

ANNUAL REPORT

2006

AKBANK

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Reports

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Report of the Supervisory Board

We are pleased to present the financial statements of Akbank N.V. as prepared by the Executive Board and audited by KPMG Accountants N.V. for the year ending 31 December 2006.

Akbank successfully completed its fourth year of operation maintaining consistent and controlled growth. The balance sheet totaled EUR 874 million as at 31 December 2006. The bank reported a net profit of EUR 3.6 million, a 56% increase over the previous year. Loans to banks and customers reached EUR 459 million by the end of 2006, constituting 53% of total assets.

In 2006, the project to integrate the technology of the Group European banking entities was completed with the exception of Germany which will be finalised in mid 2007.

During the course of the year, the Supervisory Board held six formal meetings with the Executive Board. Amongst the many topics discussed were the bank's performance, business strategies and risk management policies with an emphasis on the framework to implement Basel II requirements.

In March 2006, Mr. Zafer Kurtul and Mrs. Sedef Korkmaz were elected members of the Supervisory Board. Mr. Tuncer Mutlucan joined the Executive Board in January 2007, replacing Dr. Rolf Sutter to whom we convey our thanks for the contribution which he made to the development of the bank. We are sure that Mr. Mutlucan will contribute to the bank's further success.

On January 9, 2007, Akbank T.A.S., (the ultimate shareholder of Akbank N.V.) and Citigroup announced that Citigroup had acquired 20% of the share capital of Akbank T.A.S. This investment will further strengthen Akbank N.V.'s shareholder structure and activities.

We have examined the financial statements for 2006, and propose to the Annual General Meeting of Shareholders to adopt the financial statements for the year 2006 as presented, which adoption will serve to discharge the Executive Board and the Supervisory Board of responsibility in respect of the management and supervision for the year under review.

The Supervisory Board has voted to adopt the Executive Board's proposal and to transfer the net profit to other reserves.

We would like to express our appreciation to the members of the Executive Board and staff of Akbank N.V. for their dedication and efforts during the year under review.

Supervisory Board
29 March 2007

Report of the Executive Board

The bank continued to grow and the assets totaled EUR 874 million as at 31st December 2006, an increase of 39% over the previous year. The profit before tax was EUR 4.9 million compared with EUR 3.3 million for the year 2005. Net profit rose from EUR 2.3 million last year to EUR 3.6 million. The loan portfolio stood at EUR 459 million at the year-end.

We focused on foreign trade related activities and additionally, created a loan book of creditworthy companies operating in a range of industries. The corporate loan portfolio tripled in 2006 compared with the previous year to EUR 88 million. The volume of trade finance rose by EUR 234 million to EUR 354 million, an increase of 39% on 2006. We showed our commitment to the international forfaiting markets in terms of rising value and number of transactions. Akbank N.V. is an active member of the International Forfaiting Association (IFA).

We were pleased with the mutually beneficial cooperation, which we built with our correspondent banks. A second loan club facility of EUR 90 million was finalised in July 2006 with the participation of 9 financial institutions.

In 2006 the Treasury department managed the bank's funds profitably, also focusing on structured products and derivatives.

On the retail banking side, total deposits amounted to EUR 343 million by the end of 2006, a 110% increase over 2005. We opened new branches in Essen and London in June 2006 and commencing in the last quarter of 2006, we expanded the range of products for our private banking clients.

In line with Ak-Europe Project started in 2005, major IT projects were completed, linking our network of Rotterdam, Essen and London.

In 2006 the equity base of Akbank N.V. was increased, with paid-up capital rising from EUR 50 million to EUR 75 million with the conversion of EUR 25 million-subordinated loan granted by our shareholder in 2005. The registered capital was raised to EUR 375 million.

We propose that a dividend is not declared but that the net profit of EUR 3.6 million is retained to support our developing business.

In the year ahead, Akbank N.V. will further expand its banking activities in accordance with geographical diversity, and the nature of client requirements. However we will not compromise our sound management policies for the sake of volume.

Finally, we would like to express our thanks to our business partners for the trust and our shareholder for the support which has been given and our appreciation to our staff for their hard work and dedication

Executive Board

K. Banu Özcan

S. Tuncer Mutlucan

29 March 2007

Balance Sheet as at December 31, 2006

Before appropriation of results

(All amounts in thousands Euros)

	2006	2005
Assets		
Cash and balances with Central Bank	7,679	4,496
Short-dated government paper	3,500	3,500
Banks	391,245	271,745
Loans to the private sector	87,691	19,105
Interest bearing securities	330,859	288,216
Property and equipment	942	1,360
Prepayments and accrued income	51,585	40,288
Other assets	125	-
Total assets	873,626	628,710
Liabilities		
Banks	399,843	358,630
Funds entrusted	380,216	177,166
Other liabilities	2,626	11,278
Provisions	116	485
Accruals and deferred income	11,948	5,835
	794,749	553,394
Subordinated debt	-	25,000
Paid-in and called-up capital	75,000	50,000
Other reserves	316	(1,976)
Unallocated profit / loss	3,561	2,292
Shareholders' equity	78,877	50,316
Total liabilities and shareholders' equity	873,626	628,710
Contingent liabilities		
Confirmed irrevocable letters of credit / Guarantees	4,048	3,218

Profit and Loss Account for 2006

(All amounts in thousands Euros)

	2006	2005
Income		
• Interest income	35,555	21,188
• Interest expense	27,240	13,957
Net interest income	8,315	7,231
• Commission income	1,319	1,573
• Commission expense	400	187
Net commission income	919	1,386
• Result on financial transactions	675	226
• Other revenue	101	36
Net other income	776	262
Total income	10,010	8,879
Operating expenses		
• Staff costs	2,704	2,849
• Other administrative expenses	1,812	1,893
Administrative expenses	4,516	4,742
Depreciation	436	791
Total operating expenses	4,952	5,533
Operating result before taxation	5,058	3,346
Taxation	(1,497)	(1,054)
Result after tax	3,561	2,292

Cash Flow Statement for 2006

(All amounts in thousands Euros)

	2006	2005
Net cash flow from operating activities		
Net result	3,561	2,292
<i>Adjusted for:</i>		
• Unrealised revaluation result	(9,863)	969
• Depreciation	436	791
• Additions to provisions	-	387
	<u>(5,866)</u>	<u>4,439</u>
Due from banks, excluding demand account	(105,627)	(82,023)
Loans and advances	(68,586)	(2,183)
Other assets	(11,421)	(9,940)
Due to banks, excluding demand accounts	41,143	179,150
Funds entrusted	203,049	2,111
Other liabilities	6,956	12,388
	<u>65,514</u>	<u>99,503</u>
Net cash flow out of investment activities		
Investments in:		
• Investment portfolio	(42,644)	(126,204)
• Property and equipment	(19)	(183)
	<u>(42,663)</u>	<u>(126,387)</u>
Net cash flow out of financing activities		
Subordinated debt	(25,000)	25,000
Issue of new capital	25,000	-
	<u>-</u>	<u>25,000</u>
Net cash flow	<u>16,985</u>	<u>2,555</u>
Cash balance on 1st January	9,984	7,429
Cash balance on 31st December	26,969	9,984
	<u>16,985</u>	<u>2,555</u>
Cash comprises of the following Items:		
Current accounts banks	26,967	9,977
Cash	2	7
Total cash	<u>26,969</u>	<u>9,984</u>

Notes to the Financial Statements

General

Akbank N.V. is incorporated under Dutch Law and registered in Rotterdam, The Netherlands. The financial statements have been prepared in conformity with generally accepted accounting principles in the Netherlands. The financial information will be included in the financial statements of Akbank T.A.S., incorporated in Turkey, the 100% shareholder of the bank. Where necessary, the amounts reported in the financial statements are based on estimates and assumptions.

Change in principles for employee benefits

RJ 271 "Employee benefits" took effect on 1st January 2005. At 1st January 2006 the legal retirement age changed from 62 to 65.

Principles of valuation and determination of results

Except where otherwise stated, assets and liabilities are recorded at cost, less any allowance deemed necessary. The effects of transactions and other events are recognised when they occur. Revenues and expenses are recognized in the year to which they relate.

Premiums and discounts are accounted for in prepayments and accrued income or accruals and deferred income respectively, and are attributed to the accounting periods throughout the remaining terms of the underlying items.

Interest bearing securities on which a large part or all of the interest receivable or payable is settled on redemption are included at either purchase price or discounted value on issue plus accrued interest.

Where financial instruments are used to hedge risks associated with designated assets or liabilities, the valuation and determination of results on these instruments are effected in accordance with the policies applied to the hedged items. Transactions are qualified as hedges if they are identified as such and there is a substantial correlation between the hedging results and the results of the positions being hedged. Results on the settlement of the hedge are accounted for in the same period as gains or losses on the settlement of the hedged position.

Currency conversion

Assets and liabilities denominated in foreign currencies and financial instruments hedging these assets and liabilities have been converted into euros at the spot rates of exchange prevailing at balance sheet date. Revaluation gains or losses have been accounted for in the profit and loss account. Results on transactions denominated in foreign currencies are converted at the rates prevailing on the transaction date or, insofar as accruals and deferrals are involved, on daily basis.

Financial and other fixed assets investments

Interest-earning securities held in the investment portfolios are stated at redemption value. Results on sales are credited to the income statement in the year the investments are sold. Net capital gains on interest-bearing securities realized are recognized as the net results from financial transactions.

Property and equipment

Refurbishments, fixtures and fittings are fully depreciated using the straight-line method over their estimated useful life with a maximum of ten years. Equipment, computer installations and software purchased from third parties are stated at cost less straight-line depreciation over the estimated useful life.

Pensions

The pension scheme of Akbank N.V. is a defined benefit plan that is insured with an insurance company. The pension scheme is based on the average salary of the employees. The liability to members in the scheme is based on the accrued pension rights that are fully insured. The insured pension rights are financed by means of annual premiums paid to an insurance company.

In accordance with Dutch GAAP a net pension provision is included into the balance sheet. This net pension provision is the present value of benefit obligation minus the fair value of plan assets minus or plus unrecognized net actuarial loss or gain and unrecognized past service cost or benefit. The amount recognizes as a net pension liability in the balance sheet consists of:

- Deficit in the plan at the balance sheet date
- Less the cost of past service benefit improvements that not yet have been recognized
- Less accumulated actuarial losses that have not yet been recognized
- Plus any surplus that is not recognized because of the ceiling surplus

Cumulative gains and losses in excess of 10% of the greater of the present value of benefit obligation or fair value of plan assets are spread over the expected average remaining future service of the current active members. A qualified actuary calculated the pension liability and the pension charge using the projected unit credit method.

Taxes

The Bank operates in the Netherlands, Germany and United Kingdom. In determining the effective tax rate, all timing differences between pre-tax profit determined on the basis of Akbank N.V. accounting policies and the taxable amount in accordance with tax legislation, are taken into account. Deferred tax liabilities are discounted to their present value on the basis of the net interest. Deferred tax assets are accounted for only if there is sufficient assurance that they are collectable.

Income and expenses

Income and expenses are attributed to the period in which they arise or in which the service was provided.

Cash flow statement

The cash flow statement gives details of the source of liquid funds, which became available during the year and the application of the liquid funds over the course of the year. The cash flow statement has been drawn up in accordance with the indirect method, distinguishing between cash flows from operating activities, investment activities and financing activities. Cash balances include cash in hand and current accounts with banks.

Related parties

During the year the Bank had loans and deposits outstanding with the following related parties: Akbank T.A.S. - Istanbul, Akbank A.G. - Frankfurt, AK Finansal Kiralama A.S. - Istanbul, Exsa UK Ltd. - London, Advansa B.V. - Hoofddorp, Kordsa Argentina S.A. - Buenos Aires and Sabanci Bank Plc. - London. During the course of the year the Bank had a net income of EUR 1,469 thousand from related party transactions. All transactions with related parties were performed on arm's length basis.

Notes to the Balance Sheet

(All amounts in thousands Euros)

	2006	2005
Assets		
Cash	7,679	4,496
Cash in hand and balances at Central Bank.		
Short-dated government paper	3,500	3,500
Dutch Treasury Certificates held for collateral purposes by the Dutch Central Bank. The remaining maturity is 6 months.		
Banks	391,245	271,745
This item comprises of nostro accounts, loans and advances to credit institutions.		
• Nostro accounts	19,600	5,728
<i>Related party balances</i>	16	1
• Interbank loans	18,000	31,357
<i>Related party balances</i>	8,000	-
• Loans and advances to banks	353,645	234,660
<i>Related party balances</i>	9,871	13,259
• Loans under follow-up	-	-
Loans to the private sector	87,691	19,105
This item comprises of loans to corporate customers.		
<i>Related party balances</i>	11,443	5,846
• Loans under follow-up	-	-
Interest bearing securities	330,859	288,216
This item comprises of Turkish Government Bonds in the held-to-maturity portfolio.		

Movement in the portfolio is as follows:

	2006		2005	
	EUR	USD	EUR	USD
Balance sheet value as at 1 st January	262,786	30,000	138,316	35,000
Net change in portfolio	25,500	60,000	138,220	-
Redemptions during the year	(23,486)	(3,000)	(13,750)	(5,000)
Balance sheet value as at 31st December	264,800	87,000	262,786	30,000

Nominal value of EUR 180,423 (market value of EUR 188,683) of the interest-bearing securities have been pledged for repo transactions. The respective values in 2005 were: nominal value of EUR 167,900 (market value of EUR 188,269).

The market value of the portfolio is EUR 349,828 as at 31st December 2006 (2005: EUR 300,272).

(All amounts in thousands Euros)

	2006	2005
Property and equipment	942	1,360

All assets are fully depreciated over the estimated economic life of the asset using the straight-line method.

The economic life for property and equipment is as follows:

Fixtures and fittings	10 years
Refurbishments for London Branch	3 years
Refurbishments	5 years
Computer hard- and software head office	5 years
Computer hard- and software branches	3 years
Central computer hardware 2 yr	2 years

The breakdown of property and equipment is as follows:

	Property	Equipment	Total 2006	Total 2005
Book value as at 1 st January	588	772	1,360	1,968
Additions *	-	603	603	183
Depreciation / written-off	-4	-433	-437	-791
Disposals **	-584	-	-584	-
Book value as at 31st December	-	942	942	1,360
Accumulated depreciation	-	1,423	1,423	1,037

* In 2006 Akbank N.V. has opened two new branches, one in London (UK) and one in Essen (DE). The total of investment made for London branch is GBP 61,284.40 (EUR 91,264.94 equivalents), the total of investment made for Essen branch is EUR 152,298.47. The total investment made in 2006 regarding head office is EUR 359,594.75.

** The premises in Amsterdam was sold during 2006. The book value of the premises was EUR 588 and the sale price was EUR 685.

Prepayments and accrued income	51,585	40,288
• Accrued interest receivable	20,693	16,074
<i>Related parties accruals</i>	200	55
• Premiums and bought interest on securities portfolio	20,120	24,058
• Deferred tax and VAT receivable	306	28
• Unrealised revaluation results FX forward transactions	9,470	-
• Other advanced payments	996	128

(All amounts in thousands Euros)

	2006	2005
Liabilities		
Banks	399,843	358,630
This item includes the borrowings from the shareholder and other financial institutions and loro accounts.		
• Interbank borrowings	232,588	186,197
• Repo	167,255	172,433
<i>Related party balances</i>	<i>347</i>	<i>568</i>
Funds entrusted	380,216	177,166
Includes current accounts and savings and time deposits placed by customers.		
• Saving accounts	208,145	93,306
• Time deposits	172,071	83,860
<i>Related party balances</i>	<i>15,912</i>	<i>6,380</i>
Other liabilities	2,626	11,278
• Creditors, corporation and income tax	638	281
• Other liabilities	1,988	1,134
• Unrealised revaluation results FX forward transactions	-	9,863
Provisions	116	485
• Pension provisions	116	95
• Other provisions	-	390
Accruals and deferred income	11,948	5,835
• Accrued interest payable	7,117	3,340
<i>Related parties accruals</i>	<i>38</i>	<i>50</i>
• Interest and commission received in advance	4,831	2,495
Subordinated loans	-	25,000

The subordinated loan taken from Akbank T.A.S. has been redeemed by the increase of paid-up capital of EUR 25 million in April 2006.

(All amounts in thousands Euros)

	2006	2005
Shareholders' equity		
Paid up capital	75,000	50,000
The authorised share capital amounts to EUR 375 million, and consists of 7,500,000 shares with a nominal value of EUR 50 per share of which 1,500,000 shares have been issued and are fully paid up.		
Movement in paid up capital is as follows:		
Paid up capital per 1 st January	50,000	50,000
Increase in paid up capital	25,000	-
Paid up capital per 31st December	75,000	50,000
Other reserves and unallocated profit / loss	3,877	316
Movements in this item is as follows:		
Other reserves per 1 st January	316	(1,909)
Adjustment re RJ 271 'Employee benefits' *	-	(67)
Unallocated profit / loss per 31 st December	3,561	2,292
• Unallocated profit / loss per 1 st January	316	(1,909)
• Additions to other reserves	(316)	1,909
• Result after tax for the year	3,561	2,292
Other reserves and unallocated profit / loss per 31st December	3,877	316
Total shareholders' equity per 31st December	78,877	50,316

* In line with local regulations Akbank N.V. introduced RJ 271 'Employee benefits' with effect from 1st January 2005.

(All amounts in thousands Euros)

Movement in the (net) pension provision 2006

	31 st December 2006	1 st January 2006
Present value of awarded pension rights	621	563
Fair value of the fund's investments	(457)	(393)
Shortfall in the fund	164	170
Not-yet-amortised actuarial results	48	60
(Net) pension provision	116	110

Changes in the (net) pension provisions by virtue of defined benefit plans:

Movement in the (net) pension provision 2006

Balance as at 1 st January	95
Adjustment to Opening Balance due to change in retirement age from 62 to 65	15
Net Actuarial Variance	6
Balance as at 31st December	116

	2006	2005
Key actuarial principles (Weighted average)		
Discount rate	4.50%	4.25%
Expected income from plan assets	4.50%	4.25%
Future salary increases	2.50%	2.50%
Indexation of pensions	0.50%	0.50%
Inflation	2.00%	2.00%

Commitments and contingencies

Rentals

The annual amounts of rental commitments to third parties are in total EUR 278.

In 2006 the annual amount of Rotterdam rental is : EUR 170

In 2006 the annual amount of Essen Branch rental is : EUR 46

In 2006 the annual amount of London Branch rental is : EUR 62

The period of rental contracts are committed until:

1st October 2010 for Rotterdam (five years)

30th April 2009 for Essen Branch (five years)

31st December 2008 for London Branch (two years)

Information Regarding the Bank's Financial Position

Risk management strategy and practices

The Bank applies an asset-liability management strategy, which mitigates risks and increases earnings by balancing the funds borrowed and the investments on various financial assets. The Bank has sufficient liquidity due to liquidity management by taking into account the term structure of assets and liabilities. The main intention of asset and liability management is to limit the Bank's exposure to liquidity, interest rate, currency and credit risks while increasing profitability and strengthening the Bank's equity. The Asset and Liabilities Committee ("ALCO") manages the assets and liabilities by setting limits on the level of exposures.

Investment in loans and securities, within the frame of their structure and market conditions, are the areas that generate a higher income than the Bank's overall areas of activity. The Bank placements despite their comparatively lower yields are used by the Bank to maintain its short term liquidity needs, which is one of the important and powerful tools of liquidity management.

The Bank policy is to minimize the currency risk exposure. The Bank manages the currency risk exposure that arises from foreign currency transactions by using various derivative financial instruments.

Interest rate risk is managed on a portfolio basis by using natural hedges that arise from offsetting interest rate sensitive asset and liabilities. The Bank has also hedged the interest rate risk through derivatives, namely interest rate swaps.

Details of the Bank's risk management are presented in the following related titles.

(All amounts in thousands Euros)

Capital adequacy ratio

The Capital Adequacy Ratio of the Bank as at 31st December 2006 is 12.45% (2005: 15.97%). These rates are considerably above the minimum rate 8% specified by the related regulation.

	2006	2005
Total capital available	78,752 *	50,316
Minimum capital required including additional requirement for country risk **	36,252	40,326
Capital Adequacy Ratio including additional requirements for country risk **	12.45%	15.97 %

* EUR 125,000.00 is discounted from available capital due to Participation to "Stichting tot Bewaring Gate", a company established in 2006 for customer custody services of the Bank.

** The Dutch Central Bank (DNB) requires additional solvency of 100%, due to Turkish country risks. In 2005 the additional solvency requirement was 150%.

Credit risk

Credit risk is the risk that the counterparties may be unable to meet the terms of their agreements. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to individual counterparty, group of counterparties and country. The credit analysis is based on customer's financial strength, commercial capacity geographic area and capital structure. The financial evaluation is based on the statements of account and other information in accordance with the internal policies and related legislation. The credit limits are regularly revised and when necessary the revisions are more frequent according to changing conditions. The type and amount of collateral and guarantees to be obtained are specified on a customer basis during the determination of credit limits. Credit Committee ("CC") manages the credit risk of the bank.

The Bank considers that long-term commitments are more exposed to credit risk than the short-term commitments, and points such as defining risk limits for long-term risks and obtaining collaterals are treated in a wider extent than short-term risks.

The Bank is not exposed to a significant credit risk as seen in the Bank's balance sheet; the ratio of loans under follow-up to total loans is 0% (2005: 0%).

During loan extension, limits determined on a customer basis are essentially followed up; information on risk and limits are closely monitored.

(All amounts in thousands Euros)

The geographical distribution of investment securities, loans, advances and contingent commitments is 89.38% Turkey and 8.36% European Union and 2.26% other (2005: 89.96% Turkey and 7.51% European Union and 2.53% other).

The industrial distribution of investment securities, loans, advances and contingent commitments is as follows:

	2006	2005
Industry	%	%
Financial Institutions	48.11	46.65
Sovereign	41.11	50.07
Leasing	3.20	1.00
Automotive	2.70	-
Holding	1.51	1.55
Other	3.37	0.73
Total	100.00	100.00

Market risk

When determining the capital adequacy requirement, both the existing and future credit risk is taken into account. To this end the current potential loss, i.e. the positive replacement value based on the market conditions at balance sheet date, is increased by a percentage of the relevant notional amount, depending on the nature and the remaining term of the contract. This method takes into account the possible adverse development of the positive replacement value during the remaining term of the contract.

		Notional amount			Total	Positive replacement value
		< 1 year	1- 5 years	> 5 years		
Currency contracts						
OTC Forwards	2006	340,549	60,861	56,661	458,070	16,557
	2005	191,006	-	11,248	202,254	251
Interest rate contracts						
Swaps	2006	46,300	193,942	54,100	294,342	-
	2005	-	21,492	-	21,492	-
Credit equivalent		Unweighted 2006	Weighted 2006	Unweighted 2005	Weighted 2005	
Currency contracts						
OTC Forwards		458,070	10,698	202,254		2,472
Interest rate contracts						
Swap		294,342	1,781	21,452		107

(All amounts in thousands Euros)

Fair value of financial instruments

The fair value of interest-bearing securities is considered to be EUR 349,828 (2005: EUR 300,272) of which EUR 188,683 (2005: EUR 188,269) have been pledged as collateral for repo transactions amounted to EUR 167,255 (2005: EUR 172,433).

The fair value of financial instruments, including cash, due from banks, short term placements, and other financial deposits, funds borrowed (short-term) and other financial liabilities plus the respective accrued interests are considered to approximate their carrying values due to their short term nature.

Currency risk

The difference between the Bank's foreign currency denominated assets and liabilities is the basis of currency risk. This risk is managed by using natural hedges and the remaining short foreign exchange exposures are hedged on a transaction basis with derivative financial instruments that include primarily forward foreign exchange contracts.

The table below summarizes the Euro equivalent of the Bank's exposure to foreign currency exchange risk, categorized by currency.

(As at 31 st December 2006)	USD	GBP	Other	TOTAL
Assets				
Cash and balances with CB	-	3	-	3
Banks and other financial institutions	14,929	4,531	124	19,584
Loans	265,743	-	565	266,308
Held-to-maturity securities	66,059	-	-	66,059
Property and equipment	-	-	-	-
Other assets	4,211	-	-	4,211
Total assets	350,942	4,534	689	356,165
Liabilities				
Deposits	16,178	22,839	124	39,141
Funds from interbank money market	-	-	-	-
Funds borrowed	40,623	8,191	529	49,343
Other liabilities	1,170	361	1	1,532
Total liabilities	57,971	31,391	654	90,016
Net on-balance sheet position	292,971	(26,857)	35	266,149
Net off-balance sheet position	(292,494)	26,796	100	(265,598)

(All amounts in thousands Euros)

Interest rate risk

Interest rate risk is the impact of the interest rate changes on interest-sensitive assets and liabilities of the Bank. ALCO sets limits for the interest rate sensitivity of assets and liabilities and sensitivity is closely monitored and reported monthly. In case of high market fluctuations, the reporting is more frequent and analyses on transaction bases are made.

The Bank uses a gap analyses to measure the interest rate sensitivity gap through which the duration of portfolios is calculated. Then the adverse interest rate change scenarios are applied to the model to quantify the interest rate risk on equity basis. The Bank manages the interest rate risk on a portfolio basis to minimise the risk impact on equity by applying various strategies such as; using fixed or floating interest rates for different portfolios and maturities and hedging the risk with derivative financial instruments such as interest rate swaps.

Interest rate sensitivity of assets, liabilities and off-balance sheet items based on reprising dates:

(As at 31 st December 2006)	< 3 months	3-6 months	6-12 months	> 1 yrs	Non Sensitive items	Total
Assets						
Cash and balances with CB	-	-	-	-	7,679	7,679
Due from banks	272,636	83,356	15,653	-	19,600	391,245
Loans to private sector	14,334	28,112	35,239	10,006	-	87,691
Held-to-maturity securities	3,796	-	46,912	283,651	-	334,359
Other assets	-	-	-	-	52,652	52,652
Total assets	290,766	111,468	97,804	293,657	79,931	873,626
Liabilities						
Savings	207,454	-	-	-	-	207,454
Deposits	41,863	6,010	48,815	75,682	391	172,761
Funds from interbank money market	106,189	36,400	-	-	-	142,589
Funds borrowed	60,633	45,899	111,492	39,231	-	257,255
Other liabilities	140	-	192	100	14,258	14,690
Shareholder's Equity	-	-	-	-	78,877	78,877
Total liabilities	416,279	88,309	160,499	115,013	93,526	873,626
Balance sheet sensitivity gap	-125,513	23,159	-62,695	178,644	-13,595	-
Off-balance sensitivity gap*	127,250	40,000	40,492	-207,742	-	-
Total interest sensitivity gap	1,737	63,159	-22,203	-29,098	-13,595	-

* This line represents the distribution of net amount of receivables and payables from derivative financial instrument, namely interest rate swaps, which are presented under off-balance sheet commitments according to their re-pricing maturity.

(All amounts in thousands Euros)

Liquidity risk

Customer deposits and funds borrowed from financial institutions are the primary sources of the Bank. ALCO sets limits and monitors on the minimum cash and balances at banks to manage short-term liquidity. ALCO also sets limits on the maximum amount of repo transactions, so that the remaining securities would provide the liquidity for contingent liquidity.

The following table provides maturity analyses of assets and liabilities according to their remaining maturity.

(As at 31 st December 2006)	On demand	< 3 months	3-6 months	6-12 months	1- 5 years	> 5 years	Total
Assets							
Cash and balances with CB	7,679	-	-	-	-	-	7,679
Due from banks	19,600	80,014	122,621	101,665	67,345	-	391,245
Loans to private sector	-	1,554	17,908	34,702	29,700	3,827	87,691
Held-to-maturity securities	-	3,797	-	46,912	125,843	157,807	334,359
Other assets	52,652	-	-	-	-	-	52,652
Total assets	79,931	85,365	140,529	183,279	222,888	161,634	873,626
Liabilities							
Savings	207,454	-	-	-	-	-	207,454
Deposits	690	41,564	6,010	48,815	75,682	-	172,761
Funds from interbank money market	310	105,879	36,400	-	-	-	142,589
Funds borrowed	-	20,334	45,899	90,000	25,692	75,330	257,255
Other Liabilities	14,690	-	-	-	-	-	14,690
Shareholder's Equity	78,877	-	-	-	-	-	78,877
Total liabilities	302,021	167,777	88,309	138,815	101,374	75,330	873,626
Liquidity gap	-222,090	-82,412	52,220	44,464	121,514	86,304	-

Operational risk

The Basel Committee currently defines the operational risk as the risk of loss resulting from inadequate or failed internal procedures, people and systems or from external events.

The bank controls and monitors operational risks by using “know your customer” principle, the “four eyes” principle, the periodical internal audits which is outsourced starting from 2007, the periodically updated policy and procedures , the segregation of duties, and a responsive accounting system. The IT department, in addition to its task to manage their operational risk on a day-today basis, are responsible for their risk policy and their special filed. The department is audited by Internal Auditors. In terms of its business continuity procedure the bank has a fully equipped remote site where the whole activity can be regenerated in couple of hours.

Legal risk

To minimise legal risks arising either from the uncertainties of the enforceability of the legal obligations of the bank's customers or counterparties, together with the legal or regulatory changes that may affect the position of the bank, the bank is using standardised legal agreements for its products. The bank also has its own internal legal department for consultancy and uses external counsels when necessary.

Integrity risk

Integrity risk arises from inadequate compliance with obligations under civil, administrative, tax or criminal law, from inadequate compliance with internal standards, rules and codes of conduct. Inadequate compliance may result in a deterioration of the bank, which may limit opportunities and business development possibilities, or which may result in the loss of existing or potential clients. As integrity being one of the most valuable assets of the bank, it is reflected to the bank's policies.

The rules and regulations with respect to Know Your customer and Customer Due diligence, client identification, client's privacy protection are reflected in the bank's policies and procedures. The review of actual compliance with external rules and regulations as well as the internal integrity policy is performed by the Internal Control & Compliance department.

Notes to the Profit and Loss Account

(All amounts in thousands Euros)

	2006	2005
Net interest income	8,315	7,231
• Net income from investment portfolio	18,823	14,400
• Income from bank deposits	7,509	3,896
• Income from trade finance and loans	5,079	2,827
• Interest paid on bank borrowings	(12,183)	(7,304)
• Interest paid on savings accounts	(10,269)	(6,570)
• Net IRS income / (expense)	(644)	(18)
<i>Net interest income/(expense) from related parties</i>	<i>1,354</i>	<i>(306)</i>
Net commission income	919	1,386
• Cash remittances	440	479
• Letters of credit	83	152
• Commission on trade finance	764	867
• Other	32	75
• Commission expenses on loans	(358)	(168)
• Other commission expenses	(42)	(19)
<i>Net interest income/(expense) from related parties</i>	<i>115</i>	<i>6</i>
Other income	776	262
• Result on other financial transactions	675	226
• Other revenue	101	36
Total operating expenses	4,952	5,533
• Staff costs	2,704	2,849
○ Salaries	2,159	2,401
○ Pension	181	128
○ Social security costs	156	92
○ Other personnel costs	208	228
• Telecommunication and IT expenses	662	696
• Office rental, service charges and maintenance	368	694
• Other expenses	782	503
• Depreciation	436	791

(All amounts in thousands Euros)

	2006	2005
Pension charges	181	128
• Pension costs	160	128
• Cost incurred due to change in retirement age	6	-
• Cost incurred due to change in pension provision	15	-
Taxes	1,497	1,054
• Tax payable NL (29.6%) for the financial year in respect of the operating income as stated in the profit and loss account.	1,606	1,054
• Tax credit DE (25%) for the financial year in respect of the operating income as stated in the profit and loss account.	(11)	-
• Tax credit UK (30%) for the financial year in respect of the operating income as stated in the profit and loss account.	(98)	-
Remuneration		
The remuneration of the Executive Board is as follows:		
Mrs. K. B. Özcan	262	232
Mr. R. J. Sutter	100	230
The remuneration of the Supervisory Board is as follows:		
Mr. D. Long	15	14
Mr. F. B. Deiters	21	21
The bank has not granted any loans, advances or guarantees to members of the Executive Board or to members of the Supervisory Board.		
Total number of full time employees per 31 st December	36	26

Auditors Report

To: The Supervisory Board of Akbank N.V.

Report on the financial statements

We have audited the accompanying financial statements of Akbank N.V., Rotterdam, which comprise the balance sheet as at 31 December 2006, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Akbank N.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 29 March 2007
KPMG ACCOUNTANTS N.V.
M.A. Huiskers RA

Profit Appropriation

Introduction

The Executive Board proposes to add the net result of EUR 3,561 (2005: EUR 2,292) to the other reserves. After result appropriation the other reserves will amount to EUR 3,877 (2005: EUR 316).

The result appropriation has been proposed in conformity with article 25 of the Articles of Association, which states (translation from the original Dutch text):

Article 25

1. The company may only make distributions to the shareholders and other rightful claimants for the profit available for distribution to the extent that the own equity exceeds the amount of the paid-up capital and called part of the capital plus the reserves that must be maintained by law.
2. Once per year the general meeting of the shareholders decides which part of the profit, appearing out of the profit and loss fixed by the general meeting of the shareholders, will be used for allocation to the other reserves.
3. The, related to the last paragraph, remaining profit shall be at the disposal of the general meeting of the shareholders.

Decision

The Supervisory Board agrees with the proposal of the Executive Board.

Corporate Information

Supervisory Board

Mr. Mehmet Akin Kozanoglu

Chairman of the Board since December 2000

Mr. Denis Long

Member of the Board since February 2002

Mr. Frederik B. Deiters

Member of the Board since May 2003

Mr. Zafer Kurtul

Member of the Board since March 2006

Mrs. Sedef Korkmaz

Member of the Board since March 2006

Executive Board

Mrs. K. Banu Özcan

Managing Director since October 2001

Mr. S. Tuncer Mutlucan

Managing Director since January 2007

Mr. Rolf J. Sutter

Managing Director until May 2006

Other Information

Contact

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