

CALYON BANK TÜRK A.Ş. ACTIVITY REPORT OF 2006

Report Period	: 01.01.2006-31.12.2006
Commercial Title of the Bank	: Calyon Bank Türk A.Ş.
Address of Headquarters	: Büyükdere Cad. Yapı Kredi Plaza C Blok Kat 14-15 Levent 34330 / İstanbul
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COMPLIANCE OPINION ON THE ANNUAL REPORT

We have been engaged to audit the annual report of Calyon Bank Türk A.Ş. (“the Bank”) as of 31 December 2006. This annual report is the responsibility of the Bank’s management. Our responsibility, as independent auditors, is to express an opinion on the annual report about whether the financial information presented in the annual report is consistent with the audited financial statements and explanatory notes to the financial statements.

We conducted our audit in accordance with the principles and procedures regarding the preparation and issue of annual reports and independent audit principles set out by the regulations in conformity with the Banking Act No.5411. Those regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial information presented in the annual report is consistent with the audited financial statements and explanatory notes to the financial statements. We believe that our audit provides a reasonable and sufficient basis for our opinion.

In our opinion, the financial information included in the accompanying annual report presents fairly, in all material respects, the information regarding the financial position of Calyon Bank Türk A.Ş. at 31 December 2006 in accordance with the principles and procedures set out by the regulations in conformity with article 40 of the Banking Act No.5411; includes a summary of the Board of Directors’ report and the independent auditor’s report; and is consistent with the convenience translation of the audited financial statements and explanatory notes to the financial statements.

Başaran Nas
Yeminli Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers
Faruk Sabuncu, YMM
İstanbul, 2 April 2007

CALYON BANK TÜRK A.S.
DECLARATION RELATED TO ACTIVITY REPORT OF 2006

The annual activity report of Calyon Bank Türk A.S has been prepared in accordance with the provisions of the regulation on “Procedure and Principles Relating to Publishment and Preparation of Annual Activity Report by the Banks” published in the Official Gazette No.26333 dated 01.11.2006 and presented hereafter following the resolution of Board of Directors

**Henri
GUILLEMIN**
Chairman

**Jean-Paul
MAZOYER**
Board Member and
Audit Committee Member

Michel PONS
Board Member Responsible
for Internal Systems and
Audit Committee Member

Naim KOÇER
General Manager and
Board Member

Loic BORREY
Deputy General Manager
Responsible for Financial
Reporting

Özlem KİNEŞ
Accounting Manager

A. GENERAL INFORMATION

I. Summary of Financial Information Related to Activity Results

	SOLO 31.12.2006 (TRY 000)
Total Assets	269,567
Credits	44,984
Securities	63,453
Borrowings	225,247
Equity (including net profit)	22,779
Net Profit of the period	-3,561
Capital Adequacy Ratio	18.26

II. History of the Bank

Calyon Bank Türk A.S has been established as Investment Bank on January 9th, 1990, according to the letter of Council of Ministers dated September 1st, 1989 and numbered 14502 in compliance with Foreign Capital Encouragement Law No.60224. As per the resolution dated March 3rd, 2004 and No. 1219 passed by the Banking Regulation and Supervision Board, our Bank has taken over all the assets and liabilities (inclusive of the paid-up capital and reserves and exclusive of the deposits) and the debts, credits and rights of Credit Lyonnais (Paris) Center France, İstanbul Turkey Central Branch (“Credit Lyonnais Türkiye”) on March 13th, 2004.

Being an Investment Bank of French Crédit Agricole Group we are not accepting deposits. We have no branches.

The core activities are corporate financing, trade finance and treasury transactions.

III. Modifications of Articles of Association Done in the Period and Reasons

In order to comply with Banking Act No.5411, our Bank’s Articles of Association has been amended during the period and the paid-up capital has been increased from TRY 13,400,000 to TRY 20,000,000. The activities that our Bank could exercise within the framework of the law have been inserted in the Articles of Association.

IV. Capital and Shareholding Structure of the Bank

SHAREHOLDER'S NAME	SHARE IN THE CAPITAL (TRY)	PERCENTAGE %
Calyon (<i>former Crédit Agricole Indosuez</i>)	19,999,999.60	99.999
Indosuez Participations S.A.	0.10	0.000
Calyon Capital Markets International	0.10	0.000
Compagnie Française de l'Asie	0.10	0.000
Société des Chaux Hydrauliques du Lang-Tho	0.10	0.000
TOTAL	20,000,000.00	100

V. Explanation Regarding the Shares of Chairman and Members of Board of Directors, Members of Audit Committee, General Manager and Assistant General Managers

The shares belonging to Chairman and Members of Board of Directors are only those required according to Turkish Commercial Code and they are very negligible.

VI. Evaluations of Chairman of Board of Directors and General Manager for the Activity Period and Expectations

We can say that in 2006, as a result, there were positive developments in the Turkish economy and the economy has developed in the positive direction both national and international level. Non-existence of too negative developments in the worldwide economy, the positive developments in the domestic markets have been resulted with the realization of 2006 targets.

During the period of May-June, there was an agitation in the markets due to the uncertainties about the appointment of CBT Chairman, external factors caused by foreign markets. Risk perception has differed due to the changes in the global liquidity conditions and TRY has depreciated more than 20% against USD. Movements of foreign currency rates impacted consumer prices through the imported goods. The impact of changes in the foreign currency rates reached 1,5 points over the inflation rate in two months time. In a period where the inflation rate is impacted by the shocks in the offer way, the local currency is devaluated at the same time destroyed the inflation expectations for medium and long terms and consequently the risk of secondary effects has been brought and the unstability of financial markets has increased. In the light of these explanations, CBT increased political interests by 400 basis points by following a strick money policy and depo auctions attracted the liquidity excess from the market. Interest rates of money markets for short term increased up to 21%-22% and interest rates indicator to 25% due to stretching in money market and differing in the risk perception.

In 2006, our target customers were again Turkish large groups and multinationals. Our Bank closed the year with a loss before tax of TRY 3,582 thousand compared to previous year, total assets decreased by 58%, liquid assets by 61%, which represent 42% of total assets. Capital adequacy ratio is 18.26%. Return on equity is -13.52%.

In 2007, our Bank will continue its commercial relationships with its customers based on loyalty, reliance and responsibility which are the guarantee of long term development. We will present to our customers the products suitable to their financial situations, purposes. Our customers will be treated fairly by clear explanations, objective information and honest advices. The transactions compliant with codes of conduct of Crédit Agricole Group and legislation and with reliable counterparts will be realized.

Our Bank's targets of 2007 can be summarized as follows:

- To continue the growth strategy with customer focus,
- To deal with large groups of Turkey and multinationals,
- To inform our customers about capital markets products especially derivatives and spread their uses,
- To continue supporting the trade finance transactions of our customers,
- To increase our credit portfolio depending on the decrease of interest rates,
- To evaluate market opportunities in accordance with our global strategies,

VII. Explanations Regarding Bank's Type of Activity, Staff and Network and Evaluation of its Position in the Banking Sector

Being an investment bank of Calyon (French Crédit Agricole Group company), we do not accept deposits. We have no branches but we are using all facilities of Crédit Agricole and Calyon network in the foreign trade transactions. As of 31.12.2006, the number of personnel is 33.

Our Bank is active in the corporate finance, treasury and portfolio transactions. Strong structure of our main shareholder, its intelligence of corporate governance, its credit culture and its effective balance sheet management are the principles appropriated by ourselves too.

• Corporate Banking and Trade Finance

In 2006, we have continued to deal with the customer portfolio composed of large Groups of Turkey and multinational companies. Besides of foreign currency loans, we have started to be active in TRY loans which is in line with the decrease of TRY interest rates. As of 2006 year end, the volume of TRY loans increased by 8 times.

We have continued to support trade finance transactions of our customers and the volume of import l/cs have been increased by 30% compared to previous year.

During 2006, the issuance of letter of guarantees related with the auctions, increased by 3 times thanks to the interest of foreign capital and our Bank's share increased accordingly.

• Capital Markets and Treasury Management

In 2006, Treasury Department followed a conservative strategy and reduced its activities. Principally, it transacted in the foreign currency and money markets by giving services to Calyon Group. Treasury Department made presentations on the interest rate risk and foreign currency rate risk within the framework of increasing the awareness of corporate customers about Financial Risk Management.

- **Support Services**

Human Resources, Internal Services, Risk Management (Credit Risk, Market Risk and Operational Risk), Internal Control, Internal Audit, Legal & Compliance, Information Technology, Security of Information Systems, Operations are grouped under Support Services.

Our objective in **Human Resources** is to accompany continuously changing dynamics, in order to create an environment in accordance with the values of Crédit Agricole Group, in which everyone has a role to play. The markets conditions are followed and the salary adjustments are done by taking into consideration the performance and salary survey results. It has to be understood that Performance Management System is rather related with feed back, development and career planning than increase in the wages. Individual training programs are planned by getting information through Performance Management system and from department heads. The development objectives are decided to support the Bank's prior strategies and then plan the Bank's organizational training programs.

In the **Information Technologies** field, most of the necessary projects which are planned in 2006 have been implemented successfully. The infrastructure of Business Continuity and Disaster Recovery Plan has been completed; all back-ups of our systems have been transferred to our Disaster Recovery Center which is outside of Istanbul; the mirroring of datas to back-up systems simultaneously has been provided. Technical and operational tests have been realized by concerned departments and thus, the functioning of Business Continuity and Disaster Recovery Plans have been realized.

Department of Security of Information Systems is ensuring the carrying out the banking activities in a secured environment of information technology, is making the risk analysis information technologies being used or to be used and is applying the group standards on this issue.

Risk Management Unit is making the measurement of Credit Risk, Market Risk and Operational Risk within the framework of the related regulations of BRSA and independently from Executive Management, is controlling, is following its application within the Bank and is reporting directly the results to Board Member responsible for Internal Systems.

Legal & Compliance Department is ensuring the compliance of internal procedures and application with the general principles of corporate governance, the ethical rules, related laws, regulations, legal texts and agreements for which the Bank is a party. It acts as bridge between legal and tax counsels and business lines, makes necessary research and reportings related Bank's customers and transactions within the framework of related law and regulations, Banking Act No.5411 and Law No.5549 on the Prevention of Acquittance of Crime Revenues. This

department follows up the concerned legislation and gives opinions on the requested issues to Board of Directors, Executive Management and Business Lines. On the other hand, this department is ensuring the relationship with the regulators on the compliance issues, is organizing and carrying out staff awareness programs.

Internal Control Unit is responsible for all control systems. It requests information based on reportings from various departments in order to control, study and monitor the banking activities in a secured way within the framework of Banking Act No.5411 and Regulation on Banks' Internal Control Systems, examines or controls by monitoring and observing generally or specifically several control documents and tools, reports his/her findings or communicates his/her warning messages to related departments.

Internal Audit Unit audits and examines periodically all banking activities based on risk approach, identifies errors, deficiencies and incidents, makes suggestions and gives opinion to executive management about the effective and profitable use of resources. It evaluates the reliability and the correctness of information communicated to management levels and legal authorities, the effectiveness and adequacy of internal control and risk management systems.

Operations Department ensures operational supports in the money market transactions and lendings in capital market, national and international payments, global trade finance for corporates and financial institutions.

- **Evaluation of the Bank in the Banking Sector**

The customer concentration is due to a strict rating process of customer portfolio. Our Bank's customer portfolio is composed of Turkish and multinational companies or their participations having a low risk and a high risk rating.

On Capital Markets side, our Bank has no big activities in the field of sale and purchase of Treasury and Government Bonds. But we have a considerable volume on forward purchase and sale of foreign currency transactions and we are providing services to the multinational customers of Crédit Agricole Group.

VIII. Information on the Applications of Research Development Related to New Services and Activities

New Activities and Products (NAP) Committee of our Bank has been constituted in order to control the specific risks of new activities and products. All approved activities and products by the committee are registered to the database. The activities and products differing significantly from the existing ones are accepted as new. Within this framework, in 2006, the intermediation activity of Murabaha and Interest Rate Derivative (IRD) for Corporates and Financial Institutions have been approved:

B. INFORMATION ON THE MANAGEMENT AND CORPORATE GOVERNANCE APPLICATIONS

I. Names, Periods of Duties, Fields of Responsibilities, Education Levels, Professional Experiences of Chairman and Members of Board of Directors, Audit Committee Members, General Manager and Assistant General Managers, Managers of Units of Internal Systems,

a) Chairman and Members of Board Of Directors

Henri Guillemin, Chairman of Board of Directors: He has undergraduate degree from Université de Paris and master's degrees from INSEAD, Paris and Fondation Nationale des Sciences Politiques, Institut d'Etudes Politiques de Paris. He is Senior Regional Manager in charge of Middle-East and Africa Countries and is working for 18 years within the group.

Jean-Paul Mazoyer, Member of Board of Directors & Audit Committee: He has master's degree from Ecole Supérieure de Commerce de Lyon and graduate degree from HEC Grand Lebrun Bordeaux. He is International Chief Operating Officer and is working for 11 years within the group.

Michel Pons, Member of Board of Directors responsible for Internal Systems&Audit Committee: He has undergraduate degree of Law and master's degrees on banking from Conservatoire National des Arts et Métiers and Business Management from Université de Montpellier. He is Regional Manager in charge of Middle-East and Africa Countries and is working for 14 years within the group.

Stanislas de Hauss, Member of Board of Directors: He has undergraduate degree of engineering from ENSIA Massy / France. He is Managing Director & Senior Banker in charge of Large Companies in Middle East countries in Calyon, Paris and is working for 19 years within the group. He was our ex-General Manager between 1990-1995.

Thomas Gadenne, Member of Board of Directors: He has undergraduate degrees from Ecole Supérieure des Sciences Economiques et Commerciales, Cergy / France. He is Treasury Manager of Calyon, Paris and Treasury Group Manager of Crédit Agricole Group and is working for 18 years within the group.

Naim Koçer, Member of Board of Directors & General Manager: He has doctoral degree on Finance on Performance Measurement of Management of Funds and MBA degree both Université de Paris, Dauphine. He is working for 15 years within the group and he is our General Manager since 2003.

b) Assistant/Deputy General Managers

Loic Borrey, Deputy General Manager responsible for Financial Control, Accounting, Operations, IT and Internal Services: He has undergraduate degree from Université Lumière Lyon 2, Faculté de Sciences Economiques et de Geston, Lyon / France. He is working for 14 years within Crédit Agricole Group.

Engin Keskinel, Deputy General Manager responsible for Corporate Banking: He has undergraduate degree from I.T.U, Faculty of Business Engineering and MBA degree from U.S.I.U, San Diego, California / USA. He has a banking experience of 20 years. He is working for 10 years within the group.

Mehmet Batılı, Deputy General Manager responsible for Capital Markets: He has undergraduate degree from M.E.T.U, Faculty of Economics and MBA degree from Suffolk University, Boston / USA. He has a banking experience of 15 years. He is working for 6 years within the group.

c) Managers of Units of Internal Systems

Güliz Tınç, Internal Audit Manager: She has undergraduate degree from Marmara University, English Language and Literature Division. She has a banking experience of 22 years. She is working in Calyon Bank Türk A.S. since 1990.

Seza Sunar, Assistant Manager in charge of Internal Control, Operational Risk and Security of Information Systems: She has undergraduate degree from Marmara University, Faculty of Economics. She has a banking experience of 10 years. She is working in Calyon Bank Türk A.S. since 2002.

Isıl Kılıç, Senior Manager in charge of Credit Risk Management: She has undergraduate degree from Istanbul University, Faculty of Business Administration and MBA degree from METU. She has a banking experience of 13 years and she is working since 1996 with the group.

Mine Denel, Assistant Manager in charge of Market Activity Monitoring: She has undergraduate degree from Istanbul University, Faculty of Business Administration in English. She has a banking experience of 11 years and she is working since 1998 with the group.

Ruhan Ertuğ, Legal & Compliance Manager: She has undergraduate degree from I.T.U. and Certificate Degree on Business Administration from Istanbul University, Faculty of Business Administration. She has a banking experience of 21 years and is working since 1987 in Calyon Bank Türk A.S.

Sirin Erdoğan, Information Technologies Manager: She has undergraduate degree from I.T.U., Faculty of Chemistry Engineering and master degree on Information Technologies from the same university. She has a sector experience of 17 years and is working since 1989 in Calyon Bank Türk A.S.

Özlem Kines, Accounting Manager: She has master degree from Economics of Bosphorus University and undergraduate degree from Economics in English of Marmara University. She has a banking experience of 12 years and is working since 2006 in Calyon Bank Türk A.S.

François Massena, Financial Control Manager: He has graduate degrees from Université de Technologie Nice / France and Ecole Supérieure de Gestion, Paris / France. He has a banking experience of 11 years and is working since 1996 within the group.

II. Professional Experiences and Periods of Duties of the Statutory Auditors

Oğuz Kemal Bulut, Auditor: He has MBA degree from University of Illinois / USA and undergraduate degree from Ankara University, Faculty of Political Sciences. He has a sectoral experience of 12 years. He is the Partner in MGI Bağımsız Denetim ve Danışmanlık A.S.

Altuğ Güzeldere, Auditor: He has MBA degree University of Golden Gate, San Fransisco, USA and undergraduate degree from Istanbul University, Faculty of Law. He has 15 years of experience on law and he is the Partner in Güzeldere Law Firm

III. Credit Committee, Activities of Committees Reporting to Board of Directors or Constituted in Accordance with Risk Management Systems within the Framework of Regulation on Internal Systems in order to Help Board of Directors and Information about the Names, Duties of Members of these Committees

Credit Committee

Permanent Members: *Naim Koçer* - General Manager, *Engin Keskinel* – Deputy General Manager Responsible for Corporate Banking, *Mehmet Batılı* - Deputy General Manager Responsible for Capital Markets, *Isil Kiliç* – Senior Manager in Charge of Credit Risk Management.

In order to give the necessary explanations during the decision making or advising period, Related Relationship Managers (*Gözen Niron, Selen Karlibel and Beyza Çelik*), Manager of General Credit Analysis (*Pinar Akgürgen*) and Credit Analyst (*Ebru Ayla*) participate to the meetings. They have no voting rights. If necessary, invites Legal & Compliance Officer (*Ruhan Ertug*) is invited to the meeting by Senior Manager in Charge of Credit Risk Management in order to have the approval of the credit proposal on the side of compliance with group norms and legislation.

It has been established in order to evaluate the credibility of customers to be worked within credit limits.

Committee is held when necessary. Decisions or advices are resolved by the majority of the votes. The files approved in the Credit Committee is subject to the approval of main shareholder. These are studied again by the Regional Manager and Risk Managers of the main shareholder. Limits are assigned to customers according to their credibility. Afterwards, the assigned limits are approved by Board of Directors.

Risk Committee

Permanent Members: *Naim Koçer* - General Manager, *Engin Keskinel* – Deputy General Manager Responsible for Corporate Banking, *Mehmet Batılı* - Deputy General Manager Responsible for Capital Markets, *Isil Kiliç* – Senior Manager in Charge of Credit Risk Management

In order to review the risk portfolio of the bank, they meet on quarterly basis but not much than once a year. In this respect, the credit customers are studied based on their utilization, guarantee, profitability, latest financial situation and business performance conditions and the credit strategy is reviewed for each customer.

Internal Control Committee

Permanent Members: *Naim Koçer* - General Manager, *Engin Keskinel* – Deputy General Manager Responsible for Corporate Banking, *Mehmet Batılı* - Deputy General Manager Responsible for Capital Markets, *Loic Borrey* – Chief Operating Officer, *Isil Kiliç* – Senior Manager in Charge of Credit Risk Management, *Güliz Tinç*- Internal Audit Manager, *Sirin Erdoğan* – IT Manager, *François Massena* – Financial Control Manager, *Seza Sunar*, Assistant Manager Internal Control, *Leya Dalva* – Operations Senior Manager, *Ruhan Ertug* - Legal & Compliance Manager, *Özlem Kines* – Accounting Manager

It has been established in order to determine the scope of risks, their evaluation and follow-up, to allocate necessary resources to control risk areas, to implement the procedures, to provide the effectiveness of action plans, to correction the failures, to supervise the implementation of corrective action regarding the failures by the related departments within the timeframe. The committee is held on quarterly basis.

Asset & Liability Committee

Permanent Members: *Naim Koçer* - General Manager, *Engin Keskinel* – Deputy General Manager Responsible for Corporate Banking, *Mehmet Batılı* - Deputy General Manager Responsible for Capital Markets, *Loic Borrey* – Chief Operating Officer, *Isil Kiliç* – Senior Manager in Charge of Credit Risk Management, *Mine Denel* – Assistant Manager market Activity Monitoring, *François Massena* – Financial Control Manager, *Özlem Kines* – Accounting Manager

It has been established in order to review the monthly figures of asset & liability management, investment and transaction portfolio, legal ratios, interest rate risk, exchange rate risk, modifications regulating the markets. The committee is held generally on monthly basis.

Executive Committee

Permanent Members: *Naim Koçer* - General Manager, *Engin Keskinel* – Deputy General Manager Responsible for Corporate Banking, *Mehmet Batılı* - Deputy General Manager Responsible for Capital Markets, *Loic Borrey* – Chief Operating Officer

Compliance Management Committee

Permanent Members: *Naim Koçer* - General Manager, *Engin Keskinel* – Deputy General Manager Responsible for Corporate Banking, *Mehmet Batılı* - Deputy General Manager Responsible for Capital Markets, *Loic Borrey* – Chief Operating Officer, *Isil Kiliç* – Senior Manager in charge of Credit Risk Management, *Güliz Tinç*- Internal Audit Manager, *François Massena* – Financial Control Manager, *Leya Dalva* – Operations Senior Manager, *Ruhan Ertug* - Legal & Compliance

Manager, *Seza Sunar* – Assistant Manager Internal Control, *Mine Denel* – Assistant Manager Market Activity Monitoring, *Ozlem Kines* – Accounting Manager

The Committee is held on quarterly basis. The purpose is the protection of bank against the non-compliance risk with legislation and internal procedures, reporting, evaluation and correction of weaknesses noticed by the Regulators or Employees and Bank Management.

New Activity / Product Committee

Permanent Members: *Naim Koçer* - General Manager, *Engin Keskinel* – Deputy General Manager Responsible for Corporate Banking, *Mehmet Batılı* - Deputy General Manager Responsible for Capital Markets, *Loic Borrey* – Chief Operating Officer, *Isil Kiliç* – Senior Manager in charge of Credit Risk Management, *Güliz Tinç*- Internal Audit Manager, *François Massena* – Financial Control Manager, *Seza Sunar* – Assistant Manager Internal Control, *Mine Denel* – Assistant Manager Market Activity Monitoring, *Leya Dalva* – Operations Senior Manager, *Ruhan Ertug* - Legal & Compliance Manager, *Ozlem Kines* – Accounting Manager and *Sirin Erdoğan* – IT Manager when necessary

It has been constituted in order to control better the specific risks attributed to new activities and products. Each manager of the Bank that initiate, develop and participate in new activities and products is required to assume the compliance responsibilities specific to its role. The committee is held when necessary and the legal and tax counsels could be invited if necessary.

IV. Information about the Participations of Members to Committees Mentioned in Part III, Audit Committee and Board of Directors during the Year

On July 31st, 2006, Audit Committee has been constituted in accordance with article 24th of Banking Act No.5411. However the working principles have not been prepared yet. It will be active during 2007.

The members of committees which are constituted in order to help Board of Directors have participated to the each meeting organized periodically or when necessary. The resolutions have been mentioned in the minutes. The said minutes have been sent to Board Member Responsible for Internal Systems in order to inform on the activities of committees.

V. Summary Report of Board of Directors Presented to General Assembly

Dear Shareholders,

Profit & Loss Statements, Board of Directors' Report and Auditors' Report relating to year 2006 are presented for your examination and approval.

The comparison of the main figures of our financials and ratios with those of previous year end is as follows:

- The size of assets decreased by 58 %. The main reason is the decrease in the Bank's placements and the Securities Portfolio.
- Equity reached TRY 22,779 thousand.
- Liquid Assets decreased by 61% compared to previous year and constituted 42% of total assets.
- Our credit portfolio grew up by 58% compared to previous year of which TRY 44,927 thousand are short term credits.
- Our securities portfolio decreased by 80% compared to previous year and it constitutes 24% of total assets.
- Our capital adequacy ratio is 18.26% where as it was 13.17% as of 31.12.2005.
- Return on assets which was 1.20% in 2005 is realized as -1.32%.
- Return on equity is realized as -13.52% .
- The paid-up capital is increased from TRY 13,400,000 to TRY 20,000,000.
- The current year loss is realized as 3,582 thousand. The floating of foreign currency in May and June had an increasing effect in the commercial loss.

Yours faithfully,

Board of Directors

VI. Information on the Applications of Human Resources

Human Resources and Management's duty is to select and employ correct people for correct positions.

The selection and employment process are realized by considering technical and personal skills of the person, which are suitable for the position.

All of our employees are evaluated by the Management once a year by considering their work experience, education level, technical and operational knowledge. Promotion or rotation decision is taken under the light of these evaluations.

The success of Calyon Bank Türk A.S. is the success of each of our employees' too, because they are members of a leader European Bank, which lies at the heart of the business model in Turkey.

VII. Information on Transactions Realized with the Risk Group to which the Bank Is Involved

The banking transactions realized with the group companies are carried out in accordance with the legislation. Placements, borrowings, non-cash loans exist. These transactions are for commercial purposes and are realized with market prices. The transactions with group companies and the shares within our total credit risk are as follows:

	31/12/2006	31/12/2005
	%	%
Share in total placements	80	84
Share in total borrowings	37	40
Share in total non-cash loans	49	26

VIII. Information on Support Service Providers and Types of Support Services According to the Regulation on the Authorization of Support Service Providing Companies and Support Services to be Provided

According to the regulation, type of support services taken are generally on the field of Information Technologies and in 2007 all existing technical support services will be compliant with the regulation.

The type of technical support services taken and support service providing companies are as follows:

Subject of Support Service	Support Service Providing Company
Support of Server & Network	Datamarket Bilgisayar Servis Hizmetleri A.Ş.
Software Support of Thunder System	Global Bilgi Sistemleri Yazılım Danışmanlık San. Ve Tic.Ltd.Şti.
Support of Business Continuity Plan ve Disaster Recovery Center	IBM Türk Ltd.Şti.
Software Support of System of Securities	Active Bilgisayar Hizmetleri ve Tic.Ltd.Şti.

C. EVALUATIONS REGARDING RISK MANAGEMENT AND FINANCIAL DATAS

I. Report Prepared by Statutory Auditors Elected in Accordance with Turkish Commercial Code No.6762 and dated 29/6/1956

REPORT OF STATUTORY AUDITORS

Calyon Bank Türk A.S.
Ordinary General Assembly

We have examined the accounts and transactions of Calyon Bank Türk Anonim Sirketi for the period of 01/01/2006– 31/12/2006 according to Articles of Association of the Bank, Banking Act No.5411, Regulation of Accounting Application and other auditing standards and principles.

In our opinion, the said transactions are booked in compliance with the laws. Balance sheet and profit-loss accounts are complying with the accounting books.

Yours truly,

İstanbul, 12.04.2007

Auditor
Altuğ Güzeldere

Auditor
Oğuz Kemal Bulut

II. Evaluation of Audit Committee on the Funtioning of Internal Control, Internal Audit and Risk Management Systems and their Activities in the Said Period

On July 31st, 2006, Audit Committee has been constituted in accordance with article 24th of Banking Act No.5411. However the working principles have not been prepared yet. It will be active during 2007.

The organizational structure of our Bank's Internal Control, Internal Audit and Risk Management Systems has been re-organized by taking into consideration the segregation of duties in accordance with the provisions of regulation. This structure complies with the scope of our activities and is effective to respond the changing conditions.

Internal Audit, Internal Control and Risk Management accomplished their tasks independently from each other but simultaneously and reported to the Board of Directors (through the related board member).

In order to carry on the activities of Internal Audit, Internal Control and Risk Management Systems of the bank, our Board of Directors took the necessary precautions.

In compliance with our Bank's structure and size, Internal Audit activities are carried out by Internal Audit Manager. In order to let audit Internal Audit unit all activities and departments of the bank, our Board of Directors has taken the necessary precautions. 9 audits in compliance with internal audit plan have been realized within the framework of internal audit activities of 2006.

Our internal control activities comprise fundamental control fields and are the integral part of the daily activities. The personnel responsible for determining, measuring and reporting of markets, credits, compliance and operational risks exist in the units of Internal Control and Risk Management. Besides, within the framework of principles of "Know Your Customer –KYC", the said staff respected the procedures related to entering into new business relationship and customer/product suitability. Cross-border transactions, sensitive/complex transactions, new activities/products have been implemented following the prior approval of Internal Control and Risk Management units. Value at Risk (VAR), Sensitivity Measurements, monthly and yearly stop loss or alarm levels could be measured thanks to Kondor + and Global View systems.

Risk management process is composed of defining the risks, their measurement, risks policies and constitution of application principles, analysis of risks and follow-up, reporting and auditing phases, all determined by executive management and risk management unit and approved by board of directors of the Bank.

Our Bank's risk management mission is to undertake the risks compliant with the policies and procedures of our group and to increase the profitability level. In this respect, in 2006, within the framework of legislation and internal procedures, correct transactions have been realized with respectable counterparts and risk sensitive policy has been followed up.

III. Opinion of Independent Auditor

Please see the Annex

IV. Financial Statements and Information on the Financial Structure to be Given at the end

Please see the Annex

V. Evaluation Regarding Financial Position, Profitability and Payment Capability

Turkish Banking Sector had a positive year in 2006. In line with to this, the figures of our Bank are as follows:

- Total equity reached TRY 22,779 thousand and increased by 15% compared to previous year.
- Our return on equity is realized as -13.52%.

- Total assets reached TRY 269,567 by a decrease of 58%. Our Bank's balance sheet carries out high liquidity.
- The share of liquid assets within the balance sheet is 42% and decreased by 61% compared to year 2005.
- Our securities portfolio decreased by 80% compared to previous year and it constitutes 24% of total assets.
- Our credit portfolio increased by 58% compared to previous year.
- The borrowings decreased by 62% and the share in the balance sheet which was 93% previous year is realized as 84%.
- The operating profit of 2006 decreased by 183% and is realized as TRY -3,582 thousand.

VI. Information Related to Risk Management Policies as per Risk Categories

- **Country Risk:**

Country Risk defines the probability of entire or partial inadequateness for repayment of the credit by the person or the corporation for whom the credit was opened because of the economic, social and political status of the country in which they act.

Rating system is used for determining country risk. The country ratings are classified according to 14 grades (from A+ to F). Calyon, Paris, our main shareholder gives approval for transactions with Risky Countries on transaction basis. Mostly, we try to realize the transaction through the branch or the subsidiary of the main shareholder that operates in the said country.

On the other hand, a country risk mapping is drawn down for each country according to the classification of risks taken by the bank, type of transactions, quality of counterparts and maturities of transactions. Thus, the "Probability of Vulnerability" of the quality of portfolio is evaluated.

Country Limits and ratings are revised once a year by our main shareholder. According to this rating:

- Countries for which no limit is needed due to their high rating,
- Limited countries of which the ratings are from C+ and E-,
- Countries without limits due to their low ratings (F)

- **Credit Risk:**

Credit Risk defines the risk and losses to be arised due to the partial or non-accomplishment of customer's undertaking because of non respecting the agreement already entered into. .

Calyon, Paris, our main shareholder determines the guidelines of credit policy (risky sectors and big group to deal with etc...) and the credit approval authority belongs to it. For that reason, our Bank makes the qualitative and quantitative evaluations of companies estimated to be worked with. Following this credit evaluation, only one risk rating of the company is calculated.

Afterwards, the required minimum profitability threshold taking into consideration financial risk criteria and expenses related to that customer is determined and added to the credit evaluation. Therefore any credit proposal is recommended to the main shareholder. This credit evaluation process is realized also for the guarantor company (if there is any) and the conglomerate (if the consolidated figures are available) to which the borrower belongs. Besides, the risk analysis for whole credit customer portfolio is performed at least once a year. In this respect, the exposure, guarantee, profitability, latest financial position and current performance conditions are studied and the credit strategy for each customer is reviewed.

Credit Risk Management:

- Follows-up regularly the limits approved by the main shareholder and reports.
- Controls the utilization whether it is remaining within the approved limits, the group limit, the collaterals, agreements and current Banking Act and gives a preliminary approval.
- following the credit utilization, follows-up the repayment capacity of the customer, the sufficiency and the quality of guarantees
- Prepares the analytic reports (sectoral concentration, customer concentration etc...) of credit portfolio and sends the reports resulting from Credit follow-up to Executive Management and main shareholder on monthly basis.
- Follows-up closely the customer on which he has a doubt about its credit rating and/or quality and could request additional guarantee.
- **Market Risk:**

Market Risk defines the probability of loss on the on & off balance sheet positions coming from variation risk and share position risk arising related with changes on interest rates, exchange rates and share prices effected by fluctuations on financial markets.

All position limits our Bank are determined by Calyon, Paris, our main shareholder on yearly basis and the limit durations, limit cancellations or restrictions are approved by the authorized units of Calyon. These limits can be determined on the basis of transaction and/or for a specific geographical area. The limits are updated based on the detailed information about the market conditions provided by ourselves.

Three types of limits are defined:

- Quantitative Limits: It is expressed by VaR (potential maximum loss, worst case scenarios or stress testing) or some indicators such as sensitivity calculation, nominal value
- Qualitative Limits: All financial products are expressed in this limit group including currency type and maturity.
- Stop Loss Limit: It is expressed as stop loss limit on monthly and yearly basis (stop loss or alarm level)

VAR, Sensitivity Measurements, monthly and yearly stop loss or alarm level are calculated on daily basis thanks to Kondor + and Global View.

Our Bank's market risk is calculated by using standard method and reported to regulatory authorities.

All transactions (sale and purchase of securities, repo and reverse repos, spot sale and purchases, arbitrage, forwards, money market transactions) realized by Treasury Department are captured in Kondor+ along with all related details.

All captured transactions are controlled within the same day by Treasury Operations Department. Treasury Operations Department makes the reconciliation of position and stocks between our main system and Kondor+ on daily basis.

The data of profit&loss and risk are calculated in details on daily basis by Kondor+ and Global View and Market Activity Monitoring Department evaluates the results and reports to Money Market Risk Department of DRCP and Board Member responsible for Internal Systems on daily basis.

Market Activity Monitoring Department is measuring back testing as per periods of 15 day and the related reporting as well. On this issue, the data of profit&loss and VAR received from Kondor+ and Global View are utilized, the reliability of daily measured and reported VAR is controlled, these data are reported to Money Market Risk Department of DGCR and Board Member responsible for Internal Systems.

Profit and Loss reconciliation between Kondor+ and our Accounting System is done on monthly basis by Market Activity Monitoring and Financial Control Departments and the results are reported following the approval of Pricing Committee.

- **Liquidity Risk:**

Liquidity Risk defines the probability of being unable to manage funding liability at a reasonable funding cost due to the differences between inflow(s) and outflow(s) and their maturities.

This risk includes as well the probability of loss coming from the conditions such as not to be able to enter into market properly, not to be able to close the positions as quick as possible, on appropriate time and under appropriate prices because of the shallow market structure on some instruments and difficulties in the market.

All position limits of our Bank are assigned by Calyon, Paris, our main shareholder as global and operational limits on yearly basis. The separation of global limits into operational limits is based on pyramid structure. In that case the lower level operational limits are more obliging than the ones on upper level operational limits. This approach is not used in case risk is followed up through VAR method or treasury forex department uses systems that can control real time positions.

Position limits which are renewed regularly on yearly basis are updated by our main shareholder without waiting for one year period in case unexpected market conditions arise and in order to close quickly the open positions with minimum loss, the necessary decisions are made in coordination with our main shareholder. The information about market conditions is taken into

consideration in the limit updating process, thus the risks resulting from shallow market conditions is minimised by this way. On the other hand, a limit for the net amount of inflows and outflows till one week is allocated. This limit is checked on daily basis and reported the related Board Member.

- **Interest Rate Risk:**

Interest Rate Risk defines the probability of loss depending on banks' positions related to the changes on interest rates.

Asset and Liability Committee is management the Interest Rate Risk and the non-harmonization of maturity. The decisions taken by this Committee are executed by Treasury. Our first priority is to be protected from the effects to be arisen by the volatility of interest rates. Interest rate sensitivity of off-balance sheet items, obligations and assets are measured on daily basis by Kondor + and Global View which are Treasury Operations and Market Risk Management Systems and reported to the related Board Member on daily basis.

- **Settlement Risk:**

Settlement Risk defines the probability of not to take back the financial instrument or the funds from the counterpart within the expected period.

This type of risk can be prevented by restricting the type and amount of transactions according to the characteristics of counterpart. For that reason, the types and amount of transactions are determined on yearly basis and these limits are updated immediately in case of unexpected changes in market conditions. These are taken into consideration with country limits. The compliance of limit utilizations with the existing approved limits, the consistency of credit limits with market risks, the existence of current limits within the related country limits are reviewed within updating process. The following criteria is taken into consideration as well:

- Existing transactions and risk strategies,
- Limits granted to the related bank or financial institution and global limits allocated to the same group, if any
- Existing local or regional restrictions,
- Board resolutions of the main shareholder.

The amount and type of the transaction are captured into the related banks' sheet as soon as the transaction is given to Back Office to be able to follow up the limit utilisation. Utilized limits and remaining portions of limits are calculated by updating the file every time a new transaction is made with the same bank during the day. The approval of General Manager is taken on the transactions which are made with the counterparts without limit or in case of limit excess. The daily grand total of placements that our bank can do in a day is limited as well and this limit is less than the total amount of the placement limits assigned for all banks. Lendings of each bank, including the transactions made with counterparts without limit are reported on daily basis; other transactions on each bank basis including banks without limit are reported on weekly basis to the main shareholder and the related Board Member.

- **Operational Risk:**

Operational Risk defines the probability of loss and harm coming from disasters such as earthquake, fire, flood; unnoticed mistakes and irregularities because of inadequate internal control, not to be able to act on appropriate time and conditions by the bank management and staff's mistakes, mistakes and delays on information technologies.

A strong internal control culture (control and approval) has been developed for all type of transactions of our Bank. Continuous and permanent controls are done within our internal control system composed of four ranks. Master and secondary users are defined for payment systems. Entry, control and sending steps of payment systems are realized by different employees. Thus, an erroneous payment or a payment without support is prevented.

Within the framework of Business Continuity Plan, the bacp-ups of all systems are taken and kept in the safes outside the Bank. The datas of our systems are mirrored simultaneously to the back-up servers of our disaster recovery center located outside the city. There are satellite and leased lines for this mirroring system.

On the other hand, the material or moral losses to be incurred by the mistakes of Bank Management or bank staff are reduced to minimum by Bankers Blanket Bond, the mistakes and the errors of Information Technology by Electronic Equipment Insurance and the potential losses of earthquake, flood, fire and terror by Building Insurance.

- **Information Systems Risk:**

Information Systems Risk defines the probability in the interruption of activities due to the considerable mistakes in the functioning of information systems and insufficient security of IT systems used by the Bank.

In order to control Information Systems Risk, the following Security Policies of Information Systems are developed and they are followed up by the Information Systems Security Officer (RSD):

- Protection against viruses
- Internet and IT function
- Data Exchange and IT function
- Transactions,
- Authentication,
- Data Classification,
- Work Stations

- **Risk of Uninsufficient Knowledge of Current Legislation:**

This risk states the probability of realization of liabilities over expectations and remunerations under expectations due to transactions based on the insufficient knowledge of legislation or the erroneous documentation.

In order to reduce to minimum these risks, the written advice and/or the written approval of our advisers are taken for hesitated transactions. This information is communicated in written to the bank staff . In case of an incident, the meetings with related departments are arranged and sometimes tax and legal advisers are invited to these meetings. The solutions which will bring to the normal level are inquired and the situation is rehabilitated through the contact with legal authorities.

Before the launch of new products, "Impact Assessment Analysis" is performed. The report to be prepared shall mention the product description, market analysis, target customers, revenue projections, volumes to be dealt, potential risks and related preventive measures, evaluation of legal and tax issues, necessary transaction limits, operational infrastructure (information system, additional human resource...), workflow, additional capital injection if necessary. The report shall be discussed during New Activity/Product Committee Meeting where Risk Management Unit Members participate too. Tax and Legal Counsels are invited to the meetings if necessary. The new product could be launched following the decision of the said committee.

On the other hand, all agreements and undertakings binding the bank are signed following the review of Legal & Compliance Department and the opinion of Legal Counsel.

Besides, we reduce considerably this risk by the daily follow-up of opinions, communiqués and letters of Central Bank of Turkey, Capital Markets Board, Istanbul Stock Exchange, by examination of legislation published in the Official Gazette and daily bulletins of our legal, tax and accounting advisers.

- **Reputational Risk:**

Reputational Risk defines the damage of reputation or the decrease in the confidence to the Bank due to the non-compliance with current legislation or unsuccessful activities of the Bank.

Executive Management do not approve any risky transaction which could damage its reputation. In order to get rid of the reputational risk, the Bank defined "Transaction Types Under Watch". The basic principle of the Bank is to realize the transactions within the framework of legislation and internal procedures with reliable counterparts.

- **Non-Compliance Risk with Legislation and Internal Procedures:**

This risk defines the loss resulting from non-compliance with legislation and internal procedures

In order to reduce this risk:

- The Banks organizes seminars to increase the awareness of staff,

- Legal&Compliance Department makes the prior controls of transactions to be handled,
- The Internal Audit and Control systems are revised.

If any incident occurs, the following method is applied:

- Detection and analysis of the incident as quickly as possible,
- Reporting of the incident to Legal & Compliance and Internal Audit Departments,
- Remedying and eliminating structural causes of the incident,
- If necessary, updating of internal procedures in order to prevent the repetition of incidents

VII. Information on the Rating Note Given by the Rating Agencies and Content of this Note According to the Regulation on the Principles Relating to the Activities and Authorization of Rating Agencies

There is no separate rating note for our Bank. However, as at 31.12.2005, the rating note of Crédit Agricole Group given by Standard & Poors for short term liabilities is A1+, for long term liabilities AA- and overall rating is positive.

VIII. Summary of Financial Information Relating to Last Five Years

(000 TRY)	31.12.2002	31.12.2003	2003-2002 Change	31.12.2004	2004-2003 Change	31.12.2005	2005-2004 Change	31.12.2006	2006-2005 Change
Liquid Assets	164,268	213,677	30.08%	115,493	-45.95%	285,849	147.50%	112,011	-60.81%
Securities	9,656	102,553	962.09%	86,450	-15.70%	315,316	264.73%	63,453	-79.88%
Credits	94,696	51,960	-45.13%	23,948	-53.91%	28,387	18.54%	44,984	58.47%
Other Assets	19,689	44,199	124.49%	43,673	-1.19%	18,785	-56.99%	49,119	161.48%
TOTAL ASSETS	288,309	412,389	43.04%	269,564	-34.63%	648,327	140.51%	269,567	-58.42%
Deposits	0	10,581	0.00%	-	-100.00%	-	0.00%	0	0.00%
Borrowings	264,514	345,824	30.74%	222,942	-35.53%	600,056	169.15%	225,247	-62.46%
Other Assets	4,120	33,423	711.30%	33,486	0.19%	28,436	-15.08%	21,541	-24.25%
Equity (excluding profit)	54,218	116,574	115.01%	114,293	-1.96%	113,566	-0.64%	127,870	12.60%
Net Profit	(34,544)	(94,013)	172.16%	(101,157)	7.60%	(93,731)	-7.34%	(105,091)	12.12%
TOTAL LIABILITIES	288,309	412,389	43.04%	269,564	-34.63%	648,327	140.51%	269,567	-58.42%
SELECTED RATIOS									
Ratio of Loans under Follow-up	4.94%	0.00%	-100.00%	0.00%	0.00%	0.00%	0.00%	0	0.00%
Return on Equity	-18.47%	-14.08%	-23.75%	-35.23%	150.13%	64.98%	-284.43%	-13.52	-120.81%
Return on Asset	-1.55%	-0.90%	-41.98%	-2.65%	195.46%	1.20%	-145.47%	-1.32	-209.63%
Capital Adequacy	17.45%	22.63%	29.73%	17.38%	-23.20%	13.17%	-24.22%	18.26	38.65%
	All years are expressed with the purchase ability of 31/12/2005								