KPMG

Türkiye Garanti Bankası Anonim Şirketi
And Its Affiliates

Consolidated Financial Statements

30 September 2005

With Independent Auditors'

Review Report Thereon

11 November 2005

This report contains the "Independent Auditors' Review Report" comprising 1 page and; the "Consolidated financial statements and their explanatory notes" comprising 68 pages.

Türkiye Garanti Bankası Anonim Şirketi

And Its Affiliates

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Independent Auditors' Review Report

To the Board of Directors of
Türkiye Garanti Bankası Anonim Şirketi,

We have reviewed the accompanying consolidated balance sheet of Türkiye Garanti Bankası Anonim Şirketi (the Bank) and its affiliates as of 30 September 2005; and the consolidated statements of income, changes in shareholders' equity and cash flows for the nine-month period then ended. This consolidated interim financial information is the responsibility of the Bank's management. Our responsibility is to issue a report on this interim financial information based on our review. We did not review the financial statements of certain consolidated companies as of 30 September 2005, which statements reflect total assets constituting 4.09 percent; and total operating income constituting 5.02 percent after elimination of inter-company balances and transactions as of and for the nine-month period ended 30 September 2005 of the related consolidated totals. Those statements were reviewed by other auditors whose reports have been furnished to us, and our review report, insofar as it relates to the amounts included for those companies is based solely on the reports of the other auditors.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and its affiliates and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not give a true and fair view of the financial position of the Bank and its affiliates as of 30 September 2005, and the results of its operations and its cash flows for the nine-month period then ended in accordance with IAS 34, "Interim Financial Reporting".

As discussed in Note 23, "Change in accounting policies" to the financial statements, the Bank and its affiliates changed the accounting policies, in accordance with the amendments on International Financial Reporting Standards (IFRS) at the beginning of the year 2005. Consequently, the consolidated financial statements of the Bank and its affiliates for the year 2004 have been restated in accordance with IFRS.

KPMG Akis Serbest Muhasebeci
Mali Müşavirlik A.Ş.

İstanbul,
11 November 2005

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Consolidated Balance Sheet
At 30 September 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

	Notes	30 September 2005	31 December 2004
Assets			
Cash and balances with Central Banks	*4*	3.432.035	2.941.360
Financial assets at fair value through profit or loss	*5*	770.061	658.845
Loans and advances to banks	*6*	1.804.871	1.850.169
Loans and advances to customers	*7*	16.780.329	12.750.042
Other assets	*9*	1.008.965	1.068.428
Security investments	*10,21*	10.762.279	10.567.555
Investments in equity participations	*11*	115.584	134.291
Tangible assets, net	*12*	1.976.031	2.058.689
Intangible assets, net	*13*	122.619	122.619
Deferred tax asset	*18*	142.958	203.953
Total assets		**36.915.732**	**32.355.951**
Liabilities			
Deposits from banks	*14*	1.013.908	1.207.758
Deposits from customers	*15*	21.833.187	20.987.045
Obligations under repurchase agreements	*16*	2.190.633	984.892
Loans and advances from banks	*17*	6.014.717	4.316.430
Current tax liability	*18*	171.839	31.404
Deferred tax liability	*18*	1.203	1.481
Other liabilities and accrued expenses	*19*	1.663.533	1.251.621
Total liabilities		**32.889.020**	**28.780.631**
Shareholders' equity and minority interest			
Share capital	*20*	3.103.411	2.729.841
Minority interest	*20*	256.864	254.206
Revaluation of available-for-sale assets	*10,20*	112.359	130.154
Hedging reserve	*24*	8.698	5.569
Legal reserves	*20*	77.765	55.972
Retained earnings	*20*	467.615	399.578
Total shareholders' equity and minority interest		**4.026.712**	**3.575.320**
Total liabilities, shareholders' equity and minority interest		**36.915.732**	**32.355.951**
Commitments and contingencies	*22*		

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Consolidated Income Statement
For The Nine-Month Period Ended 30 September 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

	Notes	Nine-month period ended 30 September 2005	Three-month period ended 30 September 2005	Nine-month period ended 30 September 2004	Three-month period ended 30 September 2004
Interest income:-					
Interest on loans		1.532.862	556.846	1.142.522	434.460
Interest on securities		1.102.204	321.752	1.186.340	371.891
Interest on deposits at banks		140.844	47.283	154.258	58.919
Interest on lease business		51.144	19.692	37.747	14.746
Others		45.209	11.606	57.383	13.995
		2.872.263	957.179	2.578.250	894.011
Interest expense:-					
Interest on saving, commercial and public deposits		(1.041.615)	(370.873)	(1.187.462)	(395.066)
Interest on borrowings		(286.885)	(91.973)	(245.867)	(100.268)
Interest on bank deposits		(74.261)	(26.251)	(80.542)	(27.842)
Others		(39.072)	(13.031)	(29.696)	(10.983)
		(1.441.833)	(502.128)	(1.543.567)	(534.159)
Net interest income		**1.430.430**	**455.051**	**1.034.683**	**359.852**
Fee and commission income		831.520	300.671	681.543	249.457
Fee and commission expense		(230.178)	(85.034)	(209.888)	(79.304)
Net fee and commission income		**601.342**	**215.637**	**471.655**	**170.153**
Gross profit from retail business		227.933	89.704	188.259	72.421
Premium income from insurance business		116.822	44.117	86.977	36.578
Foreign exchange gain, net		34.813	5.722	3.892	14.945
Trading income, net		15.552	7.160	110.180	28.610
Others		52.351	8.676	57.580	15.904
Other operating income		**447.471**	**155.379**	**446.888**	**168.458**
Total operating Income		**2.479.243**	**826.067**	**1.953.226**	**698.463**
Impairment losses	*7,8,9,11,12,13,19*	(401.001)	(88.649)	(188.517)	(82.771)
Salaries and wages		(353.191)	(114.732)	(345.684)	(130.447)
Depreciation and amortization	*12,13*	(148.119)	(50.139)	(173.671)	(57.102)
Employee benefits		(112.161)	(39.247)	(92.805)	(34.592)
Advertising expenses		(76.194)	(20.917)	(62.599)	(20.855)
Communication expenses		(63.127)	(21.601)	(57.802)	(21.563)
Rent expenses		(59.958)	(21.497)	(57.662)	(20.491)
EDP expenses		(45.771)	(15.857)	(36.051)	(10.014)
Claim loss from insurance business		(36.255)	(10.305)	(53.421)	(18.393)
Utility expenses		(26.892)	(16.513)	(27.492)	(10.116)
Taxes and duties other than on income		(25.714)	(8.207)	(21.750)	(6.296)
Saving deposits insurance fund		(24.912)	(8.781)	(41.608)	(14.042)
Repair and maintenance expenses		(16.042)	(7.883)	(15.360)	(5.530)
Stationary expenses		(11.388)	(1.153)	(9.666)	(3.437)
Other operating expenses		(300.555)	(99.492)	(215.623)	(86.235)
Total operating expenses		**(1.701.280)**	**(524.973)**	**(1.399.711)**	**(521.884)**
Income from operations		**777.963**	**301.094**	**553.515**	**176.579**
Gain/(loss) on monetary position, net		(82.927)	(43.285)	40.778	35.602
Income before tax		**695.036**	**257.809**	**594.293**	**212.181**
Taxation charge	*18*	(225.755)	(100.246)	(188.352)	(46.971)
Net income for the period		**469.281**	**157.563**	**405.941**	**165.210**
Net income for the period attributable to:					
Equity holders of the Bank		463.400	156.609	435.602	165.408
Minority interest		5.881	954	(29.661)	(198)
		469.281	**157.563**	**405.941**	**165.210**
Weighted average number of shares with a face value of YTL 1,000 each	*20*	**2,100 billion**	**2,100 billion**	**1,709.5 billion**	**1,709.5 billion**
Earnings per share (full YTL amount per YTL'000 face value each)		**223,47**	**75,03**	**237,46**	**96,64**

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Consolidated Statement of Changes in Shareholders' Equity
For The Nine-Month Period Ended 30 September 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

	Notes	Share Capital	Minority Interest	Revaluation of Available-for-Sale Assets	Hedging Reserves	Legal Reserves	Retained Earnings	Total Shareholders' Equity
Balances at 31 December 2003		**2.309.549**	**-**	**-**	**-**	**66.796**	**619.494**	**2.995.839**
Effect of change in accounting policies	*23*	-	307.190	245.800	-	-	(229.948)	323.042
Restated balances at 31 December 2003		**2.309.549**	**307.190**	**245.800**	**-**	**66.796**	**389.546**	**3.318.881**
Transfer from unappropriated earnings	*20*	420.292	-	-	-	21.980	(442.272)	-
Reversal of restatement effects of inflation		-	(5.302)	-	-	-	-	(5.302)
Release from general banking risks, net		-	-	-	-	(5.801)	5.801	-
Net market value losses from available-for-sale portfolio		-	-	(52.578)	-	-	-	(52.578)
Net gains as available-for-sale assets transferred to the income statement on disposal		-	-	(156.094)	-	-	-	(156.094)
Net fair value gains from cash flow hedges		-	-	-	1.305	-	-	1.305
Net income for the nine-month period		-	(29.661)	-	-	-	435.602	405.941
Balances at 30 September 2004	*23*	**2.729.841**	**272.227**	**37.128**	**1.305**	**82.975**	**388.677**	**3.512.153**
Reversal of restatement effects of inflation		-	(4.350)	-	-	-	-	(4.350)
Release from general banking risks, net		-	-	-	-	(27.003)	27.003	-
Net market value gains from available-for-sale portfolio		-	-	97.008	-	-	-	97.008
Net gains as available-for-sale assets transferred to the income statement on disposal		-	-	(3.982)	-	-	-	(3.982)
Net fair value gains from cash flow hedges	*24*	-	-	-	4.264	-	-	4.264
Net loss for the three-month period		-	(13.671)	-	-	-	(16.102)	(29.773)
Balances at 31 December 2004	*23*	**2.729.841**	**254.206**	**130.154**	**5.569**	**55.972**	**399.578**	**3.575.320**
Transfer from unappropriated earnings	*20*	373.570	-	-	-	26.008	(399.578)	-
Reversal of restatement effects of inflation		-	(3.223)	-	-	(4.215)	4.215	(3.223)
Net market value gains from available-for-sale portfolio		-	-	35.677	-	-	-	35.677
Net gains as available-for-sale assets transferred to the income statement on disposal		-	-	(53.472)	-	-	-	(53.472)
Net fair value gains from cash flow hedges	*24*	-	-	-	3.129	-	-	3.129
Net income for the nine-month period		-	5.881	-	-	-	463.400	469.281
Balances at 30 September 2005		**3.103.411**	**256.864**	**112.359**	**8.698**	**77.765**	**467.615**	**4.026.712**

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Consolidated Statement of Cash Flows
For The Nine-Month Period Ended 30 September 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

	Notes	30 September 2005	30 September 2004
Cash flows from operating activities:-			
Interest and commission received		1.351.298	1.797.977
Interest expense paid		(1.316.714)	(1.577.547)
Other operating activities, net		(110.355)	33.865
Cash payments to employees and suppliers		(565.445)	(527.058)
Gain/(loss) on monetary position, net		(82.929)	40.778
		(724.145)	(231.985)
(Increase)/decrease in operating assets:-			
Loans and advances to banks		554.514	58.087
Balances with Central Banks		(96.591)	(409.333)
Financial assets at fair value through profit or loss		(110.461)	363.723
Loans and advances to customers		(2.681.522)	(2.711.338)
Consumer loans		(1.624.218)	(816.330)
Other assets		(138.300)	117.838
Increase/(decrease) in operating liabilities:-			
Deposits from banks		(200.621)	(108.094)
Deposits from customers		811.997	1.180.377
Obligations under repurchase agreements		1.210.508	412.100
Other liabilities		267.099	175.073
Net cash used in operating activities before income taxes paid		**(2.731.740)**	**(1.969.882)**
Income taxes paid		**(96.949)**	**(31.729)**
Net cash used in operating activities		**(2.828.689)**	**(2.001.611)**
Cash flows from investing activities:-			
Proceeds from sale of security investments		1.389.348	2.690.129
Purchase of security investments		(121.088)	(1.637.241)
Interest received		779.867	1.417.162
Decrease in investments in equity participations, net		11.768	123.819
Dividends received		1.201	-
Increase in tangible assets, net		(67.596)	(32.688)
Net cash from investing activities		**1.993.500**	**2.561.181**
Cash flows from financing activities:-			
Increase in loans and advances from banks, net		1.697.670	762.109
Dividends paid		-	-
Net cash from financing activities		**1.697.670**	**762.109**
Effect of exchange rate changes		**34.813**	**3.892**
Net increase in cash and cash equivalents		**897.294**	**1.325.571**
Cash and cash equivalents at beginning of the period	*2*	2.466.641	1.621.122
Cash and cash equivalents at end of the period	*2*	**3.363.935**	**2.946.693**

Overview of the Bank

Türkiye Garanti Bankası AŞ (the Bank) is a bank domiciled in Turkey. The consolidated financial statements of the Bank for the period ended 30 September 2005 comprise the Bank and its affiliates (the Affiliates) and their interest in associates.

(a) Brief History

Foundation of the Bank was approved by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and "Articles of Association" was published in the official gazette dated 25 April 1946. The Bank provides corporate, commercial and retail banking services through a network of 351 domestic branches, three foreign branches, five representative offices abroad and 54 offices. In addition to its branches, the Bank has 100% ownership in two banks each of which is located in Amsterdam and Moscow. The Bank and its affiliates in total have 17,295 employees. The Bank's head office is located in the following address: Levent Nispetiye Mahallesi Aytar Caddesi 2 Beşiktaş 34340 İstanbul.

(b) Ownership

The principal shareholder of the Bank is the holding company of Doğuş Group, Doğuş Holding AŞ, which currently holds 47.46% of the issued capital. The total ownership interest of Doğuş Group Companies in the Bank is 55.11% of the issued capital after a decrease by 7.78% from 62.89% since November 2004 as explained below:

As per the resolution of Board of Directors dated 8 November 2004, Doğuş Holding AŞ had an agreement with a foreign portfolio investor for issuing an option to purchase a portion of the shares of the Bank owned by Doğuş Holding AŞ. In accordance with the related Security's Lending Agreement, the investor took over all the ownership rights including sale of 12,013,037,274 shares representing 5.72% of the Bank's capital (per 1 New Kuruş) throughout the option period.

With the same foreign portfolio investor, a second contract was signed in 2005 for issuing an option to purchase further shares. According to the second contract, the notional amount of this option was US$ 250 millions and the investor took over all the ownership rights including sale of 8,677,689,975 shares representing 4.13% of the Bank's capital (per 1 New Kuruş) throughout the option period agreed. Subsequently, the investor has purchased 4,331,683,125 shares representing 2.06% of the Bank's capital. The term of this Security's Lending Agreement is 18 months and an additional right has been provided to the investor to purchase a further 40% of the shares subject to this option which represents 1.653% of the Bank's capital. For these shares, the purchasing price was determined based on a market price of US$ 6,250 millions. Shares in the number of 7,817,077,275 representing 3.72% of the Bank's capital were pledged to the investor for its unused and additionally provided purchase rights.

Doğuş Holding AŞ has signed a Share Purchase Agreement with General Electric (GE) on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank's issued share capital as further explained in note 27.1.

Significant accounting policies

(a) Statement of compliance

The Bank and its Turkish affiliates maintain their books of accounts and prepare their statutory financial statements in New Turkish Lira (YTL) in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulation and Supervision Agency (BRSA); the Turkish Commercial Code; and the Turkish Tax Legislation (collectively, Turkish GAAP); the Bank's foreign affiliates maintain their books of accounts and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS"). The accompanying consolidated financial statements are authorized for issue by the directors on 11 November 2005.

(b) Basis of preparation

Starting from 1 January 2005, the currency unit is set as the new Turkish Lira per the Law on the currency unit of the Republic of Turkey no.5083 dated 31 January 2004. Six digits have been removed from the Turkish Lira (TL) and one million TL become one YTL.

The accompanying consolidated financial statements are presented in thousands of YTL as adjusted for the effects of inflation in YTL units current at 30 September 2005.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value if reliable measures are available: derivative financial instruments, financial assets and liabilities held for trading, available-for-sale assets and tangible assets held for resale. Recognized assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

The accounting policies have been consistently applied by the Bank and its affiliates and are consistent with those used in previous years.

The Bank and its affiliates adopted revised standards of IFRS effective from 1 January 2005. The 2004 accounts have been amended as required by IFRS, which are disclosed in note 23.

(c) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the parent company, the Bank, its affiliates and associates on the basis set out in sections below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements.

Significant accounting policies (continued)

Affiliates

Affiliates are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of affiliates are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the Bank and its affiliates have significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Bank and its affiliates' share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Bank and its affiliates share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank and its affiliates has incurred obligations in respect of the associate.

Special purpose entities

Special purpose entities are consolidated when the substance of the relationship between the Bank and the special purpose entity indicates that the special purpose entity is controlled by the Bank.

Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized gains arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Bank and its affiliates' interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) Accounting in hyperinflationary economies

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the New Turkish Lira based on IAS 29 "*Financial Reporting in Hyperinflationary Economies*". IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

Significant accounting policies (continued)

rate in Turkey has been 48.56% as at 30 September 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish State Institute of Statistics (SIS). Although this rate is below the 100% threshold as of 30 September 2005, other characteristics; such as general population prefers to keep its wealth in foreign currencies, prices are quoted in foreign currencies, interest rates, wages and prices are linked to a general price index, sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short, still confirms the existence of a hyperinflationary economy. Consequently, the financial statements of the entities located in Turkey are restated for the changes in the general purchasing power of the YTL as at 30 September 2005 based on IAS 29. The restatement is calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics. For the last three years, such indices and conversion factors used to restate the accompanying consolidated financial statements are as follows:

Date	***Index***	***Conversion factor***
30 September 2005	8,950.2	1.000
31 December 2004	8,403.8	1.065
30 September 2004	8,069.7	1.109
31 December 2003	7,382.1	1.212

The main guidelines for the restatement mentioned above are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors.
- All items in the income statement are restated by applying the monthly conversion factors except for those deriving from non-monetary items, which are calculated, based on the restated values of the related items.
- The effects of inflation on the net monetary positions of the Bank and its affiliates, is included in the income statement as "gain/(loss) on monetary position, net".

Significant accounting policies (continued)

(e) Foreign currency

Foreign currency transactions

Transactions are recorded in YTL, which represents its functional currency. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into YTL at the exchange rates ruling at balance sheet date with the resulting exchange differences recognized in the income statement as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the income statement as realized during the course of the period.

Financial statements of foreign operations

The foreign operations of the Bank and its affiliates are not considered an integral part of its operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to YTL at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to YTL at foreign exchange rates ruling at the balance sheet date pursuant to IAS 29.

(f) Tangible assets and related depreciation

Owned assets

The costs of the tangible assets are restated for the effects of inflation in YTL units current at the balance sheet date pursuant to IAS 29. Accordingly, tangible assets are carried at restated costs, less accumulated depreciation and impairment losses (refer to accounting policy (p)).

Leased assets

Leases in terms of which the Bank and its affiliates assume substantially all the risks and rewards of ownership are classified as finance leases. Tangible assets acquired by way of financial lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (refer to accounting policy (p)). Lease liabilities are reduced through repayments of principal, while the finance charge component of the lease payment is charged directly to income statement.

Subsequent Expenditure

Expenditure incurred to replace a component of an item of tangible assets that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are reflected as expense in the income statement as incurred.

Significant accounting policies (continued)

Depreciation

Tangible assets are depreciated over the estimated useful lives of the related assets from the date of purchase or the date of installation, on a straight-line basis. The estimated useful lives are as follows:

Buildings	50 years
Furniture, fixture and equipments	4–12.5 years

Leasehold improvements are amortized over the periods of the respective leases, also on a straight-line basis.

Expenditures for major renewals and betterment of tangible assets are capitalized and depreciated over the remaining useful lives of the related assets.

(g) Goodwill

Goodwill consists of the excess of the total acquisition costs over the share of the Bank and its affiliates in the fair value of net assets of the acquired companies at the dates of acquisitions. Goodwill is reflected in 'intangible assets' in the accompanying consolidated balance sheets, and assessed annually by using external and internal sources such as market value, information on any adverse effect on the acquired companies, market interest rates or other market rates of return on investments, carrying value of net assets, whether there is any indication that goodwill may be impaired. If any such indication exists, the recoverable amount of the goodwill is estimated. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to its recoverable amount, and impairment loss is recognized as an expense in the income statement.

(h) Financial instruments

Classification

Financial instruments at fair value through profit or loss are those that are principally held for the purpose of short-term profit taking. These include investments, certain purchased loans and derivative contracts that are not designated as effective hedging instruments, and liabilities from short-term sales of financial instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as trading liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank and its affiliates provide money, goods and services directly to a debtor with no intention of trading the receivable. Loans and receivables comprise loans and advances to banks and customers.

Significant accounting policies (continued)

Available-for-sale assets are financial assets that are not held for trading purposes, provided by the Bank and its affiliates, or held to maturity. Available-for-sale instruments include certain debt and equity investments.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank and its affiliates have the intent and ability to hold to maturity. These include certain loans and advances to banks and customers and certain debt investments.

Recognition

Financial assets at fair value through profit or loss and available-for-sale assets are recognized on the date at which the purchase of the assets is committed. From this date any gains and losses arising from changes in fair value of the assets are recognized.

Held-to-maturity instruments and loans and receivables are recognized on the day they are transferred to the Bank and its affiliates.

Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at amortized cost.

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortized cost less impairment losses. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Fair value measurement principles

The fair values of financial instruments are based on their quoted market prices at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, fair value of an instrument is estimated using the available market information and the appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates made are not necessarily indicative of the amounts that could be realized in current market exchange.

The fair values of derivatives that are not exchange-traded are estimated at the amounts that the Bank and its affiliates would receive or pay to terminate the contracts at the balance sheet

Significant accounting policies (continued)

date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair values of financial instruments at fair value are recognized in the income statement. Whereas, gains and losses arising from changes in the fair value of cash flow hedges and available-for-sale assets are deferred as a separate component of equity.

Specific instruments

Cash and balances with Central Banks: Cash and balances with Central Banks comprise cash balances on hand, cash deposited with Central Banks and other cash items. Money market placements are classified in loans and advances to banks.

Investments: Investments held for the purpose of short-term profit taking are classified as trading instruments. Debt investments that the Bank and its affiliates have the intent and ability to hold to maturity are classified as held-to-maturity assets.

Loans and advances to banks and customers: Loans and advances provided by the Bank and its affiliates are classified as loans and receivables, and reported net of allowances to reflect the estimated recoverable amounts.

Financial lease receivables: Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee, are classified as financial leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognized. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognized over the term of the lease using the effective interest rate method. Finance lease receivables are included in loans and advances to customers.

Bonds payable: Bonds issued by the Bank and its affiliates are classified as non-trading liabilities.

Derecognition

A financial asset is derecognised when the control over the contractual rights that comprise that asset, is lost. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognized when it is extinguished.

Available-for-sale assets and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognized as of the date the Bank and its affiliates commit to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

Significant accounting policies (continued)

Held-to-maturity instruments and loans and receivables are derecognised on the day they are transferred by the Bank and its affiliates.

(i) Securities borrowing and lending business

Investments lent under securities lending arrangements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for the related assets as appropriate. Cash collateral received in respect of securities lent is recognized as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognized. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognized on an accrual basis over the period of the transactions and are included in interest income or expense.

(j) Repurchase and resale agreements over investments

The Bank and its affiliates enter into purchases of investments under agreements to resell (reverse repo) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements (repo) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for the related assets as appropriate. The proceeds from the sale of the investments are reported as "obligations under repurchase agreements", a liability account.

Income and expenses arising from the repurchase and resale agreements over investments are recognized on an accrual basis over the period of the transactions and are included in interest income or expense.

(k) Items held in trust

Assets, other than cash deposits, held by the Bank in fiduciary or agency capacities for its customers and government entities are not included in the accompanying consolidated balance sheets, since such items are not under the ownership of the Bank.

Significant accounting policies (continued)

(l) Employee benefits

The Bank has a defined benefit and contribution plan for its employees as described below:

Pension and other post-retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı ("the Fund"), is a separate legal entity and a foundation recognized by an official decree, providing all qualified Bank employees with pension plan benefits. The Fund is a defined benefit plan under which the Bank pays fixed contributions, and is obliged to pay amounts other than the fixed contribution to the Fund through constructively paying additional amounts or through contractual benefits that are not solely linked to the fixed contributions.

The liability to be recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The Bank does not have the legal right to access to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Therefore, no assets are recognised in the balance sheet in respect of defined benefit pension plans. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using expected real interest rates for YTL.

The Bank established a pension scheme, which is a funded defined benefit plan covering substantially all employees. The assets of the plan are held independently from the Bank's assets in the Fund. This scheme is valued by independent actuaries every year. The latest actuarial valuations were carried out as at 31 December 2004. Since, the fair value of the Fund's plan assets exceed the defined benefit obligation, no liability is recognized in the accompanying consolidated financial statements of the Bank at 30 September 2005.

Reserve for severance indemnity

Reserve for severance indemnity represent the present value of the estimated future probable obligation of the Bank and its affiliates arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts are YTL 1,727.15 and YTL 1,574.74 at 30 September 2005 and 31 December 2004, respectively.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

Significant accounting policies (continued)

International Financial Reporting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The principal actuarial assumptions used in the calculation of the total liability in the accompanying consolidated financial statements at 30 September 2005 and 31 December 2004 are as follows:

	30 September 2005	***31 December 2004***
	%	*%*
Expected inflation rate	10	10
Expected rate of salary/limit increase	16	16
Turnover rate to estimate the probability of retirement	5.1	4.3

The above rate for salary/limit increase was determined based on the government's future targets for annual inflation.

(m) Taxes on income

Taxes on income for the period comprise current tax and deferred taxes. Current taxes on income comprises tax payable calculated on the basis of expected taxable income for the period using the tax rates enacted by the balance sheet date and; any adjustment in taxes payable for previous years.

Deferred income tax is provided, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for differences relating to goodwill not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit. Deferred tax liability and asset are recognised when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Bank and its affiliates. Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Currently, enacted tax rates are used to determine deferred taxes on income.

An individual consolidated affiliate offsets deferred tax asset and deferred tax liability if the deferred tax asset and deferred tax liability relate to income taxes levied by the same taxation authority.

Deferred taxes related to fair value remeasurement of available-for-sale assets and cash flow hedges, are charged or credited directly to equity and subsequently recognised in the income statement together with the deferred gains or losses that are realized.

(n) Offsetting

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

Significant accounting policies (continued)

(o) Earnings per share

Earnings per share disclosed in the accompanying consolidated income statement are determined by dividing net income by the weighted average number of shares that have been outstanding during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Share issued are regarded as issued shares.

Additionally, considering the fact that the number of issued shares through bonus share issuances is increased without an increase in resources contributed by the shareholders; the number of issued shares outstanding before such bonus share issuances is adjusted for the proportionate change in the number of issued shares outstanding as if the event had occurred at the beginning of the earliest period reported.

(p) Impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Loans and receivables and held-to-maturity instruments

The recoverable amounts of loans and receivables and held-to-maturity instruments, are calculated as the present values of the expected future cash flows discounted at the instrument's original effective interest rate. Short-term balances are not discounted.

Loans and advances are presented net of specific and general allowances for uncollectibility. Specific allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. General allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the allowance account are recognized in the income statement. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the income statement.

Significant accounting policies (continued)

Financial assets remeasured to fair value

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans remeasured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

Where an asset remeasured to fair value is impaired, the write-down is recognized in the income statement.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

(q) Income and expense recognition

Interest income and expense

Except for the interest income on overdue loans, interest income and expense is recognized on an accrual basis by taking into account the effective yield of the asset or an applicable floating rate. Interest income on overdue loans is recognized on a cash basis. Interest income and expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income on overdue loans is recognized only when collected.

Fee and commission income

Fee and commission income arising on financial services provided including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services is recognized when the corresponding service is provided. Certain commissions, such as those deriving from letters of guarantee issued and other similar banking services, are usually recognized as income only when collected.

Net trading income

Net trading income includes gains and losses arising from disposals of financial assets at fair value through profit or loss and available-for-sale.

Dividend income

Dividend income is recognized in the income statement when received.

Significant accounting policies (continued)

Insurance business

Earned premiums: In respect of non-life branches, under the annual basis of accounting, written premiums comprise the premiums due on contracts, net of taxes and cancellations, entered into during a financial year. These premiums are adjusted by the reserve for unearned premiums. In respect of life branches, earned premiums represent premiums accrued on policies issued and adjusted by the reserve for unearned policies during the period.

Unearned premium reserve: Reserve for unearned premiums is provided for in respect of in-force policies for which the premium period does not end simultaneously with the accounting period. Unearned premiums are arise from premiums written during the year, less reinsurance.

Life assurance provision: In aggregate, life assurance provision must be sufficient to provide for future guaranteed benefits as they become due in accordance with the Turkish insurance regulations. The life assurance provision is based on the level of premiums, as adjusted for commissions, and administrative expenses and risk premiums that are computed on the basis of worldwide actuarial mortality assumptions as approved by the Insurance Supervisory Office which are applicable for Turkish insurance companies. Life assurance provision also includes the net rate of return on investments.

Claims and provision for claims: Claims incurred include all claims (including claim estimates) and claims settlement payments made in respect of the financial period and the movement in provision for outstanding claims and settlement expenses. Provisions for outstanding claims and settleement expenses include claims incurred but not reported (IBNR), net of salvage and subrogation recoveries. Along with the provisions for IBNR claims; the Bank's affiliates in insurance business also make provisions for general business risks (equalisation provision) at different rates determined separately for each insurance branch by the related legislation applicable to insurance business in Turkey.

Retail business

Revenues are recognized at the time the shipment or delivery of related goods are made to customers. Revenues, net of costs of goods sold are reflected as "gross profit from retail business" in the accompanying consolidated income statement.

(r) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Significant accounting policies (continued)

(s) Segment reporting

A segment is a distinguishable component of the Bank and its affiliates that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Index for the notes to the consolidated financial statements:

Note description

1 Segment reporting

Segment information is presented in respect of the Bank and its affiliates' geographical and business segments. The primary format, business segments, is based on the Bank and its affiliates.

Measurement of segment assets and liabilities and segment results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted at arm's length basis.

1.1 Geographical segments

The Bank and its affiliates operate principally in Turkey, but also have operations in Holland, Russia, Ireland, Turkish Republic of Northern Cyprus, Malta and Luxembourg. As the operation results outside of Turkey are quite negligible in the consolidated results, geographical segment information is not presented.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of
inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

1 **Segment reporting** (continued)

1.2 Business segments

The main business segments are banking, leasing, insurance, factoring, retail and other financial and non-financial sectors:

30 September 2005	*Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial Sectors*	*Retail*	*Other Non-Financial Sectors*	*Combined*	*Eliminations*	*Total*
Interest income	2,801,454	55,625	13,049	175	6,244	8,712	2,758	2,888,017	(15,754)	2,872,263
Interest expense	(1,421,871)	(15,507)	-	(6,452)	(32)	(13,357)	(392)	(1,457,611)	15,778	(1,441,833)
Net interest income/(expense)	1,379,583	40,118	13,049	(6,277)	6,212	(4,645)	2,366	1,430,406	26	1,430,430
Fee and commission income, net	580,091	2,986	(6,594)	14,971	17,578	(9,274)	-	599,758	1,584	601,342
Gross profit from retail business	-	-	-	-	-	227,933	-	227,933	-	227,933
Premium income from insurance business	-	-	116,822	-	-	-	-	116,822	-	116,822
Foreign exchange gain, net	41,297	(3,596)	(607)	(2,591)	(353)	69	594	34,813	-	34,813
Trading income, net	13,191	-	11	-	2,350	-	-	15,552	-	15,552
Other operating income	46,112	101	1,025	481	3,961	-	22,742	74,423	(22,072)	52,351
Impairment losses	(417,143)	(12)	-	-	(556)	(1,623)	4,733	(414,601)	13,600	(401,001)
Salaries and wages	(260,445)	(5,964)	(24,553)	(1,235)	(7,354)	(41,587)	(12,053)	(353,191)	-	(353,191)
Other operating expenses	(669,909)	(12,669)	(87,988)	(1,194)	(16,565)	(156,947)	(25,786)	(971,059)	23,971	(947,088)
Gain/(loss) on monetary position,net	(88,350)	(3,513)	(3,528)	(1,320)	(2,775)	7,127	(5,373)	(97,732)	14,805	(82,927)
Taxation (charge)/credit	(204,552)	(167)	(3,980)	(841)	(1,554)	(14,661)	-	(225,755)	-	(225,755)
Net income/(loss) for the period	419,875	17,284	3,657	1,994	944	6,392	(12,777)	437,369	31,914	469,281
Segment assets	34,380,146	772,046	371,370	202,536	166,583	525,220	579,941	36,997,842	(197,694)	36,800,148
Investments in equity participations	1,357,586	496	862	9,816	7,212	126	68,382	1,444,480	(1,328,896)	115,584
Total assets	35,737,732	772,542	372,232	212,352	173,795	525,346	648,323	38,442,322	(1,526,590)	36,915,732
Segment liabilities	31,644,486	661,148	286,492	183,885	48,452	309,611	47,179	33,181,253	(292,233)	32,889,020

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

1 Segment reporting (continued)

30 September 2004	***Banking***	***Leasing***	***Insurance***	***Factoring***	***Other Financial Sectors***	***Retail***	***Other Non-Financial Sectors***	***Combined***	***Eliminations***	***Total***
Interest income	2,514,598	53,120	11,282	29	6,351	9,686	680	2,595,746	(17,496)	2,578,250
Interest expense	(1,516,935)	(16,497)	-	(5,786)	(145)	(21,194)	(539)	(1,561,096)	17,529	(1,543,567)
Net interest income/(expense)	997,663	36,623	11,282	(5,757)	6,206	(11,508)	141	1,034,650	33	1,034,683
Fee and commission income, net	452,324	-	(6,261)	13,034	26,719	(14,208)	-	471,608	47	471,655
Gross profit from retail business	-	-	-	-	-	188,259	-	188,259	-	188,259
Trading income, net	108,556	-	30	-	1,594	-	-	110,180	-	110,180
Premium income from insurance business	-	-	86,977	-	-	-	-	86,977	-	86,977
Foreign exchange loss, net	8,822	977	312	(2,214)	369	(2,468)	(1,112)	4,686	(794)	3,892
Other operating income	53,717	810	83	120	1,457	1,008	26,418	83,613	(26,033)	57,580
Salaries and wages	(248,156)	(5,645)	(17,371)	(1,043)	(6,279)	(55,774)	(11,416)	(345,684)	-	(345,684)
Impairment losses	(183,290)	(72)	-	-	(211)	-	(4,357)	(187,930)	(587)	(188,517)
Other operating expenses	(603,700)	(11,490)	(78,791)	(1,842)	(12,175)	(150,976)	(20,174)	(879,148)	13,638	(865,510)
Gain/(loss) on monetary position, net	61,618	(10,325)	(2,039)	(1,250)	(2,951)	3,002	(4,450)	43,605	(2,827)	40,778
Taxation charge	(179,642)	(2,763)	(3,500)	(491)	(5,182)	3,778	(552)	(188,352)	-	(188,352)
Net income/(loss) for the period	467,912	8,115	(9,278)	557	9,547	(38,887)	(15,502)	422,464	(16,523)	405,941

31 December 2004	***Banking***	***Leasing***	***Insurance***	***Factoring***	***Other Financial Sectors***	***Retail***	***Other Non-Financial Sectors***	***Combined***	***Eliminations***	***Total***
Segment assets	30,011,569	485,784	247,358	114,869	133,467	484,631	912,036	32,389,714	(168,054)	32,221,660
Investments in equity participations	1,761,999	501	524	9,815	6,287	125	68,007	1,847,258	(1,712,967)	134,291
Total assets	31,773,568	486,285	247,882	124,684	139,754	484,756	980,043	34,236,972	(1,881,021)	32,355,951
Segment liabilities	28,008,205	392,176	191,803	98,211	12,943	274,976	40,302	29,018,616	(237,985)	28,780,631

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

2 Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, due from banks with original maturity periods of less than three months and other cash items. Cash and cash equivalents as at 30 September 2005 and 2004, included in the accompanying consolidated statements of cash flows are as follows:

	30 September 2005	*30 September 2004*
Cash at branches	187,620	139,151
Loans and advances to banks with original maturity periods of less than three months	3,176,315	2,787,913
Others	-	19,629
	3,363,935	2,946,693

3 Related party disclosures

For the purpose of this report, the Bank's ultimate parent company, Doğuş Holding AŞ and all its subsidiaries, and the ultimate owners, directors and executive officers of Doğuş Group are referred to as related parties. During the course of the business, the Bank has made placements with and granted loans to related parties and also received deposits from them at various terms. The Bank has the following balances outstanding from and transactions with related parties:

3.1 Outstanding balances

	30 September 2005	*31 December 2004*
Balance sheet		
Loans and advances to customers	317,258	384,913
Loans granted in YTL	*834*	*10,669*
Loans granted in foreign currency:	*US$ 232,584,465*	*US$ 251,453,539*
	EUR 5,015,699	*EUR 5,089,915*
Deposits received	83,248	79,227
Commitments and contingencies		
Non-cash loans	187,526	213,712

3.2 Transactions

	Nine-month period ended **30 September 2005**	*Three-month period ended* **30 September 2005**	*Nine-month period ended* **30 September 2004**	*Three-month period ended* **30 September 2004**
Interest income	10,930	3,525	15,508	4,924
Interest expense	4,435	1,120	10,841	5,458

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

3 Related party disclosures (continued)

In 2005, interest rates applied to foreign currency receivables from and payables to related parties vary within the ranges of 3-7% and 1.25-5% (31 December 2004: 1.75-7% and 1.50-2.50%), respectively. The interest rates applied to YTL payables to related parties vary within the ranges of 11-20% (31 December 2004: 14.50-21.50%). Various commission rates are applied to transactions involving guarantees and commitments.

Key management costs for the nine-month period ended 30 September 2005 amount to YTL 35,525 thousands on a consolidated basis. Within this total, individual key management costs of the Bank and its financial and retail affiliates amount to YTL 12,928 thousands, YTL 19,402 thousands and YTL 3,195 thousands, respectively.

The equity participation in Doğuş Otomotiv Servis ve Ticaret AŞ was sold to Doğuş İnşaat ve Ticaret AŞ at a total amount of YTL 128,350 thousands representing their equivalent market value on 23 August 2004. There was no gain or loss on the sale as this equity participation's carrying value was equal to its market value in the books of account of the Bank.

The equity participation in İksir Uluslararası Elektronik Ticaret Bilgilendirme ve Haberleşme Hizmetleri AŞ, a non-financial associate was sold to E Haber Ajansı Reklam ve Ticaret AŞ, a related party during the current period in two transactions at a total price of YTL 3,535 thousands.

4 Cash and balances with Central Banks

	30 September 2005	*31 December 2004*
Cash at branches	187,620	218,580
Balances with Central Banks	3,244,415	2,703,290
Others	-	19,490
	3,432,035	2,941,360

At 30 September 2005, cash and balances with Central Banks included balances with the Central Bank of Turkey amounting YTL 1,527,281 thousands (31 December 2004: YTL 1,435,511 thousands) as minimum reserve requirement. These funds are not available for the daily business of the Bank and its affiliates. As required by the Turkish Banking Law, these reserve deposits are calculated on the basis of customer deposits taken at the rates determined by the Central Bank of Turkey. In accordance with the current legislation, the reserve deposit rates for YTL and foreign currency deposits are 6% and 11%, respectively. These reserve deposit rates are applicable to both time and demand deposits. Interest rates applied for reserve requirements are 10.25% (31 December 2004: 12.50%) for YTL deposits and 1.00-1.78% (31 December 2004: 0.99%) for foreign currency deposits.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

5 Financial assets at fair value through profit or loss

	30 September 2005				31 December 2004
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments held at fair value:					
Discounted government bonds in YTL	228,198	188,127	15-21	2010	204,804
Bonds issued by corporations	98,280	104,221	7-15	2012	49,605
Eurobonds	82,724	99,243	4-12	2034	44,996
Government bonds in YTL	68,154	57,774	14-25	2010	52,862
Government bonds in foreign currency	54,412	54,879	5-7	2010	34,609
Government bonds at floating rates	33,469	34,635	19-26	2010	28,684
Treasury bills in YTL	27,538	25,010	14-20	2007	36,644
Others		31,401			7,581
		595,290			459,785
Equity and other non-fixed income instruments:					
Forfaiting receivables		152,788			182,051
Listed shares		21,983			17,009
Total financial assets at fair value through profit or loss		770,061			658,845

Income from debt and other instruments held at fair value is reflected in the consolidated income statement as interest on securities. Gains and losses arising on derivative financial instruments and changes in fair value of other trading instruments are reflected in net trading income. Whereas, gains and losses arising from changes in the fair value of cash flow hedges are reflected as a separate component of equity.

For the nine-month period ended 30 September 2005, net income from trading of financial assets amounting to YTL 15,552 thousands and to YTL 7,160 thousands for the three-month period ended 30 September 2005 (30 September 2004: YTL 110,180 thousands and three-month period ended 30 September 2004: YTL 28,610 thousands) in total is included in "trading income, net".

The following table summarizes the contractual amounts of the forward, swap, futures and options contracts, with details of remaining periods to maturity. Foreign currency amounts are translated at rates ruling at the balance sheet date. Monetary items denominated in foreign currencies are economically hedged using foreign currency derivative contracts. All gains and losses on foreign currency contracts are recognized in the income statement, except for contracts of cash flow hedges as stated above. At 30 September 2005, 116% of the net consolidated balance sheet foreign currency open position was hedged through the use of foreign currency contracts (31 December 2004: 108%).

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

5 Financial assets at fair value through profit or loss (continued)

	Notional amount with remaining life of					
At 30 September 2005	***Up to 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Future rate agreements	-	-	-	53,094	119,462	172,556
Purchases	-	-	-	*53,094*	*119,462*	*172,556*
Sales	-	-	-	-	-	-
Interest rate swaps	9,368	4,150	-	-	159,283	172,801
Purchases	*3,143*	*4,150*	-	-	*159,283*	*166,576*
Sales	*6,225*	-	-	-	-	*6,225*
Interest rate futures	-	4,300	1,990	-	-	6,290
Purchases	-	*4,300*	*1,990*	-	-	*6,290*
Sales	-	-	-	-	-	-
Currency Derivatives						
Spot exchange contracts	170,274	-	-	-	-	170,274
Purchases	*56,404*	-	-	-	-	*56,404*
Sales	*113,870*	-	-	-	-	*113,870*
Forward exchange contracts	235,723	64,379	8,729	398	-	309,229
Purchases	*114,127*	*57,574*	*1,490*	-	-	*173,191*
Sales	*121,596*	*6,805*	*7,239*	*398*	-	*136,038*
Currency/cross currency swaps	1,987,089	511,933	433,187	314,037	214,854	3,461,100
Purchases	*1,166,877*	*437,571*	*428,263*	*250,022*	*198,900*	*2,481,633*
Sales	*820,212*	*74,362*	*4,924*	*64,015*	*15,954*	*979,467*
Options	512,136	324,271	106,378	50,884	-	993,669
Purchases	*334,772*	*209,935*	*58,294*	*25,442*	-	*628,443*
Sales	*177,364*	*114,336*	*48,084*	*25,442*	-	*365,226*
Foreign currency futures	-	80,546	17,318	-	-	97,864
Purchases	-	*40,819*	-	-	-	*40,819*
Sale	-	*39,727*	*17,318*	-	-	*57,045*
Other foreign exchange contracts	150,007	2,002	-	-	-	152,009
Purchases	*27,623*	*2,002*	-	-	-	*29,625*
Sale	*122,384*	-	-	-	-	*122,384*
Subtotal Purchases	1,702,946	756,351	490,037	328,558	477,645	3,755,537
Subtotal Sales	1,361,651	235,230	77,565	89,855	15,954	1,780,255
Total of Transactions	3,064,597	991,581	567,602	418,413	493,599	5,535,792

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

5 Financial assets at fair value through profit or loss (continued)

	Notional amount with remaining life of					
At 31 December 2004	***Up to 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Future rate agreements	-	14,468	57,873	86,810	86,810	245,961
Purchases	*-*	*14,468*	*57,873*	*86,810*	*86,810*	*245,961*
Sales	-	-	-	-	-	-
Interest rate swaps	2,522	75,708	28,937	-	-	107,167
Purchases	*2,522*	*75,708*	*28,937*	-	-	*107,167*
Sales	-	-	-	-	-	-
Interest rate options	1,717	-	-	-	-	1,717
Purchases	-	-	-	-	-	-
Sales	*1,717*	-	-	-	-	*1,717*
Currency Derivatives						
Spot exchange contracts	239,100	-	-	-	-	239,100
Purchases	*67,504*	-	-	-	-	*67,504*
Sales	*171,596*	-	-	-	-	*171,596*
Forward exchange contracts	396,803	58,515	63,710	65,945	-	584,973
Purchases	*275,552*	*50,367*	*40,561*	*65,050*	-	*431,530*
Sales	*121,251*	*8,148*	*23,149*	*895*	-	*153,443*
Currency/cross currency swaps	1,117,399	475,968	375,015	1,373,114	-	3,341,496
Purchases	*1,049,085*	*427,434*	*375,015*	*1,355,942*	-	*3,207,476*
Sales	*68,314*	*48,534*	-	*17,172*	-	*134,020*
Options	246,794	169,698	97,365	119,762	-	633,619
Purchases	*138,663*	*58,526*	*27,508*	*63,289*	-	*287,986*
Sales	*108,131*	*111,172*	*69,857*	*56,473*	-	*345,633*
Foreign currency futures	-	159,328	-	-	-	159,328
Purchases	-	-	-	-	-	-
Sale	-	*159,328*	-	-	-	*159,328*
Other foreign exchange contracts	10,825	68,863	-	-	-	79,689
Purchases	*10,825*	-	-	-	-	*10,825*
Sale	-	*68,863*	-	-	-	*68,863*
Subtotal Purchases	1,544,151	626,503	529,894	1,571,091	86,810	4,358,449
Subtotal Sales	471,009	396,045	93,006	74,540	-	1,034,600
Total of Transactions	2,015,160	1,022,548	622,900	1,645,631	86,810	5,393,049

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

6 Loans and advances to banks

	30 September 2005			31 December 2004		
	YTL	Foreign Currency	Total	YTL	Foreign Currency	Total
Loans and advances-demand						
Domestic banks	8,237	2,836	11,073	9,600	540	10,140
Foreign banks	7,958	98,212	106,170	2,098	66,797	68,895
	16,195	101,048	117,243	11,698	67,337	79,035
Loans and advances-time						
Domestic banks	228,395	707,039	935,434	11,045	606,391	617,436
Foreign banks	126,128	615,803	741,931	116,550	1,032,900	1,149,450
	354,523	1,322,842	1,677,365	127,595	1,639,291	1,766,886
Accrued interest on loans and advances	6,734	3,529	10,263	2,814	1,434	4,248
Total loans and advances to banks	377,452	1,427,419	1,804,871	142,107	1,708,062	1,850,169
Less: allowance for uncollectibility	-	-	-	-	-	-
Net loans and advances to banks	377,452	1,427,419	1,804,871	142,107	1,708,062	1,850,169

As at 30 September 2005, time deposits are almost all short-term, maturing within one year, with interest rates ranging between 1-8% per annum for foreign currency time deposits and 15-24% per annum for YTL time deposits (31 December 2004: 1-6% and 18-26%, respectively).

As at 30 September 2005, demand deposits at foreign banks include blocked accounts of YTL 80,076 thousands (31 December 2004: YTL 48,080 thousands) against the securitisation transactions on cheques and credit card receivables, and the insurance business.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

7 Loans and advances to customers

Outstanding loans and advances to customers are divided between economic sectors and loan types as follows:

	30 September 2005	*31 December 2004*
Consumer loans	5,162,239	3,538,021
Industrial	4,608,795	3,717,408
Service sector	1,354,319	1,198,291
Financial institutions	1,316,862	1,374,255
Construction	661,064	465,194
Tourism	599,741	303,147
Agriculture	588,941	432,699
Transportation	363,144	205,219
Foreign trade	349,572	230,877
Others	502,100	379,724
Total performing loans	15,506,777	11,844,835
Non-performing loans	693,001	473,690
Total gross loans	16,199,778	12,318,525
Accrued interest income on loans	217,577	190,484
Financial lease receivables, net of unearned income (Note 8)	682,378	411,788
Factoring receivables	190,486	107,821
Forfaiting receivables	35,282	50,460
Allowance for possible losses from loans and lease receivables	(545,172)	(329,036)
Loans and advances to customers	16,780,329	12,750,042

As at 30 September 2005, interest rates on loans granted to customers range between 2-16% (31 December 2004: 1-14%) per annum for foreign currency loans and 16-26% (31 December 2004: 15-32%) per annum for YTL loans.

The specific allowance for possible losses is comprised of amounts for specifically identified as being impaired and non-performing loans and advances plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

7 Loans and advances to customers (continued)

Movements in the allowance for possible losses on loans and lease receivables are as follows:

	30 September 2005	*31 December 2004*
Balance at the beginning of the period	329,036	245,807
The effect of inflation on the beginning balance and current period transactions	(14,894)	(28,503)
Write-offs	(57,469)	(12,420)
Recoveries	(11,789)	(34,206)
Provision for the period	300,288	158,358
Balance at the end of the period	545,172	329,036

8 Financial lease receivables

The financial leases typically run for a period of one to five years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on market related interest rates.

The receivables are secured through the underlying assets. Loans and advances to customers include the following financial lease receivables:

	30 September 2005	*31 December 2004*
Financial lease receivables, net of unearned income (Note 7)	682,378	411,788
Less: allowance for possible losses from lease receivables	(6,127)	(6,369)
	676,251	405,419
Analysis of net financial lease receivables		
Due within 1 year	323,515	307,401
Due between 1 and 5 years	440,616	166,023
Financial lease receivables, gross	764,131	473,424
Unearned income	(87,880)	(68,005)
Financial lease receivables, net	676,251	405,419
Analysis of net financial lease receivables, net		
Due within 1 year	280,288	263,759
Due between 1 and 5 years	395,963	141,660
Financial lease receivables, net	676,251	405,419

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

9 Other assets

	30 September 2005	*31 December 2004*
Tangible assets held for resale	430,793	524,155
Insurance premium receivables	168,230	105,766
Prepaid expenses, insurance claims and similar items	86,934	102,609
Prepaid corporate taxes and other refundable taxes and funds	81,765	12,860
Retail business stocks	72,132	66,992
Miscellaneous receivables	66,976	23,929
Advances given	17,814	3,233
Accrued gain on derivatives	-	170,418
Others	84,321	58,466
	1,008,965	1,068,428

The portion amounting to YTL 172,019 thousands (31 December 2004: YTL 224,389 thousands) of tangible assets held for resale is comprised of real estate acquired by the Bank against its impaired receivables. Such assets are required to be disposed of within three years following their acquisitions per the Turkish Banking Law. This legal period can be extended by a legal permission from the regulators. In case of real estates held for resale, this requirement is valid only if the legal limit on the size of the real estate portfolio that a bank can maintain is exceeded. Currently, as the Bank is within this legal limit, it is not subject to the above requirement.

Impairment losses provided on real estates held for resale were determined based on the appraisals of independent appraiser firms. As of 30 September 2005, real estates held for resale with cost amounting YTL 420,126 thousands (31 December 2004: YTL 263,373 thousands) impaired by YTL 181,728 thousands (31 December 2004: YTL 110,234 thousands).

10 Security investments

	30 September 2005				*31 December 2004*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments available-for-sale:					
Government bonds at floating rates	3,970,459	4,151,050	19-25	2010	2,200,369
Government bonds in foreign currency	1,797,974	1,829,217	4-6	2010	1,817,608
Eurobonds	465,671	545,353	5-12	2034	846,652
Bonds issued by corporations	403,436	414,720	7-10	2012	163,218
Discounted government bonds in YTL	378,600	311,642	16-19	2007	711,038
Bonds issued by foreign governments	140,592	140,926	2-11	2008	158,493
Government bonds in YTL	28,442	29,554	15-27	2010	37,455
Others		16,324			16,594
Total securities available-for-sale		7,438,786			5,951,427

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

10 Security investments (continued)

	30 September 2005				31 December 2004
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Total securities available-for-sale		7,438,786			5,951,427
Debt and other instruments held-to-maturity:					
Government bonds indexed to foreign currency	1,483,892*	1,410,386	***(a)***	2006	1,553,198
Eurobonds	1,047,411	1,157,339	7-12	2030	1,502,327
Government bonds in YTL	320,714	331,847	19-20	2007	281,733
Bonds issued by foreign governments	134,061	137,111	3-6	2008	149,975
Bonds issued by financial institutions	79,281	82,621	5-12	2014	90,768
Discounted government bonds in YTL	52,886	49,251	20	2006	11,499
Government bonds at floating rates	35,602	35,927	***(b)***	2006	780,875
Bonds issued by corporations		-			102,368
		3,204,482			4,472,743
Accrued interest on held-to-maturity portfolio		119,011			143,385
Total securities held-to-maturity		3,323,493			4,616,128
Total security investments		10,762,279			10,567,555

(a) *The interest rates applied on these securities are Libor+2.85% as fixed semiannually by the Turkish Treasury.*

(b) *The interest rates applied on these securities are floating quarterly based on interest rates of government bond bids of the government.*

* *The face value represents YTL equivalent of the foreign currency in which the government bonds were indexed to.*

Interest income from debt and other fixed- or floating-income instruments is reflected in interest on securities. Whereas, gains and losses arising from changes in the fair value of cash flow hedges and available-for-sale assets are deferred as a separate component of equity.

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to YTL 2,636,310 thousands (31 December 2004: YTL 1,148,715 thousands).

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

10 Security investments (continued)

In the second quarter of 2004, the Bank management has decided to transfer the available-for-sale securities (eurobonds and government bonds in YTL and at floating rates) with a total face value of YTL 1,179,857 thousands to its held-to-maturity portfolio. Despite this reclassification, the size of the securities held-to-maturity portfolio decreased from YTL 5,909,852 thousands as of 31 December 2003 to YTL 4,616,128 thousands as of 31 December 2004 as some securities have been matured and collected during the period.

The following table summarizes securities that were deposited as collaterals with respect to various banking transactions:

	30 September 2005		*31 December 2004*	
	Face Value	*Carrying value*	*Face Value*	*Carrying value*
Collateralised to foreign banks	1,362,455	1,455,679	692,550	772,441
Deposited at Istanbul Stock Exchange	665,056	693,428	228,867	243,025
Deposited at CBT for repurchase transactions	558,256	586,667	58,803	64,120
Deposited at CBT for interbank transactions	351,390	361,075	380,000	476,981
Deposited at Clearing Bank (Takasbank)	270,000	284,121	255,000	284,616
Deposited at CBT for foreign currency money market transactions	222,380	228,335	320,000	401,668
Reserve requirements at CBT	63,356	66,670	340,000	426,772
Others		73,588		239,967
		3,749,563		2,909,590

11 Investments in equity participations

	30 September 2005		*31 December 2004*	
	Carrying Value	*Ownership %*	*Carrying Value*	*Ownership %*
Investments in associated companies:				
Garanti Turizm ve Yatırım İşletmeleri AŞ	25,957	44.89	32,364	44.89
Others	11,386		8,006	
	37,343		40,370	
Equity participations available-for-sale:				
Datmar Turizm AŞ	51,391	14.00	52,089	14.00
IMKB Takasbank AŞ	12,138	5.83	12,138	5.83
Petrotrans Nakliyat ve Ticaret AŞ	-		10,418	99.99
Others	14,712		19,276	
	78,241		93,921	
	115,584		134,291	

11 **Investments in equity participations** (continued)

The Bank sold its shares in Türkiye Sınai Kalkınma Bankası AŞ amounting YTL 6,195 thousands, classified in equity participations available-for-sale as of 31 December 2004, at a price of YTL 8,139 thousands on 31 January 2005.

On 23 March 2005, the Bank signed a Term Sale Agreement to sell its shares in Petrotrans Nakliyat Ticaret AŞ, classified in equity participations available-for-sale with a net book value of YTL 9,782 thousands as at 31 March 2005, at a total selling price of US$ 10 million of which US$ 9 million to be collected according to the payment periods agreed. In accordance with this Agreement, the transfer of the shares took place as of 30 June 2005 after the collection of the instalments.

During the current period, the shares in İksir Uluslararası Elektronik Ticaret Bilgilendirme ve Haberleşme Hizmetleri AŞ, a non-financial associate were sold in two transactions at a total price of YTL 3,535 thousands to E Haber Ajansı Reklam ve Ticaret AŞ, a related party.

IMKB Takasbank AŞ and equity participations available-for-sale disclosed in ‘Others’ do not have a quoted market price in an active market and other methods of reasonably estimating their values would be inappropriate and unworkable, accordingly they are stated at cost, restated for the effects of inflation in YTL units current at the balance sheet date.

Impairment losses are provided for decreases in the value of certain investments in equity participations amounting to YTL 6,939 thousands in the current period. Accordingly, the cumulative provisions for such impairment losses amounted to YTL 43,736 thousands as of 30 September 2005 (31 December 2004: YTL 231,270 thousands).

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

12 Tangible assets

Movement in tangible assets for the period of 1 January – 30 September 2005 is as follows:

	1 January	*Additions*	*Adjustment for Currency Translation*	*Disposals*	*30 September*
Costs					
Land and buildings	1,883,530	10,422	(16,281)	(100,830)	1,776,841
Furniture, fixture and equipments	1,176,024	147,909	(1,132)	(17,918)	1,304,883
Leasehold improvements	388,596	23,943	(1,727)	(20,139)	390,673
	3,448,150	182,274	(19,140)	(138,887)	3,472,397
Less: Accumulated depreciation					
Buildings	221,811	17,945	(1,689)	(13,321)	224,746
Furniture, fixture and equipments	851,406	102,612	(730)	(1,191)	952,097
Leasehold improvements	217,105	27,562	(1,473)	(14,818)	228,376
	1,290,322	148,119	(3,892)	(29,330)	1,405,219
Construction in progress	51,253	8,318 ***(a)***	-	-	59,571
	2,209,081		(15,248)	(109,557)	2,126,749
Impairment in value of tangible assets	(150,392)				(150,718)
	2,058,689				1,976,031

Movement in tangible assets for the period of 1 January – 31 December 2004 is as follows:

	1January	*Additions*	*Adjustment for Currency Translation*	*Disposals*	*31 December*
Costs					
Land and buildings	1,930,175	15,882	(15,017)	(47,510)	1,883,530
Furniture, fixture and equipments	1,162,036	79,409	(3,972)	(61,449)	1,176,024
Leasehold improvements	431,625	34,419	-	(77,448)	388,596
	3,523,836	129,710	(18,989)	(186,407)	3,448,150
Less: Accumulated depreciation					
Buildings	199,509	36,428	(3,688)	(10,438)	221,811
Furniture, fixture and equipments	785,510	120,835	(185)	(54,754)	851,406
Leasehold improvements	238,779	51,406	-	(73,080)	217,105
	1,223,798	208,669	(3,873)	(138,272)	1,290,322
Construction in progress	44,821	6,432 ***(a)***	-	-	51,253
	2,344,859		(15,116)	(48,135)	2,209,081
Impairment in value of tangible assets	(153,999)				(150,392)
	2,190,860				2,058,689

(a) *Additions to and transfers from "construction in progress" are given as net.*

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

12 Tangible assets (continued)

Depreciation expense for the nine-month period ended 30 September 2005 and for three-month period ended 30 September 2005 amounts to YTL 148,119 thousands and YTL 50,139 thousands respectively (the nine-month period ended 30 September 2004: YTL 173,671 thousands and the three-month period ended 30 September 2004: YTL 57,102 thousands). The premises are depreciated at the annual rate of 2% and the rates applied to furniture, fixtures and equipment range from 8% to 25%.

Impairment losses provided for decreases in the value of land and buildings were determined based upon assessment of the independent appraiser firms and value in use. As of 30 September 2005, land and buildings at a total cost of YTL 518,671 thousands (31 December 2004: YTL 538,646 thousands) have been impaired by YTL 150,719 thousands (31 December 2004: YTL 150,392 thousands).

13 Intangible assets

Intangible assets represent goodwill arising from the direct acquisitions of 24.11% ownership in and majority voting rights in the Board of Directors of Tansaş Perakende Mağazacılık Ticaret AŞ, 29% ownership in Doc Finance SA, 100% ownership in Garanti Yatırım Menkul Kıymetler AŞ, 100% ownership in Doğuş Hava Taşımacılığı AŞ, 100% ownership in Garanti Sigorta AŞ, 100% ownership in Garanti Emeklilik AŞ, 98.89% ownership in Garanti Finansal Kiralama AŞ, 81.81% ownership in Garanti Faktoring Hizmetleri AŞ, 56.06% ownership in Garanti Gayrimenkul Yatırım Ortaklığı AŞ, 100% ownership in Doğuş Turizm Sağlık Yatırımları ve İşletmeleri AŞ and 99.95% ownership in Sititur Turizm Temizlik Taşımacılık Organizasyon Bilgisayar Danışmanlık Yapı Sanayi ve Ticaret AŞ consisting of the excesses of the total acquisition costs over net assets of these consolidated entities at the dates of acquisition.

Intangible assets comprise of the following goodwills:

	30 September 2005	*31 December 2004*
Tansaş Perakende Mağazacılık Ticaret AŞ	85,885	85,885
Doğuş Hava Taşımacılığı AŞ	39,023	39,023
Garanti Yatırım Menkul Kıymetler AŞ	21,385	21,385
Doc Finance SA	8,103	8,103
Garanti Finans Faktoring Hizmetleri AŞ	6,822	6,822
Garanti Finansal Kiralama AŞ	5,331	5,331
Sititur Turizm Temizlik Taşımacılık Organizasyon Bilgisayar Danışmanlık Yapı Sanayi ve Ticaret AŞ	3,300	3,300
Doğuş Turizm Sağlık Yatırımları ve İşletmeleri AŞ	1,514	1,514
Garanti Sigorta AŞ	1,119	1,119
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	524	524
Garanti Emeklilik AŞ	39	39
Goodwill	173,045	173,045
Impairment in value of goodwill	(50,426)	(50,426)
	122,619	122,619

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

13 Intangible assets (continued)

Impairment losses are provided for decreases in the value of consolidated entities by way of assessing their internal and external sources. As of 30 September 2005, goodwill on Doğuş Hava Taşımacılığı AŞ, Doc Finance SA and Sititur Turizm Temizlik Taşımacılık Organizasyon Bilgisayar Danışmanlık Yapı Sanayi ve Ticaret AŞ as disclosed in the table above has been impaired by YTL 50,426 thousands in total (31 December 2004: YTL 50,426 thousands).

14 Deposits from banks

Deposits from banks comprise the following:

	30 September 2005	*31 December 2004*
Payable on demand	306,173	43,781
Term deposits	695,236	1,158,249
	1,001,409	1,202,030
Accrued interest on deposits from banks	12,499	5,728
	1,013,908	1,207,758

Deposits from banks include both YTL accounts of YTL 704,750 thousands (31 December 2004: YTL 780,046 thousands) and foreign currency accounts of YTL 296,659 thousands (31 December 2004: YTL 421,984 thousands). As at 30 September 2005, interest rates applicable to YTL bank deposits and foreign currency bank deposits vary within ranges of 17-27% and 1-8% (31 December 2004: 15-27% and 1-8%), respectively.

15 Deposits from customers

Deposits from customers comprise the following:

	30 September 2005			*31 December 2004*
	Demand	***Time***	***Total***	***Total***
Foreign currency	4,206,995	7,463,052	11,670,047	12,989,666
Saving	705,230	4,993,480	5,698,710	4,055,436
Commercial	1,665,393	2,153,746	3,819,139	3,448,491
Public and other	318,620	179,871	498,491	380,797
	6,896,238	14,790,149	21,686,387	20,874,390
Accrued interest expense on deposits from customers	-	146,800	146,800	112,655
	6,896,238	14,936,949	21,833,187	20,987,045

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

15 Deposits from customers (continued)

As at 30 September 2005, interest rates applicable to YTL deposits and foreign currency deposits vary within ranges of 9-23% and 1-9% (31 December 2004: 17-23% and 1.50-6.50%), respectively.

As at 30 September 2005, YTL 60,698 thousands of foreign currency time deposits composed of subordinated deposits obtained by the consolidated banking subsidiary in Netherlands.

16 Obligations under repurchase agreements

The Bank and its affiliates raise funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. Assets sold under repurchase agreements comprise the following:

	Carrying value	*Fair value of underlying assets*	*Carrying amount of corresponding liabilities*	*Range of repurchase dates*	*Repurchase price*
30 September 2005					
Security investments	2,636,310	2,700,771	2,190,633	Oct'05-Apr'08	2,248,207
31 December 2004					
Security investments	1,148,715	1,227,698	984,892	Jan'05-Apr'08	1,050,270

Accrued interest on obligations under repurchase agreements amounting to YTL 12,235 thousands (31 December 2004: YTL 17,002 thousands) is included in the carrying amount of corresponding liabilities.

As such funding is raised against assets collateralized, due to the margins set between the parties generally the carrying values of such assets are more than the corresponding liabilities.

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As at 30 September 2005, the maturities of the obligations from one day to three years and interest rates varied between 5-16% (31 December 2004: 3-25%).

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

17 Loans and advances from banks

Loans and advances from banks comprise the following:

	30 September 2005	*31 December 2004*
Short-term borrowings		
Domestic banks	292,105	289,666
Foreign banks	2,656,833	2,449,069
	2,948,938	2,738,735
Long-term debts		
Short-term portion	566,271	204,920
Medium and long-term portion	2,451,212	1,325,096
	3,017,483	1,530,016
Accrued interest on loans and advances from banks	48,296	47,679
	6,014,717	4,316,430

As at 30 September 2005, short-term borrowings include a syndication loan in the amount of US$100 millions obtained by one of the affiliates of the Bank in February 2005 with twelve banks from seven countries.

As at 30 September 2005 and 31 December 2004, short-term borrowings from foreign banks included a one-year syndicated term-loan facility amounting US$ 600 millions (equivalent of YTL 795,600 thousands) obtained on 6 December 2004 as signed with the 25 mandated arrangers, and a one-year syndicated facility to finance pre-finance export contracts of the Bank's corporate customers with a total amount of EUR 600 millions (equivalent of YTL 959,040 thousands) obtained on 8 July 2005 as signed with the 31 mandated arrangers.

Long-term debts comprise the following:

	30 September 2005					*31 December 2004*
	Interest rate%	*Latest Maturity*	*Amount in original currency*	*Short term portion*	*Medium and long term portion*	*Medium and long term debts*
DPR Securitisation-IV	3.90-4.25	2013	US $ 600 mio	-	795,600	-
DPR Securitisation-I	4.28-5.95	2008	US $ 350 mio	127,199	336,901	506,951
DPR Securitisation-II	3.93-5.95	2012	US $ 325 mio	8,630	422,320	470,740
DPR Securitisation-III	3.90	2013	US $ 300 mio	-	397,800	-
Cobank	2.32-4.35	2008	US $ 96 mio	46,039	81,708	41,874
Bank of Nova Scotio	2.37-4.33	2008	US $ 58 mio	28,018	48,979	21,463
Deutsche Bank	3.56-4.16	2007	US $ 37 mio	31,049	17,574	26,260
West Landesbank	4.41	2006	US $ 30 mio	40,218	-	-
Kuveyt Turk	6.41	2006	US $ 28 mio	-	37,537	40,022
Murabaha Syndication	2.50	2006	US $ 21 mio	27,650	-	19,852
Bank of Seol	4.71-5.34	2007	US $ 15 mio	17,198	2,278	4,282
Standard Chartered	2.75-4.05	2006	US $ 15 mio	8,593	10,817	6,106
Islamic Development Bank	4.00-5.95	2006	US $ 10 mio	12,565	891	28,380
Others				219,112	298,807	159,166
				566,271	2,451,212	1,325,096

17 Loans and advances from banks (continued)

In September 2005, the Bank completed a securitization (the "DPR Securitisation-IV") transaction by issuance of certificate: US$ 600 millions with a guarantee issued by Radian Asset Assuarance Inc., a final maturity of 8 years.

In May 2005, the Bank completed a securitization (the "DPR Securitisation-III") transaction by issuance of certificate: US$ 300 millions with a guarantee issued by MBIA Insurance Corporation, a final maturity of 8 years.

In December 2004, the leasing affiliate of the Bank obtained a two-year syndicated facility of US$ 28 millions.

In August 2004, the leasing affiliate of the Bank has secured a syndicated "Murabaha" facility of US$ 30 millions with a term of 24 months through a consortium arranged by HSBC to support the growing demand for leasing transactions. In line with the repayment schedule, the outstanding balance of this loan as of 30 September 2005 is US$ 21 millions.

In June 2004, the Bank completed a securitization (the "DPR Securitization-II") transaction by issuance of two classes of certificates: US$175 millions Floating Rate Series 2004-B and US$150 millions Floating Rate Series 2004-C. The Series 2004-B issue has a financial guarantee issued by MBIA Insurance Corporation, a final maturity of 5 years and an average life of 3.6 years. The Series 2004-C issue has a financial guarantee issued by Ambac Assurance Corporation, a final maturity of 8 years and an average life of 5.6 years. The DPR-II securitizes the Bank's payment orders created via SWIFT MT 103 or similar payment orders accepted as derived primarily from the Bank's trade finance and other corporate businesses and paid through foreign depository banks.

In December 2002, the Bank obtained a short-term fund in the amount of US$ 200 millions through its "DPR Securitization" (the "DPR Securitization-I"). The DPR Securitization-I securitizes the Bank's all right, title and interest to US dollar, Euro or Sterling-denominated MT100-series messages under the Society for Worldwide Interbank Financial Telecommunication (SWIFT) message system received by the Bank. Subsequently in October 2003, its maturity period extended to five years as US$ 200 millions Floating Rate Series 2003-A issue and a further US$ 150 millions Floating Rate Series 2003-B issue was obtained in December 2003.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

18 Taxation on income

Corporate income tax is levied at the rate of 30% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2005. There is an additional tax computed only on the amounts of dividend distribution and is accrued only at the time of such payments. According to the amendments in tax legislations, which became effective from 24 April 2003, no income tax withholding is calculated over the dividends that are distributed to the shareholders from the profits of the years between 1999 and 2002 if these profits are exempted from corporation tax bases of the companies.

In Turkey, the tax legislation does not permit a parent company and its affiliates to file a consolidated tax return. Therefore, provision for taxation charge, as reflected in the accompanying consolidated financial statements, has been calculated on a separate-entity basis.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from prior years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to income before provision for taxes as shown in the following reconciliation:

	30 September 2005	*%*	*30 September 2004*	*%*
Taxes on income per statutory tax rate	208,511	30.00	196,117	33.00
Disallowable expenses	52,356	7.53	21,780	3.67
Permanent differences relating to restatement of non-monetary items per IAS29	24,652	3.55	(8,688)	(1.46)
Non-tax deductable impairment losses	22,301	3.21	18,622	3.13
Reversal of impairment losses	(80,175)	(11.54)	(16,992)	(2.86)
Income items exempt from tax	(8,542)	(1.23)	(13,441)	(2.26)
Investment incentives	(7,834)	(1.12)	(5,912)	(0.99)
Effect of change in legal tax rate	-	-	(17,979)	(3.03)
Others	14,486	2.08	14,845	2.49
Taxation charge	225,755	32.48	188,352	31.69

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

18 Taxation on income (continued)

The taxation charge comprise the following:

	For the nine-month periods ended	
	30 September 2005	***30 September 2004***
Current taxes	171,839	31,729
Deferred taxes	53,916	156,623
Taxation charge	225,755	188,352

In accordance with the related regulation for prepaid taxes on income, such advance payments during the year are being deducted from the final tax liability for the year. Accordingly, the taxation charge on income is not equal to the final tax liability appearing on the balance sheet.

The current taxes payable on income comprise the following:

	30 September 2005	***31 December 2004***
Provision for current taxes payable on income before deductions	225,755	306,785
Add: Taxes payable carried forward	-	1,987
Add/(less): Deferred tax asset/liability	(53,916)	(272,570)
Less: Restatement effect on current taxes payable on income for the change in the general purchasing power of YTL at 30 September 2005	-	(4,798)
Taxes payable on income	171,839	31,404

Deferred tax asset and liabilities are attributable to the items detailed in the table below:

	30 September 2005	***31 December 2004***
Deferred tax asset		
Tax losses carried forward	58,945	81,030
Impairment in value of investments in associated companies and tangible assets	48,691	30,248
Specific and general allowance for loan losses	24,368	18,717
Reserve for severance indemnitys	8,944	6,235
Valuation difference on financial assets and liabilities	7,422	13,221
Investment incentives and exemptions	4,426	10,242
Leasing obligations	1,123	4,023
Pro-rata basis depreciation expenses	(6,585)	20,953
Others, net	(4,376)	19,284
Total deferred tax asset	142,958	203,953
Deferred tax liability		
Total deferred tax liability	1,203	1,481

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

19 Other liabilities and accrued expenses

The principal components of other liabilities and accrued expenses are as follows:

	30 September 2005	*31 December 2004*
Transfer orders	492,682	424,650
Miscellaneous payables	272,369	253,067
Expense accruals	150,715	83,572
Insurance business related provisions	138,257	109,047
Payables to insurance and reinsurance companies relating to insurance operations	116,589	62,595
Unearned income	80,924	62,221
Payables to suppliers relating to financial leasing activities	74,973	12,516
Factoring payables	48,466	27,815
Withholding taxes	47,732	54,420
Advances received	43,717	10,257
Reserve for severance indemnity	34,224	25,073
Blocked accounts	31,501	28,049
General provision for non-cash loans	14,878	15,706
Others	116,506	82,633
	1,663,533	1,251,621

Insurance business related provisions are detailed in the table below:

	30 September 2005			*31 December 2004*		
	Garanti Sigorta AŞ	*Garanti Emeklilik AŞ*	*Total*	*Garanti Sigorta AŞ*	*Garanti Emeklilik AŞ*	*Total*
Reserve for unearned premiums, net	41,400	10,006	51,406	33,768	6,035	39,803
Gross	*94,328*	*10,988*	*105,316*	*74,841*	*6,662*	*81,503*
Reinsurers' share	*(52,928)*	*(982)*	*(53,910)*	*(41,073)*	*(627)*	*(41,700)*
Provision for claims, net	22,448	1,532	23,980	14,805	840	15,645
Gross	*70,075*	*1,743*	*71,818*	*59,851*	*962*	*60,813*
Reinsurers' share	*(47,627)*	*(211)*	*(47,638)*	*(45,046)*	*(122)*	*(45,168)*
Provision for earthquake claims	15,977	-	15,977	13,634	-	13,634
Life mathematical reserves	-	46,894	46,894	-	39,965	39,965
	79,825	58,432	138,257	62,207	46,840	109,047

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

19 Other liabilities and accrued expenses (continued)

Movement in the reserve for employee severance indemnity is as follows:

	30 September 2005	*31 December 2004*
Balance, beginning of period	25,073	41,214
Effects of inflation on the beginning balance	(1,206)	(4,243)
Reversals	-	(8,828)
Payments during the period	(194)	(4,981)
Provision for the period	10,551	1,911
Balance, end of period	34,224	25,073

Movement in the general provision for non-cash loans are as follows:

	30 September 2005	*31 December 2004*
Balance, beginning of period	15,706	13,671
Effects of inflation on the beginning balance	(959)	(1,807)
Reversals	(2,342)	(310)
Provision for the period	2,473	4,152
Balance, end of period	14,878	15,706

20 Shareholders' equity

The authorized nominal share capital of the Bank amounted to YTL 2,100,000 thousands.

Increases in share capital arising from the amounts paid in by the shareholders are restated for the effects of inflation (refer to accounting policy (d)) in the accompanying consolidated financial statements. However, the transfers from revaluation surplus on fixed assets for statutory purposes and transfers from statutory retained earnings are eliminated for inflation accounting purposes. In 2004, the Bank's nominal share capital increased from YTL 822,038 thousands to YTL 1,200,000 thousands by way of appropriation of gain on sales of real estate amounting YTL 20,515 thousands, gain on sales of equity participation amounting YTL 6,947 thousands and retained earnings of YTL 350,500 thousands in the third quarter of 2004 as reflected in the equity of statutory financial statements.

As per the resolution of the Board of Directors on 7 March 2005, it has been decided to increase the Bank's registered share capital ceiling from YTL 1,200,000 thousands to YTL 7,000,000 thousands. The decision was approved during the Annual General Assembly held on 4 April 2005.

As per the resolution of the Board of Directors on 8 April 2005, it has been decided to increase the Bank's share capital from YTL 1,200,000 thousands to YTL 2,100,000 thousands through appropriation of capital reserves from inflation adjustments to paid in capital of YTL 450,000 thousands, extraordinary reserves of YTL 442,917 thousands and income from sale of real estates of YTL 7,083 thousands, and the number of shares to 210 billions. The increase has been registered on 27 June 2005.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

20 **Shareholders' equity** (continued)

According to the Articles of Association of the Bank, there are 370 founder shares. It is required in the Articles of Association to distribute 10% of the distributable profit to the holders of these founder shares after allocating 5% to legal reserves, distributing dividend at an amount equal to 5% of the capital and allocating 5% of the remaining to extraordinary reserves.

The reserves include legal reserves amounting to YTL 77,765 thousands in total which are generated by annual appropriations amounting to 5% of the statutory income of the Bank and its affiliates until such reserves reach 20% of paid-in share capital (first legal reserves). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in share capital appropriated to generate the legal reserves (second legal reserves). The legal reserves are restricted and are not available for distribution as dividends unless they exceed 50% of the share capital.

In compliance with the revised standards of IFRS effective from 1 January 2005, minority interest is classified under different components of shareholders' equity (refer to note 23). As at 30 September 2005 net minority interest amounts to YTL 256,864 thousands (31 December 2004: YTL 254,206 thousands).

Minority interest is detailed as follows:

	30 September 2005	*31 December 2004*
Capital and other reserves	568,923	572,146
Accumulated losses	(317,940)	(274,608)
Current period net income/(loss)	5,881	(43,332)
	256,864	254,206

Revaluation reserve of available-for-sale assets is detailed as follows:

	30 September 2005
At 1 January 2005	130,154
Net gains/(losses) from changes in fair value	49,378
Related deferred and current income taxes	(13,701)
Net (gains)/losses transferred to the income statement on disposal and impairment	(60,996)
Related deferred and current income taxes	7,524
	112,359

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

21 Fair value information

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation and best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined using available market information by the Bank, and where it exists, appropriate valuation methodologies. However, judgment is necessary required to interpret market data to determine the estimated fair value. Turkey has shown signs of an emerging market and has experienced a significant decline in the volume of activity in its financial market. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances.

Management has estimated that the fair value of certain balance sheet instruments is not materially different than their recorded values except for those security investments. These balance sheet instruments include loans and advances to banks and customers, obligations under repurchase agreements, loans and advances from banks, and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Fair value of security investments is YTL 10,812,312 thousands (31 December 2004: YTL 10,670,588 thousands), whereas the carrying amount is YTL 10,762,279 thousands (31 December 2004: YTL 10,567,555 thousands) in the accompanying consolidated balance sheet as at 30 September 2005.

22 Commitments and contingencies

In the ordinary course of business, the Bank and its affiliates undertake various commitments and incure certain contingent liabilities that are not presented in the accompanying consolidated financial statements, including letters of guarantee, acceptance credits and letters of credit.

Commitments and contingent liabilities comprise the following:

	30 September 2005	***31 December 2004***
Letters of guarantee	5,501,320	4,974,865
Letters of credit	2,069,746	1,921,881
Acceptance credits	331,878	638,575
Other guarantees and endorsements	-	429
	7,902,944	7,535,750

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

22 Commitments and contingencies (continued)

As at 31 December 2004, commitment for uncalled capital of affiliated companies amounts approximately to YTL 14 thousands (30 September 2005: -).

As at 30 September 2005, commitment for purchase and sale of foreign currencies under spot, forwards, swaps, future rate agreements, options and forward agreements for gold trading amounts to YTL 5,535,792 thousands (31 December 2004: YTL 5,393,049 thousands), over 91% due within a year.

The breakdown of outstanding commitments is presented as follows:

	30 September 2005		*31 December 2004*	
	Purchases	*Sales*	*Purchases*	*Sales*
Forward agreements for customer dealing activities	121,518	89,512	60,594	76,779
Currency swap agreements for customer dealing activities	57,731	32,279	88,135	15,238
Spot foreign currency transactions for customer dealing activities	11,988	3,613	58,012	146,762
Forward agreements for hedging purposes	51,673	46,526	370,937	76,664
Currency swap agreements for hedging purposes	2,423,902	947,188	3,119,341	118,782
Interest rate swap agreements	166,576	6,225	107,167	-
Interest rate and foreign currency options	628,443	365,226	287,985	347,350
Future rate agreements and foreign currency futures	219,665	57,045	245,961	159,328
Forward agreements for gold trading	29,625	122,384	10,825	68,863
Spot foreign currency transactions	44,416	110,257	9,492	24,834
	3,755,537	1,780,255	4,358,449	1,034,600

23 Change in accounting policies

As of 1 January 2005, the Bank and its affiliates adopted revised standards of IFRS. These changes have been accounted by adjusting the previous years' results.

The changes accounted are as follows:

- the quoted securities previously classified as "originated loans and receivables" at the date of their acquisitions, are reclassified to security investments,
- the changes in fair value of available-for-sale portfolio over its amortised cost are reclassified as a separate component of shareholders' equity,
- the negative goodwill is charged to retained earnings,
- all the affiliates even if they are in liquidation process or kept as equity participations available-for-sale are consolidated, and
- the minority interest is reclassified to shareholders' equity.

The Bank made a further change allocating the provision for the accrued rewards on credit cards amounting YTL 18,653 thousands net of its deferred tax asset of YTL 7,994 thousands to retained earnings of the earliest period presented.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of
inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

23 Change in accounting policies (continued)

			Retained Earnings		
As of 31 December 2003	Minority interest	Revaulation of available- for-sale assets	Previous Years' income	Current period income	Total
Reported balances at 31 December 2003	-	-	(30,976)	650,470	619,494
Minority interest on a consolidated affiliate	60,572	-	-	-	-
Reclassification of minority interest to shareholders' equity	246,618	-	-	-	-
Reclassification of net market value gains on available-for-sale portfolio	-	245,800	(15,329)	(230,471)	(245,800)
Elimination of reclassification for originated loans and receivables	-	-	3,704	26,685	30,389
Booking of net market value gains	-	-	-	1,724	1,724
Reversal of negative goodwill	-	-	2,392	-	2,392
Provision for the accrued rewards on credit cards	-	-	-	(18,653)	(18,653)
Adjusted balances at 31 December 2003	307,190	245,800	(40,209)	429,755	389,546
For the nine-month period ended 30 September 2004					
Adjusted balances at 1 January 2004	307,190	245,800	389,546	-	389,546
Transfer from unappropriated earnings	-	-	(442,272)	-	(442,272)
Release from general banking risks, net	-	-	5,801	-	5,801
Reversal of restatement effects of inflation	(5,302)	-	-	-	-
Reclassification of minority interest's losses to unappropriated earnings	(29,661)	-	-	-	-
Reported net income for the nine-month period ended 30 September 2004	-	-	-	260,307	260,307
<u>Adjustments to the nine-month period reported net income</u>					
Net change in revaluation of available-for-sale assets	-	(208,672)	-	208,672	208,672
Elimination of reclassification for originated loans and receivables	-	-	-	(34,861)	(34,861)
Booking of net market value gains	-	-	-	1,595	1,595
Reversal of negative goodwill	-	-	-	(111)	(111)
Adjusted balances at 30 September 2004	272,227	37,128	(46,925)	435,602	388,677

23 **Change in accounting policies** (continued)

			Retained Earnings		
For the year 2004	Minority interest	Revaluation of available-for-sale assets	Previous Years' Income	Current period income	Total
Adjusted balances at 1 January 2004	307,190	245,800	389,546	-	389,546
Transfer from unappropriated earnings	-	-	(442,272)	-	(442,272)
Release from general banking risks, net	-	-	32,804	-	32,804
Reversal of restatement effects of inflation	(9,652)	-	-	-	-
Reclassification of minority interest's losses to unappropriated earnings	(43,332)	-	-	-	-
Reported net income for the year ended 31 December 2004	-	-	-	287,343	287,343
Adjustments to the reported net income of the year 2004					
Net change in revaluation of available-for-sale assets	-	(115,646)	-	115,646	115,646
Elimination of reclassification for originated loans and receivables	-	-	-	18,065	18,065
Booking of net market value losses	-	-	-	(1,390)	(1,390)
Reversal of negative goodwill	-	-	-	(164)	(164)
Adjusted balances at 31 December 2004	254,206	130,154	(19,922)	419,500	399,578

The "earnings per share" for the nine-month period ended 30 September 2004 is increased by 85.18 (full YTL per YTL'000 face value each) as a result of the change in accounting policies explained above.

24 Risk management disclosures

This section provides details of the Bank and its affilates' exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Bank and its affilates are exposed, are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity price risk.
The nature of the risks and the approach to managing risk differs fundamentally between the trading and non-trading portfolios; section 24.2 contains risk management information related to the trading portfolio and section 24.3 deals with the non-trading portfolio.

24.1 Derivative financial instruments

The Bank and its affiliates enter into a variety of derivative financial instruments for hedging and risk management purposes. This note describes the derivatives used. Further details of the objectives and strategies in the use of derivatives are set out in the sections of this note on non-trading activities. Details of the nature and terms of derivative instruments outstanding at the balance sheet dates are set out in note 22. Derivative financial instruments used include swaps, futures, forwards, options and other similar types of contracts whose value changes in response to changes in interest rates, foreign exchange rates and gold prices. Derivatives are individually negotiated over-the-counter contracts. A description of the main types of derivative instruments used is set out below:

Swaps
Swaps are over-the-counter agreements to exchange future cash flows based upon agreed notional amounts. Most commonly used swaps are currency swaps. The Bank and its affiliates are subject to credit risk arising from the respective counterparties' failure to perform. Market risk arises from the possibility of unfavourable movements in market rates relative to the contractual rates of the contract.

Futures and forwards
Futures and forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardized exchange-traded contracts whereas forwards are individually traded over-the-counter contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in the future contract values are settled daily. Therefore credit risk is limited to the net positive change in the market value for a single day. Futures contracts have little credit risk because the counterparties are futures exchanges. Forward contracts result in credit exposure to the counterparty. Futures and forward contracts both result in exposure to market risk based on changes in market prices relative to contracted amounts.

24 **Risk management disclosures** (continued)

Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell (put option) to the writer a specified underlying at a specified price on or before a specified date. The Bank enters into foreign exchange options. Foreign currency options provide protection against rising or falling currency rates. The Bank as a buyer of over-the-counter options is subject to market risk and credit risk since the counterparty is obliged to make payments under the terms of the contract if the Bank exercises the option. As the writer of over-the-counter options, the Bank is subject to market risk only since it is obliged to make payments if the option is exercised.

24.2 Trading activities

The Bank and its affiliates maintain active trading positions in non-derivative financial instruments. Most of the trading activities are customer driven. In anticipation of customer demand, an inventory of capital market instruments is carried and access to market liquidity is maintained by quoting bid and offer prices to and trading with other market makers. Positions are also taken in the interest rate, foreign exchange, debt and equity markets based on expectations of future market conditions. These activities constitute the proprietary trading business and enable the Bank and its affiliates to provide customers with capital market products at competitive prices. As trading strategies depend on both market-making and proprietary positions, given the relationships between instruments and markets, those are managed in concert to maximize net trading income. Trading activities are managed by type of risk involved and on the basis of the categories of trading instruments held.

Counterparty credit risk

The Bank and its affiliates' counterparty credit exposure at the balance sheet date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the balance sheet. Notional amounts disclosed in the notes to the financial statements do not represent the amounts to be exchanged by the parties to derivatives and do not measure the exposure to credit or market risks. The amounts to be exchanged are based on the terms of the derivatives.

The risk that counterparties to trading instruments might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments. To manage the level of credit risk, the Bank and its affiliates deal with counterparties of good credit standing, enter into master netting agreements whenever possible, and when appropriate, obtain collateral. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

24 Risk management disclosures (continued)

Market risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognized at fair value, and all changes in market conditions directly affect net trading income.

The Bank and its affiliates manage its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting positions.

24.3 Non-trading activities

Below is a discussion of the various risks the Bank and its affiliates are exposed to as a result of its non-trading activities and the approach taken to manage those risks.

Liquidity risk

Liquidity risk arises in the general funding of the Bank and its affiliates' activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank and its affiliates have access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, syndications, securitizations, bonds issuance, other funding sources and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Liquidity risk is continuously assessed through identifying and monitoring changes in funding required for meeting business goals and targets set in terms of the overall strategy. In addition, a portfolio of liquid assets is held as a part of the Bank's liquidity risk management strategy.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29

The following table provides an analysis of monetary assets and monetary liabilities of the consolidated entities into relevant maturity groupings based on the remaining periods to repayment:

	30 September 2005						*31 December 2004*					
	Up to 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*	*Up to 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*
MONETARY ASSETS												
New Turkish Lira												
Cash and balances with Central Banks	587.051	-	-	-	-	587.051	449.814	-	-	-	-	449.814
Financial assets at fair value through profit or loss	2.416	39	8.438	75.733	243.209	329.835	2.943	6.192	143.208	65.573	122.074	339.990
Loans and advances to banks	324.561	52.881	10	-	-	377.452	99.140	-	-	42.967	-	142.107
Loans and advances to customers	4.820.605	505.001	579.464	828.986	1.699.487	8.433.543	3.617.618	363.272	445.714	584.612	649.670	5.660.886
Other assets	77.443	146.225	1.393	693	-	225.754	42.886	83.501	-	-	-	126.387
Security investments	6.626	288.808	750.557	1.447.967	2.439.100	4.933.058	32.413	398	833.396	574.956	2.609.286	4.050.449
Deferred tax asset	-	-	-	-	141.634	141.634	-	-	-	-	200.743	200.743
Total New Turkish Lira monetary assets	5.818.702	992.954	1.339.862	2.353.379	4.523.430	15.028.327	4.244.814	453.363	1.422.318	1.268.108	3.581.773	10.970.376
Foreign currency												
Cash and balances with Central Banks	2.844.984	-	-	-	-	2.844.984	2.491.546	-	-	-	-	2.491.546
Financial assets at fair value through profit or loss	29.960	6.424	264	111.179	292.399	440.226	1.451	648	19.634	155.511	141.611	318.855
Loans and advances to banks	852.775	300.923	138.539	83.477	51.705	1.427.419	1.127.829	185.096	263.925	109.721	21.491	1.708.062
Loans and advances to customers	674.980	824.000	1.316.937	1.447.240	3.935.800	8.198.957	538.182	1.106.470	1.156.678	1.094.931	3.048.241	6.944.502
Other assets	61.827	23.410	-	-	-	85.237	192.719	22.265	-	-	-	214.984
Security investments	277.606	-	1.512	1.830.197	3.719.906	5.829.221	75.037	151.151	234.092	475.564	5.581.262	6.517.106
Deferred tax asset	-	-	-	-	1.324	1.324	-	-	-	-	3.210	3.210
Total foreign currency monetary assets	4.742.132	1.154.757	1.457.252	3.472.093	8.001.134	18.827.368	4.426.764	1.465.630	1.674.329	1.835.727	8.795.815	18.198.265
Total Monetary Assets	10.560.834	2.147.711	2.797.114	5.825.472	12.524.564	33.855.695	8.671.578	1.918.993	3.096.647	3.103.835	12.377.588	29.168.641
MONETARY LIABILITIES												
New Turkish Lira												
Deposits	9.048.794	1.458.606	209.450	96.482	1.247	10.814.579	7.206.555	1.320.874	73.522	61.731	71.949	8.734.631
Obligations under repurchase agreements	1.150.264	-	-	50.450	54.040	1.254.754	275.796	-	-	-	57.171	332.967
Loans and advances from banks	123.262	55.533	31.422	29.811	4.900	244.928	46.249	37.983	47.292	46.289	-	177.813
Other liabilities and accrued expenses	337.232	115.794	240.682	147.292	137.665	978.665	333.645	51.305	61.849	70.102	100.934	617.835
Total New Turkish Lira monetary liabilities	10.659.552	1.629.933	481.554	324.035	197.852	13.292.926	7.862.245	1.410.162	182.663	178.122	230.054	9.863.246
Foreign currency												
Deposits	9.715.587	1.164.921	466.716	387.515	297.777	12.032.516	10.613.304	1.747.732	473.957	424.496	200.683	13.460.172
Obligations under repurchase agreements	-	398.686	-	199.792	337.401	935.879	142.294	53.913	119.139	111.131	225.448	651.925
Loans and advances from banks	140.707	901.442	366.863	1.909.449	2.451.328	5.769.789	151.460	188.959	295.639	2.165.071	1.337.488	4.138.617
Other liabilities and accrued expenses	315.574	82.094	78.527	279.313	58.686	814.194	564.500	197	7.991	79.860	3.867	656.415
Total foreign currency monetary liabilities	10.171.868	2.547.143	912.106	2.776.069	3.145.192	19.552.378	11.471.558	1.990.801	896.726	2.780.558	1.767.486	18.907.129
Total Monetary Liabilities	20.831.420	4.177.076	1.393.660	3.100.104	3.343.044	32.845.304	19.333.803	3.400.963	1.079.389	2.958.680	1.997.540	28.770.375

24 Risk management disclosures (continued)

Market risk

Interest rate risk: The Bank and its affiliates' operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank and its affiliates are also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the deposit rate and six months libor and different types of interest. Treasury activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. In general, as common in current economic environment, the consolidated financial statements are liability sensitive because its interest-earning assets have a longer duration and reprice slightly less frequently than interest-bearing liabilities. This means that in rising interest rate environments, margins earned will narrow as liabilities reprice. However, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

Interest rate derivatives are primarily used to bridge the mismatch in the repricing of assets and liabilities. This is done in accordance with the guidelines established by the Bank's asset-liability management committee.

Some assets have indefinite maturities or interest rate sensitivities and are not readily matched with specific liabilities. Those assets are funded through liability pools based on the assets' estimated maturities and repricing characteristics.

Part of the Bank's return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

The following table provides an analysis of interest rate sensivity of monetary assets and monetary liabilities of the consolidated entities into relevant maturity groupings:

	30 September 2005						
	Up to 1 month	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***Over 1 year***	***Non-Interest Bearing***	***Total***
MONETARY ASSETS							
Cash and balances with Central Banks	1.625.044	-	-	-	-	1.806.991	3.432.035
Financial assets at fair value through profit or loss	5.135	23.965	37.893	208.248	434.288	60.532	770.061
Loans and advances to banks	1.075.008	353.774	126.321	83.477	51.705	114.586	1.804.871
Loans and advances to customers	5.377.427	1.316.508	1.872.960	2.247.893	5.564.853	252.859	16.632.500
Other assets	1	-	-	-	-	310.990	310.991
Security investments	701.376	3.706.179	3.105.834	527.852	2.362.788	358.250	10.762.279
Deferred tax asset	-	-	-	-	-	142.958	142.958
Total Monetary Assets	8.783.991	5.400.426	5.143.008	3.067.470	8.413.634	3.047.166	33.855.695
MONETARY LIABILITIES							
Deposits	11.432.121	2.601.176	671.571	481.130	298.044	7.363.053	22.847.095
Obligations under repurchase agreements	1.149.392	397.810	-	247.201	383.997	12.233	2.190.633
Loans and advances from banks	259.655	946.687	387.838	1.920.860	2.451.380	48.297	6.014.717
Other liabilities and accrued expenses	79.053	33.336	14.583	279.313	55.322	1.331.252	1.792.859
Total Monetary Liabilities	12.920.221	3.979.009	1.073.992	2.928.504	3.188.743	8.754.835	32.845.304

	31 December 2004						
	Up to 1 month	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***Over 1 year***	***Non-Interest Bearing***	***Total***
MONETARY ASSETS							
Cash and balances with Central Banks	2.706.893	-	-	-	-	234.467	2.941.360
Financial assets at fair value through profit or loss	3.183	8.075	170.078	225.716	246.760	5.033	658.845
Loans and advances to banks	1.160.917	185.096	263.925	152.689	21.489	66.053	1.850.169
Loans and advances to customers	3.907.984	1.469.746	1.607.379	1.685.685	3.744.111	190.483	12.605.388
Other assets	-	-	-	-	-	341.371	341.371
Security investments	87.576	1.709.607	1.972.855	1.026.752	5.445.409	325.356	10.567.555
Deferred tax asset	-	-	-	-	-	203.953	203.953
Total Monetary Assets	7.866.553	3.372.524	4.014.237	3.090.842	9.457.769	1.366.716	29.168.641
MONETARY LIABILITIES							
Deposits	10.752.278	3.049.676	544.932	484.206	271.876	7.091.835	22.194.803
Obligations under repurchase agreements	414.919	53.499	118.821	110.136	270.514	17.003	984.892
Loans and advances from banks	196.742	223.159	338.047	2.181.184	1.329.619	47.679	4.316.430
Other liabilities and accrued expenses	208	-	1.275	-	14.600	1.258.167	1.274.250
Total Monetary Liabilities	11.364.147	3.326.334	1.003.075	2.775.526	1.886.609	8.414.684	28.770.375

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

24 Risk management disclosures (continued)

The following table indicates the effective interest rates by major currencies for the major balance sheet components for the first nine-month of 2005 and the year of 2004:

	30 September 2005			
	US$ %	*EUR %*	*YTL %*	*Other Currencies %*
Assets				
Loans and advances to banks	3.05-7.86	1.26-3.56	15.93-19.85	2.00
Debt and other fixed or floating income instruments	6.95-10.38	7.58-9.00	15.12-19.31	-
Loans and advances to customers	5.54-13.23	4.01-10.14	17.94-35.92	8.50-14.00
Liabilities				
Deposits:				
- Foreign currency deposits	2.75-6.75	2.24-3.88	-	0.5-9.00
- Bank deposits	1.45-6.50	2.22-3.11	14.96-15.69	2.25
- Saving deposits	-	-	14.74-18.59	-
- Commercial deposits	-	-	15.07-17.56	-
- Public and other deposits	-	-	18.37	-
Obligations under repurchase agreements	3.94-4.84	2.38	14.20-16.35	-
Loans and advances from banks	4.35-7.7	2.00-6.26	15.18-17.00	7.06-8.48

	31 December 2004			
	US$ %	*EUR %*	*YTL %*	*Other Currencies %*
Assets				
Loans and advances to banks	1.61-5.90	1.95-4.00	18.00-22.77	2.00-6.00
Debt and other fixed or floating income instruments	4.72-12.75	5.75-11.63	21.87-25.88	16.30-18.00
Loans and advances to customers	4.43-12.08	4.71-7.05	25.71-35.77	2.54-14.00
Liabilities				
Deposits:				
- Foreign currency deposits	1.50-6.75	1.50-5.75	-	1.50-12.50
- Bank deposits	2.47-6.50	2.47-4.17	19.64-19.72	1.50
- Saving deposits	-	-	17.83-18.28	-
- Commercial deposits	-	-	18.28-19.14	-
- Public and other deposits	-	-	18.28	-
Obligations under repurchase agreements	2.67-3.88	3.63	18.59	-
Loans and advances from banks	1.25-9.29	2.00-7.18	18.80-21.63	4.32

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

24 Risk management disclosures (continued)

Equity price risk

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The primary exposure to equity prices arises from trading activities and the Bank limits the risk by maintaining a small portfolio. Exposure to market risk is formally managed in accordance with risk limits.

Currency risk

The Bank and its affiliates are exposed to currency risk through transactions in foreign currencies and through its investment in foreign operations.

The Bank and its affiliates' main foreign operations are in Netherlands and Moscow. The measurement currencies of its operations are Euro and US Dollars. As the currency in which the Bank presents its consolidated financial statements is YTL, the consolidated financial statements are affected by currency exchange rate fluctuations against YTL.

The Bank finances a significant proportion of its net investment in foreign operations with borrowings in the same currencies as the relevant measurement currencies to mitigate its currency risk. Currency swaps are also used to match the currency of some of its other borrowings to the measurement currencies involved.

The Bank and its affiliates' transactional exposures give rise to foreign currency gains and losses that are recognized in the income statement. These exposures comprise the monetary assets and monetary liabilities that are not denominated in the measurement currency of the Bank involved, excluding borrowings treated as hedges of net investments in foreign operations.

These exposures are as follows:

	30 September 2005			
	US$	EUR	Other Currencies	Total
Assets				
Cash and balances with Central Banks	107,592	2,726,140	11,252	2,844,984
Financial assets at fair value through profit or loss	260,572	89,054	90,600	440,226
Loans and advances to banks	649,829	677,085	100,505	1,427,419
Loans and advances to customers	6,092,642	1,969,964	135,405	8,198,011
Other assets	59,856	36,398	3,318	99,572
Security investments	5,484,329	344,892	-	5,829,221
Investments in equity participations	-	507	10,238	10,745
Tangible assets	236	57,039	1,865	59,140
Deferred tax asset	12	1,312	-	1,324
Total Assets	12,655,068	5,902,391	353,183	18,910,642

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

24 Risk management disclosures (continued)

	30 September 2005			
	US$	***EUR***	***Other Currencies***	***Total***
Total Assets	12,655,068	5,902,391	353,183	18,910,642
Liabilities				
Deposits	6,644,911	4,901,472	486,133	12,032,516
Obligations under repurchase agreements	845,024	90,855	-	935,879
Loans and advances from banks	4,387,219	1,368,268	14,302	5,769,789
Current tax liability	-	3,132	10	3,142
Other liabilities and accrued expenses	596,082	203,052	11,918	811,052
Total Liabilities	12,473,236	6,566,779	512,363	19,552,378
Net On Balance Sheet Position	181,832	(664,388)	(159,180)	(641,736)
Net Off Balance Sheet Position	(220,526)	730,858	234,786	745,118
Net Position	(38,694)	66,470	75,606	103,382

	31 December 2004			
	US$	***EUR***	***Other Currencies***	***Total***
Total Assets	13,236,659	4,790,195	261,559	18,288,413
Total Liabilities	11,250,879	7,174,467	481,783	18,907,129
Net On Balance Sheet Position	1,985,780	(2,384,272)	(220,224)	(618,716)
Net Off Balance Sheet Position	(1,961,909)	2,320,398	307,371	665,860
Net Position	23,871	(63,874)	87,147	47,144

Of the amounts shown in the table above, at 30 September 2005, 116% (31 December 2004: 108%) are economically hedged by currency swaps, forward contracts and other derivatives entered into to manage these currency exposures. In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank and its affiliates ensure that their net exposures are kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

The net of Russian Rubles denominated assets and liabilities as included in the above table at their YTL equivalents, comprise net asset of YTL 45,611 thousands at 30 September 2005 (31 December 2004: YTL 56,775 thousands). For the purposes of the evaluation of the table above, these amounts should not be considered as hard currency.

24 Risk management disclosures (continued)

Credit risk

The Bank and its affiliates are subject to credit risk through its trading, lending, hedging and investing activities and in cases where they act as intermediaries on behalf of customers or other third parties or issues guarantees.

Credit risk associated with trading and investing activities is managed through the Bank's market risk management process.

The risk that counterparties to both derivative and other instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank and its affiliates deal with counterparties of good credit standing, enter into master netting agreements whenever possible, and when appropriate, obtain collateral. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

The Bank and its affiliates' primary exposures to credit risk arise through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Bank and its affiliates are exposed to credit risk on various other financial assets, including derivative instruments used for hedging and debt investments. The current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Bank and its affiliates are exposed to off balance sheet credit risk through guarantees issued (note 22).

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentrations of credit risk arise by location and type of customer in relation to the Bank and its affiliates' investments, loans and advances and guarantees issued. There is no exposure to any individual customer or counterparty.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

24 Risk management disclosures (continued)

Total geographic sector risk concentrations, both on and off balance sheet, are presented in the table below:

	30 September 2005				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	15,897,855	34,111,279	22,339,810	7,143,818	189,027
Russia	180,451	442,749	64,713	29,470	713
USA	31,924	367,779	2,892,737	7,436	-
Netherlands	215,743	366,986	1,001,699	9,735	852
Germany	19,035	326,449	2,144,408	14,419	-
Romania	89,585	304,122	80,372	18,940	-
Luxembourg	146,278	231,075	574,580	395	-
Switzerland	71,848	87,843	252,355	130,112	-
France	15,682	43,418	18,640	58,885	-
England	15,457	37,300	2,247,719	40,366	-
Others	96,471	596,732	1,271,987	449,368	-
	16,780,329	36,915,732	32,889,020	7,902,944	190,592

	31 December 2004				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	11,873,843	29,286,404	20,230,241	7,196,056	132,964
Netherlands	146,172	755,162	1,097,651	13,353	2,903
USA	66,511	440,342	1,561,290	59,391	-
Russia	148,252	335,148	48,307	42,431	275
Germany	27,536	262,269	2,410,182	6,410	-
Luxembourg	157,810	213,401	35,221	4,947	-
Romania	81,106	210,162	100,728	14,991	-
England	35,365	137,896	1,873,984	14,561	-
France	12,103	124,802	19,080	2,919	-
Switzerland	111,108	119,491	363,749	68,790	-
Others	90,236	470,874	1,040,198	111,901	-
	12,750,042	32,355,951	28,780,631	7,535,750	136,142

The amounts reflected in the tables represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for uncollectibility. The Bank’s policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Approximately 67% of the balance of outstanding loans is collateralized. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank and its affiliates’ obligations. The extent of collateral held for guarantees and letters of credit is around 72%.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

24 Risk management disclosures (continued)

The Bank generally seeks collateral security comprising real estate and other mortgages of varying ranking, charges on commodity inventories, letters of guarantee, promissory notes and similar items. The breakdown of cash and non-cash loans and advances to customers by type collateral is as follows:

	30 September 2005	*31 December 2004*
Cash loans		
Secured loans:	10,939,209	7,911,495
Secured by cash collateral	555,580	495,039
Secured by mortgages	2,419,595	1,223,091
Secured by government institutions or government securities	938,264	752,881
Guarantees issued by financial institutions	121,252	91,606
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	6,904,518	5,348,878
Unsecured loans	5,475,714	4,503,409
Total performing loans and financial lease receivables	16,414,923	12,414,904
Non-cash loans		
Secured loans:	5,677,167	5,777,717
Secured by cash collateral	215,843	574,174
Secured by mortgages	12,708	-
Secured by government institutions or government securities	-	156
Guarantees issued by financial institutions	16,271	46,524
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	5,432,345	5,156,863
Unsecured loans	2,225,777	1,758,033
Total non-cash loans	7,902,944	7,535,750

24.4 Hedging

Due to the Bank and its affiliates' overall interest rate risk position and funding structure, its risk management policies require that it should minimize its exposure to changes in foreign currency rates and manage interest rate, credit risk and market price risk exposure within certain guidelines. Derivative financial instruments are used to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instrument are used for this purpose, including interest rate swaps and currency swaps, options, financial futures, forward contracts and other derivatives. The purpose of the hedging activities is to protect the Bank and its affiliates from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Bank and its affiliates enter into transactions to ensure that it is economically hedged in accordance with risk management policies. In the accompanying consolidated financial statements, hedge accounting is applied for the cases where hedge accounting relationship is evidenced.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

24 Risk management disclosures (continued)

In 2004, the Bank has entered into interest rate swap transactions in order to hedge its certain cash flow exposures primarily on floating rate liabilities, through converting its floating rate payments into fixed rate payments. The following table includes certain characteristics of these swap transactions:

Notional amount	*Fixed payer rate (%)*	*Floating payer rate (%)*	*Fixed payment frequency*	*Maturity*
US$ 175 millions	5.445	3 month libor + 175	Quarterly	2009
US$ 100 millions	5.005	3 month libor +240	Quarterly	2007
US$ 100 millions	5.275	3 month libor +240	Quarterly	2007

25 Affiliates and associates

The table below sets out the Affiliates and shows their shareholding structure as at 30 September 2005:

Affiliates	***Shareholding Interest (%)***
Garanti Bank International NV	100.00
Garanti Bank Moscow	100.00
Garanti Sigorta AŞ	100.00
Garanti Emeklilik AŞ	100.00
Garanti Portföy Yönetimi AŞ	100.00
Garanti Yatırım Menkul Kıymetler AŞ	100.00
Garanti Financial Services plc.	100.00
Garanti Fund Management Co. Ltd.	100.00
Garanti Bilişim Teknolojisi	100.00
Doğuş Turizm Sağlık Yatırımları ve İşletmeleri AŞ	100.00
Galata Araştırma Yayıncılık Tanıtım ve Bilişim Teknoloji Hizmetleri AŞ	100.00
Şahintur Şahinler Otelcilik Turizm Yatırım İşletmeleri AŞ	100.00
Doğuş Hava Taşımacılığı AŞ	100.00
Akarnet Konaklama Tesisleri Yatırım ve İşletme AŞ	100.00
Lasaş Lastikleri Sanayi ve Ticaret AŞ	99.99

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

25 Affiliates and associates (continued)

Affiliates (continued)	***Shareholding Interest (%)***
Sititur Turizm Temizlik Taşımacılık Organizasyon Bilgisayar Danışmanlık Yapı Sanayi ve Ticaret AŞ	99.95
Garanti Finansal Kiralama AŞ	98.89
Garanti Faktoring Hizmetleri AŞ	81.81
Voyager Mediterranean Turizm Endüstrisi ve Ticareti AŞ	77.00
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	56.06
Tansaş Perakende Mağazacılık Ticaret AŞ	24.11 ***(a)***
Garanti Diversified Payment Rights Finance Company	- ***(b)***

(a) *Although its ownership percentage in Tansaş Perakende Mağazacılık Ticaret AŞ is less than 50%, the Bank has the controlling power on the operations and the financial policies of the company. Accordingly, it has been consolidated since 1999.*

(b) *Garanti Diversified Payment Rights Finance Company is a special purpose entity established for the Bank's securitization transactions explained in note 17. The Bank or any of its affiliates does not have any shareholding interest in this company.*

The Bank has merged with Ana Konut Danışmanlık AŞ, a consolidated non-financial affiliate as of 28 September 2005, taking over all the rights, assets, liabilities and obligation of this company ceasing its legal corporate existence after the merger.

The liquidation processes of Bosphorus Financial Services Ltd. and Clover Investments Co. have been completed and the affiliates have been disposed as of 30 September 2005.

Garanti Fund Management Co. Ltd. is under liquidation as of the reporting date. The liquidation procedures are expected to complete before the year-end 2005.

In the current period, the Bank completed the sale of its shares in Konaklı Temizlik Taşımacılık Organizasyon Bilgisayar Danışmanlık Yapı ve Ticaret AŞ, a consolidated non-financial affiliate at a price of YTL 11,943 thousands resulting a loss of YTL 87 thousands in the accompanying consolidated income statement.

The table below sets out the Associates and shows their shareholding structure as at 30 September 2005:

Associates	***Shareholding Interest (%)***
Garanti Turizm ve Yatırım İşletmeleri AŞ	44.89
Doc Finance SA	29.00

25 **Affiliates and associates** (continued)

During the current period, the shares in İksir Uluslararası Elektronik Ticaret Bilgilendirme ve Haberleşme Hizmetleri AŞ, one of its non-financial associates were sold in two transactions at a total price of YTL 3,535 thousands to E Haber Ajansı Reklam ve Ticaret AŞ, a related party.

26 Discontinued operation

A Share Purchase Agreement has been signed between Koç Holding AŞ and its participation Migros Türk Ticaret AŞ, and Doğuş Holding AŞ, certain Doğuş Group of companies and also the Bank on 18 August 2005 including the Bank's shares in Tansaş Perakende Mağazacılık Ticaret AŞ (Tansaş), a consolidated non-financial affiliate, as recorded at its net asset value and goodwill in total of YTL 132,292 thousands in the accompanying consolidated financial statements. At 10 November 2005, in accordance with the signed Share Purchase Agreement, the Tansaş shares owned by Doğuş Group of companies in total representing 70.77% ownership in Tansaş were sold.

In accordance with the Share Purchase Agreement, the total value of Tansaş amounts to US$ 547 millions and the value of the shares held by the Bank amounted to US$ 148,850,326. US$ 122,454,564 of the sale price was collected immediately in cash at closing. The remaining US$ 26,395,762 will be collected in ten equal installments in five years semi-annually, taking into account the interest due to term payments. The purchase price may be subject to change based on the findings during due diligence process that has not been completed yet.

By taking the above mentioned selling price into consideration, on IFRS basis a gain amounting approximately US$ of 49 millions as at 30 September 2005 is calculated on the disposal of Tansaş, being the proceeds of disposal less the carrying amount of the consolidated affiliate's net assets and attributable goodwill. In accordance with IFRS the gain on sale of Tansaş will be a permanent difference, therefore there is no recognized deferred tax effect of this sale in the accompanying consolidated financial statements.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

26 Discontinued operation (continued)

The results of the discontinued operation included in the accompanying consolidated income statement are as follows:

	30 September 2005	*30 September 2004*
Gross profit from retail business	227,933	188,259
Expenses	(206,880)	(230,924)
Profit before tax	21,053	(42,665)
Attributable tax expense	(14,661)	3,778
Gain/(loss) on disposal of discontinued operation	6,392	(38,887)

As at 30 September 2005, Tansaş had YTL 8,153 thousands (30 September 2004: YTL 4,830 thousands) of interest on deposits at banks and YTL 5,332 thousands (30 September 2004: YTL 90 thousands) of fee and commission expense from intercompany transactions that are eliminated in the accompanying consolidated financial statements during consolidation process.

During the nine-month period, Tansaş contributed YTL 31,454 thousands (30 September 2004: YTL 51,052 thousands) to the Bank's net operating cash flow, paid YTL 23,797 thousands (30 September 2004 : YTL 26,425 thousands)in respect of investing activities and paid YTL 4,488 thousands (30 September 2004 : YTL 23,651 thousands)in respect of financing activities.

The effect of discontinued operation on segment results is also included in note 1 under retail segment.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 30 September 2005 pursuant to IAS 29)

26 Discontinued operation (continued)

The major classes of assets and liabilities comprising the operation classified as held for sale are as follows:

	30 September 2005	*31 December 2004*
Cash and balances with Central Banks	6,572	3,404
Financial assets at fair value through profit or loss	22,805	-
Loans and advances to banks	102,282	92,122
Other assets	110,478	78,900
Security investments	-	5,846
Investments in equity participations	126	126
Tangible assets, net	183,168	189,782
Intangible assets, net	27,589	27,589
Deferred tax asset	72,326	86,987
Total assets classified as held for sale	525,346	484,756
Loans and advances from banks	15,042	19,530
Other liabilities and accrued expenses	294,569	255,446
Total liabilities associated with assets classified as held for sale	309,611	274,976
Net assets of disposal group	215,735	209,780
Bank's share in net assets of disposal group	52,018	50,582
Goodwill associated with assets classified as held for sale	58,296	58,296
Financial assets at fair value through profit or loss	21,978	16,998
Total of net assets of disposal group	132,292	125,876

As at 30 September 2005, Tansaş had YTL 94,371 thousands (31 December 2004: YTL 88,649 thousands) of loans and advances to banks, YTL 481 thousands (31 December 2004: YTL 235 thousands) of other assets, YTL 2 thousands (31 December 2004: YTL 1,323 thousands) of loans and advances from banks, YTL 40,276 thousands (31 December 2004: YTL 32,792 thousands) of other liabilities and accrued expenses from intercompany balances that are eliminated in the accompanying consolidated financial statements during consolidation process.

27 Significant events

27.1 Doğuş Holding AŞ, has signed a Share Purchase Agreement with General Electric (GE) on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank issued share capital.

Accordingly, the total value of the Bank's all shares amounts to US$ 6.1 billions and the total value of 53,550,000,000 shares amounts to US$ 1,555,500,000. Furthermore, GE has decided to acquire 182 founder shares (49.2%) of the Bank from Somtaş Tarım ve Ticaret AŞ, a participation of Doğuş Holding AŞ at a price of US$ 250 millions. The payment for the shares will be immediate cash at closing.

According to the agreement, certain non-financial participations and real estates will be taken over by Doğuş Holding AŞ at a total price of YTL 958 millions calculated based on the financial statements as of 31 March 2005 of which 50% will be paid at the closing date and 25% at the first anniversary and the remaining at the second anniversary.

The completion of the sale is dependent on receiving the necessary permissions from BRSA, Competition Board and other related regulatory bodies. As of reporting date, the permission from the Competition Board has been received. Furthermore, the share transfer will be realized upon the ratification of the legislation on the transfer of the banks' pension funds to the Social Security Foundation. The new banking legislation was recently approved by the related legal authorities, however has not yet been in force.

27.2 As per the resolution of the Board of Directors dated 5 May 2005, it has been decided to sell the Bank's share in Akarnet Konaklama Tesisleri Yatırım ve İşletmeleri AŞ, a consolidated non-financial affiliate. As of the reporting date, the selling procedures have not been completed yet.

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