(Currency – In thousands of New Turkish Lira)**

	Notes	Reviewed 31.03.2007	Reviewed 31.03.2006
Cash flows from operating activities			
Interest received		13,258	4,764
Interest paid		(4,044)	(1,530)
Fee and commission received		3,500	2,541
Trading income		70	42
Recoveries of loans previously written off		22	975
Fee and commission paid		(762)	(118)
Cash payments to employees and other parties		(5,081)	(2,353)
Cash received from other operating activities		7,859	1,294
Cash paid for other operating activities		(1,756)	(1,494)
Income taxes paid		(439)	(1,582)
Cash flows from operating activities before changes in operating assets and liabilities		12,627	2,539
Changes in operating assets and liabilities			
Change in trading assets		(80)	1,433
Change in reserve deposits at Central Bank		(15,669)	(1,705)
Change in loans and advances		(133,218)	(11,004)
Change in minimum lease payments receivable		2,866	772
Change in other assets		(2,843)	1,210
Change in receivables from customers due to brokerage activities		852	(1,379)
Change in other money market deposits		6,325	5,012
Change in other liabilities		27,040	9,249
Net cash provided by operating activities		(114,727)	3,588
Cash flows from investing activities			
Purchases of available-for-sale securities		(23,467)	(4,273)
Proceeds from sale and redemption of available-for-sale securities	5	1,231	4,495
Purchases of property and equipment		(810)	(327)
Proceeds from the sale of property and equipment		-	36
Purchases of intangible assets		(97)	(95)
Net cash used in investing activities		(23,143)	(164)
Cash flows from financing activities			
Proceeds from share capital increase	10	9,100	-
Proceeds from funds borrowed		237,925	272,930
Repayment of funds borrowed		(116,674)	(286,841)
Net cash provided by financing activities		130,351	(13,911)
Effect of net foreign exchange difference on monetary items		(531)	(30)
Net increase / (decrease) in cash and cash equivalents		4,577	(7,978)
Cash and cash equivalents at 1 January		116,103	28,095
Cash and cash equivalents at 31 March		120,680	20,117

The accompanying notes are an integral part of this consolidated interim condensed financial statement.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS 31 March 2007 (Currency - In thousands of New Turkish Lira)

1. CORPORATE INFORMATION

General

Bankpozitif Kredi ve Kalkınma Bankası A.Ş. was incorporated in Turkey on 9 April 1999 as Toprak Yatırım Bankası A.Ş. as a subsidiary of Toprakbank A.Ş. On 1 December 2001, Toprakbank A.Ş. (the previous parent company) was taken over by the Saving Deposit Insurance Fund (SDIF). As a result, SDIF became the controlling shareholder of Toprak Yatırım Bankası A.Ş. C Faktoring A.Ş. (formerly Elit Finans Faktoring Hizmetleri A.Ş.) acquired 89.92% of the Bank's shares on 1 November 2002 in an auction from Savings Deposit Insurance Fund. Following the acquisition, the name of the Bank was changed as C Kredi ve Kalkınma Bankası A.Ş. and the share capital was increased to YTL 47,500,000 (full YTL). C Faktoring A.Ş. and its nominees increased their shareholding to 100% by share capital increases and by purchasing other third party minority shareholders' shares.

Negotiations of the new shareholding structure of the Bank which began in 2005 were finalized and a final share subscription agreement was signed on 13 December 2005. Under this agreement, the Bank Hapoalim B.M. ("Bank Hapoalim"), Israel's leading financial group and the largest bank, was to acquire a 57.55% stake in Bankpozitif by means of a capital injection to be made through Tarshish-Hapoalim Holdings and Investments Ltd. ("Tarshish"), a wholly-owned subsidiary of Bank Hapoalim. At 23 December 2005, the name of the Bank was changed as Bankpozitif Kredi ve Kalkınma Bankası A.Ş. Necessary legal approvals have been obtained from Israeli and Turkish authorities in 2006 and Extraordinary General Assembly of the Bank was convened at 31 October 2006 concerning the new partnership.

At the Extraordinary General Assembly meeting, the Bank's share capital was increased by YTL 64,396,348 (full YTL) to YTL 111,896,348 (full YTL) and the share premium amount for the new issued shares paid by Tarshish was decided to be equal to YTL 70,701,000 (full YTL). Tarshish deposited YTL 135,097,348 (full YTL) in the Bank's account at 2 November 2006. Banking Regulatory and Supervision Agency ("BRSA") approved the transfer of capital payment amount by Tarshish on 16 November 2006 and the share capital increase was finalized.

According to the provisions of the share subscription agreement signed by the shareholders, the share capital of the Bank was increased by an additional YTL 2 (full YTL) nominal value to YTL 111,896,350 (full YTL) at the Extraordinary General Assembly of the Bank convened at 25 January 2007. Based on the other shareholders' waiver of their pre-emption rights, Tarshish committed to pay YTL 2 (full YTL) nominal value and the premiums to the share capital of the Bank on a fully diluted basis. The share premium amount to be paid by Tarshish for the additional 20 shares was decided as YTL 9,099,998 (full YTL). Total amount of YTL 9,100,000 (full YTL) was deposited to the Bank's account on 25 January 2007 by Tarshish in remuneration for capital and share premium payments. Necessary approvals of BRSA regarding above mentioned amounts' transfer to capital and share premium accounts are finalized and related amounts are transferred to related equity accounts.

As at 31 March 2007, 57.55% (December 31, 2006 - 57.55%) of the shares of the Bank belongs to Tarshish and are controlled by Bank Hapoalim.

The registered head office address of the Bank is located at Büyükdere Caddesi, Beybi Giz Plaza Kat: 7 Meydan Sok. No: 28 Maslak 34398 Istanbul -Turkey.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS 31 March 2007 (Currency - In thousands of New Turkish Lira)

1. CORPORATE INFORMATION *(continued)*

Nature of Activities of the Bank / Group

The Bank carries out its activities as corporate and retail banking, and mainly involved in corporate services such as financial leasing, trade finance, corporate lending and project finance. As a non-deposit taking bank, the Bank borrows funds from financial markets, its counterparties, its clients and obtains cash blockages and cash collaterals from its credit customers but is not entitled to receive deposits from customers.

C Menkul Değerler A.Ş. (“C Menkul”) is involved in intermediary, brokerage, corporate finance and underwriting activities.

C Bilişim Teknolojileri ve Telekomünikasyon Hizmetleri A.Ş. (“C Bilişim”) is specialized in software development and other technological affairs related to financial industry.

Pratic İletişim ve Teknoloji Hizmetleri Ticaret Anonim Şirketi (“Pratic”) is a dormant company. Group’s effective shareholding in Pratic is 99% and it is carried at cost. Since Pratic is not operating; the financial statements of Pratic were not included to the accompanying consolidated interim condensed financial statements.

As at 31 March 2007, the Bank provides services through its head office and also has eight branches located in Istanbul, Ankara and Izmir. As at 31 March 2007, the number of employees for bank and its consolidated affiliates are 214 and 61, respectively.

For the purposes of the consolidated interim condensed financial statements, the Bank and its consolidated affiliates are referred to as “the Group”.

The affiliates included in consolidation and effective shareholding percentages of the Group at 31 March 2007 and 31 December 2006 are as follows:

	Place of Incorporation	Principal Activities	Effective Shareholding and Voting Rights (%)	
			March 31, 2007	December 31, 2006
C Menkul	Istanbul/Turkey	Intermediary, brokerage, corporate finance and underwriting activities	100	100
C Bilişim	Istanbul/Turkey	Software development and technology	100	100

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

2. BASIS OF PREPARATION

a) Statement of Compliance

The consolidated interim condensed financial statements as at 31 March 2007 have been prepared in accordance with IAS 34 Interim Financial Reporting (IAS 34).

The Bank and its affiliates which are incorporated in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law, accounting standards promulgated by the Turkish Capital Market Board, Turkish Commercial Code and Tax Legislation. The consolidated interim condensed financial statements have been prepared from statutory financial statements of the Bank and its affiliates and presented in accordance with IAS 34 in New Turkish Lira (YTL) with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IAS 34. Such adjustments mainly comprise effects of restatement for the changes in the general purchasing power of YTL until 31 December 2005, consolidation of affiliates, deferred taxation and employee termination benefits.

The consolidated interim condensed financial statements as at 31 March 2007 of the Group are authorized for issue by the management on 4 May 2007.

b) Basis of Measurement

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

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

c) Functional and presentation currency

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

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

IAS 29 describes characteristics that may indicate that an economy is hyperinflationary. However, it concludes that it is a matter of judgment when restatement of financial statements becomes necessary. After experiencing hyperinflation in Turkey for many years, as a result of the new economic program, which was launched in late 2001, the three-year cumulative inflation rate dropped below 100% in October 2004. As at 31 March 2007, the three-year cumulative rate has been 24.7% (December 31, 2006 - 32.8%) based on the Wholesale Price Index published by the Turkish Statistical Institution (previously, State Institute of Statistics (SIS)). Based on these considerations, restatement pursuant to IAS 29 has been applied until 31 December 2005 and Turkey ceased to be hyperinflationary effective from 1 January 2006.

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

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

2. BASIS OF PREPARATION *(continued)*

d) Use of estimates and judgments

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

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

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated interim condensed financial statements:

(a) Impairment of available-for-sale equity instruments:

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

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2007 is YTL 275 (December 31, 2006 - YTL 275) and there is no impairment recorded related to goodwill.

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

2. BASIS OF PREPARATION *(continued)*

(b) Impairment Losses on Loans and Advances

The Group reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated interim income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and individual loans. All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed. Other evidence for impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. Total carrying value of such loans, advances and receivables as at 31 March 2007 is YTL 418,659 (December 31, 2006 - YTL 289,245) net of impairment allowance of YTL 4,287 (December 31, 2006 - YTL 3,514).

(c) Fair Value of Derivatives and Other Financial Instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. To the extent practical, models use only observable data; however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. As at 31 March 2007, the carrying amount of derivative financial instrument assets YTL 1,182 (December 31, 2006 - YTL 1,375) and the carrying amount of derivative financial instrument liabilities is YTL 761 (December 31, 2006 - YTL 341).

(d) Income Taxes

The Group is subject to income taxes in Turkey. Significant estimates are required in determining the provision for income taxes. Where there are matters the final tax outcome of which is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 March 2007, the Group carried YTL 3,074 net income taxes payable (December 31, 2006 - YTL 521).

Management records deferred tax assets to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The recoverability of the deferred tax assets is reviewed regularly. As at 31 March 2007, the Group carries a net deferred tax asset amounting to YTL 716 (December 31, 2006 - YTL 347).

(e) Employee Termination Benefits

In accordance with existing social legislation, the Group is required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed regularly. The carrying value of employee termination benefit provisions as at 31 March 2007 is YTL 167 (December 31, 2006 - YTL 125).

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Consolidation

The consolidated interim condensed financial statements comprise the financial statements of the Bank and its affiliates, as at 31 March 2007, 31 December 2006 and 31 March 2006.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies so as to benefit from its activities. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

(ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's consolidated interim condensed financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of share premium. Any cash paid for the acquisition is recognized directly in equity.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in the preparation of the consolidated interim condensed financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized in income statement, except for differences arising on the translation of available-for-sale equity instruments.

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

	EUR / YTL (full)	USD / YTL (full)
31 March 2006	1.6211	1.3427
31 December 2006	1.8586	1.4131
31 March 2007	1.8490	1.3861

Property and Equipment

Property and equipment acquired before January 1, 2006 are measured at cost restated for the effects of inflation in YTL units current at December 31, 2005 pursuant to IAS 29, less accumulated depreciation and impairment losses. Property and equipment acquired after December 31, 2005 are measured at cost, less accumulated depreciation, and impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	50 years
Office equipment, furniture and fixtures	5 years
Motor vehicles	5 years
Leasehold improvements	Lease period
Leased assets	4 years

Expenses for repairs and maintenance are charged to expenses as incurred.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of the fair value less costs to sell and value in use. Impairment losses are recognized in the consolidated interim income statement.

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

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets of an acquired subsidiary or associate at the date of acquisition. Goodwill on acquisition of affiliates is included in "intangible assets". Following initial recognition goodwill is measured at cost less any impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash generating units.

Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to that entity sold.

Intangible Assets

Intangible assets acquired before January 1, 2006 separately from a business are measured at cost restated for the effects of inflation in YTL units current at December 31, 2005, pursuant to IAS 29, less accumulated amortization and impairment losses. Intangible assets acquired after December 31, 2005 are measured at cost, less accumulated amortization, and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any impairment losses. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the period in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Research costs are expensed as incurred. An intangible asset arising from development expenditure incurred on an individual project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available-for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the ability of resources to complete and the availability to measure reliably the expenditure during development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and impairment losses.

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

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Other Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, any directly attributable incremental cost of acquisition. The Group determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost, change in value is not recognized; for assets classified as trading or as available-for-sale, the change in value is recognized through profit or loss and in equity, respectively.

(i) Financial assets at fair value through profit or loss

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

For investments that are traded in an active market, fair value is determined by reference to stock exchange or current market bid prices, at the close of business on the balance sheet date. For investments where there is no market price or market price is not indicative of the fair value of the instrument, fair value is determined by reference to the current market value of another instrument which is substantially the same, recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used. Equity securities whose fair values cannot be measured reliably are recognized at cost less impairment, if any.

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Repurchase and Resale Transactions

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

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

Offsetting Financial Instruments

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

Recognition and Derecognition of Financial Instruments

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

The Group derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

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

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purposes of the consolidated interim cash flow statement, cash and cash equivalents comprise cash and balances with central banks (excluding obligatory reserve deposits), deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

Impairment of Financial Assets

(i) Assets carried at amortized cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and estimated recoverable amount. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated interim income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The estimated recoverable amount of a collateralized financial asset is measured based on the amount that is expected to be realized from the foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

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

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

(ii) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated interim income statement, is transferred from equity to the consolidated interim income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the consolidated interim income statement. Reversals of impairment losses on debt instruments are reversed through the consolidated interim income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated interim income statement.

Interest-bearing Customer Accounts and Borrowings

All customer accounts and borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs. After initial recognition interest-bearing customer accounts classified in other liabilities and borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in the consolidated interim income statement when the liabilities are derecognized as well as through the amortization process.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee Benefits

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

(a) Defined Benefit Plans:

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

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

(b) Defined Contribution Plans:

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

Provisions

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 of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated interim statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in the consolidated interim income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

The Group as Lessee

Operating Leases

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

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

Finance Leases

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

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

The Group as Lessor

Finance Lease

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

Income and Expense Recognition

Interest income and expense are recognized in the consolidated interim income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate of the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction.

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

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

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax

Tax expense (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Current tax

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

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated interim income statement.

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

Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in consolidated interim income statement.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Fiduciary Assets**

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

4. TRADING ASSETS

	March 31, 2007		December 31, 2006	
	Amount	Effective Interest rate	Amount	Effective Interest rate
Trading assets at fair value				
Debt instruments-YTL				
Turkish government bonds	15	18.93%	49	19.85 %
	15		49	
Others				
Mutual funds	49	-	61	-
Equity investment	414	-	288	-
	463		349	
Derivative transactions				
Fair value through profit and loss	1,182	-	1,375	-
	1,660		1,773	

There are no trading securities pledged under repurchase agreements as at 31 March 2007 and 31 December 2006.

As at 31 March 2007, no trading securities are kept for legal requirements and as a guarantee for stock exchange and money market operations.

As at 31 March 2007, all trading debt securities have fixed interest rates.

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

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

4. TRADING ASSETS *(continued)*

The table below shows the favorable (assets) and unfavorable (liabilities) fair values of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period-end and are neither indicative of the market risk nor credit risk.

	March 31, 2007		
	Fair value assets	Fair value liabilities	Notional amount in New Turkish Lira equivalent
Derivatives held for trading			
Forward purchase contract	-	197	13,001
Forward sale contract	232	-	12,959
Currency swap purchase	950	268	56,194
Currency swap sale	-	-	55,049
Future purchase contract	-	296	55,810
Future sales contract	-	-	55,909
Option purchase contract	-	-	3,604
Total derivatives held for trading	1,182	761	252,526

	December 31, 2006		
	Fair value assets	Fair value liabilities	Notional amount in New Turkish Lira equivalent
Derivatives held for trading			
Forward purchase contract	-	92	4,293
Forward sale contract	141	-	4,233
Currency swap purchase	914	249	44,775
Currency swap sale	-	-	43,815
Future purchase contract	318	-	27,670
Future sales contract	2	-	27,182
Total derivatives held for trading	1,375	341	151,968

The Group undertakes approximately all of its transactions in derivative financial instruments with banks and other financial institutions.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

5. INVESTMENT SECURITIES

Available-for-Sale Securities

	March 31, 2007		December 31, 2006	
	Amount	Effective Interest Rate	Amount	Effective Interest Rate
Available-for-sale securities at fair value				
Debt instruments-YTL				
Turkish government bonds	44,950	20.54%	16,378	22.06%
Total available-for-sale securities at fair value	44,950		16,378	
Available-for-sale securities at cost				
Equity instruments - unlisted	55	-	60	-
Total available-for-sale securities	45,005		16,438	

Carrying value of available-for-sale securities given as collateral under repurchase agreements which are classified as loaned securities and related liability are as follows:

	March 31, 2007	December 31, 2006
Available-for-sale securities	12,232	19,205
Related liability	11,190	17,097

Repurchase agreements mature within one month.

As at 31 March 2007 and 31 December 2006, all available-for-sale securities comprise Turkish Government floating rate notes (FRN) with semi-annual and quarterly coupon payments having a maturity range of July 2008 - February 2014 and July 2008 - September 2011, respectively.

As at 31 March 2007, government securities with carrying value of YTL 32,893 are kept in the Central Bank and Istanbul Stock Exchange Clearing and Custody Incorporation for legal requirements and as a guarantee for stock exchange and money market operations. As at 31 December 2006, government securities with carrying value of YTL 4,633 are kept in the Central Bank and Istanbul Stock Exchange Clearing and Custody Incorporation for legal requirements and as a guarantee for stock exchange and money market operations and for derivative transactions.

As at 31 March 2007, the Group has not reclassified any financial asset as one measured at amortized cost rather than at fair value during the current year (December 31, 2006 - none).

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

5. INVESTMENT SECURITIES *(continued)*

For the periods ended 31 March, gains and losses from investment securities arise from derecognition of available-for-sale securities.

	March 31, 2007	March 31, 2006
Derecognition of available-for-sale securities	2,108	734

Unlisted equity instruments classified as available-for-sale securities represent the Group's equity holdings in the companies, shares of which are not publicly traded. Consequently, they are reflected at cost less reserve for impairment, as a reliable estimate of their fair values could not be made.

The movement in investment securities (including loaned securities) is summarized as follows:

	March 31, 2007	December 31, 2006
	Available- For-Sale	Available- For-Sale
At 1 January	35,643	20,099
Additions	23,063	26,845
Disposals (sale and redemption)	(1,231)	(11,119)
Change in unrealized gains and losses	(238)	(182)
At the end of the period	57,237	35,643

6. LOANS AND ADVANCES

	March 31, 2007						
	Amount				Effective interest rate		
	New Turkish Lira	Foreign Currency	Foreign Currency Indexed	Total	New Turkish Lira	Foreign Currency	Foreign Currency Indexed
Corporate loans	116,416	63,637	127,822	307,875	23.02%	USD-9.00% EUR-8.98%	USD-9.59% EUR-8.49% CHF-6.36%
Consumer loans	55,310	-	10,535	65,845	22.11%	-	USD-9.56% EUR-7.41% CHF-6.33%
Total	171,726	63,637	138,357	373,720			
Loans in arrears				2,049			
Less: Specific Reserve for impairment				(891)			
Less: Portfolio Reserve for impairment				(3,396)			
				371,482			

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

6. LOANS AND ADVANCES (continued)

	December 31, 2006						
	Amount				Effective interest rate		
	New Turkish Lira	Foreign Currency	Foreign Currency Indexed	Total	New Turkish Lira	Foreign Currency	Foreign Currency Indexed
Corporate loans	79,075	56,887	63,489	199,451	23.02%	USD-9.06% EUR-8.59%	USD-9.90% EUR-7.06%
Consumer loans	33,805	-	6,837	40,642	22.15%	-	USD-9.22% EUR-7.70%
Total	112,880	56,887	70,326	240,093			
Loans in arrears(*)				2,141			
Less: Specific Reserve for impairment				(898)			
Less: Portfolio Reserve for impairment				(2,616)			
				238,720			

As at 31 March 2007, loans with variable rates are YTL 180,367 (December 31, 2006 - YTL 137,810) and fixed rates are YTL 193,353 (December 31, 2006 - YTL 102,283).

The portfolio reserve for impairment is provided based on past experience, management's assessment of current economic condition, the quality and inherent risk in the credit portfolio of the Group.

Movements in the reserve for possible loan losses:

	March 31, 2007	December 31, 2006
Reserve at beginning of year	3,514	3,957
Provision for loan impairment	795	1,506
Recoveries	(22)	(1,159)
Provision net of recoveries	773	347
Loans written off during the period	-	(790)
Reserve at end of period	4,287	3,514

As at 31 March 2007, loans and advances on which interest is not being accrued, or where interest is suspended amounted to YTL 2,049 (December 31, 2006 - YTL 2,141). As at 31 March 2007 and 31 December 2006, there is no uncollected interest accrued on impaired loans.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)****7. MINIMUM LEASE PAYMENTS RECEIVABLE**

	March 31, 2007	December 31, 2006
No later than 1 year	20,457	20,641
Later than 1 year and no later than 5 years	20,688	22,647
Minimum lease payments receivable, gross	41,145	43,288
Less: Unearned interest income	(5,558)	(5,205)
Net investment in finance leases	35,587	38,083
Less: Reserve for impairment	-	-
Minimum lease payments receivable, net	35,587	38,083

Net investment in finance leases are analyzed as follows:

	March 31, 2007	December 31, 2006
No later than 1 year	17,246	17,545
Later than 1 year and no later than 5 years	18,341	20,538
	35,587	38,083

As at 31 March 2007, YTL 11,285 of net investment in finance leases is denominated in USD, YTL 23,911 of net investment in finance leases is denominated in EUR (December 31, 2006 – YTL 13,001 and YTL 24,197 denominated in USD and EUR, respectively) and YTL 391 of net investment in finance leases is denominated in YTL (December 31, 2006 – YTL 885).

As at 31 March 2007, the effective interest rate for minimum lease receivables denominated in USD is 8.69% (December 31, 2006 – 8.65%), in EUR 7.97% (December 31, 2006 – 7.97%) and in YTL 20.09% (December 31, 2006 – 20.16%).

As at 31 March 2007, finance lease receivables in the amount of YTL 20,516 (December 31, 2006 - YTL 20,558) have floating interest rate, fixed for 6 months period and remaining YTL 15,071 (December 31, 2006 – YTL 17,525) have fixed interest rates.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

8. FUNDS BORROWED

	March 31, 2007				December 31, 2006			
	Amount		Effective interest rate		Amount		Effective interest rate	
	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency	New Turkish Lira	Foreign Currency
Short term								
Fixed interest	33,089	17,867	19,50%	USD-5.60% JPY-1.20%	13,559	16,081	19.18%	EUR-4.62% USD-5.94% JPY-1.10%
Floating interest	-	96,091	-	USD-5.89%	-	71,296	-	USD-6.19%
Medium/long term								
Fixed interest	275	2,108	20,00%	USD-6.22%	-	5,976	-	USD-6.43%
Floating interest	-	129,679	-	EUR-4.64% USD-6.30%	-	50,032	-	EUR-4.22% USD-7.33%
Total	33,364	245,745			13,559	143,385		

Repayments of medium/long term borrowing are as follows:

	March 31, 2007		December 31, 2006	
	Floating rate	Fixed rate	Floating rate	Fixed rate
2007	11,867	744	12,338	5,648
2008	13,151	1,478	18,927	164
2009	103,636	161	17,741	164
2010	868	-	865	-
2011	157	-	161	-
Total	129,679	2,383	50,032	5,976

As at 31 March 2007, the Bank's foreign currency funds borrowed includes USD 125 million of syndicated loan obtained at 22 February 2007. The facility consists of two tranches. The first tranche is a USD 59.25 million, 1-year term, bearing an interest rate of Libor + 0.45%. The second tranche is a USD 65.75 million long-term loan facility with 2-years, maturity bearing an interest rate of Libor + 0.85%.

Floating rate borrowings bear interest at rates fixed in advance for periods of 3 to 6 months.

As at 31 March 2007 and 31 December 2006, funds borrowed are unsecured.

The Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants during 2007 (December 31, 2006 - none).

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

9. INCOME TAXES

General Information

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey.

In Turkey, effective from 1 January 2006 corporate tax rate is reduced to 20%. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the year-end balance sheet date and taxes must be paid in one installment by the end of the fourth month.

In addition, the Turkish government offers investment incentives to companies that make certain qualifying capital investments in Turkey. Prior to 24 April 2003, the total amount of qualifying capital investments was deducted from taxable income and the remainder of taxable income, if any, was taxed at the corporate rate. A withholding tax of 19.8% was applied to the total amount of qualifying capital investments. With effect from 24 April 2003, the investment incentives scheme was amended such that companies are no longer subject to a withholding tax, but rather directly deduct 40% of qualifying capital investments from their annual taxable income. In addition, corporations that had unused qualifying capital investment amounts from periods prior to 24 April 2003 were entitled to carry forward these and apply the 19.8% withholding tax to these amounts in the manner described above. With the new law enacted, effective from 1 January 2006, Turkish government ceased to offer investment incentives for capital investments. Companies having unused qualifying capital investment amounts from periods prior to 31 December 2005 will be able to deduct such amounts from corporate income until the end of 31 December 2008; however, the corporate tax rate will be 30% for them. As at 31 March 2007, the Bank has chosen not to deduct such amounts from corporate income. Furthermore, qualifying capital investments to be made until the end of 31 December 2008 within the scope of the investment projects started before 31 December 2005 will be subject to investment incentive until the end of 31 December 2008.

In Turkey, the tax legislation does not permit a parent company and its affiliates to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated interim balance sheet, has been calculated on a separate-entity basis.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

9. INCOME TAXES *(continued)*

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

	March 31, 2007	December 31, 2006
Income tax liability	5,146	2,338
Prepaid income tax	(2,072)	(1,817)
Income taxes payable	3,074	521

Movement of net deferred tax assets/liabilities can be presented as follows:

	March 31, 2007	December 31, 2006
Deferred tax assets, net at 1 January	347	660
Deferred income tax recognized in the consolidated income statement	369	(313)
Deferred tax assets, net at the end of the period	716	347

Reflected as:

	March 31, 2007	December 31, 2006
Deferred tax assets	716	365
Deferred tax liabilities	-	(18)

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)****10. SHARE CAPITAL**

	March 31, 2007	December 31, 2006
Number of common shares, YTL 0.1 (in full YTL), par value (Authorized and issued)	1,118,963,500	1,118,963,480

As at 31 March 2007, the Bank's subscribed and issued share capital in historical terms is YTL 111,896 (December 31, 2006 – YTL 111,896).

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

	March 31, 2007		December 31, 2006	
	Amount	%	Amount	%
Tarshish Hapoalim and Investments Ltd.	64,396	57.55	64,396	57.55
C Faktoring A.Ş.	47,499	42.45	47,499	42.45
Others	1	-	1	-
Total share capital	111,896	100.00	111,896	100.00
Share premium	79,801		70,701	
Total share capital and share premium	191,697		182,597	
Adjustment to share capital (restatement effect)	23,311		23,311	
	215,008		205,908	

There are no rights, preferences and restrictions on the distribution of dividends and the repayment of capital.

The share capital of the Bank was increased by YTL 2 (full YTL) nominal value to YTL 111,896,350 (full YTL) at the Extraordinary General Assembly of the Bank convened at 25 January 2007. Based on the other shareholders' waiver of their pre-emption rights, Tarshish committed to pay YTL 2 (full YTL) nominal value and the premiums to the share capital of the Bank on a fully diluted basis. The share premium amount to be paid by Tarshish for the additional 20 shares was decided as YTL 9,099,998 (full YTL). Total amount of YTL 9,100,000 (full YTL) was deposited to the Bank's account on 25 January 2007 by Tarshish in remuneration for capital and share premium payments. Necessary approvals of BRSA regarding above mentioned amounts' transfer to capital and share premium accounts are finalized and related amounts are transferred to related equity accounts.

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

11. LEGAL RESERVES AND RETAINED EARNINGS

Movement in legal reserves and retained earnings are as follows:

	March 31, 2007			December 31, 2006		
	Legal Reserves	Retained Earnings	Total	Legal Reserves	Retained Earnings	Total
At 1 January	20,532	9,323	29,855	876	19,656	20,532
Transfer from retained earnings	9,323	(9,323)	-	19,656	(19,656)	-
Net profit for the period	-	7,094	7,094	-	9,323	9,323
At the end of the period	29,855	7,094	36,949	20,532	9,323	29,855

Legal Reserves

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

12. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Group is controlled by Bank Hapoalim and C Faktoring which owns 57.55% and 42.45% of ordinary shares, respectively (December 31, 2006 – 57.55% and 42.45%, respectively). The ultimate owner of the group is Bank Hapoalim. For the purpose of these consolidated interim condensed financial statements, unconsolidated affiliates, shareholders, and companies controlled by Bank Hapoalim and C Faktoring are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

In the course of conducting its banking business, the Group conducted various business transactions with related parties. These include loans, customer accounts, funds borrowed, non-cash transactions, and derivative transactions. These are all commercial transactions and realized on an arms-length basis. The volumes of related party transactions, outstanding balances at period-end and relating expense and income for the period are as follows:

	Shareholders		Directors and key management personnel		Others	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
Loans						
Loans outstanding at 1 January	-	-	-	-	75	22
Loans issued during the period	-	-	-	-	-	53
Loan repayments during the period	-	-	-	-	-	-
Loans outstanding at 31 March	-	-	-	-	75	75
Interest income	-	-	-	-	4	10

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

12. RELATED PARTY DISCLOSURES (continued)

As at 31 March 2007 no provisions have been recognized in respect of loans given to related parties (December 31, 2006 - none).

	Shareholders		Directors and key management personnel		Others	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
Funds borrowed						
Funds borrowed outstanding at 1 January	35,328	-	-	-	19,835	45,955
Funds borrowed issued during the period	-	35,328	-	-	29,215	42,408
Funds borrowed repayments during the period	(35,328)	-	-	-	(16,822)	(68,528)
Funds borrowed outstanding at the end of the period	-	35,328	-	-	32,228	19,835
Interest expense	(653)	(684)	-	-	(535)	(1,965)

Other balances and transactions with related parties:

Related party		Placements with banks	Receivables from customers due to brokerage activities	Minimum lease payments receivable	Other liabilities	Non-cash loans	Notional amount of derivative transactions	Foreign exchange trading gain(loss)	Other interest income	Interest expense	Other operating income	Other operating expense
Shareholders	March 31, 2007	-	-	-	32	1,457	9,556	381	-	(2)	3	-
	December 31, 2006	-	-	-	93	109	9,585	(675)	-	(4)	3	-
Others	March 31, 2007	24	-	-	530	4	-	-	7	-	-	-
	December 31, 2006	16	-	7	286	469	-	(521)	59	(243)	3	-
Directors and key management personnel	March 31, 2007	-	455	-	20	-	-	-	-	-	-	-
	December 31, 2006	-	424	-	9	-	-	(1)	-	-	-	-

13. FEE AND COMMISSION INCOME AND EXPENSE

	March 31, 2007	March 31, 2006
Fee and commission income		
Letters of guarantee	1,345	239
Loans	858	1,100
Letters of credit	423	206
Other fees	183	52
Total	2,809	1,597
Fee and commission expense		
Corresponding bank fees	566	51
Other fees and commission expense	196	67
Total	762	118

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

14. COMMITMENTS AND CONTINGENCIES

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

	March 31, 2007	December 31, 2006
Letters of guarantee	228,970	214,754
Letters of credit	64,468	41,233
Other guarantees	6,422	5,551
Total non cash loans	299,860	261,538
Letter of guarantee obtained by consolidated affiliates from other banks	3,661	3,672
Total commitments and contingencies	303,521	265,210

Litigation

There were a number of legal proceedings outstanding against the Group as at 31 March 2007 totaling YTL 136. This mainly includes matters relating to claimed interest losses. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

Fiduciary Activities

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated interim condensed financial statements.

The Group also manages 3 open-ended investment funds (December 31, 2006 – 3 open-ended investment funds) which were established under the regulations of the Capital Market Board of Turkey. In accordance with the funds' charters, the Group purchases and sells securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations. Management fee and commission income received from investment funds amounted to YTL 13 (December 31, 2006 – YTL 52).

As at 31 March 2007, the Group had investment custody accounts amounting to YTL 27,925 (December 31, 2006 – YTL 26,841)

15. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

Through its normal operations, the Group is exposed to a number of risks. The primary risk within the Group's activities is credit risk. Other than the credit risk, the Group is exposed to low level of interest rate, currency, liquidity and operational risk. The main principle of the Group is to manage the credit risk effectively and to eliminate the other types of risk by not carrying positions. Responsibility for the management of these risks rests with the Board of Directors, which delegates the operational responsibility to the Bank's general management and appropriate subcommittees.

One of the risk management policies of the Group is to protect from the effects created by the interest rate volatility. All types of sensitivity analysis performed within this context is calculated by the risk management and reported to the Asset and Liability Committee. The Group manages its exposure to market risk through the Asset and Liability Committee, comprising members of senior management, and a representative of main shareholder (Board member nominated by Bank Hapoalim) and also through limits on the positions which can be taken by the Bank's treasury and securities trading division.

The Group does not prefer to carry foreign currency risk and holds foreign currency asset and liability items together with derivatives in balance against the foreign currency risk.

The Group's general strategy is described as not to take any speculative actions on currency, interest rate and maturity positions that might create any liquidity or market risk to the Bank.

Credit Risk

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

Credit risk arises where the possibility exists of a counter party defaulting on its obligations. The most important step in managing this risk is the initial decision whether or not to extend credit. The granting of credit is authorized at Board level or at appropriate levels of management depending on the size of the proposed commitment and in accordance with the banking regulations in Turkey. The Group places emphasis on obtaining sufficient collateral from borrowers including, wherever possible, cash collaterals, mortgages or security over other assets.

The day-to-day management of credit risk is developed to individual business units, which perform regular appraisals of counter party credit quantitative information.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

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

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

15. FINANCIAL RISK MANAGEMENT (continued)

As at 31 March 2007, the share of the Group's receivables from its top 20 cash credit customers in its total cash loan portfolio is 62% (December 31, 2006 - 43%).

As at 31 March 2007, the share of the Group's receivables from its top 20 non-cash customers in its total non-cash loan portfolio is 71% (December 31, 2006 - 65%).

Segment information for cash loans, minimum lease payment receivable and non-cash loans is as follows:

March 31, 2007				
	Cash	Min. lease payment receivable	Non-cash	Total
Tourism and entertainment	78,611	2,123	48,975	129,709
Construction	39,506	4,555	80,842	124,903
Financial sector	52,130	-	32,696 ^(*)	84,826
Automotive	18,199	4,803	32,606	55,608
Industrial manufacturing	18,911	11,452	9,715	40,078
Textile	32,353 ^(**)	2,359	9,511	44,223
Energy	15,567	-	22,897	38,464
Metal	14,951	-	12,554	27,505
Transportation	1,096	574	5,324	6,994
Machinery	2,073	-	3,903	5,976
Computer	75	2,173	3,669	5,917
Plastic	484	-	4,923	5,407
Food	1,743	1,304	1,789	4,836
Others	28,700	4,972	33,914	67,586
Corporate	304,399	34,315	303,318	642,032
Consumer & staff loans	65,135	-	203	65,338
Loans in arrears	2,049	-	-	2,049
Interest accruals	4,186	1,272	-	5,458
Provision for possible loan losses	(4,287)	-	-	(4,287)
Total	371,482	35,587	303,521	710,590

(*) YTL 20,122 of this non-cash exposure has been counter guaranteed by the Export Import Bank of Korea.

(**) YTL 24,673 of this cash exposure has been granted to the carpet manufacturing industry.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)****15. FINANCIAL RISK MANAGEMENT (continued)**

	December 31, 2006			
	Cash	Min. lease payments receivable	Non-cash	Total
Construction	19,033	5,901	76,620	101,554
Tourism and entertainment	39,409	2,759	50,365	92,533
Financial sector	20,590	-	34,423 ^(*)	55,013
Textile	32,467 ^(**)	2,595	7,133	42,195
Automotive	13,854	5,357	7,331	26,542
Machinery	9,298	-	14,826	24,124
Metal	18,915	651	4,436	24,002
Energy	8,819	295	14,291	23,405
Transportation	4,552	3,276	7,667	15,495
Computer	235	2,656	5,786	8,677
Food	2,246	1,476	3,088	6,810
Plastic	3,405	-	1,095	4,500
Others	24,623	12,215	24,409	61,247
Corporate	197,446	37,181	251,470	486,097
Consumer & staff loans	40,150	-	13,740	53,890
Loans in arrears	2,141	-	-	2,141
Interest accruals	2,497	902	-	3,399
Provision for possible loan losses	(3,514)	-	-	(3,514)
Total	238,720	38,083	265,210	542,013

(*) YTL 28,251 of this non-cash exposure has been counter guaranteed by the Export- Import Bank of Korea.

(**) YTL 22,945 of this cash exposure has been granted to the carpet manufacturing industry.

Liquidity Risk

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

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

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

The Group uses various methods, including predictions of daily cash positions, and scenario analysis to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source. Risk management and treasury departments monitor daily liquidity gaps in all currencies.

The Bank is not allowed to take any liquidity risk (monitored cumulatively) in any currency, in any point in any time as decided by the upper management of the Bank.

Generally, the Bank does not prefer to utilize liquidity from Interbank money markets and is in a net lender position in Interbank money markets.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

15. FINANCIAL RISK MANAGEMENT *(continued)*

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

	On Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated	Total
As at 31 March 2007								
Assets								
Cash and balances with Central Bank	98	-	-	-	-	-	-	98
Deposits with other banks and financial institutions	3,806	104,755	10,088	-	-	-	-	118,649
Other money market placements	-	1,933	-	-	-	-	-	1,933
Reserve deposits at Central Bank	-	39,273	-	-	-	-	-	39,273
Trading assets	-	944	11	242	-	-	463	1,660
Receivables from customers due to brokerage activities	-	11,590	-	-	-	-	-	11,590
Loans and advances	-	51,922	66,214	25,036	49,432	177,720	1,158	371,482
Minimum lease payments receivable	-	3,195	3,635	3,888	6,528	18,341	-	35,587
Investment securities	-	413	48	710	-	43,779	55	45,005
Loaned securities	-	-	-	-	-	12,232	-	12,232
Property and equipment	-	-	-	-	-	-	5,969	5,969
Intangible assets	-	-	-	-	-	-	4,497	4,497
Deferred tax assets	-	-	-	-	-	-	716	716
Other assets	-	2,601	3,112	286	123	-	1,118	7,240
Total assets	3,904	216,626	83,108	30,162	56,083	252,072	13,976	655,931
Liabilities								
Other money market deposits	-	29,880	-	-	-	-	-	29,880
Trading liabilities	-	247	313	201	-	-	-	761
Funds borrowed	-	29,103	30,787	10,860	96,025	112,334	-	279,109
Other liabilities	22,260	48,433	8,822	7,809	2,968	604	-	90,896
Provisions	-	-	-	-	-	-	550	550
Income taxes payable	-	3,074	-	-	-	-	-	3,074
Total liabilities	22,260	110,737	39,922	18,870	98,993	112,938	550	404,270
Net liquidity gap	(18,356)	105,889	43,186	11,292	(42,910)	139,134	13,426	251,661
As at 31 December 2006								
Total assets	1,993	210,917	34,719	23,988	36,166	161,010	11,684	480,477
Total liabilities	2,904	75,674	33,547	68,299	24,960	38,948	440	244,772
Net liquidity gap	(911)	135,243	1,172	(44,311)	11,206	122,062	11,244	235,705

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

15. FINANCIAL RISK MANAGEMENT *(continued)*

Market Risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements.

The interest rate and exchange rate risks of the financial positions taken by the Bank related to interim balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to Value at Risk (VAR) is taken into consideration by the standard method.

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

Currency Risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that the Group is subject to due to the exchange rate movements in the market.

The Group does not prefer to carry foreign currency risk and holds foreign currency asset and liability items together with derivatives in balance against the foreign currency risk.

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

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

15. FINANCIAL RISK MANAGEMENT (continued)

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

	YTL	US Dollars	Euro	Others	Total
As at 31 March 2007					
Assets					
Cash and balances with Central Bank	38	34	26	-	98
Deposits with other banks and financial institutions	41,607	74,475	607	1,960	118,649
Other money market placements	1,933	-	-	-	1,933
Reserve deposits at Central Bank	6,958	32,315	-	-	39,273
Trading assets	1,660	-	-	-	1,660
Receivables from customers due to brokerage activities	11,590	-	-	-	11,590
Loans and advances	169,488	143,203	56,367	2,424	371,482
Minimum lease payments receivable	391	11,285	23,911	-	35,587
Investment securities	45,005	-	-	-	45,005
Loaned securities	12,232	-	-	-	12,232
Property and equipment	5,969	-	-	-	5,969
Intangible assets	4,497	-	-	-	4,497
Deferred tax assets	716	-	-	-	716
Other assets	6,223	852	161	4	7,240
Total assets	308,307	262,164	81,072	4,388	655,931
Liabilities					
Other money market deposits	29,880	-	-	-	29,880
Trading liabilities	465	296	-	-	761
Funds borrowed	33,364	230,721	5,952	9,072	279,109
Other liabilities	27,126	52,561	9,264	1,945	90,896
Provisions	550	-	-	-	550
Income taxes payable	3,074	-	-	-	3,074
Total liabilities	94,459	283,578	15,216	11,017	404,270
Net balance sheet position	213,848	(21,414)	65,856	(6,629)	251,661
Off-balance sheet position					
Net notional amount of derivatives	38,133	21,020	(64,693)	6,628	1,088
Net Position	251,981	(394)	1,163	(1)	252,749
At 31 December 2006					
Total assets	247,646	172,071	60,692	68	480,477
Total liabilities	47,636	173,106	16,850	7,180	244,772
Net balance sheet position	200,010	(1,035)	43,842	(7,112)	235,705
Off-balance sheet position	37,707	586	(43,909)	7,123	1,507
Net Position	237,717	(449)	(67)	11	237,212

Cash Flow and Fair Value Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of change in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of change in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)

15. FINANCIAL RISK MANAGEMENT (continued)

The Group funds its YTL assets through its shareholders' equity and is not exposed to interest rate risk in YTL assets and liabilities. Foreign currency assets of the Group give rise to interest rate risk as a result of mismatches or gaps in the amounts of foreign currency assets and liabilities and that mature or reprice in a given period.

The Bank prefers to protect itself from the effects created by the interest rate volatility and prefers to have a perfect match in interest rate risk. Also the Bank does not prefer to generate income from interest rate mismatch.

The Group manages interest rate risk by the Asset and Liability Committee and Risk Management Committee, comprising members of senior management of the Bank, and through utilizing interest rate cap agreement and setting limits on the positions, which can be taken by the Bank's credit and treasury divisions.

The balance sheet interest rate risk is monitored with methods such as static duration gap and sensitivity analyses based on all interest rate sensitive assets and liabilities. The scenarios include a 100 basis point parallel fall or rise in all yield curves. Currently as such sensitivity analysis are performed only on a bank-only basis for the statutory financial statements of the Bank, they are not considered to be representative for the accompanying consolidated financial statements, and accordingly not included in this report.

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

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
As at 31 March 2007								
Assets								
Cash and balances with Central Bank	-	-	-	-	-	-	98	98
Deposits with other banks and financial institutions	104,755	10,088	-	-	-	-	3,806	118,649
Other money market placements	1,933	-	-	-	-	-	-	1,933
Reserve deposits at Central Bank	39,273	-	-	-	-	-	-	39,273
Trading assets	944	11	242	-	-	-	463	1,660
Receivables from customers due to brokerage activities	11,590	-	-	-	-	-	-	11,590
Loans and advances	112,477	84,462	104,585	14,601	44,698	9,501	1,158	371,482
Minimum lease payments receivable	4,172	3,181	21,560	2,628	4,046	-	-	35,587
Investment securities	10,904	-	34,046	-	-	-	55	45,005
Loaned securities	-	-	12,232	-	-	-	-	12,232
Property and equipment	-	-	-	-	-	-	5,969	5,969
Intangible assets	-	-	-	-	-	-	4,497	4,497
Deferred tax assets	-	-	-	-	-	-	716	716
Other assets	458	484	-	-	-	-	6,298	7,240
Total assets	286,506	98,226	172,665	17,229	48,744	9,501	23,060	655,931
Liabilities								
Other money market deposits	29,880	-	-	-	-	-	-	29,880
Trading liabilities	247	313	201	-	-	-	-	761
Funds borrowed	40,035	204,172	31,107	3,795	-	-	-	279,109
Other liabilities	45,106	8,822	7,809	2,968	604	-	25,587	90,896
Provisions	-	-	-	-	-	-	550	550
Income taxes payable	-	-	-	-	-	-	3,074	3,074
Total liabilities	115,268	213,307	39,117	6,763	604	-	29,211	404,270
Balance sheet interest sensitivity gap	171,238	(115,081)	133,548	10,466	48,140	9,501	(6,151)	251,661

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)**

15. FINANCIAL RISK MANAGEMENT (continued)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
As at 31 December 2006								
Assets								
Cash and balances with Central Bank	-	-	-	-	-	-	63	63
Deposits with other banks and financial institutions	111,781	-	-	-	-	-	1,930	113,711
Other money market placements	2,329	-	-	-	-	-	-	2,329
Reserve deposits at Central Bank	23,577	-	-	-	-	-	-	23,577
Trading assets	919	315	46	144	-	-	349	1,773
Receivables from customers due to brokerage activities	12,442	-	-	-	-	-	-	12,442
Loans and advances	89,838	69,067	31,527	15,577	30,061	1,407	1,243	238,720
Minimum lease payments receivable	3,317	15,002	8,455	4,862	6,447	-	-	38,083
Investment securities	10,619	5,713	46	-	-	-	60	16,438
Loaned securities	8,656	10,549	-	-	-	-	-	19,205
Property and equipment	-	-	-	-	-	-	5,799	5,799
Intangible assets	-	-	-	-	-	-	4,438	4,438
Deferred tax assets	-	-	-	-	-	-	365	365
Other assets	293	390	-	-	-	-	2,851	3,534
Total assets	263,771	101,036	40,074	20,583	36,508	1,407	17,098	480,477
Liabilities								
Other money market deposits	23,524	-	-	-	-	-	-	23,524
Trading liabilities	-	53	196	92	-	-	-	341
Funds borrowed	22,333	27,480	70,259	36,382	490	-	-	156,944
Other liabilities	31,454	8,102	6,148	8,565	687	-	8,026	62,982
Provisions	-	-	-	-	-	-	442	442
Income taxes payable	-	-	-	-	-	-	521	521
Deferred tax liabilities	-	-	-	-	-	-	18	18
Total liabilities	77,311	35,635	76,603	45,039	1,177	-	9,007	244,772
Balance sheet interest sensitivity gap	186,460	65,401	(36,529)	(24,456)	35,331	1,407	8,091	235,705

Capital Adequacy

To monitor the adequacy of its capital, the Group uses ratios established by Banking Regulation and Supervision Agency (BRSA). These ratios measure capital adequacy (minimum 8% as required by Banking Law) by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. As at 31 March 2007, the Group's capital adequacy ratio on an unconsolidated is 56%.

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2007
(Currency - In thousands of New Turkish Lira)****16. FAIR VALUE OF FINANCIAL INSTRUMENTS****Fair Values**

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
Financial assets				
Loans and advances	371,482	238,720	375,122	238,583
Minimum lease payments receivable	35,587	38,083	36,184	37,947
	407,069	276,803	411,306	276,530
Financial liabilities				
Current accounts of credit customers ^(*)	80,244	56,128	80,344	56,139
Funds borrowed	279,109	156,944	279,175	157,224
	359,353	213,072	359,519	213,363

(*) Included in other liabilities.

Loans and Advances

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Minimum Lease Payments Receivable

Estimated fair value of lease contracts receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Current Accounts of Credit Customers

The estimated fair value of fixed interest bearing current accounts of credit customers without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Fair values of remaining financial assets and liabilities carried at cost, including cash and balances with central banks, deposits with other banks and financial institutions, other money market placements, receivables from customers due to brokerage activities, reserve deposits at central banks, other money market deposits and funds borrowed are considered to approximate their respective carrying values due to their short-term nature.

17. OTHER EVENTS

As at 28 March 2007, International rating agency, Fitch Ratings, assigned the Bank's rating as long term foreign currency Issuer Default Rating ("IDR") 'BB', long term local currency IDR 'BB+', National Long-term rating 'AA(tur)'. The outlooks for the foreign and local currency IDRs are positive and the outlook for the National rating is stable.