Türkiye Garanti Bankası Anonim Şirketi
And Its Affiliates

Consolidated Financial Statements

31 March 2006

With Independent Auditors'

Review Report Thereon

5 May 2006

This report contains the "Independent Auditors' Review Report" comprising 1 page and; the "Consolidated financial statements and their explanatory notes" comprising 63 pages.

Akis Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Yapı Kredi Plaza C Blok Kat 17
Büyükdere Caddesi
Levent 34330 İstanbul

Telephone +90 (212) 317 74 00
Fax +90 (212) 317 73 00
Internet www.kpmg.com.tr

Independent Auditors' Review Report

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

We have reviewed the accompanying consolidated balance sheet of Türkiye Garanti Bankası Anonim Şirketi (the Bank) and its affiliates as of 31 March 2006; and the consolidated statements of income, changes in shareholders' equity and cash flows for the three-month period then ended. This consolidated interim financial information is the responsibility of the Bank's management. Our responsibility is to issue a report on this interim financial information based on our review.

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

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not give a true and fair view of the financial position of the Bank and its affiliates as of 31 March 2006, and the results of its operations and its cash flows for the three-month period then ended in accordance with IAS 34, "Interim Financial Reporting".

İstanbul,
5 May 2006

KPMG Akis Serbest Muhasebeci
Mali Müşavirlik A.Ş.

Türkiye Garanti Bankası Anonim Şirketi

And Its Affiliates

Table of contents

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Consolidated Balance Sheet
At 31 March 2006

(Currency: Thousands of New Turkish Lira (YTL))

	Notes	31 March 2006	31 December 2005
Assets			
Cash and balances with Central Banks	*4*	2.750.628	4.342.644
Financial assets at fair value through profit or loss	*5*	1.008.644	982.316
Loans and advances to banks	*6*	1.510.279	2.177.017
Loans and advances to customers	*7*	23.702.947	19.207.232
Other assets	*9*	1.213.014	1.188.204
Security investments	*10,21*	12.405.473	11.909.044
Investments in equity participations	*11*	55.262	55.362
Tangible assets, net	*12*	1.191.067	1.219.413
Intangible assets, net	*13*	34.566	34.566
Deferred tax asset	*18*	109.843	81.746
Total assets		**43.981.723**	**41.197.544**
Liabilities			
Deposits from banks	*14*	1.326.841	1.059.709
Deposits from customers	*15*	26.320.213	24.525.284
Obligations under repurchase agreements	*16*	2.242.163	2.340.129
Loans and advances from banks	*17*	7.055.312	6.689.080
Current tax liability	*18*	106.859	67.938
Deferred tax liability	*18*	895	596
Other liabilities and accrued expenses	*19*	2.645.636	2.482.833
Total liabilities		**39.697.919**	**37.165.569**
Shareholders' equity and minority interest			
Share capital	*20*	3.046.371	3.046.371
Minority interest	*20*	42.582	43.134
Revaluation of available-for-sale assets	*10,20*	133.728	162.522
Hedging reserve		4.498	3.553
Legal reserves	*20*	75.282	78.600
Retained earnings	*20*	981.343	697.795
Total shareholders' equity and minority interest		**4.283.804**	**4.031.975**
Total liabilities, shareholders' equity and minority interest		**43.981.723**	**41.197.544**
Commitments and contingencies	*22*		

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Consolidated Income Statement
For The Three-Month Period Ended 31 March 2006

(Currency: Thousands of New Turkish Lira (YTL))

	Notes	31 March 2006	31 March 2005
Interest income:-			
Interest on loans		654.226	467.703
Interest on securities		354.960	409.255
Interest on deposits at banks		73.884	43.567
Interest on lease business		24.408	14.464
Others		8.940	19.743
		1.116.418	954.732
Interest expense:-			
Interest on saving, commercial and public deposits		(462.588)	(327.961)
Interest on borrowings		(138.294)	(93.561)
Interest on bank deposits		(35.773)	(23.676)
Others		(17.505)	(3.942)
		(654.160)	(449.140)
Net interest income		**462.258**	**505.592**
Fee and commission income		332.038	255.017
Fee and commission expense		(68.889)	(68.873)
Net fee and commission income		**263.149**	**186.144**
Premium income from insurance business		48.356	31.677
Trading income, net		43.183	4.302
Foreign exchange gain, net		18.556	21.500
Gross profit from retail business		-	66.570
Others		10.373	20.506
Other operating income		**120.468**	**144.555**
Total operating Income		**845.875**	**836.291**
Salaries and wages		(127.208)	(112.158)
Impairment losses	*7,8,9,11,12,13,19*	(82.614)	(202.789)
Depreciation and amortization	*12*	(41.298)	(50.604)
Employee benefits		(32.467)	(28.592)
Communication expenses		(23.826)	(21.989)
Advertising expenses		(22.861)	(22.406)
EDP expenses		(16.028)	(12.627)
Rent expenses		(12.343)	(18.735)
Taxes and duties other than on income		(10.956)	(7.831)
Saving deposits insurance fund		(8.991)	(7.679)
Claim loss from insurance business		(8.195)	(8.265)
Utility expenses		(6.524)	(8.335)
Stationary expenses		(3.094)	(3.985)
Repair and maintenance expenses		(2.487)	(4.271)
Other operating expenses		(79.496)	(79.837)
Total operating expenses		**(478.388)**	**(590.103)**
Income from operations		**367.487**	**246.188**
Loss on monetary position, net		-	(19.863)
Income before tax		**367.487**	**226.325**
Taxation charge	*18*	(87.809)	(60.050)
Net income for the period		**279.678**	**166.275**
Net income for the period attributable to:			
Equity holders of the Bank		280.230	165.654
Minority interest		(552)	621
		279.678	**166.275**
Weighted average number of shares with a face value of YTL 1,000 each	*20*	**2,100 billion**	**1,200 billion**
Earnings per share (full YTL amount per YTL'000 face value each)		**133**	**138**

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Consolidated Statement of Changes in Shareholders' Equity
For The Three-Month Period Ended 31 March 2006

(Currency: Thousands of New Turkish Lira (YTL))

	Notes	Share Capital	Minority Interest	Revaluation of Available-for-Sale Assets	Hedging Reserve	Legal Reserves	Retained Earnings	Total Shareholders' Equity and Minority Interest
Balances at 31 December 2004		**2.679.668**	**249.534**	**127.762**	**5.467**	**54.943**	**392.234**	**3.509.608**
Reversal of restatement effects of inflation		-	(935)	-	-	(645)	645	(935)
Net market value losses from available-for-sale portfolio		-	-	(39.201)	-	-	-	(39.201)
Net gains on available-for-sale assets transferred to the income statement on disposal		-	-	(34.250)	-	-	-	(34.250)
Net fair value gains from cash flow hedges		-	-	-	3.619	-	-	3.619
Net income for the three-month period		-	621	-	-	-	165.654	166.275
Balances at 31 March 2005		**2.679.668**	**249.220**	**54.311**	**9.086**	**54.298**	**558.533**	**3.605.116**
Transfer from unappropriated earnings	*20*	366.703	-	-	-	26.176	(392.879)	-
Reversal of restatement effects of inflation		-	366	-	-	(1.874)	1.874	366
Net market value gains from available-for-sale portfolio		-	-	124.959	-	-	-	124.959
Net gains on available-for-sale assets transferred to the income statement on disposal		-	-	(16.748)	-	-	-	(16.748)
Release of minority interest due to sale of consolidated affiliates		-	(207.823)	-	-	-	-	(207.823)
Net fair value losses from cash flow hedges		-	-	-	(5.533)	-	-	(5.533)
Net income for the nine-month period		-	1.371	-	-	-	530.267	531.638
Balances at 31 December 2005		**3.046.371**	**43.134**	**162.522**	**3.553**	**78.600**	**697.795**	**4.031.975**
Reallocation of reserves		-	-	-	-	(3.318)	3.318	-
Net market value losses from available-for-sale portfolio		-	-	(23.333)	-	-	-	(23.333)
Net gains on available-for-sale assets transferred to the income statement on disposal		-	-	(5.461)	-	-	-	(5.461)
Net fair value gains from cash flow hedges		-	-	-	945	-	-	945
Net income for the three-month period		-	(552)	-	-	-	280.230	279.678
Balances at 31 March 2006		**3.046.371**	**42.582**	**133.728**	**4.498**	**75.282**	**981.343**	**4.283.804**

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Consolidated Statement of Cash Flows
For The Three-Month Period Ended 31 March 2006

(Currency: Thousands of New Turkish Lira (YTL)

	Notes	31 March 2006	31 March 2005
Cash flows from operating activities:-			
Interest and commission received		962.698	810.433
Interest expense paid		(597.066)	(446.805)
Other operating activities, net		(63.573)	(46.875)
Cash payments to employees and suppliers		(187.803)	(169.970)
Loss on monetary position, net		-	(19.863)
		114.256	126.920
(Increase)/decrease in operating assets:-			
Loans and advances to banks		(86.848)	(76.219)
Balances with Central Banks		124.793	759.177
Financial assets at fair value through profit or loss		(24.343)	(74.383)
Loans and advances to customers		(4.339.309)	(549.022)
Consumer loans		(163.741)	(425.081)
Other assets		(45.366)	(35.688)
Increase/(decrease) in operating liabilities:-			
Deposits from banks		260.564	(237.100)
Deposits from customers		1.778.320	(401.363)
Obligations under repurchase agreements		(118.574)	322.324
Other liabilities		164.421	19.258
Net cash used in operating activities before income taxes paid		**(2.335.827)**	**(571.177)**
Income taxes paid		**(76.423)**	**(21.973)**
Net cash used in operating activities		**(2.412.250)**	**(593.150)**
Cash flows from investing activities:-			
Proceeds from sale of security investments		36.756	255.893
Purchase of security investments		(597.438)	-
Interest received		401.187	160.209
(Increase)/decrease in investments in equity participations, net		(125)	8.241
Dividends received		603	1.099
Increase in tangible assets, net		(14.474)	(6.013)
Net cash (used in)/from investing activities		**(173.491)**	**419.429**
Cash flows from financing activities:-			
Increase/(decrease) in loans and advances from banks, net		347.575	(54.682)
Net cash from/(used in) financing activities		**347.575**	**(54.682)**
Effect of exchange rate changes		**18.556**	**21.500**
Net decrease in cash and cash equivalents		**(2.219.610)**	**(206.903)**
Cash and cash equivalents at beginning of the period	*2*	4.026.024	1.320.061
Cash and cash equivalents at end of the period	*2*	**1.806.414**	**1.113.158**

Overview of the Bank

Türkiye Garanti Bankası AŞ (the Bank) is a bank domiciled in Turkey. The consolidated financial statements of the Bank for the period ended 31 March 2006 comprise the Bank and its affiliates (the Affiliates) and their interest in associates.

(a) Brief History

Foundation of the Bank was approved by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and "Articles of Association" was published in the official gazette dated 25 April 1946. The Bank provides corporate, commercial and retail banking services through a network of 368 domestic branches, five foreign branches, five representative offices abroad and 63 offices. In addition to its branches, the Bank has 100% ownership in two banks each of which is located in Amsterdam and Moscow. The Bank and its affiliates in total have 12,315 employees. The Bank's head office is located at Levent Nispetiye Mahallesi Aytar Caddesi 2 Beşiktaş 34340 İstanbul.

(b) Ownership

The Companies owned by Doğuş Holding AŞ, called as Doğuş Group, currently holds 27.54% of the issued capital. On 22 December 2005, Doğuş Holding AŞ has completed the sale of 53,550,000,000 shares representing 25.5% of the Bank's issued share capital to "GE Araştırma ve Müşavirlik Limited Şti." of the General Electric (GE) Group as explained in Note 20. Accordingly, GE acquired a joint control in the Bank's management.

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 the ownership rights including sale of 20,690,723,199 shares representing 9.85% of the Bank's capital (per 1 New Kuruş) throughout the option period agreed. 3,471,074,325 shares representing 1.653% of the Bank's capital were pledged to the investor for its unused additional purchase rights.

Significant accounting policies

(a) Statement of compliance

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

Significant accounting policies (continued)

The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS"). The accompanying consolidated financial statements are authorized for issue by the directors on 2 May 2006.

(b) Basis of preparation

The accompanying consolidated financial statements are presented in thousands of YTL. The application of IAS 29 *"Financial Reporting in Hyperinflationary Economies"* has ceased starting from 1 January 2006 because Turkey is no longer considered a hyperinflationary economy. Accordingly the accompanying consolidated income statement for the three month period ended 31 March 2005 has been adjusted for the effects of inflation in YTL units current at 31 December 2005.

The financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except that the following assets and liabilities are stated at their fair value if reliable measures are available: derivative financial instruments, financial assets and liabilities held for trading, available-for-sale assets and tangible assets held for resale. Recognized assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

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

(c) Basis of consolidation

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

Affiliates

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

Significant accounting policies (continued)

Associates

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

Special purpose entities

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

Transactions eliminated on consolidation

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

(d) Accounting in hyperinflationary economies

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the New Turkish Lira based on IAS 29 "*Financial Reporting in Hyperinflationary Economies*" as of 31 December 2005. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey has been 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Institute of Statistics (TIS). This together with the sustained positive trend in quantitative factors, such as the experienced financial and monetary economic stabilization, decreased interest rates and the appreciated value of Turkish Lira against USD, has resulted that Turkey should be considered non-hyperinflationary under IAS 29 from 1 January 2006. Therefore IAS 29 has not been applied to the accompanying consolidated financial statements as of and for the three-month period ended 31 March 2006.

(Currency: Thousands of New Turkish Lira (YTL))

Significant accounting policies (continued)

For each of the two years ended 31 December 2005, such indices and conversion factors used to restate the accompanying consolidated financial statements presented for comparative purposes are as follows:

Date	***Index***	***Conversion factor***
31 December 2005	8,785.74	1.000
31 March 2005	8,503.60	1.033
31 December 2004	8,403.80	1.045

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

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

(e) Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

(Currency: Thousands of New Turkish Lira (YTL))

Significant accounting policies (continued)

(f) Tangible assets and related depreciation

Owned assets

The costs of the tangible assets purchased before 31 December 2005 are restated for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29. The tangible assets purchased after this date are recorded at their historical costs. Accordingly, tangible assets are carried at costs, less accumulated depreciation and impairment losses (refer to accounting policy (p)).

Leased assets

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

Subsequent Expenditure

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

Depreciation

Tangible assets purchased before 2005 are depreciated over their estimated useful lives on a straight-line basis from the date of their acquisition. Assets acquired after this date are depreciated based on the declining balance method which is one of the accelerated depreciation methods.

The estimated useful lives are as follows:

Tangible assets	**Estimated useful lives (years)**	**Depreciation rates (%) for the year 2005 and after**	**Depreciation rates (%) for the years before 2005**
Buildings	50	4	2
Furniture, fixture and equipments	4-20	10-50	5-25
Leasehold improvements	5-10	10-20	5

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

Significant accounting policies (continued)

(g) Goodwill

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

(h) Financial instruments

Classification

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

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

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

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

Recognition

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

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

Significant accounting policies (continued)

Measurement

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

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

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

Fair value measurement principles

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

The fair values of derivatives that are not exchange-traded are estimated at the amounts that the Bank and its affiliates would receive or pay to terminate the contracts at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

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

Specific instruments

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

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

Significant accounting policies (continued)

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

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

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

Derecognition

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

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

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

(i) Securities borrowing and lending business

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

Significant accounting policies (continued)

(j) Repurchase and resale agreements over investments

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

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

(k) Items held in trust

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

(l) Employee benefits

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

Pension and other post-retirement obligations

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

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

(Currency: Thousands of New Turkish Lira (YTL))

Significant accounting policies (continued)

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 which are in essence similar to foundations are required to be transferred directly to the 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, on 2 November 2005 the President has applied to the Constitution Court for the annulment of certain statements of 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 Labor 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.

Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Bank and its affiliates arising from the retirement of the employees and calculated in accordance with the Turkish Labor Law. It is computed and reflected in the financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts are YTL 1,770.64 and YTL 1,727.15 at 31 March 2006 and 31 December 2005, respectively.

International Financial Reporting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The principal actuarial assumptions used in the calculation of the total liability in the accompanying consolidated financial statements at 31 March 2006 and 31 December 2005 are as follows:

	2006	***2005***
	%	*%*
Expected rate	12	12
Expected rate of salary/limit increase	6.175	6.175
Turnover rate to estimate the probability of retirement	5.0	5.0

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

Significant accounting policies (continued)

(m) Taxes on income

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

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

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

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

(n) Offsetting

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

(o) Earnings per share

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

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

Significant accounting policies (continued)

(p) Impairment

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

Loans and receivables and held-to-maturity instruments

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

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

Financial assets remeasured to fair value

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

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

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

Significant accounting policies (continued)

(q) Income and expense recognition

Interest income and expense

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

Fee and commission income

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

Net trading income

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

Dividend income

Dividend income is recognized in the income statement when received.

Insurance business

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

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

Significant accounting policies (continued)

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

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

Retail business

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

(r) Non-current assets held for sale

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

(s) Segment reporting

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

Index for the notes to the consolidated financial statements:

Note description

1 Segment reporting

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

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

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

1.1 Geographical segments

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

(Currency: Thousands of New Turkish Lira (YTL))

1 Segment reporting (continued)

1.2 Business segments

The main business segments are banking, leasing, insurance, factoring, other financial and non-financial sectors. Banking segment information is detailed further to retail banking and commercial, corporate and SME banking as these are the major banking activities. Other operations heading under the banking segment include mainly treasury and investment banking activities as well as unallocated income and expense items. The analysis are as follows:

31 March 2006	*Retail Banking*	*Commercial Corporate& SME Banking*	*Other Operations*	*Eliminations*	*Total Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial*	*Other Non-Financial*	*Combined*	*Eliminations*	*Total*
Operating income	318,380	282,477	161,393	-	762,250	18,237	55,263	4,505	12,064	8,311	860,630	(14,755)	845,875
Operating expenses	(118,418)	(105,326)	(190,092)	-	(413,836)	(9,634)	(45,944)	(3,003)	(12,493)	(8,161)	(493,071)	14,683	(478,388)
Income from operations	**199,962**	**177,151**	**(28,699)**	**-**	**348,414**	**8,603**	**9,319**	**1,502**	**(429)**	**150**	**367,559**	**(72)**	**367,487**
Taxation charge	-	-	(81,760)	-	(81,760)	-	(3,966)	(460)	(1,106)	(517)	(87,809)	-	(87,809)
Net income for the period	**199,962**	**177,151**	**(110,459)**	**-**	**266,654**	**8,603**	**5,353**	**1,042**	**(1,535)**	**(367)**	**279,750**	**(72)**	**279,678**
Segment assets	8,627,415	14,427,879	17,905,504	(98,870)	40,861,928	974,164	457,378	419,431	97,484	8,307	42,818,692	(227,707)	42,590,985
Investments in equity participations	-	-	503,280	-	503,280	-	370	9,635	7,153	1,135	521,573	(466,311)	55,262
Unallocated assets	-	-	1,143,694	-	1,143,694	17,967	18,805	1,602	78,864	845	1,261,777	73,699	1,335,476
Total assets	**8,627,415**	**14,427,879**	**19,552,478**	**(98,870)**	**42,508,902**	**992,131**	**476,553**	**430,668**	**183,501**	**10,287**	**44,602,042**	**(620,319)**	**43,981,723**
Segment liabilities	15,556,462	11,036,746	11,712,005	(98,870)	38,206,343	866,576	379,443	400,115	58,041	2,781	39,913,299	(215,380)	39,697,919
Unallocated liabilities	-	-	4,302,559	-	4,302,559	125,555	97,110	30,553	125,460	7,506	4,688,743	(404,939)	4,283,804
Total liabilities	**15,556,462**	**11,036,746**	**16,014,564**	**(98,870)**	**42,508,902**	**992,131**	**476,553**	**430,668**	**183,501**	**10,287**	**44,602,042**	**(620,319)**	**43,981,723**

(Currency: Thousands of New Turkish Lira (YTL))

1 Segment reporting (continued)

31 March 2005	*Retail Banking*	*Commercial Corporate & SME Banking*	*Other Operations*	*Eliminations*	*Total Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial*	*Retail*	*Other Non-Financial*	*Combined*	*Eliminations*	*Total*
Operating income	236,523	248,822	223,844	-	709,189	12,560	34,893	1,700	8,643	66,419	7,823	841,227	(4,936)	836,291
Operating expenses	(96,563)	(95,028)	(279,831)	-	(471,422)	(5,998)	(30,826)	(711)	(6,502)	(66,239)	(19,946)	(601,644)	11,541	(590,103)
Income from operations	**139,960**	**153,794**	**(55,987)**	**-**	**237,767**	**6,562**	**4,067**	**989**	**2,141**	**180**	**(12,123)**	**239,583**	**6,605**	**246,188**
Gain/(loss) on monetary position, net	-	-	(14,265)	-	(14,265)	(975)	(1,700)	(20)	(310)	319	(1,135)	(18,086)	(1,777)	(19,863)
Taxation charge	-	-	(57,867)	-	(57,867)	(117)	(474)	(87)	(1,060)	(445)	-	(60,050)	-	(60,050)
Net income for the period	**139,960**	**153,794**	**(128,119)**	**-**	**165,635**	**5,470**	**1,893**	**882**	**771**	**54**	**(13,258)**	**161,447**	**4,828**	**166,275**
31 December 2005														
Segment assets	7,368,363	13,711,462	17,446,161	(309,931)	38,216,055	944,433	386,577	350,052	93,189	-	8,288	39,998,594	(192,137)	39,806,457
Investments in equity participations	-	-	446,965	-	446,965	-	370	9,635	7,202	-	1,140	465,312	(409,950)	55,362
Unallocated assets	-	-	1,215,858	-	1,215,858	18,910	23,888	1,949	79,511	-	927	1,341,043	(5,318)	1,335,725
Total assets	**7,368,363**	**13,711,462**	**19,108,984**	**(309,931)**	**39,878,878**	**963,343**	**410,835**	**361,636**	**179,902**	**-**	**10,355**	**41,804,949**	**(607,405)**	**41,197,544**
Segment liabilities	14,471,980	12,758,926	8,916,181	(309,931)	35,837,156	846,392	331,071	332,124	52,900	-	2,483	37,402,126	(236,557)	37,165,569
Unallocated liabilities	-	-	4,041,722	-	4,041,722	116,951	79,764	29,512	127,002	-	7,872	4,402,823	(370,848)	4,031,975
Total liabilities	**14,471,980**	**12,758,926**	**12,957,903**	**(309,931)**	**39,878,878**	**963,343**	**410,835**	**361,636**	**179,902**	**-**	**10,355**	**41,804,949**	**(607,405)**	**41,197,544**

(Currency: Thousands of New Turkish Lira (YTL))

2 Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, due from banks with original maturity periods of less than three months and other cash items. Cash and cash equivalents as at 31 March 2006 and 2005, included in the accompanying consolidated statements of cash flows are as follows:

	31 March 2006	*31 March 2005*
Cash at branches	189,681	154,532
Loans and advances to banks with original maturity periods of less than three months	1,616,733	941,762
Others	-	16,864
	1,806,414	1,113,158

3 Related party disclosures

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

3.1 Outstanding balances

	31 March 2006	*31 December 2005*
Balance sheet		
Loans and advances to customers	79,525	154,475
Loans granted in YTL	*10,971*	*5,445*
Loans granted in foreign currencies:	*US$50,474,533*	*US$110,762,303*
	EUR 815,072	*EUR 809,589*
Miscellaneous receivables	223,960	222,555
Deposits received	864,225	1,547,268
Commitments and contingencies		
Non-cash loans	133,355	306,862

3.2 Transactions

	For the three-month period ended	
	31 March 2006	*31 March 2005*
Interest income	1,555	2,713
Interest expense	19,347	1,247

3 Related party disclosures (continued)

In 2006, interest rates applied to foreign currency receivables from and payables to related parties vary within the ranges of 3.4%-9.7% and 2.0%-7.1% (31 December 2005: 2.8%-9.7% and 1.5%-5.5%), respectively. The interest rates applied to YTL payables to related parties vary within the ranges of 9.75%-18% (31 December 2005: 9.75%-19%). Various commission rates are applied to transactions involving guarantees and commitments.

Key management costs for the three-month period ended 31 March 2006 amount to YTL 22,617 thousands on a consolidated basis. Within this total, individual key management costs of the Bank amounted YTL 16,526 thousands, of its financial affiliates amounted YTL 6,091 thousands.

In 2005, the equity participation in İksir Uluslararası Elektronik Ticaret Bilgilendirme ve Haberleşme Hizmetleri AŞ, a non-financial associate was sold to E Haber Ajansı Reklam ve Ticaret AŞ, a related party in two transactions at a total price of YTL 3,470 thousands.

Doğuş Holding AŞ, had signed an agreement ("the Agreement") with General Electric (GE) on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank's issued share capital. According to the terms of the Agreement, certain affiliates, associates and real estates decided to be taken over by Doğuş Holding AŞ at a total price of YTL 958 millions calculated based on the consolidated 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 at the first and second anniversaries. Accordingly, the shares of Voyager Mediterranean Turizm End. ve Tic. AŞ, Sititur Turizm Taşımacılık Org. AŞ, Lasaş Lastik San. ve Tic. AŞ, Doğuş Hava Taşımacılığı AŞ and, Şahintur Şahinler Otelcilik Turizm Yatırım İşletmeleri AŞ as its consolidated affiliate and Doğuş Turizm Sağlık Yat. İşlt. Tic. AŞ. having a total book value of YTL 508,432 thousands have been sold to Doğuş Holding AŞ at a total sale price of YTL 503,490 thousands in 2005. As of 31 March 2006, the Bank's net receivable from Doğuş Holding AŞ on this sale amounted YTL 223,926 thousands (31 December 2005: YTL 220,857 thousands), which is reflected in "miscellaneous receivables" (Note 9), in the accompanying consolidated financial statements.

(Currency: Thousands of New Turkish Lira (YTL))

4 Cash and balances with Central Banks

	31 March 2006	*31 December 2005*
Cash at branches	189,681	203,755
Balances with Central Banks	2,560,947	4,138,889
	2,750,628	4,342,644

At 31 March 2006, cash and balances with Central Banks included balances with the Central Bank of Turkey amounting YTL 1,994,420 thousands (31 December 2005: YTL 2,119,213 thousands) as minimum reserve requirement. These funds are not available for the daily business of the Bank and its affiliates. As required by the Turkish Banking Law, these reserve deposits are calculated on the basis of customer deposits taken at the rates determined by the Central Bank of Turkey. In accordance with the current legislation, the reserve deposit rates for YTL and foreign currency deposits are 6% and 11%, respectively. These reserve deposit rates are applicable to both time and demand deposits. Interest rates applied for reserve requirements are 10.12% (31 December 2005: 10.25%) for YTL deposits and 1.23%-2.18% (31 December 2005: 1.14%-2.03%) for foreign currency deposits.

5 Financial assets at fair value through profit or loss

	31 March 2006				*31 December 2005*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments held at fair value:					
Bonds issued by corporations	163,126	165,949	7-15	2011	107,193
Eurobonds	86,152	102,414	3-12	2036	155,996
Discounted government bonds in YTL	96,351	87,273	12-21	2010	59,939
Government bonds in YTL	71,936	69,408	13-21	2011	40,878
Government bonds in foreign currency	61,713	62,790	4-10	2010	60,734
Bonds issued by foreign governments	23,978	40,467	9-13	2028	37,535
Government bonds at floating rates	32,640	33,749	17-22	2011	32,405
Treasury bills in YTL	20,852	19,511	14-17	2006	6,167
Others		29,222			17,594
		610,783			518,441
Equity and other non-fixed income instruments:					
Forfaiting receivables		397,856			463,870
Listed shares		5			5
Total financial assets at fair value through profit or loss		1,008,644			982,316

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

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

For the period ended 31 March 2006, net income from trading of financial assets amounting to YTL 43,183 thousands (31 March 2005: YTL 4,302 thousands) in total is included in "trading income, net".

The following table summarizes the contractual amounts of the forward, swap, futures and options contracts, with details of remaining periods to maturity. Foreign currency amounts are translated at rates ruling at the balance sheet date. Monetary items denominated in foreign currencies are economically hedged using foreign currency derivative contracts. All gains and losses on foreign currency contracts are recognized in the income statement, except for contracts of cash flow hedges as stated above. At 31 March 2006, approximately 96% of the net consolidated balance sheet foreign currency open position was hedged through the use of foreign currency contracts (31 December 2005: 97%).

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to YTL 129,521 thousands (31 December 2005: YTL 107,433 thousands).

(Currency: Thousands of New Turkish Lira (YTL))

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

	Notional amount with remaining life of					
At 31 March 2006	***Up to 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Forward rate agreements	-	-	-	53,295	66,618	119,913
Purchases	-	-	-	*53,295*	*66,618*	*119,913*
Sales	-	-	-	-	-	-
Interest rate swaps	8,184	-	4,756	2,529	3,900	19,369
Purchases	*8,184*	-	*4,756*	*2,529*	*3,900*	*19,369*
Sales	-	-	-	-	-	-
Interest rate futures	1,798	381	400	-	-	2,579
Purchases	*1,413*	*321*	*339*	-	-	*2,073*
Sales	*385*	*60*	*61*	-	-	*506*
Currency Derivatives						
Spot exchange contracts	402,595	-	-	-	-	402,595
Purchases	*139,821*	-	-	-	-	*139,821*
Sales	*262,774*	-	-	-	-	*262,774*
Forward exchange contracts	330,628	77,659	82,393	74,599	12,554	577,833
Purchases	*220,898*	*74,069*	*55,746*	*40,243*	*5,186*	*396,142*
Sales	*109,730*	*3,590*	*26,647*	*34,356*	*7,368*	*181,691*
Currency/cross currency swaps	2,032,281	475,912	564,972	199,560	62,471	3,335,196
Purchases	*774,120*	*353,525*	*536,320*	*137,080*	-	*1,801,045*
Sales	*1,258,161*	*122,387*	*28,652*	*62,480*	*62,471*	*1,534,151*
Options	1,069,568	624,588	180,717	128,514	5,330	2,008,717
Purchases	*433,882*	*371,293*	*91,024*	*64,257*	*2,665*	*963,121*
Sales	*635,686*	*253,295*	*89,693*	*64,257*	*2,665*	*1,045,596*
Foreign currency futures	3,026	1,217	20,381	988	76,234	101,846
Purchases	*993*	*599*	*5*	*131*	-	*1,728*
Sale	*2,033*	*618*	*20,376*	*857*	*76,234*	*100,118*
Other foreign exchange contracts	42,820	-	-	-	-	42,820
Purchases	*13,367*	-	-	-	-	*13,367*
Sale	*29,453*	-	-	-	-	*29,453*
Subtotal Purchases	1,592,678	799,807	688,190	297,535	78,369	3,456,579
Subtotal Sales	2,298,222	379,950	165,429	161,950	148,738	3,154,289
Total of Transactions	3,890,900	1,179,757	853,619	459,485	227,107	6,610,868

(Currency: Thousands of New Turkish Lira (YTL))

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

	Notional amount with remaining life of					
At 31 December 2005	***Up to 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Forward rate agreements	-	-	-	53,336	106,671	160,007
Purchases	-	-	-	*53,336*	*106,671*	*160,007*
Sales	-	-	-	-	-	-
Interest rate swaps	8,953	-	-	-	6,433	15,386
Purchases	*8,953*	-	-	-	*6,433*	*15,386*
Sales	-	-	-	-	-	-
Interest rate futures	-	1,990	-	-	-	1,990
Purchases	-	*1,990*	-	-	-	*1,990*
Sales	-	-	-	-	-	-
Currency Derivatives						
Spot exchange contracts	148,048	-	-	-	-	148,048
Purchases	*81,479*	-	-	-	-	*81,479*
Sales	*66,569*	-	-	-	-	*66,569*
Forward exchange contracts	252,323	51,068	22,542	2,211	1,660	329,804
Purchases	*187,334*	*45,796*	*20,972*	*682*	-	*254,784*
Sales	*64,989*	*5,272*	*1,570*	*1,529*	*1,660*	*75,020*
Currency/cross currency swaps	2,312,062	686,431	355,961	222,324	247,322	3,824,100
Purchases	*1,484,994*	*592,254*	*229,590*	*133,705*	-	*2,440,543*
Sales	*827,068*	*94,177*	*126,371*	*88,619*	*247,322*	*1,383,557*
Options	654,902	455,073	22,826	74,546	-	1,207,347
Purchases	*347,737*	*316,981*	*11,413*	*37,273*	-	*713,404*
Sales	*307,165*	*138,092*	*11,413*	*37,273*	-	*493,943*
Foreign currency futures	5,871	65,377	56,251	128	691	128,318
Purchases	*3,283*	*1,051*	*68*	*2*	-	*4,404*
Sale	*2,588*	*64,326*	*56,183*	*126*	*691*	*123,914*
Other foreign exchange contracts	72,157	-	-	-	-	72,157
Purchases	*48,665*	-	-	-	-	*48,665*
Sale	*23,492*	-	-	-	-	*23,492*
Subtotal Purchases	2,162,445	958,072	262,043	224,998	113,104	3,720,662
Subtotal Sales	1,291,871	301,867	195,537	127,547	249,673	2,166,495
Total of Transactions	3,454,316	1,259,939	457,580	352,545	362,777	5,887,157

(Currency: Thousands of New Turkish Lira (YTL))

6 Loans and advances to banks

	31 March 2006			*31 December 2005*		
	YTL	*Foreign Currency*	*Total*	*YTL*	*Foreign Currency*	*Total*
Loans and advances-demand						
Domestic banks	5,240	2,838	8,078	905	21,305	22,210
Foreign banks	17,068	140,597	157,665	11,117	126,406	137,523
	22,308	143,435	165,743	12,022	147,711	159,733
Loans and advances-time						
Domestic banks	284,002	461,638	745,640	422,572	909,834	1,332,406
Foreign banks	129,375	460,926	590,301	75,301	599,788	675,089
	413,377	922,564	1,335,941	497,873	1,509,622	2,007,495
Accrued interest on loans and advances	4,988	3,607	8,595	6,649	3,140	9,789
Total loans and advances to banks	440,673	1,069,606	1,510,279	516,544	1,660,473	2,177,017
Less: allowance for uncollectibility	-	-	-	-	-	-
Net loans and advances to banks	440,673	1,069,606	1,510,279	516,544	1,660,473	2,177,017

As at 31 March 2006, time deposits are almost all short-term, maturing within one year, with interest rates ranging between 2%-10% per annum for foreign currency time deposits and 13%-17% per annum for YTL time deposits (31 December 2005: 1%-9% and 15%-24%, respectively).

As at 31 March 2006, demand deposits at foreign banks include blocked accounts of YTL 145,739 thousands (31 December 2005: YTL 106,353 thousands) against the securitization transactions on cheques and credit card receivables, and the insurance business.

(Currency: Thousands of New Turkish Lira (YTL))

7 Loans and advances to customers

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

	31 March 2006	*31 December 2005*
Consumer loans	8,134,192	7,079,072
Service sector	1,844,293	1,284,996
Financial institutions	1,555,761	1,357,174
Textile	1,109,178	931,661
Energy	1,009,807	618,923
Food	926,030	792,135
Transportation and logistics	921,454	835,761
Construction	864,458	769,243
Metal and metal products	845,157	698,580
Tourism	601,392	374,290
Transportation vehicles and sub-industry	531,926	451,432
Data processing	523,978	441,620
Agriculture and stockbreeding	520,760	384,373
Chemistry and chemical product	332,664	209,727
Durable consumption	278,698	227,580
Electronic/optical/medical equipment	251,163	226,477
Machinery and equipments	232,751	204,226
Stone/rock and related products	172,116	139,049
Paper and paper products	160,645	112,977
Plastic products	148,528	84,606
Mining	134,627	93,855
Others	917,170	423,568
Total performing loans	22,016,748	17,741,325
Non-performing loans and lease receivables	802,825	729,460
Total gross loans	22,819,573	18,470,785
Accrued interest income on loans and lease receivables	300,633	234,355
Financial lease receivables, net of unearned income (Note 8)	911,225	782,247
Factoring receivables	293,427	268,313
Forfaiting receivables	19,209	20,673
Allowance for possible losses from loans and lease receivables	(641,120)	(569,141)
Loans and advances to customers	23,702,947	19,207,232

(Currency: Thousands of New Turkish Lira (YTL))

7 Loans and advances to customers (continued)

As at 31 March 2006, interest rates on loans granted to customers range between 3%-16% (31 December 2005: 2%-16%) per annum for foreign currency loans and 14%-24% (31 December 2005: 7%-26%) per annum for YTL loans.

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

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

	31 March 2006	*31 December 2005*
Balance at the beginning of the period/year	569,141	322,988
The effect of inflation on the beginning balance and current year transactions	-	(2,151)
Write-offs	(2,245)	(69,752)
Recoveries	(9,458)	(18,851)
Provision for the period/year	83,682	336,907
Balance at the end of the period/year	641,120	569,141

8 Financial lease receivables

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

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

	31 March 2006	*31 December 2005*
Financial lease receivables, net of unearned income (Note 7)	911,225	782,247
Less: allowance for possible losses on lease receivables	(6,552)	(6,552)
	904,673	775,695
Analysis of net financial lease receivables		
Due within 1 year	398,646	484,846
Due between 1 and 5 years	627,475	400,619
Financial lease receivables, gross	1,026,121	885,465
Unearned income	(121,448)	(109,770)
Financial lease receivables, net	904,673	775,695
Analysis of net financial lease receivables, net		
Due within 1 year	340,172	417,912
Due between 1 and 5 years	564,501	357,783
Financial lease receivables, net	904,673	775,695

(Currency: Thousands of New Turkish Lira (YTL))

9 Other assets

	31 March 2006	*31 December 2005*
Tangible assets held for resale	417,961	426,889
Miscellaneous receivables (Note 3)	360,296	340,202
Insurance premium receivables	244,285	203,782
Prepaid expenses, insurance claims and similar items	99,610	104,885
Advances given	34,801	28,134
Taxes and funds to be refunded	22,805	15,803
Others	33,256	68,509
	1,213,014	1,188,204

YTL 169,373 thousands (31 December 2005: YTL 178,475 thousands) of the tangible assets held for resale is comprised of real estate acquired by the Bank against its impaired receivables. Such assets are required to be disposed of within three years following their acquisitions per the Turkish Banking Law. This legal period can be extended by a legal permission from the regulators. In case of real estates held for resale, this requirement is valid only if the legal limit on the size of the real estate portfolio that a bank can maintain is exceeded. Currently, as the Bank is within this legal limit, it is not subject to the above requirement.

Impairment losses provided on real estates held for resale were determined based on the appraisals of independent appraisal firms. As of 31 March 2006, real estates held for resale costing YTL 582,058 thousands (31 December 2005: YTL 457,421 thousands) have been impaired by YTL 165,292 thousands (31 December 2005: YTL 159,071 thousands).

10 Security investments

	31 March 2006				*31 December 2005*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments available-for-sale:					
Government bonds at floating rates	4,201,977	4,520,661	17-22	2011	4,464,658
Government bonds in foreign currency	1,567,747	1,586,950	4-11	2010	1,595,198
Discounted government bonds in YTL	1,482,737	1,281,533	13-15	2007	1,466,601
Eurobonds	833,298	986,080	5-12	2036	686,100
Bonds issued by corporations *	405,261	416,512	6-10	2012	420,665
Government bonds in YTL	193,020	202,643	14-25	2011	38,431
Bonds issued by foreign governments	156,196	168,275	6-13	2028	144,364
Treasury bills TL	167,565	152,673	14	2006	9,476
Others		25,528			18,914
Total securities available-for-sale		9,340,855			8,844,407

(Currency: Thousands of New Turkish Lira (YTL))

10 Security investments (continued)

	31 March 2006					31 December 2005
	Face value		*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Total securities available-for-sale			9,340,855			8,844,407
Debt and other instruments held-to-maturity:						
Government bonds indexed to foreign currency	1,481,239	**	1,407,902	***(a)***	2006	1,417,716
Eurobonds	1,053,256		1,151,027	2-12	2030	1,145,900
Bonds issued by foreign governments	133,211		135,956	6-12	2008	136,916
Government bonds in YTL	113,717		119,610	9-20	2007	114,609
Bonds issued by financial institutions	78,711		85,884	7-12	2014	85,478
Discounted government bonds in YTL	33,296		28,401	19	2006	28,397
Government bonds at floating rates	19,562		19,844	***(b)***	2006	32,926
Other			2,296			25,733
			2,950,920			2,987,675
Accrued interest on held-to-maturity portfolio			113,698			76,962
Total securities held-to-maturity			3,064,618			3,064,637
Total security investments			12,405,473			11,909,044

* *Bonds issued by corporations include credit linked notes with face value amounting to YTL 266,400 thousands (31 December 2005: YTL 266,800 thousands) and carrying value amounting to YTL 270,777 thousands (31 December 2005: YTL 273,406 thousands) that are linked to the default risk of the Turkish Government. All bonds issued by corporations are valued at amortized cost since these financial assets are not quoted in an active market.*

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

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

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

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

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to YTL 2,568,993 thousands (31 December 2005: YTL 2,587,269 thousands).

(Currency: Thousands of New Turkish Lira (YTL))

10 Security investments (continued)

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

	31 March 2006		*31 December 2005*	
	Face Value	*Carrying value*	*Face Value*	*Carrying value*
Deposited at Istanbul Stock Exchange	284,538	310,507	1,260,773	1,404,110
Collateralized to foreign banks	2,258,801	2,378,180	1,188,743	1,235,272
Deposited at Clearing Bank (Takasbank)	383,000	418,845	383,000	435,510
Deposited at CBT for interbank transactions	569,480	581,704	353,510	362,072
Deposited at CBT for foreign currency money market transactions	6,660	6,735	223,420	236,573
Deposited at CBT for repurchase transactions	54,279	55,500	55,081	56,968
Others		53,648		67,546
		3,805,119		3,798,051

11 Investments in equity participations

	31 March 2006		*31 December 2005*	
	Carrying Value	*Ownership %*	*Carrying Value*	*Ownership %*
Investments in associated companies				
İMKB Takasbank AŞ	11,915	5.83	11,915	5.83
Cappadocia Investments Ltd	5,548	76.00	5,663	76.00
Others	6,243		6,105	
	23,706		23,683	
Equity participations available-for-sale				
Garanti Turizm ve Yatırım İşletmeleri AŞ	26,933	44.89	27,056	44.89
Doc Finance SA	4,623	29.00	4,623	29.00
	31,556		31,679	
	55,262		55,362	

As per the Agreement signed between Doğuş Holding AŞ and GE on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank issued share capital as mentioned above, the affiliates Voyager Mediterranean Turizm End. ve Tic. AŞ, Sititur Turizm taşımacılık Org. AŞ, Lasaş Lastik San. ve Tic., Doğuş Hava Taşımacılığı AŞ, Şahintur Şahinler Otelcilik Turizm Yatırım İşletmeleri AŞ and Doğuş Turizm Sağlık Yat. İşlt. Tic. AŞ that had been consolidated in the prior years were sold to Doğuş Holding AŞ in December 2005. Accordingly the equity participations of these consolidated affiliates have been disposed of.

11 Investments in equity participations (continued)

As per the same agreement, the Bank's participations in Garanti Turizm Yatırım ve İşletmeleri AŞ and Doc Finance SA are also to be sold to Doğuş Holding AŞ. These sales have taken place after the balance sheet date as explained in Note 26. Accordingly, they are classified under available-for-sale category as of 31 December 2005 and 31 March 2006.

The Bank sold its shares in Türkiye Sınai Kalkınma Bankası AŞ amounting YTL 6,081 thousands, at a price of YTL 7,989 thousands on 31 January 2005.

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

During the year 2005, the shares in İksir Uluslararası Elektronik Ticaret Bilgilendirme ve Haberleşme Hizmetleri AŞ, a non-financial associate were sold in two transactions at a total price of YTL 3,470 thousands to E Haber Ajansı Reklam ve Ticaret AŞ, a related party.

IMKB Takasbank AŞ and equity participations available-for-sale disclosed in 'Others' do not have a quoted market price in an active market and other methods of reasonably estimating their values would be inappropriate and unworkable, accordingly they are stated at cost, restated for the effects of inflation in YTL units current at 31 December 2005.

Impairment losses are provided for decreases in the value of certain investments in equity participations amounting to YTL 322 thousands in the current period. Accordingly, the cumulative provisions for such impairment losses amounted to YTL 41,434 thousands as of 31 March 2006 (31 December 2005 : YTL 41,112 thousands).

(Currency: Thousands of New Turkish Lira (YTL))

12 Tangible assets

Movement in tangible assets from 1 January 2006 to 31 March 2006 is as follows:

	1January	*Additions*	*Adjustment for Currency Translation*	*Disposals*	*31 March*
Costs					
Land and buildings	1,166,780	993	1,384	(6,836)	1,162,321
Furniture, fixture and equipments	1,107,341	19,933	224	(5,303)	1,122,195
Leasehold improvements	136,487	3,374	88	(1,368)	138,581
	2,410,608	24,300	1,696	(13,507)	2,423,097
Less: Accumulated depreciation					
Buildings	195,105	5,586	117	(1,251)	199,557
Furniture, fixture and equipments	804,685	31,149	128	(4,570)	831,392
Leasehold improvements	86,813	4,563	67	(973)	90,470
	1,086,603	41,298	312	(6,794)	1,121,419
Construction in progress	22,001		-	3,063 ***(a)***	25,064
	1,346,006		1,384	(3,650)	1,326,742
Impairment in value of tangible assets	(126,593)				(135,675)
	1,219,413				1,191,067

Movement in tangible assets from 1 January 2005 to 31 December 2005 is as follows:

	1 January	*Additions*	*Adjustment for Currency Translation*	*Disposals*	*31 December*
Costs					
Land and buildings	1,848,911	12,933	(12,895)	(682,169)	1,166,780
Furniture, fixture and equipments	1,154,408	190,968	(2,343)	(235,692)	1,107,341
Leasehold improvements	381,454	37,732	(935)	(281,764)	136,487
	3,384,773	241,633	(16,173)	(1,199,625)	2,410,608
Less: Accumulated depreciation					
Buildings	217,734	25,513	(856)	(47,286)	195,105
Furniture, fixture and equipments	835,757	133,165	(1,518)	(162,719)	804,685
Leasehold improvements	213,114	33,462	(935)	(158,828)	86,813
	1,266,605	192,140	(3,309)	(368,833)	1,086,603
Construction in progress	50,311		-	(28,310) ***(a)***	22,001
	2,168,479		(12,864)	(859,102)	1,346,006
Impairment in value of tangible assets	(147,628)				(126,593)
	2,020,851				1,219,413

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

(Currency: Thousands of New Turkish Lira (YTL))

12 Tangible assets (continued)

A significant portion of the disposals during the year 2005 amounting YTL 763,666 thousands mainly represented the tangible assets of the consolidated affiliates that were sold.

Depreciation expense for the year ended 31 March 2006 amounts to YTL 41,298 thousands (31 March 2005: YTL 50,604 thousands).

Impairment losses provided for decreases in the value of land and buildings were determined based upon assessment of the independent appraiser firms. As of 31 March 2006, land and buildings at a total cost of YTL 498,333 thousands (31 December 2005: YTL 481,675 thousands) have been impaired by YTL 135,675 thousands (31 December 2005: YTL 126,593 thousands).

13 Intangible assets

As of 31 March 2006, intangible assets represent goodwill arising from the direct acquisitions of 29% ownership in Doc Finance SA, 100% ownership in Garanti Yatırım Menkul Kıymetler AŞ, 100% ownership in Garanti Sigorta AŞ, 100% ownership in Garanti Emeklilik ve Hayat AŞ, 98.94% ownership in Garanti Finansal Kiralama AŞ, 81.84% ownership in Garanti Faktoring Hizmetleri AŞ, and 56.74% ownership in Garanti Gayrimenkul Yatırım Ortaklığı AŞ consisting of the excesses of the total acquisition costs over net assets of these consolidated entities at the dates of acquisition.

Intangible assets comprise of the following goodwill:

	31 March 2006	*31 December 2005*
Garanti Yatırım Menkul Kıymetler AŞ	20,984	20,984
Doc Finance SA	7,954	7,954
Garanti Finans Faktoring Hizmetleri AŞ	6,697	6,697
Garanti Finansal Kiralama AŞ	5,233	5,233
Garanti Sigorta AŞ	1,099	1,099
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	515	515
Garanti Emeklilik ve Hayat AŞ	38	38
	42,520	42,520
Impairment in goodwill	(7,954)	(7,954)
	34,566	34,566

Impairment losses are provided for decreases in the value of consolidated entities by way of assessing their internal and external sources. As of 31 March 2006, goodwill on Doc Finance SA as disclosed in the table above has been impaired by YTL 7,954 thousands (31 December 2005: YTL 7,954 thousands).

(Currency: Thousands of New Turkish Lira (YTL))

14 Deposits from banks

Deposits from banks comprise the following:

	31 March 2006	*31 December 2005*
Payable on demand	346,827	278,910
Term deposits	961,711	769,064
	1,308,538	1,047,974
Accrued interest on deposits from banks	18,303	11,735
	1,326,841	1,059,709

Deposits from banks include both YTL accounts of YTL 588,015 thousands (31 December 2005: YTL 572,110 thousands) and foreign currency accounts of YTL 720,523 thousands (31 December 2005: YTL 475,864 thousands). As at 31 March 2006, interest rates applicable to YTL bank deposits and foreign currency bank deposits vary within ranges of 13%-17% and 1%-7% (31 December 2005: 14%-19% and 1%-7%), respectively.

15 Deposits from customers

Deposits from customers comprise the following:

	31 March 2006			*31 December 2005*
	Demand	*Time*	*Total*	*Total*
Foreign currency	3,999,436	8,974,369	12,973,805	13,142,032
Saving	809,365	6,682,854	7,492,219	6,579,440
Commercial	907,940	4,244,657	5,152,597	4,316,207
Public and other	392,349	152,186	544,535	347,157
	6,109,090	20,054,066	26,163,156	24,384,836
Accrued interest expense on deposits from customers	5,018	152,039	157,057	140,448
	6,114,108	20,206,105	26,320,213	24,525,284

As at 31 March 2006, interest rates applicable to YTL deposits and foreign currency deposits vary within ranges of 12%-20% and 1%-13% (31 December 2005: 11%-20% and 1%-10%), respectively.

As at 31 March 2006, subordinated deposits obtained by the consolidated banking affiliate in Netherlands amounting YTL 65,240 thousands (31 December 2005: YTL 60,205 thousands) are included in foreign currency time deposits.

(Currency: Thousands of New Turkish Lira (YTL))

15 Deposits from customers (continued)

As at 31 March 2006, it was decided to classify the accounts blocked against the expenditures of the credit card holders, either in instalment or in cash, from "deposits from customers" to "other liabilities and accrued expenses" line on the balance sheet. Accordingly, in order to provide consistent comparative information for the presentation of the financial statements as of 31 March 2006, "commercial deposits" as of 31 December 2005 were reduced by YTL 883,244 thousands and "blocked accounts against expenditures of card holders" increased by the same amount in Note 19.

16 Obligations under repurchase agreements

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

	Carrying value	*Fair value of underlying assets*	*Carrying amount of corresponding liabilities*	*Range of repurchase dates*	*Repurchase price*
31 March 2006					
Financial assets at fair value through profit or loss	129,521	129,521	122,464	Apr'06-Oct'07	127,200
Security investments	2,568,993	2,587,365	2,119,699	Apr'06-Feb'11	2,173,974
	2,698,514	2,716,886	2,242,163		2,301,174
31 December 2005					
Financial assets at fair value through profit or loss	107,433	107,433	101,827	Mar'06-Oct'07	105,827
Security investments	2,587,269	2,607,389	2,238,302	Jan'06-Apr'08	2,310,575
	2,694,702	2,714,822	2,340,129		2,416,402

Accrued interest on obligations under repurchase agreements amounting to YTL 36,605 thousands (31 December YTL 15,997 thousands) is included in the carrying amount of corresponding liabilities.

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

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As at 31 March 2006, the maturities of the obligations varied from one day to five years and interest rates varied between 2%-14% (31 December 2005: 2%-15%).

(Currency: Thousands of New Turkish Lira (YTL))

17 Loans and advances from banks

Loans and advances from banks comprise the following:

	31 March 2006	*31 December 2005*
Short-term borrowings		
Domestic banks	498,106	458,904
Foreign banks	3,150,249	3,049,367
	3,648,355	3,508,271
Long-term debts		
Short-term portion	514,028	459,132
Medium and long-term portion	2,814,402	2,661,807
	3,328,430	3,120,939
Accrued interest on loans and advances from banks	78,527	59,870
	7,055,312	6,689,080

As at 31 March 2006, short-term borrowings include a syndication loan amounting US$ 166.67 millions obtained by one of the affiliates of the Bank in March 2006 with twenty-five banks.

As at 31 March 2006 and 31 December 2005, short-term borrowings from foreign banks included a one-year syndicated term-loan facility amounting US$ 700 millions (equivalent of YTL 932,400 thousands) obtained on 6 December 2005 as signed with the 32 mandated arrangers, and a one-year syndicated facility to finance pre-finance export contracts of the Bank's corporate customers with a total amount of EUR 600 millions (equivalent of YTL 967,620 thousands) obtained on 8 July 2005 as signed with the 31 mandated arrangers.

Long-term debts comprise the following:

	31 March 2006					*31 December 2005*
	Interest rate%	*Latest Maturity*	*Amount in original currency*	*Short term portion*	*Medium and long term portion*	*Medium and long term debts*
DPR Securitisation-IV	4.8-5.6	2013	US$ 600mio	-	799,200	800,400
DPR Securitisation-V	4.7-5.5	2013	US$ 525mio	-	699,300	700,350
DPR Securitisation-II	4.9	2012	US$ 325mio	58,275	374,625	394,642
DPR Securitisation-III	4.8	2013	US$ 300mio	-	399,600	400,200
Others				455,753	541,677	366,215
				514,028	2,814,402	2,661,807

In November 2005, the Bank completed a securitization (the "DPR Securitization-V") transaction by issuance of certificate: US$ 525 millions with a guarantee issued by XL Capital Insurance and CIFG and arranged by ING Bank and ABN Amro Bank, a final maturity of 7-8 years.

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

17 Loans and advances from banks (continued)

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

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

18 Taxation on income

In Turkey, corporate income tax is levied at the rate of 30% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2006. There is also a withholding tax levied at the rate of 10% on the dividends paid and is accrued only at the time of such payments. According to the amendments in the tax legislations, which became effective from 24 April 2003, dividends that are paid to the shareholders from the profits of the years between 1999 and 2002 are immune from the withholding tax, if such profits are exempted from corporation tax bases of the companies. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from prior years. There is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns within four months following the end of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit the tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

According to the draft “Corporate Tax Lax” announced by the Ministry of Finance, the corporate income 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. However, as the draft Law has not become effective, the tax rate used in the calculation of the corporate income tax as of 31 March 2006, is 30%.

18 Taxation on income (continued)

In Netherlands, corporate income tax is levied at the rate of 29.6% (31 December 2005: 31.5%) on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2006. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. There is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for an unlimited number of years. Tax losses can be carried back to offset profits up to 3 prior years. Companies must file their tax returns within six months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assesment of the tax return 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 corporate income tax has been calculated using the nominal tax rate of 31.5% over the Dutch taxable income, 40% over the local taxable income of Germany branch and 16% over the local taxable income of Romania branch.

The applicable tax rate for current and deferred tax for the Bank's consolidated affiliate in Russia is 24%. The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open for a longer period.

In Turkey, the tax legislation does not permit a parent company and its affiliates to file a consolidated tax return. Therefore, the taxation charge, as reflected in the accompanying consolidated financial statements, represents the total amount of the taxation charge of each affiliate.

(Currency: Thousands of New Turkish Lira (YTL))

18 Taxation on income (continued)

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

	31 March 2006	*%*	*31 March 2005*	*%*
Taxes on income per statutory tax rate	110,246	30.00	67,897	30.00
Reversal of valuation allowance on impairment of tangible assets	(27,707)	(7.54)	(7,248)	(3.20)
Disallowable expenses	2,936	0.80	7,318	3.23
Permanent differences relating to restatement of various non-monetary items per IAS29	-	-	2,949	1.30
Investment incentives	-	-	(338)	(0.15)
Income items exempt from tax	(1,946)	(0.53)	(13,948)	(6.16)
Others	4,280	1.16	3,420	1.51
Taxation charge	87,809	23.89	60,050	26.53

The taxation charge comprised the following:

	For the three-month period ended 31 March 2006	*31 March 2005*
Current taxes	115,143	21,973
Deferred taxes	(27,334)	38,077
Taxation charge	87,809	60,050

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

The current taxes payable on income comprise the following:

	31 March 2006	*31 December 2005*
Provision for current taxes payable on income	87,809	249,662
Add: Taxes payable carried forward	14,729	68,139
Less: Prepaid corporate taxes	(23,013)	(174,206)
Add/(less): Deferred taxes	27,334	(73,016)
Less: Restatement effect on current taxes payable on income for the change in the general purchasing power of YTL at the balance sheet date	-	(2,641)
Taxes payable on income	106,859	67,938

(Currency: Thousands of New Turkish Lira (YTL))

18 Taxation on income (continued)

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

	31 March 2006	31 December 2005
Deferred tax asset		
Impairment in value of investments in associated companies and tangible assets	58,374	33,361
Specific and general allowance for loan losses	31,131	27,040
Short-term employee benefits	10,361	10,361
Reserve for employee severance indemnity	9,095	8,545
Discount on miscellaneous receivables	8,631	6,458
Valuation difference on financial assets and liabilities	(3,224)	(1,632)
Pro-rata basis depreciation expenses	(10,853)	(12,697)
Leasing obligations	-	2,458
Others, net	6,328	7,852
Total deferred tax asset	109,843	81,746
Deferred tax liability		
Total deferred tax liability	895	596

19 Other liabilities and accrued expenses

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

	31 March 2006	31 December 2005
Blocked accounts against expenditures of card holders	894,005	883,244
Transfer orders	529,304	481,409
Payables to insurance and reinsurance companies relating to insurance business	196,217	156,990
Insurance business related provisions	164,918	154,487
Expense accruals	153,525	158,875
Payables to suppliers relating to financial lease activities	108,524	85,918
Unearned income	86,005	74,319
Withholding taxes	61,714	68,798
Cheques at clearing house	61,253	-
Factoring payables	53,250	51,298
Advances received	52,071	82,511
Miscellaneous payables	38,419	40,456
Blocked accounts	37,508	61,481
Reserve for employee severance indemnity	34,914	32,860
General provision for non-cash loans	17,807	16,587
Others	156,202	133,600
	2,645,636	2,482,833

(Currency: Thousands of New Turkish Lira (YTL))

19 Other liabilities and accrued expenses (continued)

As further explained in Note 15, as of 31 March 2006 it was decided to classify the accounts blocked against the expenditures of the credit card holders from "deposits from customers" to "other liabilities and accrued expenses" line on the balance sheet. Accordingly, as of 31 December 2005 "blocked accounts against expenditures of card holders" amounting YTL 883,244 thousands were reclassified from "deposits from customers".

Insurance business related provisions are detailed in the table below:

	31 March 2006			***31 December 2005***		
	Garanti Sigorta AŞ	***Garanti Emeklilik AŞ***	***Total***	***Garanti Sigorta AŞ***	***Garanti Emeklilik AŞ***	***Total***
Reserve for unearned premiums, net	66,024	13,569	79,593	45,505	10,872	56,377
Gross	*147,229*	*14,794*	*162,023*	*115,645*	*11,936*	*127,581*
Reinsurers' share	*(80,296)*	*(1,225)*	*(81,521)*	*(70,140)*	*(1,064)*	*(71,204)*
Deferred commission - net	*(909)*	-	*(909)*	-	-	-
Provision for claims, net	24,474	2,431	26,905	25,675	1,451	27,126
Gross	*69,798*	*2,734*	*72,532*	*75,407*	*1,575*	*76,982*
Reinsurers' share	*(45,324)*	*(303)*	*(45,627)*	*(49,732)*	*(124)*	*(49,856)*
Provision for earthquake claims	-	-	-	18,984	-	18,984
Life mathematical reserves	-	58,420	58,420	-	52,000	52,000
	90,498	74,420	164,918	90,164	64,323	154,487

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

	31 March 2006	***31 December 2005***
Balance, beginning of period/year	32,860	24,612
Effects of inflation on the beginning balance	-	(831)
Reversals	(283)	(50)
Disposal due to sale of consolidated affiliates	-	(1,657)
Payments during the period/year	-	(176)
Provision for the period/year	2,337	10,962
Balance, end of period/year	34,914	32,860

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

	31 March 2006	***31 December 2005***
Balance, beginning of period/year	16,587	15,417
Effects of inflation on the beginning balance	-	(670)
Reversals	-	(2,342)
Provision for the period/year	1,220	4,182
Balance, end of period/year	17,807	16,587

20 Shareholders' equity

The authorized nominal share capital of the Bank amounted to YTL 2,100,000 thousands as of 31 March 2006. As per the resolution of the Board of Directors on 8 April 2005, it was decided to increase the Bank's statutory share capital from YTL 1,200,000 thousands to YTL 2,100,000 thousands through appropriation of capital reserves from inflation adjustments to paid in capital of YTL 450,000 thousands, extraordinary reserves of YTL 442,917 thousands and income from sale of real estates of YTL 7,083 thousands, and the number of shares to 210 billions. The increase was registered on 27 June 2005.

As per the resolution of the Board of Directors on 7 March 2005, it was 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.

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.

Doğuş Holding AŞ, signed an 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 representing 25.5% of the Bank's issued share capital and 182 of the founder shares from Doğuş Holding AŞ to GE Araştırma ve Müşavirlik Limited Şti., an investee company of GE Capital Corporation incorporated in Turkey, has been completed on 22 December 2005. Accordingly, on 22 December 2005 GE Araştırma ve Müşavirlik Limited Şti. made a total cash payment of US$ 1,805,500 thousands to Doğuş Holding AŞ to purchase the shares of the Bank (having a nominal value of YTL 535,500 thousands) for US$ 1,555,500 thousands and to purchase the Bank's 182 of the founder shares for US$ 250,000 thousands.

The reserves include legal reserves amounting to YTL 75,282 thousands in total which are generated by annual appropriations amounting to 5% of the statutory income of the Bank and its affiliates until such reserves reach 20% of paid-in share capital (first legal reserves). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in share capital appropriated to generate the legal reserves (second legal reserves). The legal reserves are restricted and are not available for distribution as dividends unless they exceed 50% of the share capital.

(Currency: Thousands of New Turkish Lira (YTL))

20 Shareholders' equity (continued)

As at 31 March 2006 net minority interest amounts to YTL 42,582 thousands (31 December 2005: YTL 43,134 thousands). Minority interest is detailed as follows:

	31 March 2006	*31 December 2005*
Capital and other reserves	38,506	38,506
Retained earnings	4,628	2,636
Current period net income/(loss)	(552)	1,992
	42,582	43,134

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

	31 March 2006	*31 December 2005*
Balance at the beginning of the period	162,522	127,762
Net gains/(losses) from changes in fair value	(32,860)	127,584
Related deferred and current income taxes	9,527	(41,826)
Net (gains)/losses transferred to the income statement on disposal and impairment	(7,764)	(59,773)
Related deferred and current income taxes	2,303	8,775
Balance at the end of the period	133,728	162,522

21 Fair value information

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

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

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

(Currency: Thousands of New Turkish Lira (YTL))

21 Fair value information (continued)

Fair value of security investments is YTL 12,419,189 thousands (31 December 2005: YTL 11,920,634 thousands), whereas the carrying amount is YTL 12,405,473 thousands (31 December 2005: YTL 11,909,044 thousands) in the accompanying consolidated balance sheet as at 31 March 2006.

22 Commitments and contingencies

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

Commitments and contingent liabilities comprise the following:

	31 March 2006	*31 December 2005*
Letters of guarantee	6,134,673	6,015,988
Letters of credit	2,480,141	2,109,524
Acceptance credits	282,521	286,255
	8,897,335	8,411,767

As at 31 March 2006, commitment for uncalled capital of affiliated companies amounts approximately to YTL 375 thousands (31 December 2005: -).

As at 31 March 2006, commitment for purchase and sale of foreign currencies under spot, forwards, swaps, future rate agreements, options and forward agreements for gold trading amounts to YTL 6,610,868 thousands (31 December 2005: YTL 5,887,157 thousands), approximately 97% of which are due within a year.

The breakdown of outstanding commitments is presented as follows:

	31 March 2006		*31 December 2005*	
	Purchases	*Sales*	*Purchases*	*Sales*
Forward agreements for customer dealing activities	203,179	137,627	174,636	19,621
Currency swap agreements for customer dealing activities	81,670	23,502	64,501	51,361
Options for customer dealing activities	255,401	66,068	361,434	16,681
Spot foreign currency transactions for customer dealing activities	41,378	11,780	5,619	4,813
Forward agreements for hedging purposes	192,963	44,064	80,148	55,399
Currency swap agreements for hedging purposes	1,719,375	1,510,649	2,376,042	1,332,196
Interest rate swap agreements	19,369	-	15,386	-
Interest rate and foreign currency options	707,720	979,528	351,970	477,262
Forward rate agreements, foreign currency and interest rate futures	123,714	100,624	166,401	123,914
Forward agreements for gold trading	13,367	29,453	48,665	23,492
Spot foreign currency transactions	98,443	250,994	75,860	61,756
	3,456,579	3,154,289	3,720,662	2,166,495

23 Risk management disclosures

This section provides details of the Bank and its affilates' exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Bank and its affilates are exposed, are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity price risk.

The nature of the risks and the approach to managing risk differs fundamentally between the trading and non-trading portfolios; section 23.2 contains risk management information related to the trading portfolio and section 23.3 deals with the non-trading portfolio.

23.1 Derivative financial instruments

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

Swaps

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

Futures and forwards

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

23 Risk management disclosures (continued)

Options

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

23.2 Trading activities

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

Counterparty credit risk

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

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

23 Risk management disclosures (continued)

Market risk

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

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

23.3 Non-trading activities

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

Liquidity risk

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

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

(Currency: Thousands of New Turkish Lira (YTL)

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

	31 March 2006						*31 December 2005*					
	Up to 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*	*Up to 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*
MONETARY ASSETS												
New Turkish Lira												
Cash and balances with Central Banks	873.388	-	-	-	-	873.388	1.108.367	-	-	-	-	1.108.367
Financial assets at fair value through profit or loss	5.034	14.521	23.631	53.613	118.083	214.882	2.398	7.854	19.709	32.805	78.964	141.730
Loans and advances to banks	357.918	75.507	7.194	32	-	440.651	313.850	171.085	31.609	-	-	516.544
Loans and advances to customers	6.516.133	647.790	762.175	1.095.011	2.933.922	11.955.031	5.539.307	540.042	637.450	932.908	2.204.404	9.854.111
Other assets	102.092	238.617	5.513	129.119	30.218	505.559	92.720	168.566	-	113.756	119.472	494.514
Security investments	71.195	412.932	969.769	848.341	4.040.112	6.342.349	210.086	368.588	430.386	1.047.113	4.110.197	6.166.370
Deferred tax asset	-	-	-	-	109.824	109.824	-	-	-	-	81.744	81.744
Total New Turkish Lira monetary assets	7.925.760	1.389.367	1.768.282	2.126.116	7.232.159	20.441.684	7.266.728	1.256.135	1.119.154	2.126.582	6.594.781	18.363.380
Foreign currency												
Cash and balances with Central Banks	1.877.240	-	-	-	-	1.877.240	3.234.277	-	-	-	-	3.234.277
Financial assets at fair value through profit or loss	21.003	6.938	50.366	158.949	556.506	793.762	15.519	9.209	42.547	302.422	470.889	840.586
Loans and advances to banks	584.835	158.229	119.663	114.779	92.122	1.069.628	1.223.387	161.153	111.277	104.683	59.973	1.660.473
Loans and advances to customers	1.272.587	1.180.248	1.487.379	1.737.013	5.908.984	11.586.211	601.421	1.114.782	1.523.383	1.318.415	4.634.801	9.192.802
Other assets	16.612	37.580	10.342	3.979	63.551	132.064	38.665	35.450	3.525	4.690	35.407	117.737
Security investments	227.744	1.510.479	132.671	790.219	3.402.011	6.063.124	16.011	25.859	1.690.115	403.469	3.607.220	5.742.674
Deferred tax asset	-	-	-	-	19	19	-	-	-	-	2	2
Total foreign currency monetary assets	4.000.021	2.893.474	1.800.421	2.804.939	10.023.193	21.522.048	5.129.280	1.346.453	3.370.847	2.133.679	8.808.292	20.788.551
Total Monetary Assets	11.925.781	4.282.841	3.568.703	4.931.055	17.255.352	41.963.732	12.396.008	2.602.588	4.490.001	4.260.261	15.403.073	39.151.931
MONETARY LIABILITIES												
New Turkish Lira												
Deposits	10.318.897	3.391.080	102.118	52.818	3.012	13.867.925	9.848.787	1.840.694	138.557	84.357	1.047	11.913.442
Obligations under repurchase agreements	306.998	-	56.344	-	615.688	979.030	1.257.782	-	3.378	50.000	54.348	1.365.508
Loans and advances from banks	268.515	44.966	45.005	44.631	-	403.117	263.130	28.030	41.026	49.011	-	381.197
Other liabilities and accrued expenses	1.039.893	200.898	121.279	165.108	320.046	1.847.224	1.151.073	47.284	149.772	156.695	143.808	1.648.632
Total New Turkish Lira monetary liabilities	11.934.303	3.636.944	324.746	262.557	938.746	17.097.296	12.520.772	1.916.008	332.733	340.063	199.203	15.308.779
Foreign currency												
Deposits	10.616.786	1.957.697	449.458	458.629	296.559	13.779.129	11.200.594	1.387.464	398.935	393.680	290.878	13.671.551
Obligations under repurchase agreements	375.344	99.099	53.964	530.386	204.340	1.263.133	286.127	15.999	200.440	201.928	270.127	974.621
Loans and advances from banks	383.608	292.595	1.425.067	1.717.064	2.833.861	6.652.195	246.584	323.617	522.869	2.539.657	2.675.156	6.307.883
Other liabilities and accrued expenses	234.520	207.960	182.516	46.103	182.993	854.092	281.266	106.120	283.282	143.319	6.233	820.221
Total foreign currency monetary liabilities	11.610.258	2.557.351	2.111.005	2.752.182	3.517.753	22.548.549	12.014.571	1.833.200	1.405.526	3.278.584	3.242.394	21.774.276
Total Monetary Liabilities	23.544.561	6.194.295	2.435.751	3.014.739	4.456.499	39.645.845	24.535.343	3.749.208	1.738.260	3.618.647	3.441.597	37.083.055

23 Risk management disclosures (continued)

Market risk

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

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

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

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

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

(Currency: Thousands of New Turkish Lira (YTL)

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

	31 March 2006						
	Up to 1 month	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***Over 1 year***	***Non-Interest Bearing***	***Total***
MONETARY ASSETS							
Cash and balances with Central Banks	2.098.178	-	-	-	-	652.450	2.750.628
Financial assets at fair value through profit or loss	1.838	63.185	91.072	208.016	604.352	40.181	1.008.644
Loans and advances to banks	768.493	233.645	126.871	114.811	92.121	174.338	1.510.279
Loans and advances to customers	7.643.300	1.810.988	2.262.555	2.795.756	8.708.457	320.186	23.541.242
Other assets	2.370	-	3.520	120.173	133.958	377.602	637.623
Security investments	272.692	3.133.165	4.319.707	1.149.283	3.077.402	453.224	12.405.473
Deferred tax asset	-	-	-	-	-	109.843	109.843
Total Monetary Assets	10.786.871	5.240.983	6.803.725	4.388.039	12.616.290	2.127.824	41.963.732
MONETARY LIABILITIES							
Deposits	15.527.028	5.307.062	547.717	510.262	297.640	5.457.345	27.647.054
Obligations under repurchase agreements	663.295	102.081	104.037	533.788	802.360	36.602	2.242.163
Loans and advances from banks	595.367	344.341	1.426.401	1.700.509	2.910.167	78.527	7.055.312
Other liabilities and accrued expenses	245.063	165.604	135.300	54.274	5.239	2.095.836	2.701.316
Total Monetary Liabilities	17.030.753	5.919.088	2.213.455	2.798.833	4.015.406	7.668.310	39.645.845

	31 December 2005						
	Up to 1 month	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***Over 1 year***	***Non-Interest Bearing***	***Total***
MONETARY ASSETS							
Cash and balances with Central Banks	2.336.481	-	-	-	-	2.006.163	4.342.644
Financial assets at fair value through profit or loss	1.038	42.170	101.962	332.708	476.690	27.748	982.316
Loans and advances to banks	1.370.986	328.601	143.252	104.682	59.973	169.523	2.177.017
Loans and advances to customers	6.036.762	1.734.027	2.171.377	2.192.300	6.651.992	260.455	19.046.913
Other assets	-	-	3.525	118.446	142.507	347.773	612.251
Security investments	339.472	5.014.778	2.142.939	518.391	3.382.603	510.861	11.909.044
Deferred tax asset	-	-	-	-	-	81.746	81.746
Total Monetary Assets	10.084.739	7.119.576	4.563.055	3.266.527	10.713.765	3.404.269	39.151.931
MONETARY LIABILITIES							
Deposits	14.257.879	3.205.758	533.679	475.096	290.956	6.821.625	25.584.993
Obligations under repurchase agreements	1.542.446	15.976	196.254	250.107	319.348	15.998	2.340.129
Loans and advances from banks	504.162	343.157	549.752	2.498.201	2.733.948	59.860	6.689.080
Other liabilities and accrued expenses	140.806	93.218	212.467	139.410	1.625	1.881.326	2.468.853
Total Monetary Liabilities	16.445.293	3.658.109	1.492.152	3.362.814	3.345.877	8.778.809	37.083.055

(Currency: Thousands of New Turkish Lira (YTL))

23 Risk management disclosures (continued)

The following table indicates the effective interest rates by major currencies for the major balance sheet components for the first quarter of 2006 and the year of 2005:

	31 March 2006			
	US$ %	*EUR %*	*YTL %*	*Other Currencies %*
Assets				
Loans and advances to banks	4.25-5.00	2.42-3.50	13.50-16.85	6.25-9.70
Debt and other fixed or floating income instruments	7.67-9.82	7.92-9.16	15.43-16.46	7.45
Loans and advances to customers	6.31-14.29	4.20-9.39	15.59-25.00	8.00-13.00
Liabilities				
Deposits:				
- Foreign currency deposits	1.00-6.75	2.25-5.25	-	3.50-9.00
- Bank deposits	4.61-7.08	2.51-4.93	13.93-14.14	4.75-6.25
- Saving deposits	-	-	13.63-16.70	-
- Commercial deposits	-	-	13.34-16.83	-
- Public and other deposits	-	-	17.32	-
Obligations under repurchase agreements	4.27-4.96	2.38	12.58-13.60	-
Loans and advances from banks	5.40-7.43	3.23-4.94	13.84-15.00	6.57

	31 December 2005			
	US$ %	*EUR %*	*YTL %*	*Other Currencies %*
Assets				
Loans and advances to banks	4.10-7.00	2.37-2.80	11.23-18.75	2.50-9.70
Debt and other fixed or floating income instruments	7.47-10.13	8.16-9.14	17.70-20.00	5.89
Loans and advances to customers	6.07-13.88	4.07-9.74	15.98-23.17	8.00-13.00
Liabilities				
Deposits:				
- Foreign currency deposits	1.00-7.00	2.19-5.25	-	4.98-9.00
- Bank deposits	4.30-6.40	0.28-4.67	10.51-14.58	2.00-6.25
- Saving deposits	-	-	13.89-17.88	-
- Commercial deposits	-	-	14.25-17.20	-
- Public and other deposits	-	-	17.90	-
Obligations under repurchase agreements	4.00-4.87	2.38	14.20-15.20	-
Loans and advances from banks	4.35-7.32	3.08-7.20	14.16-15.75	6.59-8.48

(Currency: Thousands of New Turkish Lira (YTL))

23 Risk management disclosures (continued)

Equity price risk

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

Currency risk

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

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

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

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

These exposures are as follows:

	31 March 2006			
	US$	***EUR***	***Other Currencies***	***Total***
Assets				
Cash and balances with Central Banks	42,854	1,822,164	12,222	1,877,240
Financial assets at fair value through profit or loss	569,882	151,702	72,178	793,762
Loans and advances to banks	728,011	211,995	129,622	1,069,628
Loans and advances to customers	7,442,983	3,944,858	192,713	11,580,554
Other assets	107,868	33,317	9,623	150,808
Security investments	5,713,914	346,880	2,330	6,063,124
Investments in equity participations	-	513	10,209	10,722
Tangible assets	287	49,636	2,554	52,477
Deferred tax asset	19	-	-	19
Total Assets	14,605,818	6,561,065	431,451	21,598,334

(Currency: Thousands of New Turkish Lira (YTL))

23 Risk management disclosures (continued)

	31 March 2006			
	US$	*EUR*	*Other Currencies*	*Total*
Total Assets	14,605,818	6,561,065	431,451	21,598,334
Liabilities				
Deposits	8,265,366	5,010,753	503,010	13,779,129
Obligations under repurchase agreements	1,170,374	92,759	-	1,263,133
Loans and advances from banks	5,208,638	1,441,144	2,413	6,652,195
Current and deferred tax liability	-	4,297	9	4,306
Other liabilities and accrued expenses	604,401	188,614	56,771	849,786
Total Liabilities	15,248,779	6,737,567	562,203	22,548,549
Net On Balance Sheet Position	(642,961)	(176,502)	(130,752)	(950,215)
Net Off Balance Sheet Position	508,450	148,411	246,972	903,833
Net Position	(134,511)	(28,091)	116,220	(46,382)

	31 December 2005			
	US$	*EUR*	*Other Currencies*	*Total*
Total Assets	13,698,771	6,830,097	342,771	20,871,639
Total Liabilities	14,700,387	6,587,043	495,692	21,783,122
Net On Balance Sheet Position	(1,001,616)	243,054	(152,921)	(911,483)
Net Off Balance Sheet Position	784,720	(127,497)	223,129	880,352
Net Position	(216,896)	115,557	70,208	(31,131)

Approximately 96% (31 December 2005: 97%) of the amounts shown in the table above, at 31 March 2006 are economically hedged by currency swaps, forward contracts and other derivatives entered into to manage these currency exposures. In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank and its affiliates ensure that their net exposures are kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

The net of Russian Rubles denominated assets and liabilities as included in the above table at their YTL equivalents, comprise net asset of YTL 113,943 thousands at 31 March 2006 (31 December 2005: YTL 65,307 thousands). For the purposes of the evaluation of the table above, these amounts should not be considered as hard currency.

23 Risk management disclosures (continued)

Credit risk

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

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

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

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

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

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

(Currency: Thousands of New Turkish Lira (YTL))

23 Risk management disclosures (continued)

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

	31 March 2006				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	22,264,174	40,487,232	26,812,838	7,757,185	26,471
Russia	233,525	627,396	27,327	7,207	453
Germany	451,795	785,178	1,584,503	46,345	-
USA	39,244	432,090	2,898,890	25,253	-
Netherlands	324,426	433,066	1,008,313	14,046	439
Romania	126,428	323,260	111,272	21,860	-
Switzerland	87,778	166,064	816,183	129,034	-
Luxembourg	-	130,165	603,032	651	-
England	42,894	75,605	3,976,785	79,224	-
France	6,735	8,570	27,214	46,052	-
Others	125,948	513,097	1,831,562	770,478	-
	23,702,947	43,981,723	39,697,919	8,897,335	27,363

	31 December 2005				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	18,292,549	37,988,734	26,041,569	7,349,188	238,825
Russia	221,220	561,687	28,241	26,335	1,441
Netherlands	233,101	525,170	938,153	8,679	1,367
USA	22,787	467,953	3,098,770	7,627	-
Germany	18,875	345,633	1,323,955	2,272	-
Romania	106,487	308,397	109,648	16,184	-
Luxembourg	75,911	169,035	583,261	123,391	-
Switzerland	87,825	152,919	317,279	67,167	-
England	23,934	57,897	3,110,374	44,971	-
France	3,944	57,788	64,436	50,043	-
Others	120,599	562,331	1,549,883	715,910	-
	19,207,232	41,197,544	37,165,569	8,411,767	241,633

The amounts reflected in the tables represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for uncollectibility. The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Approximately 73% of the balance of outstanding loans is collateralized. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank and its affiliates' obligations. The extent of collateral held for guarantees and letters of credit is approximately 76%.

(Currency: Thousands of New Turkish Lira (YTL))

23 Risk management disclosures (continued)

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

	31 March 2006	*31 December 2005*
Cash loans		
Secured loans:	16,881,778	12,124,622
Secured by cash collateral	1,010,118	725,240
Secured by mortgages	3,776,953	3,215,626
Secured by government institutions or government securities	1,366,297	854,852
Guarantees issued by financial institutions	67,574	111,705
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	10,660,836	7,217,199
Unsecured loans	6,358,831	6,687,936
Total performing loans and financial lease receivables	23,240,609	18,812,558
Non-cash loans		
Secured loans:	6,781,902	6,514,855
Secured by cash collateral	196,289	221,195
Secured by mortgages	14,175	13,862
Secured by government institutions or government securities	-	-
Guarantees issued by financial institutions	14,372	14,214
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	6,557,066	6,265,584
Unsecured loans	2,115,433	1,896,912
Total non-cash loans	8,897,335	8,411,767

23.4 Hedging

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

(Currency: Thousands of New Turkish Lira (YTL))

23 Risk management disclosures (continued)

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

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

24 Affiliates and associates

The table below sets out the Affiliates and shows their shareholding structure as at 31 March 2006:

Affiliates	***Shareholding Interest (%)***
Garanti Bank International NV	100.00
Garanti Bank Moscow	100.00
Garanti Sigorta AŞ	100.00
Garanti Emeklilik ve Hayat AŞ	100.00
Garanti Portföy Yönetimi AŞ	100.00
Garanti Yatırım Menkul Kıymetler AŞ	100.00
Garanti Financial Services plc.	100.00
Garanti Fund Management Co. Ltd.	100.00
Garanti Bilişim Teknolojisi	100.00
Galata Araştırma Yayıncılık Tanıtım ve Bilişim Teknoloji Hizmetleri AŞ	100.00
Garanti Finansal Kiralama AŞ	98.94
Garanti Faktoring Hizmetleri AŞ	81.84
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	56.74
Garanti Diversified Payment Rights Finance Company	- ***(a)***

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

In the first quarter of 2005, the Bank sold its shares in Konaklı Temizlik Taşımacılık Organizasyon Bilgisayar Danışmanlık Yapı ve Ticaret AŞ (99.97%), a consolidated non-financial affiliate at a price of YTL 11,723 thousands resulting in a loss of YTL 85 thousands.

Subsequent to 31 March 2005, the Bank merged with Ana Konut Danışmanlık AŞ (100.00%), a consolidated non-financial affiliate on 28 September 2005, taking over all the rights, assets, liabilities and obligation of this company ceasing its legal corporate existence after the merger.

(Currency: Thousands of New Turkish Lira (YTL))

24 Affiliates and associates (continued)

The liquidation processes of Bosphorus Financial Services Ltd.(100.00%) and Clover Investments Co.(100.%) have been completed and the affiliates have been disposed as of 30 September 2005.

Subsequent to 31 March 2005 and as per the Agreement signed with GE on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank issued share capital, the Bank sold some of its consolidated affiliates to Doğuş Holding AŞ in December 2005. These affiliates were Voyager Mediterranean Turizm End. ve Tic. AŞ (77.00%), Sititur Turizm taşımacılık Org. AŞ (99.95%), Lasaş Lastik San. ve Tic. (99.99%), Doğuş Hava Taşımacılığı AŞ (100.00%), Şahintur Şahinler Otelcilik Turizm Yatırım İşletmeleri AŞ (100.00%) and Doğuş Turizm Sağlık Yat. İşlt. Tic. AŞ (100.00%).

Garanti Fund Management Co. Ltd. (100.00%) is under liquidation as of the reporting date. The liquidation procedures are expected to complete in the second half of 2006.

The table below sets out the Associates and shows their shareholding structure as at 31 March 2006:

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

During the year 2005, the shares in İksir Uluslararası Elektronik Ticaret Bilgilendirme ve Haberleşme Hizmetleri AŞ, one of its non-financial associates were sold in two transactions at a total price of YTL 3,470 thousands to E Haber Ajansı Reklam ve Ticaret AŞ, a related party.

25 Significant event

The Bank signed a preliminary agreement with the European Investment Bank in March 2006 for a 10-year loan amounting EUR 100 millions to finance its commercial and SME customers. The loan related processes continue.

26 Subsequent events

The sale of the Bank's shares having a total nominal value of YTL 535,500 thousands representing 25.5% of the Bank's issued share capital; and 182 of the founder shares by 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. A call has been made to 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, starting from 27 March 2006 to purchase the shares with a total face value of YTL 1,564,500 at a price of YTL 3.90 per share from the minority shareholders. The call period has ended on 10 April 2006 and the minority shareholders responded to this call by selling 6,249.49 shares with a face value of YTL 1 each. Accordingly, the shares owned by GE Araştırma ve Müşavirlik Limited Şti. increased to YTL 535,506 thousands.

As per the resolution of the Board of Directors on 5 April 2006, the Bank started paying dividends amounting YTL 105,000 thousands to the ordinary share holders and YTL 49,052 thousands to the owners of the founder shares as of 12 April 2006.

As per the Agreement signed between Doğuş Holding AŞ and GE on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank issued share capital, certain affiliates, associates and real estates of the Bank are to be taken over by Doğuş Holding AŞ at a total price of YTL 958 millions calculated based on the consolidated financial statements as of 31 March 2005. Accordingly, at the date of sale of shares, the Bank's certain consolidated non-financial affiliates comprised of the first group were sold to Doğuş Holding AŞ on 22 December 2005. Doğuş Holding AŞ paid for 50% sales price at the closing date and the remaining to be paid in two equal instalments in each of the following two years. In accordance with the terms of the agreement, the assets that are categorized as the second group representing certain equity participations, namely Garanti Turizm Yatırım ve İşletmeleri AŞ and Doc Finance SA having a total book value of YTL 31,556 thousands and certain real estates either in use or held for resale having a total book value of YTL 242,261 thousands were altogether sold to Doğuş Holding AŞ on 17 April 2006. YTL 100,000 thousands of the total sale price amounting YTL 273,397 thousands was collected on the date of sale and the remaining are to be collected in two equal instalments, each amounting YTL 86,698,500, on 22 December 2006 and 24 December 2007.

The Bank has started working on obtaining a foreign funding to be backed by the flows of transfer orders amounting US$ 875 millions with a maximum maturity of ten years.

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