



*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 3.1.1)*

**Türkiye Garanti Bankası Anonim Şirketi**  
**Unconsolidated Financial Statements**  
**As of and For the Year Ended**  
**31 December 2005**  
*(Convenience Translation of Financial Statements and Related  
Disclosures and Footnotes Originally Issued in Turkish)*  
**With Independent Auditors' Report Thereon**

Akis Serbest Muhasebeci  
Mali Müşavirlik AŞ  
17 February 2006

*This report contains "Independent Auditors' Report"  
comprising 1 page and "Unconsolidated Financial  
Statements and Related Disclosures and  
Footnotes" comprising 82 pages.*



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**Convenience Translation of the Auditor's Report  
Originally Prepared and Issued in Turkish (See Note 3.1.1)**

**To the Board of Directors of Türkiye Garanti Bankası AŞ:**

We have been engaged to audit the balance sheet of Türkiye Garanti Bankası AŞ ("the Bank") as of 31 December 2005 and the related income statement, statement of cash flows and statement of changes in shareholders' equity for the year ended. These financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the regulations related with the "Accounting and Reporting System" and "Independent Audit Principles" of (Turkish) Banking Law No 5411. These regulations require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; also assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası AŞ as of 31 December 2005 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 and the temporary Article 1 of (Turkish) Banking Law No 5411.

İstanbul,  
17 February 2006

Akis Serbest Muhasebeci  
Mali Müşavirlik  
Anonim Şirketi

Bülent Ejder  
Partner  
Certified Public Accountant

**Additional paragraph for convenience translation to English:**

As explained in Note 3.1.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

## **Türkiye Garanti Bankası Anonim Şirketi**

Unconsolidated Financial Report as of and for the Year Ended  
31 December 2005

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The Unconsolidated Financial Report prepared in accordance with the Statement no.17 “Financial Statements and Related Disclosures and Footnotes to be Announced to Public” as regulated by Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections:

1. General Information about the Bank
2. Unconsolidated Financial Statements
3. Accounting Policies
4. Financial Position and Results of Operations
5. Disclosures and Footnotes on Unconsolidated Financial Statements
6. Other Disclosures and Footnotes
7. Independent Auditors’ Report

The unconsolidated financial statements and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the “Regulation on Accounting Standards” and the related statements and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in thousands of New Turkish Lira (YTL); and enclosed.

<b>Ferit F. Şahenk</b> Board of Directors Chairman	<b>M. Cüneyt Sezgin</b> Board of Directors Member Responsible of Internal Control System	<b>S. Ergun Özen</b> General Manager	<b>Aydın Şenel</b> Coordinator	<b>Mustafa Keleş</b> Accounting Manager (V)
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The authorized contact person for questions on this financial report

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	<b>Page No:</b>
<b><u>SECTION ONE</u></b>	
General Information	
I. History of the Bank including its incorporation date, initial legal status, amendments to legal status	1
II. Bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the year and information on Bank's risk group	1
III. Information on the Bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents, change in top management and their shareholdings in the Bank	2
IV. Bank's activities and services	3
V. Other information	3
<b><u>SECTION TWO</u></b>	
Unconsolidated Financial Statements	
I. Balance sheets - Assets	4
II. Balance sheets - Liabilities	5
III. Off-balance sheet items	6
IV. Income statement	7
V. Statement of cash flows	8
VI. Statement of changes in shareholders' equity	9
VII. Statement of profit distribution	10
<b><u>SECTION THREE</u></b>	
Accounting Policies	
I. Basis of presentation	11
II. Forwards, options and other derivative transactions	11
III. Netting of financial instruments	12
IV. Interest income and expenses	12
V. Fees and commissions	12
VI. Trading securities	12
VII. Repurchase and resale agreements and transactions related to lending of securities	12
VIII. Investment securities held-to-maturity, investment securities available for sale and originated loans and receivables	13
IX. Originated loans and receivables and specific and general provisions	13
X. Goodwill and other intangible assets	14
XI. Tangible assets	14
XII. Leasing activities	15
XIII. Provisions and contingencies	15
XIV. Obligations of the Bank concerning the employee rights	15
XV. Taxation	16
XVI. Funds borrowed	17
XVII. Paid-in capital and treasury stocks	17
XVIII. Acceptances	17
XIX. Government incentives	17
XX. Segment reporting	17
<b><u>SECTION FOUR</u></b>	
Financial Position and Results of Operations	
I. Strategy for use of financial instruments and foreign currency operations	18
II. Capital adequacy ratio	19
III. Credit risk	22
IV. Market risk	24
V. Foreign currency exchange rate risk	25
VI. Interest rate risk	27
VII. Liquidity risk	31
VIII. Fair values of financial assets and liabilities	33
IX. Transactions carried out on behalf of customers, items held in trust	33
X. Disclosure on operation segments	33
<b><u>SECTION FIVE</u></b>	
Disclosures and Footnotes on Unconsolidated Financial Statements	
I. Assets	35
II. Liabilities	54
III. Income statement	63
IV. Off-balance sheet items	68
V. Statement of changes in shareholders' equity	72
VI. Statement of cash flows	74
VII. Accounting for entities acquired through mergers and acquisitions	75
VIII. Related party risks	76
IX. Accounting in hyperinflationary economies	78
X. Domestic, foreign and off-shore branches and foreign representative offices	79
XI. Significant events and matters arising subsequent to balance sheet date	80
<b><u>SECTION SIX</u></b>	
Other Disclosures and Footnotes	
I. Other disclosures on activities of the Bank	81
<b><u>SECTION SEVEN</u></b>	
Independent Auditor's Report	
I. Disclosure on Independent Auditor's Report	82

## **1 General Information**

### **1.1 History of the Bank including its incorporation date, initial legal status, amendments to legal status**

Türkiye Garanti Bankası Anonim Şirketi (the Bank) was established by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and its “Articles of Association” was issued in the Official Gazette dated 25 April 1946. The Bank provides banking services through 359 domestic branches, three foreign branches and five representative offices abroad. The Bank’s head office is located in Istanbul.

### **1.2 The Bank’s shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the year and information on Bank’s risk group**

Group of Companies under Doğuş Holding AŞ that currently owns 27.54% shares of the Bank, is called as the Doğuş Group (the Group). On 22 December 2005, Doğuş Holding AŞ has completed the sale of 53,550,000,000 shares composing 25.5% of the Bank’s issued share capital to “GE Araştırma ve Müşavirlik Limited Şti.” of General Electric (GE) group as explained in Note 5.2.14.13. Accordingly, GE acquired a joint control on the Bank’s management.

#### **Doğuş Group**

The Group was established in 1951 as a construction and contracting firm. In addition to the construction sector, the Group operates in a variety of businesses consisting of financial services, automotive, retail, media, tourism and service sectors with more than 15.000 employees.

The Group already operates partnerships and has distribution, management and franchise agreements with internationally recognized brand names, such as Volkswagen, Audi, Porsche, Seat, Scania, ITT Sheraton, Hyatt Regency, Jeeves, Armani, Gucci and CNBC.

In the construction sector, the Group has an important role in certain ongoing projects such as Araklı-İyidere, Çukurova, Sinop-Boyabat, Asilah-Tanger (Morocco) motorways, Yusufeli and Artvin dams, Ukraine Dnyeper bridge.

The Group has tourism investments such as Sheraton Voyager, Club Aldiana and Paradise Side Apart Otel and five marinas which are adjudicated by “build, operate and transfer model” such as Dalaman, Didim, Turgutreis, Bodrum and Antalya.

The investments of the Group in the financial sector are; Türkiye Garanti Bankası AŞ, Garanti Bank International NV, Garanti Bank Moscow, Garanti Finansal Kiralama AŞ, Garanti Yatırım Menkul Kıymetler AŞ, Garanti Portföy Yönetimi AŞ, Garanti Sigorta AŞ, Garanti Emeklilik AŞ, Garanti Faktoring Hizmetleri AŞ, Garanti Ödeme Sistemleri AŞ, Garanti Gayrimenkul Yatırım Ortaklığı AŞ and Volkswagen Doğuş Tüketici Finansmanı AŞ.

#### **General Electric Group**

GE is a company providing variety of technology, media and financial services including aircraft engine and energy production, water and security technologies, medical systems, corporate-retail financing services and media services.

GE operates in more than 100 countries through its six major business lines providing services through their own business units with more than 300.000 employees. These six business lines are; GE Consumer Finance, GE Commercial Finance, GE Healthcare, GE Industrial, GE Infrastructure, NBC Universal.

GE Consumer Finance, one of its six major business lines extend loans to consumers, retailers and car vendors in 41 countries. Total assets of GE Consumer Finance amounts to US\$ 151 billions. GE Consumer Finance provides variety of financial products such as store credit cards, consumer loans, bank cards, automobile loans and leasing, mortgage, corporate traveling and spending cards, debt consolidation, housing loans through mortgage and credit insurance.

GE Consumer Finance operates in 21 countries of Europe. For the year 2004, its total assets in Europe exceeded US\$ 74 billions and the company achieved a net profit of US\$ 1,159 millions with 16.000 employees.

### **1.3 Information on the Bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents, change in top management and their shareholdings in the Bank**

Board of Directors Chairman and Members:

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking and Business Administration</b>
Ferit Faik Şahenk	Chairman	18.04.2001	University	15 years
Stüleyman Sözen	Vice Chairman	08.07.2003	University	23 years
Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	20 years
Dr. Ahmet Kamil Esirtgen	Member	19.03.1992	PhD	31 years
Richard Alan Laxer	Member	22.12.2005	University	22 years
Daniel Noel O'Connor	Member	22.12.2005	Master	8 years
Charles Edward Alexander	Member	22.12.2005	University	25 years
Dimitri Lysander Stockton	Member	22.12.2005	University	14 years
Sait Ergun Özen	Member and CEO	14.05.2003	University	18 years

CEO and Executive Vice Presidents:

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking and Business Administration</b>
Sait Ergun Özen	CEO	01.04.2000	University	18 years
Adnan Memiş	EVP-Support Services	03.06.1991	University	28 years
Ali Fuat Erbil	EVP-Retail Banking	30.04.1999	PhD	13 years
Ali Temel	EVP-Loans	21.10.1999	University	15 years
Gökhan Erun	EVP-Human Resources	18.08.2005	Master	11 years
Faruk Nafiz Karadere	EVP-SME Banking	01.05.1999	University	23 years
Halil Hüsnü Erel	EVP-Operational Services	16.06.1997	University	20 years
Kubilay Cinemre	EVP-Treasury and Investment Banking	06.06.2000	University	18 years
Tolga Egemen	EVP-Financial Institutions and Corporate Banking	21.09.2000	University	13 years
Turgay Gönensin	EVP-Commercial Banking	15.12.2001	University	20 years

The top management listed above does not hold any unquoted shares of the Bank.

## **1.4 The Bank's activities and services**

Activities of the Bank as stated at the third clause of its Articles of Association are as follows:

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits set forth by the Banking Law;
- Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,
- Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by official and private institutions,
- Developing economical and financial relations with foreign organizations,
- Dealing with all economic operations in compliance with the Banking Law.

The Bank's activities are not limited to those disclosed in that third clause, but whenever the Board of Directors deems any operations other than those stated above to be of benefit to the Bank, it is recommended in the general meeting, and the launching of the related project depends on the decision taken during the General Assembly which results in a change in the Articles of Association and on the approval of this decision by the Ministry of Industry and Commerce. Accordingly, the approved decision is added to the Articles of Association.

The Bank is not a specialized bank but deals with all kinds of banking activities. Deposits are the main sources of the lendings to the customers. The Bank grants loans to companies operating in various sectors while aiming to maintain the required level of efficiency and profitability.

The Bank also grants non-cash loans to its customers; especially letters of guarantee, letters of credit and acceptance credits.

## **1.5 Other information**

Bank's commercial title	: Türkiye Garanti Bankası Anonim Şirketi
Bank's headoffice address	: Levent Nispetiye Mah. Aytar Cad. No:2 Beşiktaş 34340 İstanbul
Bank's phone and fax numbers	: Phone – 90 212 318 18 18 Fax – 90 212 216 64 22
Bank's website address	: <a href="http://www.garanti.com.tr">www.garanti.com.tr</a> / <a href="http://www.garantibank.com.tr">www.garantibank.com.tr</a>
Bank's e-mail address	: <a href="mailto:investorrelations@garanti.com.tr">investorrelations@garanti.com.tr</a>
Reporting period	: 1 January – 31 December 2005

Unless stated otherwise, the accompanying unconsolidated financial statements, disclosures and footnotes are presented in thousands of New Turkish Lira (YTL).

## 2 Unconsolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

### Türkiye Garanti Bankası Anonim Şirketi Balance Sheet At 31 December 2005

(Thousands of New Turkish Lira (YTL))

ASSETS	Footnotes	CURRENT PERIOD 31 December 2005			PRIOR PERIOD 31 December 2004		
		YTL	FC	Total	YTL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	<b>5.1.1</b>	<b>110,036</b>	<b>1,860,652</b>	<b>1,970,688</b>	<b>62,803</b>	<b>1,228,128</b>	<b>1,290,931</b>
1.1 Cash in YTL		107,356	-	107,356	62,013	-	62,013
1.2 Cash in foreign currency		-	90,301	90,301	-	127,515	127,515
1.3 Balances with the Central Bank of Turkey		235	1,769,592	1,769,827	342	1,098,107	1,098,449
1.4 Other		2,445	759	3,204	448	2,506	2,954
<b>II. TRADING SECURITIES (Net)</b>	<b>5.1.2</b>	<b>37,303</b>	<b>176,187</b>	<b>213,490</b>	<b>201,440</b>	<b>74,382</b>	<b>275,822</b>
2.1 Public sector debt securities		37,303	175,824	213,127	201,440	73,824	275,264
2.1.1 Government bonds		36,032	161,829	197,861	180,971	72,473	253,444
2.1.2 Treasury bills		1,270	-	1,270	20,469	-	20,469
2.1.3 Other		1	13,995	13,996	-	1,351	1,351
2.2 Share certificates		-	-	-	-	-	-
2.3 Other securities		-	363	363	-	558	558
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>	<b>5.1.3</b>	<b>93,975</b>	<b>929,631</b>	<b>1,023,606</b>	<b>34,891</b>	<b>208,703</b>	<b>243,594</b>
3.1 Banks		93,975	929,631	1,023,606	34,891	208,703	243,594
3.1.1 Domestic banks		61,370	629,739	691,109	12,611	89,309	101,920
3.1.2 Foreign banks		32,605	299,892	332,497	22,280	119,394	141,674
3.1.3 Foreign branches		-	-	-	-	-	-
3.2 Other financial institutions		-	-	-	-	-	-
<b>IV. INTERBANK MONEY MARKET</b>							
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements	5.1.4	-	-	-	-	-	-
<b>V. INVESTMENT SECURITIES AVAILABLE FOR SALE (Net)</b>	<b>5.1.5</b>	<b>5,665,118</b>	<b>2,674,241</b>	<b>8,339,359</b>	<b>2,707,093</b>	<b>2,673,967</b>	<b>5,381,060</b>
5.1 Share certificates		39,950	-	39,950	67,915	-	67,915
5.2 Other securities		5,625,168	2,674,241	8,299,409	2,639,178	2,673,967	5,313,145
<b>VI. LOANS</b>	<b>5.1.6</b>	<b>9,389,996</b>	<b>7,547,199</b>	<b>16,937,195</b>	<b>5,166,274</b>	<b>5,335,102</b>	<b>10,501,376</b>
6.1 Short term		5,480,082	2,088,325	7,568,407	4,736,717	2,072,309	6,809,026
6.2 Medium and long term		3,672,491	5,458,874	9,131,365	241,268	3,262,793	3,504,061
6.3 Loans under follow-up		714,938	-	714,938	431,826	-	431,826
6.4 Specific provisions (-)		477,515	-	477,515	243,537	-	243,537
<b>VII. FACTORING RECEIVABLES</b>	<b>5.1.7</b>						
<b>VIII. INVESTMENT SECURITIES HELD TO MATURITY (Net)</b>	<b>5.1.8</b>	<b>988</b>	<b>2,399,967</b>	<b>2,400,955</b>	<b>976,483</b>	<b>2,629,216</b>	<b>3,605,699</b>
8.1 Public sector debt securities		988	2,399,967	2,400,955	976,483	2,587,331	3,563,814
8.1.1 Government bonds		988	2,270,317	2,271,305	976,483	2,587,331	3,563,814
8.1.2 Treasury bills		-	-	-	-	-	-
8.1.3 Other		-	129,650	129,650	-	-	-
8.2 Other securities		-	-	-	-	41,885	41,885
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>5.1.9</b>	<b>26,234</b>	<b>4,401</b>	<b>30,635</b>	<b>154,616</b>	<b>5,024</b>	<b>159,640</b>
9.1 Financial investments in associates		-	4,401	4,401	-	5,024	5,024
9.2 Non-Financial investments in associates		26,234	-	26,234	154,616	-	154,616
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>5.1.10</b>	<b>358,382</b>	<b>252,770</b>	<b>611,152</b>	<b>1,102,991</b>	<b>291,860</b>	<b>1,394,851</b>
10.1 Financial investments in subsidiaries		350,491	252,770	603,261	276,459	291,860	568,319
10.2 Non-Financial investments in subsidiaries		7,891	-	7,891	826,532	-	826,532
<b>XI. OTHER INVESTMENTS (Net)</b>	<b>5.1.11</b>						
<b>XII. FINANCIAL LEASE RECEIVABLES (Net)</b>	<b>5.1.12</b>						
12.1 Gross financial lease receivables		-	-	-	-	-	-
12.2 Unearned income (-)		-	-	-	-	-	-
<b>XIII. RESERVE DEPOSITS</b>		<b>983,691</b>	<b>1,115,765</b>	<b>2,099,456</b>	<b>332,942</b>	<b>1,000,043</b>	<b>1,332,985</b>
<b>XIV. MISCELLANEOUS RECEIVABLES</b>	<b>5.1.13</b>	<b>61,324</b>	<b>1,668</b>	<b>62,992</b>	<b>35,497</b>	<b>2,435</b>	<b>37,932</b>
<b>XV. ACCRUED INTEREST AND INCOME</b>	<b>5.1.14</b>	<b>449,829</b>	<b>308,324</b>	<b>758,153</b>	<b>237,635</b>	<b>306,924</b>	<b>544,559</b>
15.1 Loans		94,986	124,560	219,546	70,422	93,632	164,054
15.2 Securities		317,409	170,196	487,605	141,302	145,939	287,241
15.3 Other		37,434	13,568	51,002	25,911	67,353	93,264
<b>XVI. TANGIBLE ASSETS (Net)</b>	<b>5.1.15</b>	<b>1,407,296</b>	<b>990</b>	<b>1,408,286</b>	<b>1,262,723</b>	<b>1,613</b>	<b>1,264,336</b>
16.1 Cost		2,319,624	5,621	2,325,245	2,029,198	6,018	2,035,216
16.2 Accumulated Depreciation (-)		912,328	4,631	916,959	766,475	4,405	770,880
<b>XVII. INTANGIBLE ASSETS (Net)</b>	<b>5.1.16</b>	<b>13,930</b>	<b>3</b>	<b>13,933</b>	<b>20,862</b>	<b>5</b>	<b>20,867</b>
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		72,059	5	72,064	70,533	6	70,539
17.3 Accumulated Amortisation (-)		58,129	2	58,131	49,671	1	49,672
<b>XVIII. DEFERRED TAX ASSET</b>	<b>5.1.17</b>	<b>30,460</b>	<b>-</b>	<b>30,460</b>	<b>109,872</b>	<b>-</b>	<b>109,872</b>
<b>XIX. OTHER ASSETS</b>	<b>5.1.18</b>	<b>507,057</b>	<b>60,822</b>	<b>567,879</b>	<b>110,066</b>	<b>6,607</b>	<b>116,673</b>
<b>TOTAL ASSETS</b>		<b>19,135,619</b>	<b>17,332,620</b>	<b>36,468,239</b>	<b>12,516,188</b>	<b>13,764,009</b>	<b>26,280,197</b>

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi**  
**Balance Sheet**  
**At 31 December 2005**

(Thousands of New Turkish Lira (YTL))

LIABILITIES AND EQUITY	Footnotes	CURRENT PERIOD 31 December 2005			PRIOR PERIOD 31 December 2004		
		YTL	FC	Total	YTL	FC	Total
<b>I. DEPOSITS</b>	<b>5.2.1</b>	<b>12,544,422</b>	<b>11,033,601</b>	<b>23,578,023</b>	<b>7,777,032</b>	<b>9,835,209</b>	<b>17,612,241</b>
1.1 Bank deposits		436,946	134,856	571,802	431,260	210,661	641,921
1.2 Saving deposits		6,520,649	-	6,520,649	3,781,136	-	3,781,136
1.3 Public sector deposits		45,148	-	45,148	10,857	-	10,857
1.4 Commercial deposits		5,258,330	-	5,258,330	3,235,771	-	3,235,771
1.5 Other institutions deposits		283,349	-	283,349	318,008	-	318,008
1.6 Foreign currency deposits		-	10,880,085	10,880,085	-	9,617,844	9,617,844
1.7 Precious metals vault accounts		-	18,660	18,660	-	6,704	6,704
<b>II. INTERBANK MONEY MARKET</b>		<b>1,306,738</b>	<b>649,707</b>	<b>1,956,445</b>	<b>508,466</b>	<b>465,990</b>	<b>974,456</b>
2.1 Interbank money market takings		-	-	-	-	-	-
2.2 Istanbul Stock Exchange money market takings		-	-	-	199,650	-	199,650
2.3 Funds provided under repurchase agreements	<b>5.2.2</b>	1,306,738	649,707	1,956,445	308,816	465,990	774,806
<b>III. FUNDS BORROWED</b>	<b>5.2.3</b>	<b>122,070</b>	<b>5,390,780</b>	<b>5,512,850</b>	<b>124,743</b>	<b>3,423,003</b>	<b>3,547,746</b>
3.1 Funds borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2 Other funds borrowed		122,070	5,390,780	5,512,850	124,743	3,423,003	3,547,746
3.2.1 Domestic banks and institutions		122,070	40,675	162,745	124,743	72,822	197,565
3.2.2 Foreign banks, institutions and funds		-	5,350,105	5,350,105	-	3,350,181	3,350,181
<b>IV. SECURITIES ISSUED (Net)</b>	<b>5.2.4</b>	-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
<b>V. FUNDS</b>	<b>5.2.5</b>	-	-	-	-	-	-
<b>VI. MISCELLANEOUS PAYABLES</b>	<b>5.2.6</b>	<b>111,624</b>	<b>9,249</b>	<b>120,873</b>	<b>65,591</b>	<b>5,441</b>	<b>71,032</b>
<b>VII. OTHER EXTERNAL RESOURCES PAYABLE</b>	<b>5.2.7</b>	<b>49,294</b>	<b>569,927</b>	<b>619,221</b>	<b>61,798</b>	<b>460,944</b>	<b>522,742</b>
<b>VIII. TAXES AND OTHER DUTIES PAYABLE</b>	<b>5.2.8</b>	<b>63,817</b>	<b>77</b>	<b>63,894</b>	<b>43,612</b>	<b>39</b>	<b>43,651</b>
<b>IX. FACTORING PAYABLES</b>	<b>5.2.9</b>	-	-	-	-	-	-
<b>X. FINANCIAL LEASE PAYABLES (Net)</b>	<b>5.2.10</b>	-	<b>23,335</b>	<b>23,335</b>	-	<b>29,738</b>	<b>29,738</b>
10.1 Financial lease payables		-	26,870	26,870	-	35,647	35,647
10.2 Deferred financial lease expenses (-)		-	3,535	3,535	-	5,909	5,909
<b>XI. ACCRUED INTEREST AND EXPENSES</b>	<b>5.2.11</b>	<b>157,676</b>	<b>84,627</b>	<b>242,303</b>	<b>95,671</b>	<b>71,417</b>	<b>167,088</b>
11.1 Deposits		116,434	22,156	138,590	71,661	19,587	91,248
11.2 Borrowings		3,561	43,744	47,305	8,260	28,975	37,235
11.3 Repurchase agreements		4,428	4,078	8,506	3,822	10,195	14,017
11.4 Other		33,253	14,649	47,902	11,928	12,660	24,588
<b>XII. PROVISIONS</b>	<b>5.2.12</b>	<b>443,453</b>	<b>8,218</b>	<b>451,671</b>	<b>163,032</b>	<b>7,802</b>	<b>170,834</b>
12.1 General provisions		95,043	4,357	99,400	62,415	3,097	65,512
12.2 Reserve for employee termination benefits		7,868	-	7,868	12,570	-	12,570
12.3 Provisions for income taxes		213,397	-	213,397	1,488	-	1,488
12.4 Insurance technical provisions		-	-	-	-	-	-
12.5 Other provisions		127,145	3,861	131,006	86,559	4,705	91,264
<b>XIII. SUBORDINATED LOANS</b>	<b>5.2.13</b>	-	-	-	-	-	-
<b>XIV. DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XV. SHAREHOLDERS' EQUITY</b>	<b>5.2.14</b>	<b>3,842,023</b>	<b>57,601</b>	<b>3,899,624</b>	<b>3,061,050</b>	<b>79,619</b>	<b>3,140,669</b>
15.1 Paid-in capital		2,100,000	-	2,100,000	1,200,000	-	1,200,000
15.2 Supplementary capital		921,063	52,629	973,692	1,305,449	73,197	1,378,646
15.2.1 Share premium		-	-	-	-	-	-
15.2.2 Share cancellation profits		-	-	-	-	-	-
15.2.3 Securities value increase fund		141,502	52,629	194,131	68,021	73,197	141,218
15.2.4 Revaluation fund		2,147	-	2,147	9,143	-	9,143
15.2.5 Revaluation surplus		4,860	-	4,860	5,731	-	5,731
15.2.6 Other supplementary capital		772,554	-	772,554	-	-	-
15.2.7 Capital reserves from inflation adjustments to paid-in capital		-	-	-	1,222,554	-	1,222,554
15.3 Profit reserves		112,566	4,972	117,538	96,560	6,422	102,982
15.3.1 Legal reserves		47,842	1,419	49,261	25,144	1,193	26,337
15.3.2 Status reserves		-	-	-	-	-	-
15.3.3 Extraordinary reserves		64,587	-	64,587	71,416	-	71,416
15.3.4 Other profit reserves		137	3,553	3,690	-	5,229	5,229
15.4 Profit or loss		708,394	-	708,394	459,041	-	459,041
15.4.1 Prior periods profit/loss		-	-	-	8,492	-	8,492
15.4.2 Current period profit/loss		708,394	-	708,394	450,549	-	450,549
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>18,641,117</b>	<b>17,827,122</b>	<b>36,468,239</b>	<b>11,900,995</b>	<b>14,379,202</b>	<b>26,280,197</b>

# Türkiye Garanti Bankası Anonim Şirketi

## Off-Balance Sheet Items

At 31 December 2005

(Thousands of New Turkish Lira (YTL))

OFF-BALANCE SHEET ITEMS	Footnotes	CURRENT PERIOD 31 December 2005			PRIOR PERIOD 31 December 2004		
		YTL	FC	Total	YTL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>10,502,354</b>	<b>10,835,033</b>	<b>21,337,387</b>	<b>8,948,462</b>	<b>9,377,639</b>	<b>18,326,101</b>
<b>I. GUARANTEES</b>	5.4.1	<b>2,359,189</b>	<b>5,778,640</b>	<b>8,137,829</b>	<b>1,516,863</b>	<b>5,174,823</b>	<b>6,691,686</b>
1.1. Letters of guarantee		2,090,318	3,872,083	5,962,401	1,516,757	3,085,217	4,601,974
1.1.1. Guarantees subject to State Tender Law		228,643	724,043	952,686	1,516,757	-	1,516,757
1.1.2. Guarantees given for foreign trade operations		242,518	43,347	285,865	-	-	-
1.1.3. Other letters of guarantee		1,619,157	3,104,693	4,723,850	-	3,085,217	3,085,217
1.2. Bank acceptances		-	286,255	286,255	-	599,588	599,588
1.2.1. Import letter of acceptance		-	286,255	286,255	-	599,588	599,588
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		268,871	1,620,302	1,889,173	106	1,490,018	1,490,124
1.3.1. Documentary letters of credit		-	79,627	79,627	-	-	-
1.3.2. Other letters of credit		268,871	1,540,675	1,809,546	106	1,490,018	1,490,124
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Purchase guarantees for securities issued		-	-	-	-	-	-
1.7. Factoring related guarantees		-	-	-	-	-	-
1.8. Other sureties		-	-	-	-	-	-
1.9. Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>6,516,940</b>	<b>157,355</b>	<b>6,674,295</b>	<b>6,437,922</b>	<b>351,801</b>	<b>6,789,723</b>
2.1. Irrevocable commitments		6,516,940	157,190	6,674,130	6,437,922	351,801	6,789,723
2.1.1. Asset purchase commitments		13,203	80,626	93,829	51,686	349,777	401,463
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		12,000	-	12,000	18,758	544	19,302
2.1.4. Loan granting commitments		-	-	-	-	-	-
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		1,175,321	-	1,175,321	942,545	-	942,545
2.1.8. Tax and fund obligations on export commitments		25,639	-	25,639	40,247	-	40,247
2.1.9. Commitments for credit card limits		5,251,513	-	5,251,513	5,377,917	-	5,377,917
2.1.10. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.11. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		39,264	76,564	115,828	6,769	1,480	8,249
2.2. Revocable commitments		-	165	165	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	165	165	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	5.4.2	<b>1,626,225</b>	<b>4,899,038</b>	<b>6,525,263</b>	<b>993,677</b>	<b>3,851,015</b>	<b>4,844,692</b>
3.1. Forward foreign currency purchases/sales		156,328	285,629	441,957	90,171	294,808	384,979
3.1.1. Forward foreign currency purchases		24,226	182,488	206,714	47,415	139,156	186,571
3.1.2. Forward foreign currency sales		132,102	103,141	235,243	42,756	155,652	198,408
3.2. Currency and interest rate swaps		693,101	3,339,350	4,032,451	566,377	2,914,939	3,481,316
3.2.1. Currency swaps-purchases		176,658	1,853,897	2,030,555	-	1,783,847	1,783,847
3.2.2. Currency swaps-sales		503,384	1,478,852	1,982,236	566,377	1,118,731	1,685,108
3.2.3. Interest rate swaps-purchases		6,212	3,423	9,635	-	5,528	5,528
3.2.4. Interest rate swaps-sales		6,847	3,178	10,025	-	6,833	6,833
3.3. Currency, interest rate and securities options		646,764	973,285	1,620,049	337,129	267,244	604,373
3.3.1. Currency options-purchases		298,062	472,889	770,951	193,087	97,237	290,324
3.3.2. Currency options-sales		348,702	398,319	747,021	124,042	170,007	294,049
3.3.3. Interest rate options-purchases		-	-	-	-	-	-
3.3.4. Interest rate options-sales		-	-	-	-	-	-
3.3.5. Securities options-purchases		-	37,752	37,752	20,000	-	20,000
3.3.6. Securities options-sales		-	64,325	64,325	-	-	-
3.4. Currency futures		128,042	119,913	247,955	-	299,200	299,200
3.4.1. Currency futures-purchases		125,791	316	126,107	-	149,600	149,600
3.4.2. Currency futures-sales		2,251	119,597	121,848	-	149,600	149,600
3.5. Interest rate futures		1,990	-	1,990	-	-	-
3.5.1. Interest rate futures-purchases		1,990	-	1,990	-	-	-
3.5.2. Interest rate futures-sales		-	-	-	-	-	-
3.6. Others		-	180,861	180,861	-	74,824	74,824
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>	5.4.3	<b>82,517,397</b>	<b>86,389,714</b>	<b>168,907,111</b>	<b>46,737,631</b>	<b>62,850,363</b>	<b>109,587,994</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>29,933,026</b>	<b>6,197,970</b>	<b>36,130,996</b>	<b>17,053,813</b>	<b>6,211,890</b>	<b>23,265,703</b>
4.1. Customers' securities held		382	3,577,487	3,577,869	382	3,669,364	3,669,746
4.2. Investment securities held in custody		19,352,636	832,483	20,185,119	15,410,273	904,064	16,314,337
4.3. Checks received for collection		2,048,776	213,908	2,262,684	1,326,370	105,084	1,431,454
4.4. Commercial notes received for collection		509,926	1,559,300	2,069,226	306,157	1,526,542	1,832,699
4.5. Other assets received for collection		217	1,112	1,329	236	1,544	1,780
4.6. Assets received for public offering		-	8,756	8,756	-	-	-
4.7. Other items under custody		8,021,089	4,924	8,026,013	10,395	5,292	15,687
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>52,584,371</b>	<b>80,191,744</b>	<b>132,776,115</b>	<b>29,683,818</b>	<b>56,638,473</b>	<b>86,322,291</b>
5.1. Securities		238,405	60	238,465	196,292	71	196,363
5.2. Guarantee notes		4,511,386	3,763,402	8,274,788	2,421,477	3,275,291	5,696,768
5.3. Commodities		237	-	237	1,617	-	1,617
5.4. Warrants		-	-	-	-	-	-
5.5. Immovables		4,586,459	3,441,425	8,027,884	2,648,038	2,329,299	4,977,337
5.6. Other pledged items		43,247,714	72,981,384	116,229,098	24,416,224	51,027,935	75,444,159
5.7. Pledged items-depository		170	5,473	5,643	170	5,877	6,047
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>93,019,751</b>	<b>97,224,747</b>	<b>190,244,498</b>	<b>55,686,093</b>	<b>72,228,002</b>	<b>127,914,095</b>

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi**  
**Income Statement**  
**For the Year Ended 31 December 2005**

(Thousands of New Turkish Lira (YTL))

INCOME AND EXPENSE ITEMS		Footnotes	CURRENT PERIOD	PRIOR PERIOD
			2005	2004
<b>I.</b>	<b>INTEREST INCOME</b>	<b>5.3.1</b>	<b>3,467,476</b>	<b>3,048,946</b>
1.1	Interest on loans		1,974,921	1,447,641
1.1.1	Interest on YTL loans		1,574,183	1,105,284
1.1.1.1	Short term loans		1,415,922	1,073,882
1.1.1.2	Medium and long term loans		158,261	31,402
1.1.2	Interest on foreign currency loans		395,258	335,426
1.1.2.1	Short term loans		111,981	114,986
1.1.2.2	Medium and long term loans		283,277	220,440
1.1.3	Interest on loans under follow-up		5,480	6,931
1.1.4	Premiums received from Resource Utilisation Support Fund		-	-
1.2	Interest received from reserve deposits		67,784	62,300
1.3	Interest received from banks		46,757	32,455
1.3.1	The Central Bank of Turkey		6,003	6,007
1.3.2	Domestic banks		7,167	8,184
1.3.3	Foreign banks		33,587	18,264
1.3.4	Foreign headoffices and branches		-	-
1.4	Interest received from money market transactions		939	1,139
1.5	Interest received from marketable securities portfolio		1,326,950	1,448,668
1.5.1	Trading securities		38,270	232,658
1.5.2	Available-for-sale securities		984,082	686,237
1.5.3	Held to maturity securities		304,598	529,773
1.6	Other interest income		50,125	56,743
<b>II.</b>	<b>INTEREST EXPENSE</b>	<b>5.3.2</b>	<b>1,792,816</b>	<b>1,761,159</b>
2.1	Interest on deposits		1,413,786	1,435,694
2.1.1	Bank deposits		50,967	68,522
2.1.2	Saving deposits		749,315	753,690
2.1.3	Public sector deposits		7,516	249
2.1.4	Commercial deposits		373,359	372,308
2.1.5	Other institutions deposits		54,743	54,608
2.1.6	Foreign currency deposits		177,676	186,219
2.1.7	Precious metals vault accounts		210	98
2.2	Interest on money market transactions		188,314	193,246
2.3	Interest on funds borrowed		183,722	127,990
2.3.1	The Central Bank of Turkey		-	-
2.3.2	Domestic banks		19,784	28,820
2.3.3	Foreign banks		147,540	86,555
2.3.4	Foreign branches		-	-
2.3.5	Other financial institutions		16,398	12,615
2.4	Interest on securities issued		-	-
2.5	Other interest expense		6,994	4,229
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>1,674,660</b>	<b>1,287,787</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>737,637</b>	<b>554,659</b>
4.1	Fees and commissions received		998,533	777,226
4.1.1	Cash loans		72,546	55,178
4.1.2	Non-cash loans		63,198	63,075
4.1.3	Other		862,789	658,973
4.2	Fees and commissions paid		260,896	222,567
4.2.1	Cash loans		28,968	26,548
4.2.2	Non-cash loans		242	324
4.2.3	Other		231,686	195,695
<b>V.</b>	<b>DIVIDEND INCOME</b>		<b>1,140</b>	<b>1,208</b>
5.1	Trading securities		-	-
5.2	Available-for-sale securities		1,140	1,208
<b>VI.</b>	<b>NET TRADING INCOME/LOSS</b>		<b>133,434</b>	<b>162,814</b>
6.1	Profit/losses on trading account securities (Net)		(6,418)	94,967
6.1.1	Profit on trading account securities		484,866	413,537
6.1.1.1	Profit on derivatives		327,738	202,453
6.1.1.2	Others		157,128	211,084
6.1.2	Losses on trading account securities (-)		491,284	318,570
6.1.2.1	Losses on derivatives		390,944	178,418
6.1.2.2	Others		100,340	140,152
6.2	Foreign exchange gains/losses (Net)		139,852	67,847
6.2.1	Foreign exchange gains		2,066,570	4,227,068
6.2.2	Foreign exchange losses (-)		1,926,718	4,159,221
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>5.3.3</b>	<b>184,580</b>	<b>142,792</b>
<b>VIII.</b>	<b>TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>2,731,451</b>	<b>2,149,260</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)</b>	<b>5.3.4</b>	<b>446,657</b>	<b>424,759</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>5.3.5</b>	<b>1,352,401</b>	<b>1,084,484</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>932,393</b>	<b>640,017</b>
<b>XII.</b>	<b>INCOME/LOSSES FROM ASSOCIATES AND SUBSIDIARIES</b>	<b>5.3.6</b>	<b>2,001</b>	<b>59,324</b>
<b>XIII.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>(15,292)</b>
<b>XIV.</b>	<b>PROFIT/LOSS BEFORE TAXES (XI+XII+XIII)</b>		<b>934,394</b>	<b>684,049</b>
<b>XV.</b>	<b>PROVISION FOR TAXES ON INCOME (-)</b>	<b>5.3.7</b>	<b>226,000</b>	<b>233,500</b>
15.1	Current tax charge		167,056	-
15.2	Deferred tax charge/credit		58,944	233,500
<b>XVI.</b>	<b>NET OPERATING PROFIT/LOSS AFTER TAXES (XIV-XV)</b>		<b>708,394</b>	<b>450,549</b>
<b>XVII.</b>	<b>EXTRAORDINARY INCOME/EXPENSE AFTER TAXES</b>		<b>-</b>	<b>-</b>
17.1	Extraordinary net income/expense before taxes		-	-
17.1.1	Extraordinary income		-	-
17.1.2	Extraordinary expense (-)		-	-
17.2	Provision for taxes on extraordinary income (-)		-	-
<b>XVIII.</b>	<b>NET PROFIT/LOSS (XVI-XVII)</b>	<b>5.3.8</b>	<b>708,394</b>	<b>450,549</b>
	<b>EARNINGS PER SHARE (full YTL amount per YTL'000 face value each)</b>		<b>337</b>	<b>375</b>

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi**  
**Statement of Cash Flows**  
**For the Year Ended 31 December 2005**

(Thousands of New Turkish Lira (YTL))

<b>STATEMENT OF CASH FLOWS</b>		<b>Footnotes</b>	<b>CURRENT PERIOD</b>	<b>PRIOR PERIOD</b>
			<b>31 December 2005</b>	<b>31 December 2004</b>
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>		<b>1,104,779</b>	<b>1,188,939</b>
1.1.1	Interest received		3,316,264	3,264,899
1.1.2	Interest paid		(1,738,151)	(1,861,508)
1.1.3	Dividend received		3,141	60,532
1.1.4	Fees and commissions received		737,637	554,659
1.1.5	Other income		71,294	157,491
1.1.5	Collections from previously written off loans and other receivables		31,448	-
1.1.6	Payments to personnel and service suppliers		(1,168,981)	(972,255)
1.1.7	Taxes paid		(151,869)	-
1.1.8	Extraordinary items		-	-
1.1.9	Other	<b>5.6.1</b>	3,996	(14,879)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>		<b>1,628,283</b>	<b>(1,573,495)</b>
1.2.1	Net (increase) decrease in trading securities		62,332	654,337
1.2.2	Net (increase) decrease in due from banks and other financial institutions		(63,614)	1,952
1.2.3	Net (increase) decrease in loans		(6,632,276)	(2,769,683)
1.2.4	Net (increase) decrease in other assets		(817,597)	56,140
1.2.5	Net increase (decrease) in bank deposits		(70,119)	(98,621)
1.2.6	Net increase (decrease) in other deposits		6,035,901	1,317,026
1.2.7	Net increase (decrease) in funds borrowed		2,947,093	(726,684)
1.2.8	Net increase (decrease) in matured payables		-	-
1.2.9	Net increase (decrease) in other liabilities	<b>5.6.1</b>	166,563	(7,962)
<b>I.</b>	<b>Net cash flow from banking operations</b>		<b>2,733,062</b>	<b>(384,556)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net cash flow from investing activities</b>		<b>(1,431,031)</b>	<b>901,122</b>
2.1	Cash paid for purchase of investments, associates and subsidiaries		(45,067)	(33,409)
2.2	Cash obtained from sale of investments, associates and subsidiaries		696,589	128,478
2.3	Fixed assets purchases		(447,376)	(102,383)
2.4	Fixed assets sales		118,378	102,858
2.5	Cash paid for purchase of investments available for sale		(2,958,299)	(755,904)
2.6	Cash obtained from sale of investments available for sale		-	-
2.7	Cash paid for purchase of investment securities		-	-
2.8	Cash obtained from sale of investment securities		1,204,744	1,561,482
2.9	Extraordinary items		-	-
2.10	Other		-	-
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net cash flow from financing activities</b>		<b>(6,403)</b>	<b>(2,762)</b>
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Capital increase		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		(6,403)	(2,762)
3.6	Extraordinary items		-	-
3.7	Other	<b>5.6.1</b>	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>5.6.1</b>	<b>100,527</b>	<b>99,818</b>
<b>V.</b>	<b>Net increase (decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>1,396,155</b>	<b>613,622</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of period</b>	<b>5.6.4</b>	<b>1,492,054</b>	<b>878,432</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of period (V+VI)</b>	<b>5.6.5</b>	<b>2,888,209</b>	<b>1,492,054</b>

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi**  
**Statement of Changes in Shareholders' Equity**  
**For the Year Ended 31 December 2005**

(Thousands of New Turkish Lira (YTL))

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	Paid-In Capital	Capital Reserves from Inflation Adjustments to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Revaluation Fund	Revaluation Surplus	Securities Value Increase Fund	Total
<b>PRIOR YEAR (31/12/2004)</b>															
I. Balances at beginning of the year		822,038	1,205,884	-	-	-	-	-	-	-	468,306	26,993	4,143	262,618	2,789,982
II. Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	8,492	-	-	(37,147)	(28,655)
III. Adjusted balances at beginning of the year (I+II)		822,038	1,205,884	-	-	-	-	-	-	-	476,798	26,993	4,143	225,471	2,761,327
IV. Current year net profit		-	-	-	-	-	-	-	-	450,549	-	-	-	-	450,549
V. Profit distribution		-	-	-	-	25,144	-	443,162	-	-	(468,306)	-	-	-	-
5.1. Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.2. Transferred to legal reserves		-	-	-	-	25,144	-	443,162	-	-	(468,306)	-	-	-	-
5.3. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase		377,962	16,670	-	-	-	-	(371,746)	-	-	-	(22,886)	-	-	-
6.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2. Revaluation Fund		27,462	(4,576)	-	-	-	-	-	-	-	-	(22,886)	-	-	-
6.3. Revaluation Surplus		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.4. Securities Value Increase Fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.5. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.6. Issuance of share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.7. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.8. Others		350,500	21,246	-	-	-	-	(371,746)	-	-	-	-	-	-	-
VII. Bonds covertable to share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation increment		-	-	-	-	-	-	-	5,229	-	-	5,036	1,588	(84,253)	(72,400)
IX. Foreign exchange differences		-	-	-	-	1,193	-	-	-	-	-	-	-	-	1,193
Balances at end of the year (III+IV+V+VI+VII+VIII+IX)		1,200,000	1,222,554	-	-	26,337	-	71,416	5,229	450,549	8,492	9,143	5,731	141,218	3,140,669
<b>CURRENT YEAR (31/12/2005)</b>															
I. Balances at beginning of the year		1,200,000	1,222,554	-	-	26,337	-	71,416	5,229	-	459,041	9,143	5,731	141,218	3,140,669
II. Effect of changes in accounting policies	5.5.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at beginning of the year (I+II)		1,200,000	1,222,554	-	-	26,337	-	71,416	5,229	-	459,041	9,143	5,731	141,218	3,140,669
Increases during the year		-	-	-	-	-	-	-	3,759	-	-	-	-	109,917	113,676
IV. "Available-for-sale" securities	5.5.1.1	-	-	-	-	-	-	-	-	-	-	-	-	87,081	87,081
4.1. Net fair value gains/losses		-	-	-	-	-	-	-	-	-	-	-	-	87,081	87,081
V. Investments in associates and subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	22,836	22,836
5.1. Net fair value gains/losses		-	-	-	-	-	-	-	-	-	-	-	-	22,836	22,836
VI. Cash flow hedges		-	-	-	-	-	-	-	3,759	-	-	-	-	-	3,759
6.1. Net fair value gains/losses		-	-	-	-	-	-	-	3,759	-	-	-	-	-	3,759
Transfers		-	-	-	-	-	-	-	(5,435)	-	-	-	-	(57,004)	(62,439)
VII. "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	-	-	(57,004)	(57,004)
7.1. Transferred to net profit		-	-	-	-	-	-	-	-	-	-	-	-	(57,004)	(57,004)
VIII. Cash flow hedges		-	-	-	-	-	-	-	(5,435)	-	-	-	-	-	(5,435)
8.1. Transferred to net profit		-	-	-	-	-	-	-	(5,435)	-	-	-	-	-	(5,435)
8.2. Transferred to net assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Current year net profit		-	-	-	-	-	-	-	-	708,394	-	-	-	-	708,394
X. Profit distribution		-	-	-	-	22,953	-	436,088	-	-	(459,041)	-	-	-	-
10.1. Dividends	5.5.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.2. Transferred to legal reserves	5.5.4	-	-	-	-	22,953	-	436,088	-	-	(459,041)	-	-	-	-
10.3. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Capital increase	5.2.14.3	900,000	(450,000)	-	-	-	-	(442,917)	-	-	-	(7,083)	-	-	-
11.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Revaluation Fund		7,083	-	-	-	-	-	-	-	-	-	(7,083)	-	-	-
11.3. Revaluation Surplus		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.4. Securities Value Increase Fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.5. Capital reserves from inflation adjustments to paid-in capital		450,000	(450,000)	-	-	-	-	-	-	-	-	-	-	-	-
11.6. Issuance of share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.7. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.8. Others		442,917	-	-	-	-	-	(442,917)	-	-	-	-	-	-	-
XII. Bonds covertable to share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Revaluation increment		-	-	-	-	-	-	-	-	-	87	(871)	-	-	(784)
XIV. Foreign exchange differences		-	-	-	-	(29)	-	-	137	-	-	-	-	-	108
Balances at end of the year (III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV)		2,100,000	772,554	-	-	49,261	-	64,587	3,690	708,394	-	2,147	4,860	194,131	3,899,624

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi**

**Statement of Profit Distribution**

At 31 December 2005

(Thousands of New Turkish Lira (YTL))

		CURRENT PERIOD	PRIOR PERIOD
		2005	2004
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1	CURRENT YEAR PROFIT	934,394	684,049
1.2	TAXES AND DUTIES PAYABLE (-)	(226,000)	(233,500)
1.2.1	Corporate Tax (Income tax)	(226,000)	(233,500)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	-	-
<b>A.</b>	<b>NET PROFIT FOR THE YEAR (-)</b>	<b>708,394</b>	<b>450,549</b>
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	22,528
1.5	OTHER STATUTORY RESERVES (-)	-	-
<b>B.</b>	<b>NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>		<b>428,021</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of redeemed shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of redeemed shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	(428,021)
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>	-	-
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of redeemed shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE (per YTL'000 face value)</b>		
3.1	TO OWNERS OF ORDINARY SHARES (full YTL)	337	375
3.2	TO OWNERS OF ORDINARY SHARES (%)	33.7%	37.5%
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>	-	-
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

The profit distribution will be decided during the General Assembly.

### **3 Accounting policies**

#### **3.1 Basis of presentation**

The new Turkish Banking Law No 5411 has been published on the Official Gazette No 25983 dated 1 November 2005 and became effective. However, the legislation on accounting standards of the previous Law No 4389 will remain in effect until the related regulations, articles and decisions to be issued in accordance with the temporary Article 1 of the Turkish Banking Law No 5411. In this report, the references made to the Law No 4389 are within the scope of this temporary Article.

The Bank keeps its accounting records and prepares its financial statements and the related footnotes in accordance with accounting and valuation standards as described in Article 13 of "Accounting and Recording Rules" of the Turkish Banking Law No 4389, and "Regulation on Accounting Standards" published by the Banking Regulation and Supervision Agency (BRSA) which has been in effect since 1 October 2002.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for the trading securities, investment securities available for sale, investments, associates and subsidiaries that are quoted on the stock exchanges and assets held for resale which are presented on a fair value basis. In BRSA's Circular no.BDDK.DZM.2/13/-d-5 on 28 April 2005, it was stated that as of January 2005, the majority of the criterias confirming the existence of a hyperinflationary economy are not valid anymore. Accordingly, the inflation accounting that had been applied upto the end of 2004, had been ceased from 1 January 2005.

##### **3.1.1 Additional paragraph for convenience translation to English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

#### **3.2 Forwards, options and other derivative transactions**

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contacts. The Bank does not have any embedded derivatives.

According to the Statement no.1 of the "Regulation on Accounting Standards", Accounting Standard for Financial Instruments; forward foreign currency purchases/sales, swaps, options and futures are classified "hedging purposes" and "trading purposes". Derivatives are initially recorded in off-balance sheet accounts at their purchase costs including the transaction costs. Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded under Accrued Interest and Income or Accrued Interest and Expenses, respectively. The subsequent fair value changes are recorded under Statements of Operations for trading derivatives and under Shareholders' Equity for hedging derivatives.

The spot legs of currency swap transactions are recorded on the balance sheet and the forward legs in the off-balance sheet accounts.

### **3.3 Netting of financial instruments**

In cases where the fair values of trading securities, investment securities available-for-sale, securities quoted at the stock exchanges, associates and subsidiaries are under their carrying values, a provision for impairment is allocated, and the net value is shown on the balance sheet.

The Bank provides specific allowances for loan and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The allowances are recorded under “Loans” as negative balances on the assets side.

Otherwise, the financial assets and liabilities are netted off only when there is a legal right to do so.

### **3.4 Interest income and expenses**

Interest income and expenses are recorded on an accrual basis of accounting. Currency differences of foreign currency-indexed loans and securities are recorded under “other operating income” if they are positive but under “other operating expenses” if negative. The interest income accruals on non-performing loans are not recognised as income until collection.

### **3.5 Fees and commissions**

Fees and commissions received and paid, other fees and commissions paid to financial institutions, incomes derived from agreements and asset purchases from third parties are recognized as income only when collected.

### **3.6 Trading securities**

Trading securities are valued at their fair values and gain/loss arising is recorded in the income statement. However, securities for which fair values could not be determined reliably are valued using discounting method with internal rate of return for the ones with a fixed maturity; and using valuation models or discounted cash flow techniques for the ones without a fixed maturity. Interest income derived from the trading securities are included in interest income, in case of sale before maturity, the gains/losses on such sales are recorded under trading account income/loss.

### **3.7 Repurchase and resale agreements and transactions related to lending of securities**

Securities sold under repurchase agreements are recorded on the balance sheet since 1 February 2002 in accordance with the changes in the Uniform Chart of Accounts for Banks in compliance with the Letter issued by the BRSA, BDDK.DZM.2/13-1382. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the Bank management’s future intentions, either at market prices or using discounting method with internal rate of return. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis.

Securities purchased under resale agreements are classified under “Interbank Money Market” separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

### **3.8 Investment securities held-to-maturity, investment securities available for sale and originated loans and receivables**

Held-to-maturity securities are financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding originated loans and receivables.

Investment securities available-for-sale, are financial assets other than securities held for trading purposes, securities held-to-maturity and originated loans and receivables.

Originated loan and receivables are financial assets raised by the Bank providing money, commodity and services to debtors.

Securities are recorded at their purchase costs including the transaction costs. Subsequently, the investment securities available-for-sale are valued at their fair values. However, securities for which fair values could not be determined reliably are valued using discounting method with internal rate of return for the ones with a fixed maturity; and using valuation models or discounted cash flow techniques for the ones without a fixed maturity. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in "securities value increase fund" under the shareholders' equity. In case of sales, the realized gain/losses are recognized directly in the statement of operations. Held-to-maturity securities and originated loans are recorded using discounting method with internal rate of return after deducting impairments, if any.

There are no financial assets that are not allowed to be classified as investment securities held-to-maturity for two years due to any violations in applications.

Interest earned on investment securities held-to-maturity are recognized as interest income.

Purchase and sale transactions of investment securities held-to-maturity are accounted at delivery dates.

### **3.9 Originated loans and receivables and specific and general provisions**

Originated loans and receivables are recorded at their purchase costs and valued using discounting method with internal rate of return in the subsequent periods.

The Bank provides allowances for non-performing loans that are deducted from the current period profit. The provisioning is provided by the Bank's management against potential losses that may arise in the future and based on the quality of the loan portfolio and potential risk factors including, economic and other related factors.

The Bank provides specific allowances for loans in Groups III, IV and V and general provision for other cash and non-cash loans in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables as described in Paragraph 11 of Article 3 and Paragraph 12 of Article 11 of the Turkish Banking Law no.4389 as amended by Act No.4672 as published in the Official Gazette no.24448 dated 30 June 2001, and in accordance with the amendment to the above regulation as republished in the Official Gazette no.24657 dated 31 January 2002.

The allowances are released from the statement of operations through credit entries to “provision for loan losses or other receivables” for the current period allowances released, and credited to “other operating income” for the prior period allowances recovered.

### **3.10 Goodwill and other intangible assets**

The Bank’s intangible assets consist of pre-operating expenses.

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Assets purchased before 2005 are amortised over their estimated useful lives on a straight-line basis. From the beginning of 2005, newly purchased assets are amortised based on the declining balance which is one of the accelerated amortisation methods.

Estimated useful lives of the Bank’s intangible assets are 5-10 years, and amortisation rates are 10-20%.

### **3.11 Tangible assets**

The cost of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs.

In compliance with the Statement no.7 of “Regulation on Accounting Standards”; “Accounting Standard for Impairment of Assets”, in cases where the net book values of tangible assets are higher than their fair values, a provision for impairment is recognized in the financial statements for the excesses over the fair values.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net restated value and the net sales value. The losses arising from such transactions are recorded in the income statement and the profits are recorded under the shareholders equity to be transferred to paid-in capital.

Maintenance and repair costs are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

Depreciation rates and estimated useful lives are:

<b>Tangible assets</b>	<b>Estimated useful lives (years)</b>	<b>Current Period Depreciation Rates (%)</b>	<b>Prior Period Depreciation Rates (%)</b>
Buildings	50	4	2
Vaults	20-50	4-10	2-5
Motor vehicles	5-7	30-40	15-20
Other tangible assets	4-20	10-50	5-25

Tangible assets purchased before 2005 are depreciated over their estimated useful lives on a straight-line basis from the date of their acquisition. From the beginning of 2005, newly purchased tangible assets are depreciated based on the declining balance which is one of the accelerated depreciation methods.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

### **3.12 Leasing activities**

The maximum period of the leasing agreements is 4 years. Leased assets are recognized by recording an asset and a liability. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

Depreciation is calculated in compliance with the same principle as for the tangible assets.

In such cases where leased assets are impaired or the expected future benefits of the assets are less than their restated values, the book values of such leased assets are reduced to their net realizable values.

In operating leases, the rent payments are charged to the statement of operations in equal instalments.

### **3.13 Provisions and contingencies**

Provision requirements other than the specific and general provisions for loans and other receivables are assessed in compliance with the Statement no.8 "Accounting Standard for Allowances, Contingent Liabilities and Assets" of the "Regulation on Accounting Standards".

A general provision is reflected in the current period against potential risks in the future.

Provisions made during the period are recorded under "provision for loan losses or other receivables"; provisions that were booked in the prior periods and released in the current year are recorded under "other operating income".

### **3.14 Obligations of the Bank concerning the employee rights**

Employee rights are accounted in compliance with the Statement no.10, "Accounting Standard on Bank's Employee Rights" of the "Regulation on Accounting Standards". A provision is allocated for commitments arising from employment termination and notice indemnities based on total commitment amount taking into account the average of the actual payment ratios calculated dividing the actual payments by total commitments for the last five years in compliance with the Statement no.10 of the "Regulation on Accounting Standards".

As per the temporary Article no.23 of the Turkish Banking Law no.5411 as approved by the Turkish Parliament on 19 October 2005, pension funds similar to foundations are required to be transferred directly to Social Security Foundation (SSF) within a period of three years.

As per this new Law, a commission established by the representatives from various organizations will calculate the commitment for each fund based on the actuarial calculations made taking into account the revenues and expenses of the funds. The commitment to be calculated will be paid maximum in 15 years in equal instalments. The commission established under the coordination of the Ministry of Labour and Social Security is currently working on the methodology and parameters to be used for the calculation of such commitments. However, the President has applied to the Constitution Court for the annulment of this Article on 2 November 2005.

The employees of the Bank are the members of “Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı” (the Fund). The technical financial statements of the Fund are audited by the certified actuary according to the Article no.38 of the Insurance Law and the “Actuaries Regulation” issued as per this Article.

As per the actuarial calculation made on the technical financial statements of the Fund as of 31 December 2005 taking into account 10.24% as the technical interest rate that was defined during the studies under the coordination of the Ministry of Labour and Social Security, there is no technical or actual deficit that needs to be provided against. Furthermore, the Bank management believes that the Fund is capable of meeting its liabilities to be calculated by the commission mentioned above during the transfer of the Fund without any burden to the Bank.

### **3.15 Taxation**

#### **3.15.1 Corporate tax**

Corporate income tax is levied at the rate of 30% on the corporate income tax base, which is determined by modifying accounting income for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made. In accordance with the Law no.5035, announced on 2 January 2004 as published on the Official Gazette no.25334, the corporation tax rate applied was 33% only for the year 2004.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. All other dividend distributions are subject to a withholding tax of 10%. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

However, in case of distribution from the profits of years prior to 2003, in compliance with the temporary Article no.62 added to the Income Tax Law by the Law no.4842, the Bank will not be required to pay any withholding taxes for the distribution of the profits of the year 1998 and prior years, and the distribution of profits from earnings non-taxable according to the Corporate Tax Law for the period from 1 January 1999 to 31 December 2002.

The temporary tax rate applied was 33% for the quarterly temporary tax periods of 2004 in compliance with the temporary Article no.32 added to the Corporate Tax Law by the Law no.5035 published in the Official Gazette on 2 January 2004. The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. This rate was 30% for the year 2005. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with to the tax legislation, 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 previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices on the 15<sup>th</sup> of the fourth month following the close of the accounting period 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 new tax legislation requiring the application of inflationary accounting is effective from 1 January 2004 as per the Law no.5024 published in the Official Gazette dated 30 December 2003 with

no.25332. According to the new tax legislation, the corporate tax will be calculated considering the effects of inflation accounting adjustments if the increase in wholesale price index is higher than 100% for the last 36 months and 10% for the last 12 months. At the end of each quarterly “temporary tax computation” periods, such indices will be reviewed to assess the necessity for the application of inflationary accounting; and if it is concluded as necessary, the calculations will be revised to include the effects of the inflationary accounting not only for the current period but for the whole year including the prior quarterly “temporary tax” periods retrospectively.

For all the quarterly “temporary” tax periods of the year 2004, inflation accounting was applied and the 2004 corporate tax was calculated on the inflation adjusted financial statements. However, as of 31 December 2005, such indices were 35.61% and 4.54% for the last 36 months and 12 months, respectively. As both of the conditions; having the wholesale price index higher than 100% for the last 36 months and 10% for the last 12 months are not met, the Bank calculated its corporate tax for the year ended 31 December 2005 on the financial statements not adjusted for the effect of inflation.

### **3.15.2 Deferred taxes**

According to the Statement no.18 of the “Regulation on Accounting Standards”, “Accounting Standard for Taxation”; deferred tax assets and liabilities are recognized, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

### **3.16 Funds borrowed**

The Bank generates funds from domestic and foreign sources when this is necessary. The funds borrowed from foreign sources are mainly in the form of syndications and securitizations. The funds borrowed received are recorded at their purchase costs and discounted by using the internal rate of return.

There are no convertible bonds or any other securities issued.

### **3.17 Paid-in capital and treasury stocks**

Operation costs related to the issuance of share certificates are deducted from the shareholders’ equity.

### **3.18 Acceptances**

Acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

### **3.19 Government incentives**

As of 31 December 2005, the Bank does not have any government incentives or aids.

### **3.20 Segment reporting**

Business lines are selected as the basis of segment reporting taking into consideration the Bank’s structure of risks and revenues, and funding sources, and disclosed in Note 4.10.

## **4 Financial position and results of operations**

### **4.1 Strategy for the use of financial instruments and foreign currency transactions**

#### **4.1.1 Strategy for the use of financial instruments**

The liability side of the Bank's balance sheet is intensively composed of short-term deposits in line with the general trend in the banking sector. In addition to deposits, the Bank has access to longer-term borrowings via the foreign currency borrowings from abroad.

In order to manage the interest rate risk arising from short-term deposits, the Bank is keen on maintaining floating rate instruments such as government bonds with quarterly coupon payments and instruments like credit cards and consumer loans providing regular cash inflows.

The fundamental strategy to manage the liquidity risk is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The Bank's widespread and effective branch network, advantage of primary dealership and strong market share in the treasury and capital markets, are some of the effective tools in the realisation of this strategy. For this purpose, serving customers by introducing new products and services continuously and reaching the customers satisfaction are very important.

Another influential factor in the management of the interest and liquidity risk on balance sheet, is product diversification both on asset and liability sides.

Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems instantly, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

Purchase and sale of short and long-term financial instruments are allowed within the pre-determined limits to generate risk-free return on capital.

The foreign currency position is controlled by the equilibrium of a currency basket to eliminate the foreign exchange risk.

#### **4.1.2 Foreign currency transactions**

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the period, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss.

In the currency conversion of the financial statements of the Bank's foreign branches, the Bank's spot purchase rates are used for balance sheet items and average foreign currency rates for income statement. All foreign currency differences arising from this conversion, are classified as other profit reserves under the shareholders' equity.

Foreign currency differences arising from the conversion of foreign currency investments, associates and subsidiaries into YTL are posted in the income statement as foreign exchange gains/losses.

The Bank revalues the foreign currency-indexed government securities acquired as “Debt Swap” in 2001 by discounting using the internal rate of return and translates the foreign currency amounts using the currency exchange rates applicable based on the ten days’ average of Central Bank’s foreign currency exchange rates by fixing it ten business days prior to the balance sheet date, as required by the Ministry of State that is in charge of the Treasury, and records the evaluations to financial statements.

## **4.2 Capital adequacy ratio**

The Bank’s unconsolidated capital adequacy ratio is 15.10%.

### **4.2.1 Risk measurement methods in calculation of capital adequacy ratio**

Capital adequacy ratio is calculated within the scope of the “Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” published in Official Gazette No.24657 dated 31 January 2002.

In calculation of capital adequacy ratio, the accounting records prepared in compliance with the current legislation are used.

The items deducted from the capital base are not included in the calculation of risk weighted assets. In calculation of risk weighted assets, impairments, depreciation and amortisation, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables”. The net amounts are then multiplied by the rates stated in the Article 21, paragraph (1) of “Regulation on Foundation and Operations of Banks”.

In the calculation of the risk based values of the derivative financial instruments, such instruments are weighted and classified according to the related risk groups after being multiplied by the rates stated in the Article 21, paragraph (2) of “Regulation on Foundation and Operations of Banks”.

#### 4.2.2 Capital adequacy ratio

	Risk Weights			
	0%	20%	50%	100%
<b>Risk Weighted Assets, Liabilities, Off-Balance Sheet Items</b>				
<b>Balance Sheet Items (Net)</b>	<b>7,768,608</b>	<b>936,183</b>	<b>3,082,017</b>	<b>14,446,299</b>
Cash on Hand	200,102	759	-	-
Banks	1,769,827	889,943	-	133,663
Interbank Money Market Placements	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-
Reserve Deposits	2,099,456	-	-	-
Special Purpose Financial Institutions	-	-	-	-
Loans	1,501,811	13,396	3,040,306	12,144,259
Loans under Follow-Up (Net)	-	-	-	237,423
Investments in Associates and Subsidiaries	-	-	-	34,125
Miscellaneous Receivables	144	-	-	62,848
Investment Securities Held to Maturity (Net)	1,906,566	-	-	-
Advances for Assets Acquired under Financial Lease	-	-	-	-
Financial Lease Receivables	-	-	-	-
Leased Assets (Net)	-	-	-	-
Tangible Assets (Net)	-	-	-	1,366,733
Accrued Interest and Income	133,025	1,625	41,711	156,941
Other Assets	157,677	30,460	-	310,307
<b>Off-Balance Sheet Items</b>				
Guarantees	217,601	2,690,349	989,297	333,877
Commitments	-	82	5,675,895	-
Other Off Balance Sheet-Items	-	-	-	-
Derivative Financial Instruments	-	26,556	-	9,771
Non Risk Weighted Accounts	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>7,986,209</b>	<b>3,653,170</b>	<b>9,747,209</b>	<b>14,789,947</b>

#### 4.2.3 Summary information related to capital adequacy ratio

	Risk Weights	
	Current Period	Prior Period
Total Risk Weighted Assets	20,394,186	14,034,733
Value at Risk	1,424,400	1,178,850
Shareholders' Equity	3,294,481	2,526,669
Shareholders' Equity/ (RWA+VaR)*100 (*)	15.10	16.61

(\*) RWA: Total Risk Weighted Assets

VaR: Value at Risk

**4.2.4 Components of shareholders' equity items**

	Current Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	2,100,000	1,200,000
Nominal Capital	2,100,000	1,200,000
Capital Commitments (-)	-	-
Share Premium and Cancellation Profit	-	-
Capital Reserves From Inflation Adjustments to Paid-in Capital	772,554	1,222,554
Legal Reserves	49,261	26,337
I. Legal Reserve (Turkish Commercial Code 466/1)	49,261	26,337
II. Legal Reserve (Turkish Commercial Code 466/2)	-	-
Reserves Allocated due to Special Legislations	-	-
Status Reserves	-	-
Extraordinary Reserves	64,587	71,416
Reserve Allocated at the General Assembly	64,587	71,416
Retained Earnings	-	-
Accumulated Losses	-	-
Profit Reserves	3,690	5,229
Profit	708,394	459,041
Current Period Profit	708,394	450,549
Prior Period Profit	-	8,492
Loss (-)	-	-
Current Period Loss	-	-
Prior Period Loss	-	-
<b>Total Core Capital</b>	<b>3,698,486</b>	<b>2,984,577</b>
<b>SUPPLEMENTARY CAPITAL</b>		
Revaluation Fund	2,147	9,143
Movables	-	-
Immovables	2,147	2,060
Income on Sale of Equity Shares and Real Estates	-	7,083
Revaluation Fund on Leasehold Improvements	-	-
Revaluation Surplus	4,860	5,731
Foreign Currency Exchange Differences	-	-
General Provisions	99,400	65,512
Provision for Possible Losses	58,500	41,500
Subordinated Loans	-	-
Securities Value Increase Fund	194,131	141,218
Associates and Subsidiaries	22,836	-
Investments Available for Sale	171,295	141,218
Securities Held for Structural Position	-	-
<b>Total Supplementary Capital</b>	<b>359,038</b>	<b>263,104</b>
<b>TIER III CAPITAL</b>		
<b>CAPITAL</b>	<b>4,057,524</b>	<b>3,247,681</b>

<b>DEDUCTIONS FROM CAPITAL</b>	<b>763,043</b>	<b>721,012</b>
Investments in Entities Operating in Financial Sectors like Money Markets, Capital Markets, Insurance under the related Special Laws	607,662	573,343
Leasehold Improvements	41,553	40,998
Pre-Operating Costs	13,933	20,867
Prepaid Expenses	99,895	85,804
Negative Difference between the Fair Values and the Carrying Values of Investments, Associates, Subsidiaries, Other Investments, Property and Equipment	-	-
Subordinated Loans Granted to Banks Operating in Turkey	-	-
Goodwill (Net)	-	-
Capitalised Expenses	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>3,294,481</b>	<b>2,526,669</b>

### 4.3 Credit risk

Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is reviewed periodically in compliance with the legislation by the internal risk rating models. The credit limits are revised and further collateral is required if the risk level of debtor deteriorates. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the Bank's lending policies, the debtor's creditworthiness is analysed and the satisfactory collateral is required based on the financial position of the company and the lending terms demanded; like cash collateral, bank guarantees, mortgages, pledges, bills and corporate guarantees.

The Bank has control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed under the risk from market fluctuations. The Bank follows up the risk arising from such instruments and takes the necessary actions to decrease it when necessary.

The non-cash loans liquidated are subject to the same risk weighting with the overdue loans.

The Bank performs foreign trade finance and other interbank credit transactions through widespread correspondents network. Accordingly, the Bank assigns limits to domestic and foreign banks and other financial institutions examining their credit worthiness, periodically.

The Bank's largest 100 cash loan customers compose 29.39% of the total cash loan portfolio.

The Bank's largest 100 non-cash loan customers compose 52.38% of the total non-cash loan portfolio.

The Bank's largest 100 cash and non-cash loan customers represent 13.76% of the total "on and off balance sheet" assets.

The general provision for credit risk amounts to YTL 99,400 thousands at 31 December 2005.

#### 4.3.1 Geographical concentration

	Assets	Liabilities	Non-cash Loans	Capital Expenditures	Net Profit/Loss
<b>Current Period</b>					
Domestic	34,496,699	28,672,745	7,232,548	447,376	696,538
European Union (EU) Countries	981,087	3,717,301	520,698	-	13,184
OECD Countries (1)	38,205	158,208	169,074	-	-
Off-Shore Banking Regions	23,404	30,181	14,043	-	-1,345
USA, Canada	429,289	3,170,684	69,201	-	-
Other Countries	51,900	41,905	132,265	-	17
Unallocated Assets/Liabilities (2)	279	677,215	-	-	-
<b>Total</b>	<b>36,020,863</b>	<b>36,468,239</b>	<b>8,137,829</b>	<b>447,376</b>	<b>708,394</b>
<b>Prior Period</b>					
Domestic	24,886,902	21,308,510	6,578,272	102,383	448,883
EU Countries	879,569	2,563,980	14,109	-	5,317
OECD Countries (1)	10,766	283,644	15,380	-	-
Off-Shore Banking Regions	11,134	46,152	13,319	-	-3,045
USA, Canada	320,674	1,459,300	50,376	-	-
Other Countries	39,370	112,524	20,230	-	-606
Unallocated Assets/Liabilities (2)	29,399	506,087	-	-	-
<b>Total</b>	<b>26,177,814</b>	<b>26,280,197</b>	<b>6,691,686</b>	<b>102,383</b>	<b>450,549</b>

(1) OECD countries other than EU countries, USA and Canada

(2) Assets, liabilities and equity items that can not be allocated on a consistent basis

#### 4.3.2 Sectoral distribution of cash loans

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
<b>Agriculture</b>	<b>55,309</b>	<b>0.60</b>	<b>124,318</b>	<b>1.65</b>	<b>48,933</b>	<b>0.98</b>	<b>110,674</b>	<b>2.08</b>
Farming and Stockbreeding	54,922	0.60	123,527	1.64	34,061	0.68	108,120	2.03
Forestry	-	-	-	-	13,826	0.28	2,177	0.04
Fishery	387	-	791	0.01	1,046	0.02	377	0.01
<b>Manufacturing</b>	<b>1,062,385</b>	<b>11.61</b>	<b>2,074,541</b>	<b>27.49</b>	<b>666,258</b>	<b>13.38</b>	<b>1,584,718</b>	<b>29.70</b>
Mining	35,456	0.39	56,679	0.75	15,770	0.32	13,259	0.25
Production	1,026,239	11.21	2,005,003	26.57	645,988	12.98	1,509,171	28.29
Electricity, Gas, Water	690	0.01	12,859	0.17	4,500	0.08	62,288	1.16
<b>Construction</b>	<b>134,115</b>	<b>1.47</b>	<b>494,994</b>	<b>6.56</b>	<b>68,058</b>	<b>1.37</b>	<b>215,116</b>	<b>4.03</b>
<b>Services</b>	<b>1,413,057</b>	<b>15.45</b>	<b>2,448,235</b>	<b>32.43</b>	<b>871,681</b>	<b>17.51</b>	<b>2,836,562</b>	<b>53.17</b>
Wholesale and Retail Trade	922,142	10.08	941,908	12.48	559,594	11.25	760,163	14.25
Hotel, Food and Beverage Services	61,181	0.67	260,298	3.45	28,585	0.57	165,268	3.10
Transportation and Telecommunication	137,889	1.51	210,560	2.79	77,291	1.55	735,891	13.79
Financial Institutions	189,051	2.07	947,090	12.55	146,590	2.95	1,104,236	20.70
Real Estate and Renting Services	34,703	0.38	53,177	0.70	18,940	0.38	58,755	1.10
“Self-Employment” Type Services	-	-	-	-	-	-	-	-
Educational Services	16,420	0.18	13,922	0.18	11,124	0.22	5,698	0.11
Health and Social Services	51,671	0.56	21,280	0.28	29,557	0.59	6,551	0.12
<b>Other</b>	<b>6,487,707</b>	<b>70.87</b>	<b>2,405,111</b>	<b>31.87</b>	<b>3,323,055</b>	<b>66.76</b>	<b>588,032</b>	<b>11.02</b>
<b>Total</b>	<b>9,152,573</b>	<b>100.00</b>	<b>7,547,199</b>	<b>100.00</b>	<b>4,977,985</b>	<b>100.00</b>	<b>5,335,102</b>	<b>100.00</b>

#### 4.4 Market risk

The Bank has defined its risk management procedures and has taken necessary precaution in order to avoid market risk, in compliance with “Regulation on Bank’s Internal Control and Risk Management Systems” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in Official Gazette no. 24312 dated 8 February 2001.

Being exposed to market risk, the Bank’s Board of Directors has identified risk management strategies and policies considering the suggestions by the Executive Risk Committee and has pursued the application of these strategies periodically. Considering the existing major risks, the Bank’s Board of Directors determines and revises the risk limits, when necessary. The Board of Directors ensures that the risk management group and the executive management are taking necessary action in identifying, measuring, controlling and managing several risks.

Market risks arising from trading transactions are measured by internal risk measurement model using value at risk (VaR) methodology. VaR is calculated by three different methods, namely historical simulation, monte carlo simulation and parametric method. Market risk arising from maturity mismatches of assets and liabilities is calculated through the assets-liabilities risk measurement model.

The periodical stress testing and scenario analysis support the above mentioned measurements. Traditional risk measurement methods such as cash flow projection, duration and variance analysis are also used.

The capital need for general market risk and specific risks is calculated using the standart method defined by the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” and reported monthly.

**Value at Risk:**

	<b>Amount</b>
<b>Capital Obligation against Interest Rate Risk - Standard Method</b>	<b>83,050</b>
General Market Risk	76,314
Specific Risk	6,736
Options Subject to Interest Rate Risk	-
<b>Capital Obligation against Common Stock Position Risk – Standard Method</b>	<b>6,938</b>
General Market Risk	3,560
Specific Risk	3,378
Options Subject To Common Stock Position Risk	-
<b>Capital Obligation against Currency Risk – Standard Method</b>	<b>23,964</b>
Capital Obligation	18,959
Capital Obligation against Options Subject to Currency Risk	5,005
<b>Total Value-At-Risk – Home Model</b>	<b>-</b>
<b>Total Capital Obligations against Market Risk</b>	<b>113,952</b>
<b>Value-At-Risk Amount</b>	<b>1,424,400</b>

#### 4.5 Foreign currency exchange rate risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2005, the Bank’s net ‘on balance sheet’ foreign currency short position amounts to YTL 445,260 thousands, net ‘off-balance sheet’ foreign currency long position amounts to YTL 299,373 thousands, while net foreign currency short position amounts to YTL 145,887 thousands.

The Bank’s foreign currency position risk is measured by “standard method” and “value-at-risk (VaR) model”. Measurements by standard method are carried out weekly, whereas measurements by “VaR” are done daily.

*The Bank’s effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in YTL are as follows:*

	US\$	EUR
The Bank’s foreign currency purchase rate at balance sheet date	1.3340	1.5730
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	1.3340	1.5734
Day 2	1.3340	1.5785
Day 3	1.3300	1.5854
Day 4	1.3300	1.5768
Day 5	1.3300	1.5764

The arithmetical average of the Bank’s US dollar and Euro purchase rates for the last 30 days before balance sheet date are full YTL 1.3326 and full YTL 1.5804, respectively.

**Currency risk:**

	<b>Euro</b>	<b>US\$</b>	<b>Yen</b>	<b>Other FCs</b>	<b>Total</b>
<b>Current Period</b>					
<b>Assets</b>					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	1,807,896	48,470	136	4,150	1,860,652
Banks and Other Financial Institutions	121,984	773,236	19,259	15,152	929,631
Trading Securities	16,017	146,175	-	13,995	176,187
Interbank Money Market Placements	-	-	-	-	-
Investment Securities Available-for-Sale	20,611	2,653,630	-	-	2,674,241
Loans	2,180,937	5,273,772	749	91,741	7,547,199
Investments in Associates and Subsidiaries	215,318	37,452	-	4,401	257,171
Investment Securities Held-to-Maturity	48,677	2,422,596	-	-	2,471,273
Tangible and Intangible Assets	-	189	-	565	754
Goodwill	-	-	-	-	-
Other Assets	1,159,153	238,115	8	525	1,397,801
<b>Total Assets</b>	<b>5,570,593</b>	<b>11,593,635</b>	<b>20,152</b>	<b>130,529</b>	<b>17,314,909</b>
<b>Liabilities</b>					
Bank Deposits	25,862	84,532	1	24,461	134,856
Foreign Currency Deposits	3,215,015	7,359,178	21,889	284,003	10,880,085
Interbank Money Market Takings	-	649,707	-	-	649,707
Other Fundings	998,094	4,392,686	-	-	5,390,780
Securities Issued	-	-	-	-	-
Miscellaneous Payables	1,599	7,392	-	258	9,249
Other Liabilities (*)	72,341	598,619	623	23,909	695,492
<b>Total Liabilities</b>	<b>4,312,911</b>	<b>13,092,114</b>	<b>22,513</b>	<b>332,631</b>	<b>17,760,169</b>
<b>Net 'On Balance Sheet' Position</b>	<b>1,257,682</b>	<b>-1,498,479</b>	<b>-2,361</b>	<b>-202,102</b>	<b>-445,260</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>-1,231,563</b>	<b>1,320,767</b>	<b>2,036</b>	<b>208,133</b>	<b>299,373</b>
Derivative Assets	208,207	2,111,661	2,036	348,650	2,670,554
Derivative Liabilities	1,439,770	790,894	-	140,517	2,371,181
<b>Prior Period</b>					
<b>Total Assets</b>	<b>3,376,077</b>	<b>10,212,321</b>	<b>13,590</b>	<b>100,192</b>	<b>13,702,180</b>
<b>Total Liabilities</b>	<b>4,282,710</b>	<b>9,635,228</b>	<b>13,030</b>	<b>359,756</b>	<b>14,290,724</b>
<b>Net 'On Balance Sheet' Position</b>	<b>-906,633</b>	<b>577,093</b>	<b>560</b>	<b>-259,564</b>	<b>-588,544</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>881,090</b>	<b>-636,355</b>	<b>-840</b>	<b>277,677</b>	<b>521,572</b>

(\*) Other liabilities also include gold deposits of YTL 18,660 thousands.

#### **4.6 Interest rate risk**

Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into account the developments in market conditions.

Bank's interest rate risk is measured by the standard method, value at risk (VaR) and asset-liability risk measurement models.

Measurements for standard method are carried out monthly using the maturity ladder table, while measurements for VaR calculations are done daily. Asset-liability risk measurement model is studied monthly.

During the daily VaR calculations, the interest rate risks of the Bank's YTL and FC trading and investment securities available for sale and off-balance sheet position are measured. These are supported by scenario analysis and stress testing.

**Interest rate mismatch for the Bank “Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates”:**

Current Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-	-	1,970,688	1,970,688
Banks and Other Financial Institutions	887,378	850	13,340	400	-	121,638	1,023,606
Trading Securities	740	20,042	43,488	3,446	131,778	13,996	213,490
Interbank Money Market Placements	-	-	-	-	-	-	-
Investment Securities Available-for-Sale	338,046	4,975,390	638,171	238,640	2,104,605	44,507	8,339,359
Loans	5,625,235	1,238,758	1,809,147	1,887,490	6,139,142	237,423	16,937,195
Investment Securities Held-to-Maturity	-	-	1,418,543	187,730	794,682	-	2,400,955
Other Assets	2,099,456	-	3,525	118,446	142,507	3,219,012	5,582,946
<b>Total Assets</b>	<b>8,950,855</b>	<b>6,235,040</b>	<b>3,926,214</b>	<b>2,436,152</b>	<b>9,312,714</b>	<b>5,607,264</b>	<b>36,468,239</b>
<b>Liabilities</b>							
Bank Deposits	178,451	44,191	41,496	23,420	19,753	264,491	571,802
Other Deposits	13,358,095	2,907,958	322,666	282,893	55,386	6,079,223	23,006,221
Interbank Money Market Takings	1,506,247	-	-	183,400	266,798	-	1,956,445
Miscellaneous Payables	-	-	-	-	-	120,873	120,873
Securities Issued	-	-	-	-	-	-	-
Other Fundings	34,839	154,014	473,682	2,344,162	2,506,153	-	5,512,850
Other Liabilities	117,926	76,535	192,586	144,715	7,196	4,761,090	5,300,048
<b>Total Liabilities</b>	<b>15,195,558</b>	<b>3,182,698</b>	<b>1,030,430</b>	<b>2,978,590</b>	<b>2,855,286</b>	<b>11,225,677</b>	<b>36,468,239</b>
<b>On Balance Sheet Interest Sensitivity Gap</b>	<b>-6,244,703</b>	<b>3,052,342</b>	<b>2,895,784</b>	<b>-542,438</b>	<b>6,457,428</b>	<b>-5,618,413</b>	<b>-</b>
<b>Off-Balance Sheet Interest Sensitivity Gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Interest Sensitivity Gap</b>	<b>-6,244,703</b>	<b>3,052,342</b>	<b>2,895,784</b>	<b>-542,438</b>	<b>6,457,428</b>	<b>-5,618,413</b>	<b>-</b>

**Average interest rates on monetary financial instruments:**

<b>Current Period</b>	<b>Euro</b>	<b>US\$</b>	<b>Yen</b>	<b>YTL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks and Other Financial Institutions	2.29	4.43	-	15.02
Trading Securities	8.52	5.56	-	14.15
Interbank Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	5.70	6.49	-	17.44
Loans	5.22	7.08	-	28.53
Investment Securities Held-to-Maturity	9.54	9.80	-	-
<b>Liabilities</b>				
Bank Deposits	2.50	6.26	-	14.92
Other Deposits	1.49	2.54	-	14.05
Interbank Money Market Takings	-	4.73	-	15.46
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	3.08	5.11	-	14.16

***Interest rate mismatch for the Bank “Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates”:***

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	1,089,197	9,252	-	-	-	192,482	1,290,931
Banks and Other Financial Institutions	138,820	42,894	408	-	-	61,472	243,594
Trading Securities	2,668	5,190	124,240	52,356	90,016	1,352	275,822
Interbank Money Market Placements	-	-	-	-	-	-	-
Investment Securities Available-for-Sale	85,298	1,980,920	1,125,333	515,047	1,602,540	71,922	5,381,060
Loans	3,517,148	1,000,310	1,218,791	1,298,578	3,278,260	188,289	10,501,376
Investment Securities Held-to-Maturity	14,184	699,671	1,458,183	287,865	1,145,796	-	3,605,699
Other Assets	1,115,897	292,932	150,001	84,502	234,212	3,104,171	4,981,715
<b>Total Assets</b>	<b>5,963,212</b>	<b>4,031,169</b>	<b>4,076,956</b>	<b>2,238,348</b>	<b>6,350,824</b>	<b>3,619,688</b>	<b>26,280,197</b>
<b>Liabilities</b>							
Bank Deposits	451,831	72,494	15,786	6,000	42,050	53,760	641,921
Other Deposits	8,810,041	2,449,505	329,477	261,627	97,830	5,021,840	16,970,320
Interbank Money Market Takings	525,173	50,232	41,640	103,412	253,999	-	974,456
Miscellaneous payables	-	-	-	-	-	71,032	71,032
Securities Issued	-	-	-	-	-	-	-
Other Fundings	45,145	192,615	265,989	1,905,541	1,138,456	-	3,547,746
Other Liabilities	182,844	27,825	6,204	8,165	15,439	3,834,245	4,074,722
<b>Total Liabilities</b>	<b>10,015,034</b>	<b>2,792,671</b>	<b>659,096</b>	<b>2,284,745</b>	<b>1,547,774</b>	<b>8,980,877</b>	<b>26,280,197</b>
<b>On Balance Sheet Interest Sensitivity Gap</b>	<b>-4,051,822</b>	<b>1,238,498</b>	<b>3,417,860</b>	<b>-46,397</b>	<b>4,803,050</b>	<b>-5,361,189</b>	<b>-</b>
<b>Off-Balance Sheet Interest Sensitivity Gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Interest Sensitivity Gap</b>	<b>-4,051,822</b>	<b>1,238,498</b>	<b>3,417,860</b>	<b>-46,397</b>	<b>4,803,050</b>	<b>-5,361,189</b>	<b>-</b>

**Average interest rates on monetary financial instruments:**

Prior Period	Euro	US\$	Yen	YTL
	%	%	%	%
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	1.10	1.10	-	-
Banks and Other Financial Institutions	2.14	2.65	-	19.85
Trading Securities	7.10	7.80	-	20.20
Interbank Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	7.40	5.40	-	26.10
Loans	7.05	6.47	-	35.77
Investment Securities Held-to-Maturity	9.60	10.10	-	19.30
<b>Liabilities</b>				
Bank Deposits	4.17	4.14	-	19.72
Other Deposits	2.72	1.99	-	18.28
Interbank Money Market Takings	2.91	4.05	-	18.59
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	2.90	3.20	-	18.90

**4.7 Liquidity risk**

In order to avoid the liquidity risk, the Bank diverts funding sources as customer deposits and foreign borrowings, looks after the maturity mismatch between assets and liabilities and maintains liquid assets to guarantee sufficient liquidity during market fluctuations.

While the Bank's short term liquidity need is met mainly with deposits, its long term liquidity is provided through foreign funding sources such as syndication and securitisation transactions. There are no significant idle liquidity sources.

**Maturity analysis of assets and liabilities (according to remaining maturities):**

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Undistributed (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	1,970,688	-	-	-	-	-	-	1,970,688
Banks and Other Financial Institutions	121,638	887,378	850	13,340	400	-	-	1,023,606
Trading Securities	13,996	56	637	3,385	3,656	191,760	-	213,490
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Investment Securities Available-for-Sale	44,507	204,645	353,689	515,907	1,152,854	6,067,757	-	8,339,359
Loans	-	5,625,235	1,238,758	1,809,147	1,887,490	6,139,142	237,423	16,937,195
Investment Securities Held-to-Maturity	-	-	-	1,418,543	187,730	794,682	-	2,400,955
Other Assets	1,859,622	428,631	181,122	128,362	168,153	610,300	2,206,756	5,582,946
<b>Total Assets</b>	<b>4,010,451</b>	<b>7,145,945</b>	<b>1,775,056</b>	<b>3,888,684</b>	<b>3,400,283</b>	<b>13,803,641</b>	<b>2,444,179</b>	<b>36,468,239</b>
<b>Liabilities</b>								
Bank Deposits	264,491	178,451	44,191	41,496	23,420	19,753	-	571,802
Other Deposits	6,079,223	13,358,095	2,907,958	322,666	282,893	55,386	-	23,006,221
Other Fundings	-	34,839	154,014	473,682	2,344,162	2,506,153	-	5,512,850
Interbank Money Market Takings	-	1,506,247	-	-	183,400	266,798	-	1,956,445
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	120,873	-	-	-	-	-	-	120,873
Other Liabilities (**)	-	322,729	108,452	195,440	146,866	7,775	4,518,786	5,300,048
<b>Total Liabilities</b>	<b>6,464,587</b>	<b>15,400,361</b>	<b>3,214,615</b>	<b>1,033,284</b>	<b>2,980,741</b>	<b>2,855,865</b>	<b>4,518,786</b>	<b>36,468,239</b>
<b>Net Liquidity Gap</b>	<b>-2,454,136</b>	<b>-8,254,416</b>	<b>-1,439,559</b>	<b>2,855,400</b>	<b>419,542</b>	<b>10,947,776</b>	<b>-2,074,607</b>	<b>-</b>
<b>Prior Period</b>								
<b>Total Assets</b>	<b>332,525</b>	<b>5,904,085</b>	<b>1,347,965</b>	<b>2,379,239</b>	<b>2,339,420</b>	<b>10,684,503</b>	<b>3,292,460</b>	<b>26,280,197</b>
<b>Total Liabilities</b>	<b>5,146,632</b>	<b>10,015,033</b>	<b>2,792,671</b>	<b>659,096</b>	<b>2,284,745</b>	<b>1,547,775</b>	<b>3,834,245</b>	<b>26,280,197</b>
<b>Net Liquidity Gap</b>	<b>-4,814,107</b>	<b>-4,110,948</b>	<b>-1,444,706</b>	<b>1,720,143</b>	<b>54,675</b>	<b>9,136,728</b>	<b>-541,785</b>	<b>-</b>

(\*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and loans under follow-up, are included in this column.

(\*\*) Shareholders' Equity is included in "Other liabilities" line under "Undistributed" column.

#### 4.8 Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>13,533,747</b>	<b>10,328,802</b>	<b>14,055,564</b>	<b>10,715,597</b>
Banks and Other Financial Institutions	2,793,433	1,342,043	2,793,433	1,342,043
Investment Securities Available-for-Sale	8,339,359	5,381,060	8,749,460	5,580,518
Investment Securities Held-to-Maturity	2,400,955	3,605,699	2,512,671	3,793,036
<b>Financial Liabilities</b>	<b>31,168,191</b>	<b>22,205,475</b>	<b>31,168,191</b>	<b>22,205,475</b>
Bank Deposits	571,802	641,921	571,802	641,921
Other Deposits	23,006,221	16,970,320	23,006,221	16,970,320
Other Fundings	7,469,295	4,522,202	7,469,295	4,522,202
Securities Issued	-	-	-	-
Miscellaneous Payables	120,873	71,032	120,873	71,032

#### 4.9 Transactions carried out on behalf of customers, items held in trust

The Bank provides buying, selling and custody services and management and advisory services in financial matters for its customers.

The Bank is not involved in trust activities.

#### 4.10 Disclosure on operation segments

The Bank operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; custody services, time and demand deposit, accumulating account, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account (ELMA), cheques, safety boxes, bill payments, tax collections, payment orders. GarantiCard, BonusCard, Shop&Miles, BusinessCard credit cards and Maestro ve Electron Garanti24 cards are available under the brand name of Visa and Mastercard.

The Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers' needs effectively and efficiently. The Bank also utilizes alternative delivery channels intensively.

The Bank provides corporate banking products to international and national holdings in Turkey by coordinating regional offices, suppliers and intermediaries, utilizing cross-selling techniques. Mainly, it provides services through its commercial and mixed type of branches to export-revenue earning sectors like tourism and textile and exporters of Turkey's traditional agricultural products.

Additionally, the Bank provides "small business" banking service to enterprises in retail and service sectors. Products include overdraft accounts, POS machines, credit cards, cheque books, TL and foreign currency deposits, investment accounts, internet banking and call-center, debit card, and bill payment.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

*Major financial statement items according to business lines:*

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>All Business Lines in Total</b>
Operating Profit	655,823	379,215	1,100,459	595,954	2,731,451
Other *	-	-	-	-	-
<b>Operating Profit</b>	<b>655,823</b>	<b>379,215</b>	<b>1,100,459</b>	<b>595,954</b>	<b>2,731,451</b>
Net Income	547,829	26,628	1,054,645	595,954	2,225,056
Undistributed Costs**	-	-	-	1,292,663	1,292,663
Operating Income	547,829	26,628	1,054,645	-696,709	932,393
Income from Associates and Subsidiaries	-	-	-	2,001	2,001
Profit Before Taxes	547,829	26,628	1,054,645	-694,708	934,394
Provision for Taxes on Income	-	-	-	226,000	226,000
Net Operating Profit After Taxes	547,829	26,628	1,054,645	-920,708	708,394
Minority Interest	-	-	-	-	-
<b>Net Operating Profit/Loss after Taxes</b>	<b>547,829</b>	<b>26,628</b>	<b>1,054,645</b>	<b>-920,708</b>	<b>708,394</b>
Assets	7,248,301	9,989,826	14,263,918	4,324,407	35,826,452
Investments in Associates and Subsidiaries	-	-	-	641,787	641,787
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>7,248,301</b>	<b>9,989,826</b>	<b>14,263,918</b>	<b>4,966,194</b>	<b>36,468,239</b>
Liabilities	12,951,713	10,792,611	8,141,042	356,587	32,241,953
Undistributed Liabilities	-	-	-	4,226,286	4,226,286
<b>Total Liabilities</b>	<b>12,951,713</b>	<b>10,792,611</b>	<b>8,141,042</b>	<b>4,582,873</b>	<b>36,468,239</b>
<b>Other Section Accounts</b>					
Capital Investment	-	-	-	-	-
Depreciation Expenses	-	-	-	124,778	124,778
Impairment Losses	-	352,587	45,814	48,256	446,657
Non-Cash Other Income/Expenses	46,445	-127,464	-413,124	64,057	-430,086
Restructuring Costs	-	-	-	-	-

\* Net operating profit from transactions with other business lines.

\*\* Costs that can not be distributed to business lines consistently.

## 5 Disclosures and Footnotes on Unconsolidated Financial Statements

### 5.1 Assets

#### 5.1.1 Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Unrestricted Demand Deposits	235	1,769,592	342	988,306
Unrestricted Time Deposits	-	-	-	109,801
<b>Total</b>	<b>235</b>	<b>1,769,592</b>	<b>342</b>	<b>1,098,107</b>

#### 5.1.2 Further information on trading securities (presented at net value)

##### 5.1.2.1 Trading securities given as collateral or blocked

None.

##### 5.1.2.2 Trading securities subject to repurchase agreements

None.

#### 5.1.3 Due from foreign banks

	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	61,334	66,432	58,920	35,267
USA and Canada	115,254	18,859	32,522	6,796
OECD Countries (1)	29,553	3,774	-	-
Off-shore Banking Regions	20,140	3,242	-	-
Other	131	7,304	14,643	-
<b>Total</b>	<b>226,412</b>	<b>99,611</b>	<b>106,085</b>	<b>42,063</b>

(1) OECD countries other than the EU countries, USA and Canada

#### 5.1.4 Receivables from reverse repurchase agreements

None.

#### 5.1.5 Investment securities available-for-sale

##### 5.1.5.1 Investment securities available-for-sale

Investment securities available-for-sale consist of debt securities, investment funds and shares.

**5.1.5.2 Details of investment securities available-for-sale**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Debt Securities</b>	<b>8,299,409</b>	<b>5,313,145</b>
Quoted at Stock Exchange	7,151,163	4,425,681
Not Quoted at Stock Exchange	1,148,246	887,464
<b>Common Stocks</b>	<b>28,864</b>	<b>72,036</b>
Quoted at Stock Exchange	11,191	24,141
Not Quoted at Stock Exchange	17,673	47,895
<b>Impairment Losses (-)</b>	<b>-11,086</b>	<b>4,121</b>
<b>Total</b>	<b>8,339,359</b>	<b>5,381,060</b>

On 31 January 2005, the Bank sold its shares in Türkiye Sınai Kalkınma Bankası AŞ at a total selling price of YTL 7,574 thousands that were reflected at a net book value of YTL 5,817 thousands in its securities available-for-sale portfolio as at 31 December 2004. On 1 December 2005, the Bank also sold its shares in Akarnet Konaklama Tesisleri Yatırım ve İşletmeleri AŞ recorded at a net book value of YTL 21,879 thousands at the date of sale in its securities available-for-sale portfolio at a selling price of YTL 22,987 thousands. Accordingly, sales income of YTL 1,757 thousands and YTL 1,108 thousands, are recorded in the current period financial statements, respectively.

**5.1.5.3 Investment securities available-for-sale given as collateral**

Collateralized investment securities available-for-sale in YTL include government bonds. Carrying values of such securities with total face value of YTL 448,000 thousands, is YTL 458,437 thousands. The related accrued interest amounts to YTL 48,250 thousands.

Collateralized investment securities available-for-sale in foreign currencies include eurobonds and other foreign currency government securities. Carrying values of such securities with total face value of US\$ 404,087,000, is US\$ 397,403,870. The related accrued interest amounts to US\$ 18,119,987.

**5.1.5.4 Investment securities available-for-sale given as collateral or blocked**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>YTL</b>	<b>FC</b>	<b>YTL</b>	<b>FC</b>
Common stocks	-	-	-	-
Bills, bonds and other securities	458,437	530,137	2,289	8,070
Others	-	-	-	-
<b>Total</b>	<b>458,437</b>	<b>530,137</b>	<b>2,289</b>	<b>8,070</b>

**5.1.5.5 Investment securities available for sale subject to repurchase agreements**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Government Bonds	1,390,840	184,952	283,236	31,506
Treasury Bills	-	-	-	-
Other Debt Securities	-	-	-	-
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Others	-	133,123	-	-
<b>Total</b>	<b>1,390,840</b>	<b>318,075</b>	<b>283,236</b>	<b>31,506</b>

**5.1.6 Loans**

**5.1.6.1 Loans and advances to shareholders and employees of the Bank**

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
<b>Direct Lendings to Shareholders</b>	<b>241,334</b>	<b>155,948</b>	<b>55,760</b>	<b>189,462</b>
Corporates	241,334	155,948	55,760	189,462
Individuals	-	-	-	-
<b>Indirect Lendings to Shareholders</b>	<b>88,537</b>	<b>149,704</b>	<b>180,068</b>	<b>8,510</b>
<b>Loans to Employees</b>	<b>28,658</b>	<b>-</b>	<b>22,139</b>	<b>-</b>
<b>Total</b>	<b>358,529</b>	<b>305,652</b>	<b>257,967</b>	<b>197,972</b>

**5.1.6.2 Loans and other receivables classified in groups I and II and restructured or rescheduled**

Cash Loans	Performing Loans and Other Receivables (Group I)		Loans under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Loans</b>	<b>16,655,024</b>	<b>-</b>	<b>-</b>	<b>44,748</b>
Discounted Bills	44,374	-	-	-
Export Loans	1,528,952	-	-	32,355
Import Loans	38,711	-	-	-
Loans to Financial Sector	150,111	-	-	-
Foreign Loans	364,116	-	-	-
Consumer Loans	3,049,777	-	-	-
Credit Cards	3,828,142	-	-	-
Precious Metal Loans (Gold, etc...)	88,095	-	-	-
Other	7,562,746	-	-	12,393
<b>Specialization Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>1,859,622</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>18,514,646</b>	<b>-</b>	<b>-</b>	<b>44,748</b>

5.1.6.3 Maturity analysis of cash loans

	Performing Loans and Other Receivables (Group I)		Loans under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Short-term Loans</b>	<b>9,390,921</b>	-	-	<b>37,108</b>
Loans	7,531,299	-	-	37,108
Specialization Loans	-	-	-	-
Other Receivables	1,859,622	-	-	-
<b>Medium and Long-term Loans</b>	<b>9,123,725</b>	-	-	<b>7,640</b>
Loans	9,123,725	-	-	7,640
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
	<b>18,514,646</b>	-	-	<b>44,748</b>

5.1.6.4 Consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long Term	Total	Accrued Interest and Income
<b>Consumer Loans – YTL</b>	<b>58,999</b>	<b>2,603,152</b>	<b>2,662,151</b>	<b>21,545</b>
Housing Loans	2,023	1,228,690	1,230,713	8,377
Automobile Loans	6,487	742,646	749,133	5,302
Consumer Loans	50,489	631,816	682,305	7,866
Other	-	-	-	-
<b>Consumer Loans – FC-indexed</b>	<b>6,584</b>	<b>363,352</b>	<b>369,936</b>	<b>12,900</b>
Housing Loans	8	295,462	295,470	11,833
Automobile Loans	432	47,408	47,840	445
Consumer Loans	6,144	20,482	26,626	622
Other	-	-	-	-
<b>Consumer Loans – FC</b>	<b>8</b>	<b>4,297</b>	<b>4,305</b>	<b>18</b>
Housing Loans	-	210	210	1
Automobile Loans	-	4,023	4,023	17
Consumer Loans	8	64	72	-
Other	-	-	-	-
<b>Retail Credit Cards – YTL</b>	<b>3,734,394</b>	-	<b>3,734,394</b>	<b>33,971</b>
Installment based	1,715,153	-	1,715,153	15,541
Other Credit Cards	2,019,241	-	2,019,241	18,430
<b>Retail Credit Cards – FC</b>	<b>10,667</b>	-	<b>10,667</b>	<b>97</b>
Installment based	-	-	-	-
Other Credit Cards	10,667	-	10,667	97
<b>Personnel Loans – YTL</b>	<b>4,930</b>	<b>8,278</b>	<b>13,208</b>	<b>141</b>
Housing Loan	-	340	340	3
Automobile Loans	10	124	134	1
Consumer Loans	4,920	7,814	12,734	137
Other	-	-	-	-

<b>Personnel Loans - FC-indexed</b>	-	177	177	13
Housing Loans	-	111	111	8
Automobile Loans	-	61	61	-
Consumer Loans	-	5	5	5
Other	-	-	-	-
<b>Personnel Loans – FC</b>	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Consumer Loans	-	-	-	-
Other	-	-	-	-
<b>Personnel Credit Cards – YTL</b>	16,395	-	16,395	148
Installment based	7,845	-	7,845	71
Other Credit Cards	8,550	-	8,550	77
<b>Personnel Credit Cards – FC</b>	131	-	131	1
Installment Based	-	-	-	-
Other Credit Cards	131	-	131	1
<b>Total</b>	<b>3,832,108</b>	<b>2,979,256</b>	<b>6,811,364</b>	<b>68,834</b>

**5.1.6.5 Installment based commercial loans and corporate credit cards**

	Short-Term	Medium and Long Term	Total	Accrued Interest and Income
<b>Installment Based Commercial Loans – YTL</b>	<b>32,029</b>	<b>950,260</b>	<b>982,289</b>	<b>7,828</b>
Housing Loans	181	66,314	66,495	500
Automobile Loans	7,574	587,231	594,805	4,113
Consumer Loans	24,274	296,715	320,989	3,215
Other	-	-	-	-
<b>Installment Based Commercial Loans - FC-indexed</b>	<b>22,275</b>	<b>148,860</b>	<b>171,135</b>	<b>2,535</b>
Housing Loans	158	21,784	21,942	761
Automobile Loans	499	86,060	86,559	750
Consumer Loans	21,618	41,016	62,634	1,024
Other	-	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>-</b>	<b>136</b>	<b>136</b>	<b>1</b>
Housing Loans	-	-	-	-
Automobile Loans	-	133	133	1
Consumer Loans	-	3	3	-
Other Consumer Loans	-	-	-	-
<b>Corporate Credit Cards – YTL</b>	<b>64,745</b>	<b>-</b>	<b>64,745</b>	<b>587</b>
Installment based	-	-	-	-
Other Credit Cards	64,745	-	64,745	587
<b>Corporate Credit Cards – FC</b>	<b>1,810</b>	<b>-</b>	<b>1,810</b>	<b>16</b>
Installment based	-	-	-	-
Other Credit Cards	1,810	-	1,810	16
<b>Total</b>	<b>120,859</b>	<b>1,099,256</b>	<b>1,220,115</b>	<b>10,967</b>

**5.1.6.6 Allocation of loan customers**

	Current Period	Prior Period
Public Sector	804,580	711,400
Private Sector	15,895,192	9,601,687
<b>Total</b>	<b>16,699,772</b>	<b>10,313,087</b>

**5.1.6.7 Allocation of domestic and foreign loans**

	Current Period	Prior Period
Domestic Loans	16,335,656	9,815,392
Foreign Loans	364,116	497,695
<b>Total</b>	<b>16,699,772</b>	<b>10,313,087</b>

**5.1.6.8 Loans to investments, associates and subsidiaries**

	Current Period	Prior Period
Direct Lendings	25,967	97,433
Indirect Lendings	-	-
<b>Total</b>	<b>25,967</b>	<b>97,433</b>

**5.1.6.9 Specific provisions for loans**

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	16,186	161
Doubtful Loans and Receivables	53,451	565
Uncollectible Loans and Receivables	407,878	242,811
<b>Total</b>	<b>477,515</b>	<b>243,537</b>

**5.1.6.10 Non-performing loans(NPLs) (Net)**

**Non-performing loans and other receivables restructured or rescheduled:**

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Current Period</b>			
Restructured Loans and Receivables	-	-	37,433
Rescheduled Loans and Receivables	-	-	-
<b>Prior Period</b>			
Restructured Loans and Receivables	-	-	-
Rescheduled Loans and Receivables	-	-	-

**Movements in non-performing loan groups:**

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Balances at Beginning of Period</b>	<b>3,160</b>	<b>3,970</b>	<b>424,696</b>
Additions (+)	99,143	51,772	234,261
Transfer from Other NPL Categories (+)	-	59,563	5,474
Transfer to Other NPL Categories (-)	3,160	5,474	58,318
Collections (-)	-	1,678	29,770
Write-offs (-)	-	-	68,701
<b>Balances at End of Period</b>	<b>99,143</b>	<b>108,153</b>	<b>507,642</b>
Specific Provisions (-)	16,186	53,452	407,877
<b>Net Balance on Balance Sheet</b>	<b>82,957</b>	<b>54,701</b>	<b>99,765</b>

**Non-performing loans in foreign currencies:**

None.

**5.1.6.11 Liquidation policy for uncollectible loans and receivables**

Uncollectible loans and receivables legally qualified as “uncollectible” by way of the “incapability document”, are written off. In such cases where any possible collections are negligible, the receivables may be written off by the decision of the board of directors.

**5.1.7 Factoring receivables**

None.

**5.1.8 Investment securities held-to-maturity (net)**

**5.1.8.1 Investment securities held-to-maturity**

	Current Period	Prior Period
<b>Debt Securities</b>	<b>2,424,505</b>	<b>3,613,978</b>
Quoted at Stock Exchange	136,468	1,115,612
Not Quoted at Stock Exchange	2,288,037	2,498,366
<b>Impairment Losses (-)</b>	<b>23,550</b>	<b>8,279</b>
<b>Total</b>	<b>2,400,955</b>	<b>3,605,699</b>

5.1.8.2 *Movement of investment securities held-to-maturity*

	Current Period	Prior Period
<b>Balances at Beginning of Period</b>	<b>3,605,699</b>	<b>5,167,181</b>
Foreign Currency Differences On Monetary Assets	-67,873	-44,707
Purchases during the Period	988	1,491,943
Disposals through Sales/Redemptions	-1,122,588	-2,416,482
Impairment Losses (-)	15,271	8,279
Restatements Effects of Inflationary Accounting (-)	-	583,957
<b>Balances at End of Period</b>	<b>2,400,955</b>	<b>3,605,699</b>

5.1.8.3 *Information on investment securities held-to-maturity*

Current Period	Historical Costs		Valuation	
	YTL	FC	YTL	FC
Collateralised/Blocked Securities	-	22,218	-	21,922
Securities subject to Repurchase Agreements	-	479,023	-	482,540
Securities held for "Structural" Position	-	-	-	-
Receivable from Security Lending Market	-	-	-	-
Guarantees to Security Lending Market	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>501,241</b>	<b>-</b>	<b>504,462</b>

Prior Period	Historical Costs		Valuation	
	YTL	FC	YTL	FC
Collateralised securities	370,706	1,196,247	381,971	1,239,247
Securities subject to Repurchase Agreements	66,002	540,628	66,269	538,755
Securities held for "Structural" Position	-	-	-	-
Receivable from Security Lending Market	-	-	-	-
Guarantees to Security Lending Market	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>436,708</b>	<b>1,736,875</b>	<b>448,240</b>	<b>1,778,002</b>

*Investment securities held-to-maturity given as collateral:*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Share Certificates	-	-	-	-
Bonds and Similar Securities	-	22,218	370,706	1,196,247
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>22,218</b>	<b>370,706</b>	<b>1,196,247</b>

Above securities are held for legal obligations and transaction limits.

**Investment securities held-to-maturity subject to repurchase agreements:**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Government Bonds	-	349,373	66,002	540,628
Treasury Bill	-	-	-	-
Other Debt Securities	-	-	-	-
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	129,650	-	-
<b>Total</b>	<b>-</b>	<b>479,023</b>	<b>66,002</b>	<b>540,628</b>

**Investment securities held-to-maturity held for “structural” position:**

None.

**5.1.9 Investments in associates (Net)**

**5.1.9.1 Investments in associates**

	Associate	Address (City/ Country)	Bank’s Share – If Different, Voting Rights (%)	Bank’s Risk Group Share (%)
1	Bankalararası Kart Merkezi AŞ	Istanbul/Turkey	10.15	10.15
2	Garanti Turizm Yatırım ve İşletmeleri AŞ	Istanbul/Turkey	43.33	100.00
3	Doc Finance SA	Geneva/Switzerland	29.00	100.00

	Total Assets	Shareholders’ Equity	Total Tangible and Intangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company’s Fair Value (if available)
1	9,131	7,444	3,299	543	-	624	-	-
2	55,381	50,413	48,187	37	-	-841	-77,076	-
3	52,103	18,986	33	8,715	-	4,468	-710	-

**5.1.9.2 Movement of investments in associates**

	Current Period	Prior Period
<b>Balance at Beginning of Period</b>	<b>159,640</b>	<b>321,141</b>
<b>Movements during the Period</b>	<b>-129,005</b>	<b>-161,501</b>
Acquisitions and Participations in Capital Increases	21,978	-
Bonus Shares Received	-	12,580
Dividends from Current Year Profit	-	-
Sales/Liquidations	-146,085	-121,567
Reclassifications	-	-
Increase/Decrease in Market Values	-	-30,546
Currency Differences on Foreign Associates	-623	-451
Impairment Losses (-)	4,275	21,517
<b>Balance at End of Period</b>	<b>30,635</b>	<b>159,640</b>
<b>Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>	<b>-</b>

Impairment losses amounting to YTL 4,275 thousands in the current period are calculated based on the equity accounting results of associates.

**Valuation methods of investments in associates:**

Investments in Associates	Current Period	Prior Period
Valued at Cost	1,177	1,177
Valued at Fair Value	-	124,106
Valued by Equity Method of Accounting	29,458	34,357

**Sectoral distribution of investments and associates:**

Investments in Associates	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	4,401	5,024
Other Investments	26,234	154,616

**Quoted associates:**

Associates	Current Period	Prior Period
Quoted at Domestic Stock Exchange	-	124,106
Quoted at International Stock Exchanges	-	-

**Investments in associates sold during the current period:**

Company	Selling Price	Market or Stock Exchange Price per Share at Selling Date	Cash/Term Sale
İksir Ul. Elekt.Tic. Bilg. ve Hab. Hiz. AŞ	3,458	-	Term sale
Tansaş Perakende Mağazacılık AŞ	US\$ 148,850,326	193,762	Term sale-US\$

In the current period, the Bank sold its shares in İksir Uluslararası Elektronik Ticaret Bilgilendirme ve Haberleşme Hizmetleri AŞ, a non-financial subsidiary at a price of YTL 2,435 thousands to E Haber Ajansı Reklam ve Ticaret AŞ, a related company.

Following the completion of the merger of the Bank with Ana Konut Danışmanlık AŞ on 28 September 2005, the shares of İksir Uluslararası Elektronik Ticaret Bilgilendirme ve Haberleşme Hizmetleri AŞ transferred to the Bank were sold to the same company mentioned above at a price of YTL 1,023 thousands on a term sale.

A share selling agreement was signed between Koç Holding AŞ and its participation Migros Türk Ticaret AŞ, and Doğu Holding AŞ, certain Doğu Group of companies and also the Bank on 18 August 2005 including the Bank's shares in Tansaş Perakende Mağazacılık Ticaret AŞ (Tansaş) which increased to 27.21% together with the shares received from Ana Konut Danışmanlık AŞ following their merger. Accordingly, Tansaş shares owned by Doğu Group of companies in total representing 70.77% of the company's shares were subject to sell. The sale of Tansaş shares at a book value of YTL 193,762 thousands (31 December 2004: YTL 124,107 thousands), was completed on 10 November 2005 subsequent to receiving necessary legal permissions.

According to the share selling agreement, the total value of the company amounts to US\$ 547 millions and the value of the shares held by the Bank amounts to US\$ 148,850,326. US\$ 122,430,063 of the sale price was collected immediately in cash at closing and the remaining US\$ 26,420,263 is to be collected in ten equal installments in five years semi-annually taking into account the interest of US\$ 7,626,468 due to term payments. The Bank recorded an income of YTL 5,697 thousands from this sale in its financial statements.

***Investments in associates acquired during the current period:***

The shares of Tansaş Perakende Mağazacılık Ticaret AŞ (Tansaş) at a market price of YTL 21,978 thousands are included in "acquisitions and participations in capital increases" line of the movement schedule above as acquired through the Bank's merger with Ana Konut Danışmanlık AŞ on 28 September 2005. Accordingly, The Bank's share in Tansaş increased to 27.21%. However, all these shares were sold later on as explained in the "investments in associates sold during the current period" note above.

## 5.1.10 Investments in subsidiaries (Net)

### 5.1.10.1 Investments in subsidiaries

	Subsidiary	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Garanti Bilişim Teknolojisi Ve Tic. AŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.92	100.00
3	Doğuş Hiz. Yön. Ve Org. Danış AŞ	Istanbul/Turkey	93.40	100.00
4	Galata Araştırma Yayıncılık Tanıtım Ve Bilişim Teknoloji Hizmetleri AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Finansal Kiralama AŞ <sup>(2)</sup>	Istanbul/Turkey	94.10	98.93
6	Garanti Faktoring Hiz. AŞ <sup>(1)</sup>	Istanbul/Turkey	55.40	55.40
7	Garanti Yatırım Menkul Kıymetler AŞ <sup>(2)</sup>	Istanbul/Turkey	100.00	100.00
8	Garanti Portföy Yönetimi AŞ <sup>(2)</sup>	Istanbul/Turkey	100.00	100.00
9	Garanti Sigorta AŞ <sup>(2)</sup>	Istanbul/Turkey	100.00	100.00
10	Garanti Emeklilik AŞ <sup>(2)</sup>	Istanbul/Turkey	99.91	100.00
11	Garanti Gayrimenkul Yatırım Ortaklığı AŞ <sup>(1)</sup>	Istanbul/Turkey	50.98	50.98
12	Garanti Bank International NV <sup>(2)</sup>	Amsterdam/Holland	100.00	100.00
13	Garanti Bank Moscow <sup>(2)</sup>	Moscow/Russia	75.02	99.94
14	Garanti Financial Services Plc <sup>(2)</sup>	Dublin/Ireland	99.99	100.00
15	Garanti Fund Management Co. Ltd <sup>(2)</sup>	Valetta/Malta	99.99	100.00

	Total Assets	Shareholders' Equity	Total Tangible and Intangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (if available)
1	10,008	7,637	887	21	705	1,241	-96,240	-
2	9,614	3,950	485	-	546	1,283	583	-
3	1,356	1,291	148	17	65	973	115	-
4	294	182	-	-	2	38	-186	-
5	777,583	110,314	17,892	53,082	484	21,945	5,120	-
6	207,194	23,389	771	12,284	53	2,817	-	51,900
7	18,488	16,705	3,404	-	2,350	1,560	-26,106	-
8	15,263	14,130	3,752	91	1,089	850	2,384	-
9	200,927	66,545	17,561	6,068	2,934	13,721	-24,133	-
10	174,726	22,620	5,129	3,521	65	-8,298	-29,445	-
11	131,500	86,201	72,769	691	3,720	2,433	403	153,504
12	3,266,891	284,478	57,039	101,084	53,261	26,735	37,572	-
13	237,877	53,147	1,240	6,887	8,092	4,389	5,322	-
14	10,436	10,030	-	258	-	-266	6,798	-
15	82	-548	-	6	-	-430	-383	-

(1) Financial statements are as of 30 September 2005, but fair value information is as of 31 December 2005.

(2) Financial statements are as of 30 September 2005.

**5.1.10.2 Movement of investments in subsidiaries**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at Beginning of Period</b>	<b>1,394,851</b>	<b>1,464,248</b>
<b>Movements during the Period</b>	<b>-783,699</b>	<b>-69,397</b>
Acquisitions and Participations in Capital Increases	23,089	20,829
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	-820,051	-6,911
Reclassifications	-	-
Increase/Decrease in Market Values	50,539	24,918
Currency Differences on Foreign Subsidiaries	-38,703	-31,520
Impairment Losses (-)	-1,427	76,713
<b>Balance at End of Period</b>	<b>611,152</b>	<b>1,394,851</b>
<b>Capital Commitments</b>	<b>12,000</b>	<b>19,302</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>	<b>-</b>

The impairment losses and the reversal of prior periods impairment losses based on the equity accounting results of subsidiaries amounted to YTL 273 thousands and YTL 1,700 thousands, respectively in the current period.

*Valuation methods of investments in subsidiaries:*

<b>Subsidiaries</b>	<b>Current Period</b>	<b>Prior Period</b>
Valued at Cost	496,322	677,862
Valued at Fair Value	107,011	56,473
Valued by Equity Method of Accounting	7,819	660,516

*Sectoral distribution of investments in subsidiaries:*

<b>Subsidiaries</b>	<b>Current Period</b>	<b>Prior Period</b>
Banks	249,251	287,886
Insurance Companies	99,858	76,782
Factoring Companies	28,755	22,273
Leasing Companies	76,169	76,169
Finance Companies	149,231	105,209
Other Subsidiaries	7,888	826,532

*Quoted subsidiaries:*

<b>Subsidiaries</b>	<b>Current Period</b>	<b>Prior Period</b>
Quoted at Domestic Stock Exchanges	107,011	56,473
Quoted at International Stock Exchanges	-	-

**Investments in subsidiaries disposed during the current period:**

Company	Selling Price	Market or Stock Exchange Price per Share at Selling Date	Cash/Term Sale
Konaklı Turizm Temizlik Taşımacılık Org. Bilgisayar Danışmanlık Yapı ve Tic. AŞ	EUR 6,598,019.34	-	Term sale
Petrotrans Nakliyat Tic. AŞ	US\$ 10,000,000	-	Cash
Lasas Lastik San. Ve Tic. AŞ	YTL 40,965	-	Term sale
Voyager Mediterranean Turizm End. ve Tic. AŞ	YTL 160,732	-	Term sale
Doğuş Hava Taşımacılığı AŞ	YTL 15,734	-	Term sale
Sititur Turizm Taşımacılık Organizasyon AŞ	YTL 81,000	-	Term sale
Doğuş Turizm Sağlık Yat. ve İşl. San. Tic. AŞ	YTL 205,059	-	Term sale

In the current period, the Bank completed the sale of its shares in Konaklı Temizlik Taşımacılık Org. Bilgisayar Danışmanlık Yapı ve Tic. AŞ, a non-financial subsidiary at a net book value of YTL 11,507 thousands, at a price determined according to the company's balance sheet at the selling date. The Bank recorded a loss of YTL 160 thousands from this sale in its financial statements.

On 23 March 2005, the Bank signed a Term Sale Agreement to sell its shares in Petrotrans Nakliyat Ticaret AŞ, a non-financial subsidiary at a net book value of YTL 9,782 thousands as at 31 March 2005, at a total selling price of US\$ 10 millions of which US\$ 9 millions will be collected according to the payment periods agreed. In compliance with this Agreement, following the collection of the installments set the transfer of shares took place as of 30 June 2005. The Bank recorded an income of YTL 3,598 thousands from this sale in its financial statements.

The liquidation processes of Doğuş İnsan Gücü AŞ and Bosphorus Financial Services Ltd at a total net book value of YTL 116 thousands that the Bank had interest of 64.10% and 99.99% respectively, have been completed and the participations have been disposed during the year 2005.

Following the merger of the Bank with Ana Konut Danışmanlık AŞ on 28 September 2005, the participation in this non-financial subsidiary with a net book value of YTL 297,597 thousands (31 December 2004: YTL 298,271 thousands) is included in "sales/liquidations" line of the movement schedule above.

As further explained in Note 5.2.14.13, Doğuş Holding AŞ signed a Share Purchase Agreement on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank issued share capital to "GE Araştırma ve Müşavirlik Limited Şti." of General Electric (GE) group. According to the agreement, certain non-financial participations and real estates decided to 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% was paid at the closing date and the remaining to be paid in two equal instalments on the first and second anniversaries. Accordingly, at the date of sale of shares, the following non-financial subsidiaries at a total book value of YTL 494,612 thousands (31 December 2004: YTL 500,375 thousands) were sold to Doğuş Holding AŞ at a total sale price of YTL 503,490 thousands; Voyager Mediterranean Turizm End. ve Tic. AŞ, Sititur Turizm taşımacılık Org. AŞ, Lasas Lastik San. ve Tic. AŞ, Doğuş Hava Taşımacılığı AŞ and Doğuş Turizm Sağlık Yat. İşl. Tic. AŞ. The Bank recorded a net sale income of YTL 8,878 thousands in its financial statements upon these sales. YTL 262,156 thousands of the sale price has been collected. The remaining balance will be collected in two equal instalments in the next two years.

***Investments in subsidiaries acquired during the current period:***

Acquisitions included in the movement schedule above, resulted from participations in capital increases of existing subsidiaries. There was no subsidiaries acquired during the current period.

**5.1.11 Other investments (Net)**

**5.1.11.1 Commitments for joint ventures**

None.

**5.1.11.2 Details for joint ventures**

None.

**5.1.11.3 Information for joint ventures of banks not subject to consolidation**

None.

**5.1.11.4 Accounting method applied for joint ventures**

None.

**5.1.12 Financial lease receivables (Net)**

**5.1.12.1 Maturity analysis of financial lease receivables**

None.

**5.1.12.2 Net investment for financial lease**

None.

**5.1.12.3 Financial lease agreements**

None.

**5.1.13 Receivables on term sales of assets included in “Miscellaneous Receivables”**

	Current Period	Prior Period
Investments, Associates, Subsidiaries and Joint Ventures	269,570	-
Real Estates	3,724	-
Other Assets	2,843	-

#### 5.1.14 Accrued interest and income

##### 5.1.14.1 Accrued interest and income on loans

Accrued Interest and Income on Loans	Current Period		Prior Period	
	YTL	FC	YTL	FC
Uncollected Interest Income	4,851	1,245	3,093	1,824
Interest Income Accruals	81,438	122,353	61,041	90,774
Uncollected Commissions and Other Income	411	107	201	180
Commissions and Other Income Accruals	8,286	855	6,087	854
<b>Total</b>	<b>94,986</b>	<b>124,560</b>	<b>70,422</b>	<b>93,632</b>

##### 5.1.14.2 Other accrued interest and income

Other Accrued Interest and Income Receivable on	Current Period		Prior Period	
	YTL	FC	YTL	FC
Trading Securities	159	2,739	2,149	1,294
Investment Securities Available-for-Sale	317,198	92,891	117,005	82,467
Investment Securities Held-to-Maturity	52	74,566	22,148	62,178
Reverse Repurchase Agreements	-	-	-	-
Reserve Deposits	17,012	2,744	12,811	2,073
Financial Derivative Instruments:	406	9,482	1,006	64,540
<i>Interest and Income Accruals</i>	<i>172</i>	<i>5,363</i>	<i>232</i>	<i>5,436</i>
<i>Income Accruals for Foreign Exchange Gains</i>	<i>234</i>	<i>4,119</i>	<i>774</i>	<i>59,104</i>
Financial Leases	-	-	-	-
Other	20,016	1,342	12,094	740
<b>Total</b>	<b>354,843</b>	<b>183,764</b>	<b>167,213</b>	<b>213,292</b>

#### 5.1.15 Tangible assets (Net)

	Real Estates	Leased Equipment	Vehicles	Other Tangible Assets	Total
<b>Balance at End of Prior Period:</b>					
Cost	1,161,771	155,222	31,710	686,513	2,035,216
Accumulated Depreciation (-)	137,443	82,635	19,937	530,865	770,880
Net Book Value	1,024,328	72,587	11,773	155,648	1,264,336
<b>Balance at End of Current Period:</b>					
Net Book Value at Beginning of Current Period	1,024,328	72,587	11,773	155,648	1,264,336
Additions	277,765	36,549	14,450	117,087	445,851
Disposals (-)	115,927	-	1,943	4,232	122,102
Impairment Losses (-)	63,480	-	-	-	63,480
Depreciation Expense for Current Period (-)	15,704	24,586	5,504	70,525	116,319
Currency Translation Differences on Foreign Operations	-	-	-	-	-
Cost at End of Current Period	1,270,343	222,537	38,020	794,345	2,325,245
Accumulated Depreciation at End of Current Period (-)	163,361	137,987	19,244	596,367	916,959
<b>Net Book Value at End of Current Period</b>	<b>1,106,982</b>	<b>84,550</b>	<b>18,776</b>	<b>197,978</b>	<b>1,408,286</b>

**5.1.15.1 Disclosure for impairment losses or releases individually material for financial statements:**

**Conditions for allocating/releasing any impairment:**

None.

**Amount of impairment losses provided or released in financial statements during current period:**

None.

**5.1.15.2 Other impairment losses provided or released in current period that are immaterial for the financial statement individually:**

During 2005, a total provision of YTL 63,480 thousands was made for the impairment in values of certain real estates in compliance with the Statement no.7 of “Regulation on Accounting Standards”, “Accounting Standard for Impairment of Assets”.

**5.1.16 Intangible assets**

**5.1.16.1 Useful lives and amortisation rates**

Intangible assets include merely pre-operating expenses. The estimated useful lives of such assets vary between 3 and 10 years.

**5.1.16.2 Amortisation methods**

Intangible assets are amortised on a straight-line basis from the date of capitalisation.

**5.1.16.3 Balances at beginning and end of current period**

	Beginning of Period		End of Period	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Pre-operating Expense	70,539	49,672	72,064	58,131

**5.1.16.4 Movements of intangible assets for the current period**

	Current Period
<b>Net Book Value at End of Prior Period</b>	<b>20,867</b>
Additions	-
Additions due to Mergers, Transfers and Acquisition	1,525
Disposals (-)	-
Impairment Losses/Reversals to/from Revaluation Fund	-
Impairment Losses Recorded in Income Statement	-
Impairment Losses Reversed from Income Statement	-
Amortisation Expense for Current Period (-)	8,459
Currency Translation Differences on Foreign Operations	-
Other Movements	-
<b>Net Book Value at End of Current Period</b>	<b>13,933</b>

**5.1.16.5 Details for any individually material intangible assets**

None.

**5.1.16.6 Intangible assets capitalised under government incentives at fair values**

None.

**5.1.16.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates**

None.

**5.1.16.8 Net book value of intangible asset that are restricted in usage or pledged**

None.

**5.1.16.9 Commitments to acquire intangible assets**

None.

**5.1.16.10 Disclosure on revalued intangible assets**

None.

**5.1.16.11 Research and development costs expensed during current period**

None.

**5.1.16.12 Goodwill**

None.

**5.1.16.13 Movements in goodwill during current period**

None.

#### 5.1.17 Deferred tax assets

##### 5.1.17.1 Timing differences, tax losses and tax deductions and exemptions

As of 31 December 2005, the Bank had a deferred tax asset of YTL 30,460 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank did not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2005. However, there was a deferred tax asset of YTL 70,894 thousands and deferred tax liability of YTL 40,434 thousands presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods. For the cases where such differences are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

##### 5.1.17.2 Timing differences for which no deferred tax assets were calculated or recorded in the prior periods and their expiry dates, tax losses and tax deductions and exemptions

None.

##### 5.1.17.3 Impairment provisions for deferred tax assets and deferred tax assets arising on reversal of impairment provisions

None.

#### 5.1.18 Other assets

##### 5.1.18.1 Prepaid expenses, taxes and similar items

	Current Period	Prior Period
1. Prepaid Expenses	99,895	85,804
2. Prepaid Taxes	157,677	5,960

##### 5.1.18.2 Components of other assets, as each sub-account exceeding 20% of the total separately, excluding off-balance sheet items exceeding 10% of total assets

None.

## 5.2 Liabilities

### 5.2.1 Maturity profile of deposits

#### Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over
<b>Saving Deposits</b>	791,429	-	1,626,428	3,733,734	201,849	72,561	94,648
<b>Foreign Currency Deposits</b>	3,177,372	-	3,863,868	2,621,988	563,984	249,975	402,898
Residents in Turkey	2,857,627	-	3,764,432	2,501,085	547,071	165,220	342,167
Residents Abroad	319,745	-	99,436	120,903	16,913	84,755	60,731
<b>Public Sector Deposits</b>	10,827	-	18,192	15,592	459	38	40
<b>Commercial Deposits</b>	1,924,015	-	1,875,516	1,361,302	89,733	3,168	4,596
<b>Other</b>	171,089	-	31,254	78,610	922	1,316	158
<b>Precious Metal Deposits</b>	4,490	-	22	1,048	-	13,100	-
<b>Bank Deposits</b>	264,491	-	307,311	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	1,456	-	126,621	-	-	-	-
Foreign Banks	197,231	-	180,690	-	-	-	-
Special Purpose Financials Institutions	65,804	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>6,343,713</b>	<b>-</b>	<b>7,722,591</b>	<b>7,812,274</b>	<b>856,947</b>	<b>340,158</b>	<b>502,340</b>

#### Prior Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over
<b>Saving Deposits</b>	452,534	-	1,186,759	1,757,090	250,023	29,699	105,031
<b>Foreign Currency Deposits</b>	3,115,800	-	2,878,049	2,615,781	401,489	244,646	362,079
Residents in Turkey	2,821,532	-	2,789,551	2,494,379	385,085	201,365	325,068
Residents Abroad	294,268	-	88,498	121,402	16,404	43,281	37,011
<b>Public Sector Deposits</b>	10,309	-	254	220	5	35	34
<b>Commercial Deposits</b>	1,181,635	-	1,032,601	740,179	275,556	726	5,074
<b>Other</b>	259,047	-	15,259	41,685	1,859	13	145
<b>Precious Metal Deposits</b>	2,514	-	838	497	-	2,855	-
<b>Bank Deposits</b>	53,760	-	588,161	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	2,295	-	233,123	-	-	-	-
Foreign Banks	51,461	-	355,038	-	-	-	-
Special Purpose Financials Institutions	4	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>5,075,599</b>	<b>-</b>	<b>5,701,921</b>	<b>5,155,452</b>	<b>928,932</b>	<b>277,974</b>	<b>472,363</b>

**5.2.1.1 Saving deposits insured by Saving Deposit Insurance Fund and total amount of deposits exceeding insurance coverage limit**

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	3,555,602	2,214,897	2,901,048	1,406,174
Foreign Currency Saving Deposits	2,594,253	2,857,002	3,836,318	3,488,700
Other Deposits	605	495	16,432	4,609
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

**5.2.1.2 Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance**

None.

**5.2.1.3 Saving deposits out of the insurance coverage limits of Saving Deposit Insurance Fund**

Saving Deposits at	Current Period	Prior Period
Foreign Branches	273,112	261,308
Off-Shore Branches	-	-

**5.2.2 Funds provided from transactions by repurchase transactions**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
<b>Domestic Transactions</b>	<b>1,256,418</b>	<b>-</b>	<b>258,708</b>	<b>-</b>
Financial Institutions and Organizations	113,839	-	200,951	-
Other Institutions and Organizations	1,117,799	-	32,092	-
Individuals	24,780	-	25,665	-
<b>Foreign Transactions</b>	<b>50,320</b>	<b>649,707</b>	<b>50,108</b>	<b>465,990</b>
Financial Institutions and Organizations	50,000	649,707	50,000	465,990
Other Institutions and Organizations	233	-	4	-
Individuals	87	-	104	-
<b>Total</b>	<b>1,306,738</b>	<b>649,707</b>	<b>308,816</b>	<b>465,990</b>

**5.2.3 Funds borrowed**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-term	122,070	2,832,882	124,743	2,210,449
Medium and Long-term	-	2,557,898	-	1,212,554
<b>Total</b>	<b>122,070</b>	<b>5,390,780</b>	<b>124,743</b>	<b>3,423,003</b>

**5.2.3.1 Disclosures for concentration areas of the Bank's commitments**

Disclosures for concentration areas are prepared according to customers or sector groups providing funds or other risk concentrating criterias.

**5.2.4 Disclosure for securities issued**

None.

**5.2.4.1 Convertible bonds**

None.

**5.2.4.2 Maturity, interest and currency profile of securities issued**

None.

**5.2.5 Funds**

None.

**5.2.6 Miscellaneous payables**

	Current Period	Prior Period
Cash Collaterals Received	872	702

**5.2.6.1 Nature of cash collaterals received**

Cash collaterals received consist of deposits blocked for loans, export and import transactions.

**5.2.7 Components of other liabilities, as each sub-account exceeding 20% of the total separately, excluding off-balance sheet items exceeding 10% of total liabilities**

None.

**5.2.8 Taxes and other duties payable**

**5.2.8.1 Information on taxes payable:**

	Current Period	Prior Period
Corporate Taxes Payable (*)	61,528	-
Taxation on Securities Income	22,557	20,471
Taxation on Real Estates Income	395	307
Banking Insurance Transaction Tax	25,212	14,024
Foreign Exchange Transaction Tax	2,030	1,763
Value Added Tax Payable	941	714
Other	12,214	5,950
<b>Total</b>	<b>124,564</b>	<b>43,229</b>

(\*) The Bank's "provision for taxes" amounting YTL 213,397 thousands is recorded under "provisions" on the balance sheet as of 31 December 2005. The Bank's corporate taxes payable amounts to YTL 61,528 thousands after netting with the prepaid taxes of YTL 151,869 thousands calculated and paid at the temporary tax periods throughout the year 2005 and classified under "other assets" in the balance sheet.

#### 5.2.8.2 Premiums

	Current Period	Prior Period
Social Security Premiums-Employees	2	-
Social Security Premiums-Employer	-	-
Bank Pension Fund Premium-Employees	7	4
Bank Pension Fund Premium-Employer	8	5
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	199	158
Unemployment Insurance-Employer	329	255
Other	-	-
<b>Total</b>	<b>545</b>	<b>422</b>

#### 5.2.9 Factoring payables

None.

#### 5.2.10 Criteria used in the determination of lease instalments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

The agreements are made with purchase options. The payments are usually made in equal instalments.

##### 5.2.10.1 Changes in agreements and further commitments arising

None.

##### 5.2.10.2 Financial lease payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 Year	18,130	15,550	16,583	13,723
1-4 Years	8,740	7,785	19,064	16,015
More than 4 Years	-	-	-	-
<b>Total</b>	<b>26,870</b>	<b>23,335</b>	<b>35,647</b>	<b>29,738</b>

##### 5.2.10.3 Operational lease agreements

The operational leasing agreements are signed for some branches and ATM's. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "Other Assets". The Bank does not have any commitments arising on the existing operational lease agreements.

##### 5.2.10.4 "Sale-and-lease-back" agreements

None.

### 5.2.11 Accrued interest and expenses

Accrued Interest and Expenses on	Current Period		Prior Period	
	YTL	FC	YTL	FC
Deposits	116,434	22,156	71,661	19,587
Funds Borrowed	3,561	43,744	8,260	28,975
Securities Issued	-	-	-	-
Repurchase Agreements	4,428	4,078	3,822	10,195
Financial Derivative Instruments:	29,548	2,331	7,108	4,221
<i>Interest and Expense Accruals</i>	<i>1,040</i>	<i>1,197</i>	<i>172</i>	<i>3,164</i>
<i>Expense Accruals for Foreign Exchange Losses</i>	<i>28,508</i>	<i>1,134</i>	<i>6,936</i>	<i>1,057</i>
Factoring Payables	-	-	-	-
Other	3,705	12,318	4,820	8,439
<b>Total</b>	<b>157,676</b>	<b>84,627</b>	<b>95,671</b>	<b>71,417</b>

### 5.2.12 Provisions and subordinated loans

#### 5.2.12.1 General provisions

	Current Period	Prior Period
<b>General Provision for</b>	<b>99,400</b>	<b>65,512</b>
Loans and Receivables in Group I	85,028	52,604
Loans and Receivables in Group II	227	389
Non-Cash Loans	14,145	12,519
Other	-	-

#### 5.2.12.2 Reserve for employee termination benefits and notification indemnity

	5. PP	4. PP	3. PP	2. PP	Prior Period	Current Period
Actual Payments of Employee Termination Benefits and Notification Indemnity	2,926	3,813	2,794	3,679	3,995	5,965
Reserve for Employee Termination Benefits and Notification Indemnity	17,271	27,853	43,273	54,876	65,109	78,793
Actual Payment Coverage (%)	16.94	13.69	6.46	6.70	6.14	7.57
Reserve Coverage for Employee Termination Benefits and Notification Indemnity (%)	38.61	34.36	24.43	21.08	19.31	9.99
Reserve for Possible Employee Termination Benefits and Notification Indemnity	6,668	9,570	10,570	11,570	12,570	7,868

#### 5.2.12.3 Liabilities resulting from retirement rights

*Liabilities to the foundation established in accordance with "Social Security Institution":*

None.

*All kinds of liabilities to the foundation established that provide benefits for the employees after retirement:*

None.

**5.2.12.4 Nature of provisions, timing and amount of expected payments and uncertainties**

None.

**5.2.12.5 Provisions for foreign exchange differences on foreign currency indexed loans**

As of 31 December 2005, a provision of YTL 12,961 thousands was made for foreign exchange losses on foreign currency indexed loans and is recorded under loans.

**5.2.12.6 Provisions for impairment losses at settlement dates**

As of 31 December 2005, a provision of YTL 20 thousands was made for impairment losses incurred at settlement dates.

**5.2.12.7 Provisions for non-cash loans that are not indemnified and converted into cash**

As of 31 December 2005, a provision of YTL 2,442 thousands was made for indemnified non-cash loans.

**5.2.12.8 General reserves for possible losses**

	Current Period	Prior Period
<b>Balance at Beginning of Period</b>	<b>41,500</b>	<b>37,567</b>
Provision for realized losses	-	-33,000
Current period general reserve provision	17,000	41,500
Restatement effects of inflationary accounting	-	-4,567
<b>Balance at End of Period</b>	<b>58,500</b>	<b>41,500</b>

The Bank provided a general reserve in the amount of YTL 17,000 thousands in the current period for the assets kept at cost in the financial statements against the possible adverse effects of the potential risks in the economy.

**5.2.13 Subordinated loans**

None.

**5.2.14 Information on shareholders' equity**

**5.2.14.1 Paid-in capital**

	Current Period	Prior Period
Common Stock	2,100,000	1,200,000
Preferred Stock	-	-

**5.2.14.2 Registered share capital system**

Capital	Paid-in Capital	Ceiling per Registered Share Capital
Common Stock	2,100,000	7,000,000
Preferred Stock	-	-

As per the resolution no.2141 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.

**5.2.14.3 Capital increases in current year**

As per the resolution no.2147 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.

**5.2.14.4 Capital increases from revaluation fund in current year**

None.

**5.2.14.5 Capital commitments for current financial year and following year**

None.

**5.2.14.6 Information on privileges given to stocks representing the capital**

None.

**5.2.14.7 Common stock issue premiums, shares and equity instruments**

	Current Period	Prior Period
Number of Shares (billions) (1)	210	2,400
Preferred Stock	-	-
Common Stock Issue Premium	-	-
Common Stock Canceling Profit	-	-
Other Equity Instruments	-	-
<b>Total Common Stock Issue</b>	<b>210</b>	<b>2,400</b>

(1) As per the resolution of the Board of Directors on 8 April 2005, it was decided to increase the Bank's capital from YTL 1,200,000,000 to YTL 2,100,000,000. The increase in number of shares to 210,000,000,000 has been registered on 27 June 2005.

**5.2.14.8 Securities value increase fund**

	Current Period		Prior Period	
	TL	FC	TL	FC
Investments in Associates and Subsidiaries	22,836	-	-	-
Investment Securities Available-for-Sale	118,666	52,629	68,021	73,197
Investment Securities included in "Structural" Position	-	-	-	-

Securities in Foreign Currency	Current Period	Prior Period
Value Increase Fund for Securities in Foreign Currency	52,629	73,197
Foreign Exchange Gain on Common Stocks Included Above	-	-

**Accounting for foreign exchange gains/losses on investments, associates, subsidiaries and common stocks in investment securities available-for-sale:**

Such gains/losses are posted to the statement of operations as foreign exchange gains/losses. There are no foreign currency common stocks in investment securities available-for-sale.

**Any foreign exchange gains/losses classified under shareholders' equity in prior periods:**

None.

**5.2.14.9 Revaluation fund**

	Current Period		Prior Period	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	2,147	-	2,060	-
Gain On Sale of Investments in Associates and Subsidiaries and Real Estates as Source for Capital Increases	-	-	7,083	-
Revaluation Fund on Leasehold Improvements	-	-	-	-

**5.2.14.10 Revaluation surplus**

Under revaluation surplus, the bonus shares received from the following investee companies are recorded; Garanti Gayrimenkul Yatırım Ortaklığı AŞ by YTL 226 thousands, Garanti Sigorta AŞ by YTL 2,806 thousands, Garanti Ödeme Sistemleri AŞ by YTL 401 thousands, Garanti Yatırım Menkul Değerler AŞ by YTL 943 thousands and Kredi Kartları Bürosu by YTL 484 thousands.

**5.2.14.11 Legal reserves**

	Current Period	Prior Period
I. Legal Reserve	49,261	26,337
II. Legal Reserve	-	-
Special Reserves	-	-

In compliance with the decisions made on the Annual General Assembly, 5% of prior periods' profit is allocated to legal reserves.

**5.2.14.12 Extraordinary reserves**

	Current Period	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	64,587	71,416
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Difference on Foreign Currency Capital	-	-

In compliance with the decisions made on the Annual General Assembly, remaining prior periods' profit after the appropriation to legal reserves, are allocated to extraordinary reserves.

**5.2.14.13 Shareholders having more than 10% share in capital and/or voting right**

<b>Company</b>	<b>Shares</b>	<b>Ownership</b>	<b>Paid-in Capital</b>	<b>Unpaid Portion</b>
Doğuş Holding AŞ	497,400	23.69%	497,400	-
GE Araştırma ve Müşavirlik Limited Şti.	535,500	25.50%	535,500	-

In 2004 and 2005, Doğuş Holding AŞ had two separate agreements with a foreign portfolio investor for issuing options to purchase a portion of the shares of the Bank owned by Doğuş Holding AŞ. In accordance with the related Security's Lending Agreements, the investor took over all the ownership rights including the sale of 20,690,723,199 shares representing 9.85% of the Bank's capital (per 1 New Kuruluş) throughout the agreed option period. Shares in the number of 3,471,074,325 representing 1.653% of the Bank's capital were pledged to the investor for its unused additional purchase rights.

Doğuş Holding AŞ signed a Share Purchase Agreement with GE on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank's issued share capital. Subsequent to receiving the necessary permission from BRSA, the transfer of the Bank's shares with nominal value of YTL 535,500 thousands composing 25.5% of the Bank's issued share capital and 182 founder shares from Doğuş Holding AŞ to GE Araştırma ve Müşavirlik Limited Şti., an investee company of GE Capital Corporation incorporated in Turkey, was completed on 22 December 2005. Accordingly, in total US\$ 1,805,500,000; US\$ 1,555,500,000 for the Bank's shares with nominal value of YTL 535,500 thousands and US\$ 250,000 for the Bank's founder shares, was paid to Doğuş Holding AŞ in cash by GE Araştırma ve Müşavirlik Limited Şti. on 22 December 2005. There will be a call for the Bank's minority shareholders according to the paragraph 17 of the Article IV no.8 "Principles on Voting by Proxy at General Assembly and Gathering Proxy or Common Stock through Calls for Quoted Companies" of the Turkish Capital Market Board.

### 5.3 Income Statement

#### 5.3.1 Interest Income

##### 5.3.1.1 Interest income received from investments, associates and subsidiaries

	Current Period	Prior Period
Interest Received from Investments in Associates and Subsidiaries	1,736	5,539

##### 5.3.1.2 Income from financial lease

None.

##### 5.3.1.3 Interest income received from reverse repurchase agreements

None.

##### 5.3.1.4 Interest income from factoring receivables

None.

#### 5.3.2 Interest Expenses

##### 5.3.2.1 Interest expenses paid to investments, associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Investments in Associates and Subsidiaries	7,266	7,481

##### 5.3.2.2 Expenses on financial lease

	Current Period	Prior Period
Financial Leasing Expenses	3,869	2,885

**5.3.2.3 Maturity structure of interest expense on deposits**

Account Description	Demand Deposits	Time Deposits					Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	
<b>YTL</b>							
Bank Deposits	32	44,281	-	-	-	-	44,313
Saving Deposits	1,114	227,966	410,365	62,889	21,763	25,218	749,315
Public Sector Deposits	9	3,319	4,149	25	7	7	7,516
Commercial Deposits	2,664	225,151	122,199	19,380	2,742	1,223	373,359
Other	5,336	9,407	12,312	27,477	181	30	54,743
“7 Days Notice” Deposits	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-
<b>Total YTL</b>	<b>9,155</b>	<b>510,124</b>	<b>549,025</b>	<b>109,771</b>	<b>24,693</b>	<b>26,478</b>	<b>1,229,246</b>
<b>FC</b>							
Foreign Currency Deposits	9,426	71,572	68,429	12,853	4,873	10,523	177,676
Bank Deposits	-	6,654	-	-	-	-	6,654
Precious Metal Deposits	-	4	29	2	175	-	210
<b>Total FC</b>	<b>9,426</b>	<b>78,230</b>	<b>68,458</b>	<b>12,855</b>	<b>5,048</b>	<b>10,523</b>	<b>184,540</b>
<b>Grand Total</b>	<b>18,581</b>	<b>588,354</b>	<b>617,483</b>	<b>122,626</b>	<b>29,741</b>	<b>37,001</b>	<b>1,413,786</b>

**5.3.2.4 Interest expense on repurchase agreements**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Interest Paid on Repurchase Agreements	135,864	29,948	142,273	36,750

**5.3.2.5 Interest expenses on factoring payables**

None.

**5.3.3 Other operating income**

Other operating income consists of collection or reversals of prior year provisions, banking services related costs charged to customers and income in custody services.

#### 5.3.4 Provision for loan or other receivable losses

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	318,661	119,261
<i>Loans and Receivables in Group III</i>	16,186	161
<i>Loans and Receivables in Group IV</i>	-	322
<i>Loans and Receivables in Group V</i>	302,475	118,778
General Provisions	33,938	18,593
Provision for Possible Losses	17,000	41,500
Foreign Exchange Losses on Foreign Currency Indexed Loans (*)	-	16,135
Impairment Losses on Securities	56	105
Trading securities	56	105
Available-for-sale securities	-	-
Other Impairment Losses	4,548	148,415
Associates	4,275	39,926
Subsidiaries	273	79,767
Joint Ventures	-	-
Investment Securities Held to Maturity	-	28,722
Other	72,454	80,750
<b>Total</b>	<b>446,657</b>	<b>424,759</b>

(\*) in compliance with the Article of "Changes in the Article related with the Uniform Chart of Accounts and the Related Explanations" as published in the Official Gazette no.25984 dated 2 November 2005, "foreign exchange losses on foreign currency indexed loans and securities" in the amount of YTL 25,446 thousands and YTL 41,210 thousands, respectively, are included in "other operating expenses" in the current period.

#### 5.3.5 Other operating expenses

	Current Period	Prior Period
Personnel Costs	452,796	368,545
Reserve for Employee Termination Benefits	682	1,000
Deficit Provision for Pension Fund	-	-
Depreciation Expenses	116,319	100,407
Amortisation Expenses	8,459	10,821
Other Operating Expenses	453,851	334,518
<i>Repair and Maintenance Expenses</i>	13,989	13,550
<i>Advertisement Expenses</i>	61,262	56,045
<i>Other Expenses</i>	378,600	264,923
Loss on Sale of Assets	64,123	10,474
Operational Leasing Expenses	47,154	45,507
Other	209,017	213,212
<b>Total</b>	<b>1,352,401</b>	<b>1,084,484</b>

#### Goodwill amortisation:

None.

### 5.3.6 Income/losses from investments, associates and subsidiaries

#### 5.3.6.1 Income and losses

Income/Losses from	Current Period	Prior Period
Subsidiaries (+/-)	2,000	48,574
Investments and Associates (+/-)	1	10,750

#### 5.3.6.2 Income/losses from investments in associates resulting from equity accounting

Losses from investments in associates accounted under equity accounting, are presented in 5.3.4 above under "other impairment losses". The income from reversal of prior period impairment provisions calculated for associates under equity method of accounting amounts to YTL 1,697 thousands.

#### 5.3.6.3 Income or loss from transactions with companies and individuals in the Bank's risk group

The related disclosure is presented in details in Note 5.8.

### 5.3.7 Provision for taxes on income

#### 5.3.7.1 Current period tax charge/credit and deferred tax income/expense

As of 31 December 2005, the Bank recorded a tax expense of YTL 167,056 thousands and a deferred tax expense of YTL 58,944 thousands in the current period. YTL 8,692 thousands of the current period tax expense comprise of withholding tax to be paid in 2006 for the incentive utilized on the investment incentive certificate in 2005.

#### 5.3.7.2 Deferred tax income/expense on timing differences

Deferred tax income/(expense) on timing difference	Current Period
Increase in tax deductible timing differences	51,591
Decrease in tax deductible timing differences (-)	75,494
Increase in taxable timing differences (-)	13,851
Decrease in taxable timing differences	921
<b>Total</b>	<b>-36,833</b>

#### 5.3.7.3 Deferred tax income/expense in the income statement arising on timing differences, tax losses and tax deductions and exemptions

Deferred tax income/(expense) arising on timing differences, tax losses and tax deductions and exemptions	Current Period
Increase/(decrease) in tax deductible timing differences	-23,903
(Increase)/decrease in taxable timing differences	-12,930
Increase/(decrease) in tax losses	-14,704
Increase/(decrease) in tax deductions and exemptions	-7,407
<b>Total</b>	<b>-58,944</b>

**5.3.8 Net profit and loss**

**5.3.8.1** *Any further explanation on operating results needed for proper understanding of the Bank's performance*

None.

**5.3.8.2** *Any changes in estimations that might have a material effect on current and subsequent period results*

None.

**5.3.9** **Quantification of any changes in accounting estimates that had material effect in current period and may materially affect subsequent periods**

None.

## 5.4 Off-Balance Sheet Items

### 5.4.1 Off-balance sheet contingencies

#### 5.4.1.1 Non-cash loans

	Current Period	Prior Period
Non-Cash Loans against Cash Loan Risks	326,860	365,712
<i>With Original Maturity of 1 Year or Less</i>	46,395	64,238
<i>With Original Maturity of More Than 1 Year</i>	280,465	301,474
Other Non-Cash Loans	7,810,969	6,325,974
<b>Total</b>	<b>8,173,829</b>	<b>6,691,686</b>

#### 5.4.1.2 Other disclosures on non-cash loans

Sectoral distribution of non-cash loans :

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
<b>Agriculture</b>	<b>262,362</b>	<b>11.12</b>	<b>29,840</b>	<b>0.52</b>	<b>15,718</b>	<b>1.04</b>	<b>27,328</b>	<b>0.53</b>
Farming and Stockbreeding	262,113	11.11	29,816	0.52	15,495	1.03	27,328	0.53
Forestry	-	-	-	-	-	-	-	-
Fishery	249	0.01	24	-	223	0.01	-	-
<b>Manufacturing</b>	<b>663,705</b>	<b>28.13</b>	<b>2,137,290</b>	<b>36.99</b>	<b>489,105</b>	<b>32.24</b>	<b>2,319,989</b>	<b>44.83</b>
Mining	50,024	2.12	82,349	1.43	10,385	0.68	6,217	0.12
Production	613,681	26.01	2,054,941	35.56	476,933	31.44	2,244,568	43.37
Electricity, Gas, Water	-	-	-	-	1,787	0.12	69,204	1.34
<b>Construction</b>	<b>317,989</b>	<b>13.48</b>	<b>1,184,698</b>	<b>20.50</b>	<b>207,339</b>	<b>13.67</b>	<b>1,016,336</b>	<b>19.64</b>
<b>Services</b>	<b>1,014,479</b>	<b>43.01</b>	<b>1,618,236</b>	<b>27.99</b>	<b>747,137</b>	<b>49.26</b>	<b>1,657,983</b>	<b>32.04</b>
Wholesale and Retail Trade	696,454	29.52	679,835	11.76	536,889	35.39	635,719	12.28
Hotel, Food and Beverage Services	69,952	2.97	92,499	1.60	23,478	1.55	102,948	1.99
Transportation and Telecommunication	52,665	2.23	106,382	1.84	38,102	2.51	155,300	3.00
Financial Institutions	155,598	6.60	671,633	11.62	124,837	8.23	698,592	13.50
Real Estate and Renting Services	18,380	0.78	27,810	0.48	11,548	0.76	44,092	0.85
“Self-Employment” Type Services	-	-	-	-	-	-	-	-
Educational Services	4,309	0.18	8,891	0.15	2,960	0.20	7,141	0.14
Health and Social Services	17,121	0.73	31,186	0.54	9,323	0.62	14,191	0.28
<b>Other</b>	<b>100,654</b>	<b>4.26</b>	<b>808,576</b>	<b>14.00</b>	<b>57,564</b>	<b>3.79</b>	<b>153,187</b>	<b>2.96</b>
<b>Total</b>	<b>2,359,189</b>	<b>100.00</b>	<b>5,778,640</b>	<b>100.00</b>	<b>1,516,863</b>	<b>100.00</b>	<b>5,174,823</b>	<b>100.00</b>

**Non-cash loans classified under Group I and II:**

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>				
Letters of Guarantee	2,084,269	3,868,372	-	-
Bank Acceptances	-	283,773	-	-
Letters of Credit	268,871	1,619,870	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

**5.4.1.3 Irrevocable credit commitments**

	Current Period	Prior Period
Letters of Guarantee in Foreign Currency	3,872,083	3,085,217
Letters of Guarantee in YTL	2,090,318	1,516,757
Letters of Credit	1,318,659	1,185,029
Bank Acceptances	286,255	357,269
Prefinancing	-	-
<b>Total</b>	<b>7,567,315</b>	<b>6,144,272</b>

**5.4.1.4 Possible losses from off-balance sheet items**

None.

**5.4.1.5 Pledges, mortgages, other restrictions and acquisition commitments on tangible assets**

None.

**5.4.1.6 Explanation for the following matters separately from other conditional commitments**

**The Bank's share in commitments for joint venture:**

None.

**Accounting method of commitments:**

The Bank has capital commitments amounting to YTL 12,000 thousands for its subsidiaries and associates. Furthermore, there are letters of guarantee amounting to YTL 37,606 thousands issued for several entities for the Bank's own business.

#### 5.4.2 Financial derivative instruments

	Current Period	Prior Period
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>6,401,535</b>	<b>4,812,331</b>
Currency Forwards	514,115	395,143
Currency Swaps	4,121,495	3,533,614
Currency Futures	247,954	299,200
Currency Options	1,517,971	584,374
<b>Interest Rate Related Derivative Transactions (II)</b>	<b>118,780</b>	<b>20,000</b>
Interest Rate Forwards	-	-
Interest Rate Swaps	14,712	-
Interest Rate Futures	102,078	20,000
Interest Rate Options	1,990	-
<b>Other Trading Derivatives (III)</b>	<b>-</b>	<b>-</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>6,520,315</b>	<b>4,832,331</b>
<b>Hedging Derivatives</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	4,948	12,361
Hedges for Foreign Currency Investments	-	-
<b>B. Total Hedging Derivatives</b>	<b>4,948</b>	<b>12,361</b>
<b>Total Derivative Transactions (A+B)</b>	<b>6,525,263</b>	<b>4,844,692</b>

Derivative transactions on gold are included under “Others” line in Off-Balance Sheet Items table.

#### 5.4.3 Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

#### 5.4.4 The Bank’s latest international risk ratings

##### MOODY’S (December 2005\*)

Long Term FC Deposit	B1
Long Term YTL Deposit	A3
Short Term YTL Deposit	Prime-2
Long Term FC Deposit Outlook	Stable
FSR	D+
FSR Outlook	Stable

##### STANDARD AND POORS (January 2006\*)

Long Term FC Obligations	BB-
Outlook	Positive

**FITCH RATINGS (December 2005\*)**

<b>Foreign Currency</b>	
Long Term	BB-
Short Term	B
Outlook	Positive
Individual	C/D
Support	4
<b>Turkish Lira</b>	
Long Term	BB-
Short Term	B
Outlook	Positive
<b>National</b>	
Outlook	Stable

**CAPITAL INTELLIGENCE (August 2005\*)**

Long Term FC Obligations	BB-
Short Term FC Obligations	B
Domestic Strength	BBB
Support	2
Outlook	Stable

(\*) Latest dates in risk notes or outlooks.

## 5.5 Statement of Changes in Shareholders' Equity

### 5.5.1 Any increases arising from application of accounting for financial instruments

#### 5.5.1.1 Increases from valuation of investment securities available-for-sale

As of 31 December 2005, the revaluation of investment securities available-for-sale at fair value netted with the related deferred tax liability effect has resulted in a gain of YTL 87,081 thousands that is presented as the current period increase in "securities value increase fund" in the statement of changes in shareholders' equity. The amounts transferred to "net profit" from "securities value increase fund" were YTL 126,827 thousands and YTL 57,004 thousands for the years ended of 2004 and 2005, respectively.

#### 5.5.1.2 Increases due to cash flow hedges

In 2004, the Bank entered into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. A gain of YTL 5,229 thousands on such effective hedging contracts were classified directly under shareholders' equity within "other profit reserves" in the prior period. In the current period the amount transferred to "net profit" after netting with the related tax effect is YTL 5,435 thousands and the amount recorded under shareholders' equity is YTL 3,759 thousands.

#### 5.5.1.3 Reconciliation of foreign exchange differences at beginning and end of current period

The reconciliation has been completed.

### 5.5.2 Any decreases arising from application of accounting for financial instruments

#### 5.5.2.1 Decreases from valuation of investment securities available-for-sale

None.

#### 5.5.2.2 Decreases due to cash flow hedges

None.

### 5.5.3 Dividends

#### 5.5.3.1 Any dividends declared after date of balance sheet but before publishing financial statements:

There is not any declaration.

#### 5.5.3.2 Earnings per share to be distributed to shareholders after balance sheet date

The profit distribution will be decided during the General Assembly at a later date. As of the reporting date, there is no suggestion made.

#### 5.5.3.3 Suggestions to general assembly for timing of profit distribution and if it is decided not to distribute any profits, reasons for such a decision

None.

### 5.5.4 Transfers to legal reserves

	Current Period	Prior Period
Transfer from retained earnings to legal reserves	22,953	25,144

#### **5.5.5 Issuance of share certificates**

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.

As per the Share Purchase Agreement signed between Doğuş Holding AŞ and GE, 182 founder shares composing 49.2% of all existing founder shares were sold to GE at a selling price of US\$ 250 millions.

#### **5.5.6 Effects of prior years' corrections to beginning balances of current period**

On the Regulation issued by BRSA, BDDK.DZM.2/13/1-a-2, it is required that in cases where the fair values of the investments in quoted companies are below the book values restated for the effects of inflation, then taking into account certain criteria such as whether the value decreases are temporary or permanent, the proportions of value decreases, the book values are adjusted for provisions to cover the impairments down to fair values and impairment losses are posted through statement of income. The effect of this regulation on the prior year results is adjusted through retained earnings under the heading of "Effect of changes in accounting policies" in the statement of changes in shareholders' equity as of 31 December 2005 in compliance with the Statement no.10 of the Statement no.12 "Material Errors and Accounting for Changes in Accounting Policies" of the "Regulation on Accounting Standards". Accordingly, the effect of this change on the net profit of the year ended 31 December 2004 and 2003 were YTL 33,272 thousands and YTL 37,147 thousands, respectively.

The Bank made provisions for personnel bonuses, unpaid vacation rights, premiums and overtimes in compliance with the Statement no.10 of "Regulation on Accounting Standards"; "Accounting Standard on Bank's Employee Rights" and for credit cards and promotions on banking services in compliance with the Article of "Changes in the Article related with the Uniform Chart of Accounts and the Related Explanations" as published in the Official Gazette no.25984 dated 2 November 2005, recorded a total amount of YTL 28,655 thousands net of tax effect in the financial statements and presented this amount in the statement of changes in shareholders' equity in a line item "prior period profit/(loss)" balance of the prior year. The effect of the correction on the current period profit was YTL 11,726 thousands.

#### **5.5.7 Compensation of prior period losses**

None.

## 5.6 Statement of Cash Flows

### 5.6.1 Disclosures for “other” items in statement of cash flows and effect of change in foreign currency rates cash and cash equivalents

In 2005, the net cash inflows arising from banking operations amount to YTL 2,733,062 thousands. YTL 1,628,283 thousands of this amount is generated from the change in operating assets and liabilities and YTL 1,104,779 thousands from operating profit. The net cash outflow from investing activities is YTL 1,431,031 thousands. The major item is the outflows arising from new investments in securities available-for-sale. Cash and cash equivalents increased to YTL 2,888,209 thousands at the end of the current period in comparison to YTL 1,492,054 thousands at the beginning of the current period.

### 5.6.2 Cash outflows from acquisition of investments, associates, subsidiaries and other investments

Please refer to Notes 5.1.9.2 and 5.1.10.2.

### 5.6.3 Cash inflows from disposal of investments, associates, subsidiaries and other investments

Please refer to Notes 5.1.9.2 and 5.1.10.2.

### 5.6.4 Cash and cash equivalents at beginning of period

	Current Period	Prior Period
Cash on Hand	189,528	181,487
<i>Cash in YTL</i>	62,013	41,664
<i>Cash in Foreign Currency</i>	127,515	139,823
Cash Equivalents	1,302,526	696,945
<i>Other</i>	1,302,526	696,945
<b>TOTAL</b>	<b>1,492,054</b>	<b>878,432</b>

### 5.6.5 Cash and cash equivalents at end of period

	Current Period	Prior Period
Cash on Hand	197,657	189,528
<i>Cash in YTL</i>	107,356	62,013
<i>Cash in Foreign Currency</i>	90,301	127,515
Cash Equivalents	2,690,552	1,302,526
<i>Other</i>	2,690,552	1,302,526
<b>TOTAL</b>	<b>2,888,209</b>	<b>1,492,054</b>

### 5.6.6 Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of placements at foreign banks in the amount of YTL 106,085 thousands is blocked for repayments of funds borrowed through securitisations of which YTL 58,920 thousands at the Luxembourg Central Bank and YTL 32,522 thousands at various banks.

### 5.6.7 Additional information

#### 5.6.7.1 Restrictions on the Bank’s potential borrowings:

None.

#### 5.6.7.2 Cash inflows presenting increase in operating capacity of the Bank:

None.

## **5.7 Accounting for Entities Acquired through Mergers and Acquisitions**

As per the resolution no.2152 of the Board of Directors on 11 May 2005, it is decided to merge the Bank with Ana Konut Danışmanlık AŞ, a fully owned non-financial subsidiary of the Bank at a net book value of YTL 297,597 thousands (31 December 2004: YTL 298,271 thousands), taking over all the rights, assets, liabilities and obligations of the company ceasing its legal corporate existence after the merger. Upon receiving the necessary legal permission, the merge took place on 28 September 2005 in compliance with the Statement no.6 of the "Regulation on Accounting Standards", Accounting Standard for Bank Mergers/Transfers and Equity Participations Acquired.

There was no issuance of new shares since the company was merged as a fully owned subsidiary of the Bank.

As of the merger date, the total assets and the shareholders' equity of Ana Konut Danışmanlık AŞ amounted to YTL 319,100 thousands and YTL 295,801 thousands, respectively.

## 5.8 Related Party Risks

### 5.8.1 Volume of transactions with the Bank's risk group, lendings and deposits outstanding at period end and income and expenses from transactions incurred during the period

#### 5.8.1.1 Current Period

Bank's Risk Group (1)	Investments, Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	97,433	17,146	235,828	197,965	-	-
Balance at end of period	25,967	15,818	309,170	305,652	-	-
Interest and Commission Income	3,358	119	9,330	1,485	-	-

(1) As described in the Article 20, clause (2) of "Regulation on Establishment and Operations of Banks".

#### 5.8.1.2 Prior Period

Bank's Risk Group (1)	Investments, Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	158,647	30,599	376,268	334,387	-	-
Balance at end of period	97,433	17,146	235,828	197,965	-	-
Interest and Commission Income	5,708	124	10,595	3,580	-	-

(1) As described in the Article 20, clause (2) of "Regulation on Establishment and Operations of Banks".

#### 5.8.1.3 Other related party balances

Deposits:

Bank's Risk Group (1)	Investments, Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	65,484	98,358	152,702	139,985	-	-
Balance at end of period	165,859	65,484	1,396,643	152,702	-	-
Interest Expenses	7,266	7,481	6,974	18,841	-	-

(1) As described in the Article 20, clause (2) of "Regulation on Establishment and Operations of Banks".

*Derivative transactions:*

Bank's Risk Group (1)	Investments, Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Trading Transactions:</b>						
Beginning of Period	222	161,005	680	-	-	-
End of Period	-	222	4,272	680	-	-
Total Profit/Loss	-	-	31	-82	-	-
<b>Hedging Transactions:</b>						
Beginning of Period	-	-	-	-	-	-
End of Period	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

(1) As described in the Article 20, clause (2) of "Regulation on Establishment and Operations of Banks".

## 5.8.2 The Bank's risk group

### 5.8.2.1 Relations with companies in risk group of/or controlled by the Bank regardless of nature of current transactions

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

### 5.8.2.2 Concentration of transaction volumes and balances with risk group and pricing policy

The cash loans of the risk group compose 1.90% of the Bank's total cash loans and 0.87% of the Bank's total assets. The non-cash loans of the risk group compose 3.95% of the Bank's total non-cash loans. The deposits of the risk group compose 6.63% of the Bank's total deposits. The pricing of transactions with the risk group companies is set in compliance with the market prices.

### 5.8.2.3 Other matters not required to be disclosed

None.

### 5.8.2.4 Transactions accounted under equity method

Please refer to Notes 5.1.9 and 5.1.10.

### 5.8.2.5 All kind of agreements signed like asset purchases/sales, service rendering, agencies, leasing, research and development, licences, funding, guarantees, management services

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ, Garanti Sigorta AŞ, Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the products of these entities to customers. Agency services for trading of securities are rendered by the Bank's specialised branches (Investment Centers).

Purchase of equipments for the Bank's internal use are partly arranged through financial leasing.

## **5.9 Accounting in Hyperinflationary Economies**

According to the Statement no.14 of “Regulation on Accounting Standards”; “Accounting Standard for Financial Reporting in Hyperinflationary Economies”, if 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, the cumulative three-year inflation rate is equal to or over 100% and the current year inflation rate is equal to or over 10% according to the State Institute of Statistics, this confirms the existence of a hyperinflationary economy.

In BRSA’s Circular no.BDDK.DZM.2/13/-d-5 on 28 April 2005, it is stated that as of January 2005, the banking sector datas confirm that the YTL deposits has the majority in total deposit stock, the foreign currency deposits have a decreasing trend, in short-term transactions prices are determined disregarding any losses of purchasing power during the period and the issuance of government securities are not dependent on price indices, and the Turkish nation-wide wholesale price indices published by the State Institute of Statistics, have been 57.83% and 8.16% for the last three-year and twelve months, respectively as of 31 March 2005, and therefore the majority of the criterias confirming the existence of a hyperinflationary economy are not valid anymore. Accordingly, by the decision no.1623 of BRSA on 21 April 2005, it is announced that the application of inflation accounting in banking sector has been ceased.

### **5.9.1 Other disclosures**

The Bank’s accompanying unconsolidated financial statements are not adjusted for the effect of inflation as of 31 December 2005. The financial statements as of 31 December 2004 are adjusted for the effects of inflation as of 31 December 2004. In the current period, the non-monetary items are not adjusted for the effects of inflation. Therefore in the income statement there are no gains/losses calculated for the monetary position.

In compliance with BRSA’s Circular on 28 April 2005 on ceasing the inflation accounting application, any accounting entries made to the accounts used for booking of the adjustments for inflation accounting were cancelled, and the balances resulted from the inflation accounting application as of 31 December 2004 and booked according to the Uniform Chart of Accounts and the related Explanations, are transferred to the main accounts that were subject to the inflation accounting adjustments except for “capital reserves from inflation adjustments”. The balance of “capital reserves from inflation adjustments” account is transferred to “other supplementary capital” account.

### 5.10 Domestic, Foreign and Off-Shore Branches and Foreign Representative Offices

	Number of Branches	Number Of Employees			
<b>Domestic Branches</b>	359	10,462	<b>Country</b>		
<b>Foreign Representative Offices</b>	5	1	1-SWITZERLAND		
		1	2-GERMANY		
		1	3-RUSSIA		
		1	4-ENGLAND		
		1	5-CHINA		
				<b>Total Assets</b>	<b>Legal Capital</b>
<b>Foreign Branches</b>	3	17	1- LUXEMBOURG	3,996,963	US\$ 89,500,000
		12	2- MALTA	5,736,382	-
		28	3- NCTR	78,018	YTL 3,200

## **5.11 Significant Events and Matters Arising Subsequent to Balance Sheet Date**

Corporate income tax is levied at the rate of 30% on the corporate income tax base of the year 2005. However, according to the draft "Corporate Tax Law" announced by the Ministry of Finance, the corporate tax rate will be reduced to 20% from 30% effective from the taxation periods starting from 1 January 2006. In the event that the draft Law passes and becomes effective, the corporate income tax will be levied at the rate of 20% on the corporate income tax base for the year starting from 1 January 2006.

The Bank participated with US\$ 300 millions in the consortium established by various banks in order to grant a loan in a total amount of US\$ 1.8 billions to a company to be incorporated by Koç Holding AŞ, Aygaz AŞ, OPET Petrolcülük AŞ, Shell Overseas Investment BV and The Shell Company of Turkey Limited.

## **6 Other Disclosures and Footnotes**

### **6.1 Other Disclosures on Activities of the Bank**

As explained in Note 5.2.14.13, Dođuş Holding AŞ signed a Share Purchase Agreement with General Electric on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank issued share capital. According to the agreement, certain non-financial participations and real estates decided to be taken over by Dođuş Holding AŞ at a total price of YTL 958 millions calculated based on the financial statements as of 31 March 2005 of which 50% was paid at the closing date and the remaining to be paid in two equal instalments on the first and second anniversaries. Accordingly, at the date of sale of shares, the Bank's certain non-financial subsidiaries representing the first group were sold to Dođuş Holding AŞ as explained in Note 5.1.10.2. In the second group, certain non-financial associates namely Garanti Turizm Yatırım ve İşletmeleri AŞ and Doc Finance SA at a total book value of YTL 29,458 thousands and certain real estates either in use or held for resale at a total book value of YTL 237,038 thousands as of 31 December 2005 are expected to be sold to Dođuş Holding AŞ at a total sale price of YTL 273,397 thousands.

## **7 Independent Auditor's Report**

### **7.1 Disclosure on Independent Auditor's Report**

The Bank's unconsolidated financial statements as of 31 December 2005, have been audited by Akis Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International) and an unqualified opinion has been issued in their independent auditors' report dated 17 February 2006.