

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

Türkiye Garanti Bankası Anonim Şirketi
Unconsolidated Financial Statements
As of and For the Year Ended
31 December 2006

*(Convenience Translation of Financial Statements and Related
Disclosures and Footnotes Originally Issued in Turkish)*
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ
21 February 2007

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



**Akis Bağımsız Denetim ve 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

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

To the Board of Directors of Türkiye Garanti Bankası AŞ:

We have been engaged to audit the unconsolidated balance sheet of Türkiye Garanti Bankası AŞ ("the Bank") as of 31 December 2006 and the related income statement, statement of cash flows, statement of changes in shareholders' equity and a summary of significant accounting policies and notes to the financial statements.

Disclosure for the responsibility of the Bank's Board of Directors:

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no.26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the statements and guidances published by the Banking Regulation and Supervision Agency (BRSA) on accounting and financial reporting principles.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditors' Opinion:

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası AŞ as of 31 December 2006 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and the statements and guidances published by the BRSA on accounting and financial reporting principles.

İstanbul,
21 February 2007

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat Alsan

Partner, Certified Public Accountant

Additional paragraph for convenience translation to English:

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

Türkiye Garanti Bankası Anonim Şirketi

Unconsolidated Financial Report as of and for the Year Ended
31 December 2006

Levent Nispetiye Mah.Aytar Cad.
No:2 Beşiktaş 34340 Istanbul
Telephone: 212 318 18 18
Fax: 212 216 64 22
www.garanti.com.tr
www.garantibank.com.tr
investorrelations@garanti.com.tr

The unconsolidated year-end financial report prepared in accordance with the communique of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

The unconsolidated financial statements and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in thousands of New Turkish Lira (YTL).

Ferit F. Şahenk	M. Cüneyt Sezgin	Des O'Shea	S. Ergun Özen	Aydın Şenel	Mustafa Keleş
Board of Directors Chairman	Audit Board Member	Audit Board Member	General Manager	Executive Vice President	Accounting Manager (V)

The authorized contact person for questions on this financial report

Name-Surname/Title: Handan SAYGIN/Senior Vice President of Investor Relations
Phone no: 90 212 318 23 50
Fax no: 90 212 216 59 02

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1 General Information

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

Türkiye Garanti Bankası Anonim Şirketi (the Bank) was established by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and its “Articles of Association” was issued in the Official Gazette dated 25 April 1946. The Bank provides banking services through 478 domestic branches, five foreign branches and four representative offices abroad. The Bank’s head office is located in Istanbul.

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

As of 31 December 2006, Group of Companies under Doğuş Holding AŞ that currently owns 25.87% shares of the Bank, is called as the Doğuş Group (the Group). On 22 December 2005, Doğuş Holding AŞ has completed the sale of 53,550,000,000 shares composing 25.5% of the Bank’s issued share capital to “GE Araştırma ve Müşavirlik Limited Şti.” of General Electric (GE) group, as explained in Note 1.4. Accordingly, GE acquired a joint control on the Bank’s management.

Doğuş Group

The Group was established in 1951 as a construction and contracting firm. Today, in addition to the construction sector, the Group operates in a variety of businesses consisting of financial services, automotive, media, tourism and service sectors with more than 17.900 employees. The Group operates partnerships and has distribution, management and franchise agreements with internationally recognized brand names, such as Volkswagen, Audi, Bentley, Porsche, Seat, Scania, ITT Sheraton, Hyatt Regency, Jeeves, Armani, Gucci and CNBC. In the construction sector, the Group has an important role in certain ongoing projects such as Araklı-İyidere, Sinop-Boyabat motorways, Kadıköy-Kartal and Otogar-Bağcılar subways, Yusufeli and Artvin dams, Ukraine Dnyeper bridge. The Group has tourism investments such as Sheraton Voyager, Club Aldiana and Paradise Side Apart Otel and five marinas which are adjudicated by “build, operate and transfer model” such as Dalaman, Didim, Turgutreis, Bodrum and Antalya.

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

General Electric Group

GE is a company providing variety of technology, media and financial services including aircraft engine and energy production, water and security technologies, medical systems, corporate-retail financing services and media services. GE operates in more than 100 countries through its six major business lines providing services through their own business units with more than 300 thousand employees. These six business lines are; GE Consumer Finance, GE Commercial Finance, GE Healthcare, GE Industrial, GE Infrastructure and NBC Universal.

GE Consumer Finance, one of its six major business lines extend loans to consumers, retailers and car vendors in 41 countries. GE Consumer Finance provides variety of financial products such as store

credit cards, consumer loans, bank cards, automobile loans and leasing, mortgage, corporate traveling and spending cards, debt consolidation, housing loans against mortgage and credit insurance.

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

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ferit Faik Şahenk	Chairman	18.04.2001	University	16 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	24 years
Muammer Cüneyt Sezgin	Member of BOD and Audit Board	30.06.2004	PhD	21 years
Dr. Ahmet Kamil Esirtgen	Member	19.03.1992	PhD	32 years
Richard Alan Laxer	Member	22.12.2005	University	23 years
Des O'Shea	Member of BOD and Audit Board	02.11.2006	Master	29 years
Charles Edward Alexander	Member	22.12.2005	University	26 years
Dmitri Lysander Stockton	Member	22.12.2005	University	15 years
Sait Ergun Özen	Member and CEO	14.05.2003	University	19 years

Des O'Shea has been assigned as of 2 November 2006 for the vacant member position after Daniel Noel O'Connor left to complete his duty till the next Annual General Assembly and to be advised as the member presenting GE Araştırma ve Müşavirlik Limited Şti. afterwards.

In the Bank's Board of Directors' meeting on 21 February 2007, Olivier B.R.V. Piani is appointed as the BOD member in lieu of Richard Alan Laxer who left this position as of the same date.

CEO and Executive Vice Presidents:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Sait Ergun Özen	CEO	01.04.2000	University	19 years
Adnan Memiş	EVP-Support Services	03.06.1991	University	28 years
Ali Fuat Erbil	EVP-Retail Banking	30.04.1999	PhD	14 years
Ali Temel	EVP-Loans	21.10.1999	University	16 years
Gökhan Erun	EVP-Human Resources & Investment Banking	18.08.2005	Master	12 years
Faruk Nafiz Karadere	EVP-SME Banking	01.05.1999	University	24 years
Halil Hüsnü Erel	EVP-Operational Services	16.06.1997	University	21 years
Uruz Ersözöğlü	EVP-Treasury	03.04.2006	University	15 years
Tolga Egemen	EVP-Financial Institutions & Corporate Banking	21.09.2000	University	14 years
Turgay Gönensin	EVP-Commercial Banking	15.12.2001	University	21 years
Aydın Şenel	EVP- General Accounting & Financial Reporting	02.03.2006	University	25 years
Zekeriya Öztürk	EVP- International Business Development	02.03.2006	Master	11 years

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

1.4 Information on the Bank's qualified shareholders

Company	Shares	Ownership	Paid-in Capital	Unpaid Portion
Doğuş Holding AŞ	462,250	22.0119%	462,250	-
GE Araştırma ve Müşavirlik Limited Şti	535,506	25.5003%	535,506	-

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 exercised the entire call option and took over all the ownership rights including the sale of 24.161.797.524 shares representing 11.50% of the Bank's capital (per 1 New Kuruş) throughout the agreed option period.

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.

In accordance with 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.

1.5 Summary information on the Bank's activities and services

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

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

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

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

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

2 Unconsolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi

Balance Sheet

At 31 December 2006

ASSETS		Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
			CURRENT PERIOD 31 December 2006			PRIOR PERIOD 31 December 2005		
			YTL	FC	Total	YTL	FC	Total
I.	CASH AND BALANCES WITH CENTRAL BANK	(5.1.1)	1,885,335	3,391,537	5,276,872	1,110,739	2,993,156	4,103,895
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	67,621	80,838	148,459	37,868	169,114	206,982
2.1	Financial assets held for trading		57,403	76,766	134,169	37,462	164,932	202,394
2.1.1	Government securities		50,492	75,993	126,485	37,437	164,567	202,004
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Other securities		6,911	773	7,684	25	365	390
2.2	Financial assets valued at fair value through profit or loss		-	-	-	-	-	-
2.2.1	Government securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Other securities		-	-	-	-	-	-
2.3	Trading derivatives		10,218	4,072	14,290	406	4,182	4,588
III.	BANKS AND OTHER FINANCIAL INSTITUTIONS	(5.1.3)	62,480	833,962	896,442	94,258	930,291	1,024,549
IV.	INTERBANK MONEY MARKETS		-	-	-	-	-	-
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	(5.1.4)	5,619,046	4,008,884	9,627,930	5,982,317	2,767,132	8,749,449
5.1	Equity securities		44,648	21,668	66,316	41,500	3,005	44,505
5.2	Government securities		5,574,398	3,987,216	9,561,614	5,940,817	2,764,127	8,704,944
5.3	Other securities		-	-	-	-	-	-
VI.	LOANS	(5.1.5)	15,320,304	12,030,186	27,350,490	9,484,698	7,671,099	17,155,797
6.1	Performing loans		15,134,959	12,030,186	27,165,145	9,247,275	7,671,099	16,918,374
6.2	Loans under follow-up		636,589	-	636,589	714,938	-	714,938
6.3	Specific provisions (-)		451,244	-	451,244	477,515	-	477,515
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENTS HELD-TO-MATURITY (Net)	(5.1.6)	3,802,826	816,021	4,618,847	1,040	2,474,534	2,475,574
8.1	Government securities		3,800,874	816,021	4,616,895	-	2,474,534	2,474,534
8.2	Other securities		1,952	-	1,952	1,040	-	1,040
IX.	INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	1,177	-	1,177	26,234	4,401	30,635
9.1	Financial investments in associates		-	-	-	-	4,401	4,401
9.2	Non-financial investments in associates		1,177	-	1,177	26,234	-	26,234
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.8)	313,436	290,716	604,152	358,381	252,770	611,151
10.1	Unconsolidated financial investments in subsidiaries		305,546	290,716	596,262	350,491	252,770	603,261
10.2	Unconsolidated non-financial investments in subsidiaries		7,890	-	7,890	7,890	-	7,890
XI.	INVESTMENTS IN JOINT-VENTURES (Net)	(5.1.9)	-	-	-	-	-	-
11.1	Financial investments in joint-ventures		-	-	-	-	-	-
11.2	Non-financial investments in joint-ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	(5.1.10)	-	-	-	-	-	-
12.1	Financial lease receivables		-	-	-	-	-	-
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(5.1.11)	-	4,799	4,799	-	5,300	5,300
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	4,799	4,799	-	5,300	5,300
13.3	Net foreign investment hedges		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(5.1.12)	884,325	1,121	885,446	942,126	754	942,880
XV.	INTANGIBLE ASSETS (Net)	(5.1.13)	67,515	203	67,718	55,246	239	55,485
15.1	Goodwill		-	-	-	-	-	-
15.2	Other intangibles		67,515	203	67,718	55,246	239	55,485
XVI.	TAX ASSET	(5.1.14)	38,188	-	38,188	45,189	-	45,189
16.1	Current tax asset		-	-	-	-	-	-
16.2	Deferred tax asset		38,188	-	38,188	45,189	-	45,189
XVII.	ASSETS HELD FOR SALE	(5.1.15)	115,154	-	115,154	423,853	-	423,853
XVIII.	OTHER ASSETS	(5.1.16)	542,620	108,619	651,239	530,890	63,833	594,723
TOTAL ASSETS			28,720,027	21,566,886	50,286,913	19,092,839	17,332,623	36,425,462

The accompanying notes are an integral part of these unconsolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi

Balance Sheet

At 31 December 2006

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2006			31 December 2005		
		YTL	FC	Total	YTL	FC	Total
I. DEPOSITS	(5.2.1)	14,242,516	15,896,521	30,139,037	11,777,612	11,055,758	22,833,370
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.2.2)	219,766	3,136	222,902	29,548	2,331	31,879
III. FUNDS BORROWED	(5.2.3)	510,041	7,380,364	7,890,405	125,631	5,434,524	5,560,155
IV. INTERBANK MONEY MARKETS		4,256,772	557,121	4,813,893	1,311,166	653,785	1,964,951
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		4,256,772	557,121	4,813,893	1,311,166	653,785	1,964,951
V. SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		1,311,410	15,420	1,326,830	998,572	21,567	1,020,139
VIII. OTHER EXTERNAL RESOURCES PAYABLE	(5.2.4)	105,889	452,949	558,838	143,657	569,927	713,584
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	(5.2.5)	298	44,440	44,738	-	23,335	23,335
10.1 Financial lease payables		336	49,341	49,677	-	26,870	26,870
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		38	4,901	4,939	-	3,535	3,535
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(5.2.6)	-	-	-	-	-	-
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	-	-	-	-	-
11.3 Net foreign investment hedges		-	-	-	-	-	-
XII. PROVISIONS	(5.2.7)	413,046	14,083	427,129	303,700	8,218	311,918
12.1 General provisions		148,747	9,719	158,466	95,043	4,357	99,400
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		128,818	-	128,818	102,243	-	102,243
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-
12.5 Other provisions		135,481	4,364	139,845	106,414	3,861	110,275
XIII. TAX LIABILITY	(5.2.8)	192,765	83	192,848	125,345	77	125,422
13.1 Current tax liability		192,765	83	192,848	125,345	77	125,422
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. PAYABLES FOR ASSETS HELD FOR SALE	(5.2.9)	-	-	-	-	-	-
XV. SUBORDINATED DEBTS	(5.2.10)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(5.2.11)	4,593,631	76,662	4,670,293	3,783,108	57,601	3,840,709
16.1 Paid-in capital		2,100,000	-	2,100,000	2,100,000	-	2,100,000
16.2 Capital reserves		839,934	74,485	914,419	913,215	56,182	969,397
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		90,901	71,337	162,238	133,654	52,629	186,283
16.2.4 Revaluation surplus on tangible assets		2,147	-	2,147	2,147	-	2,147
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Bonus shares of associates, subsidiaries and joint-ventures		4,698	-	4,698	4,860	-	4,860
16.2.7 Hedging reserves (effective portion)		-30,366	3,148	-27,218	-	3,553	3,553
16.2.8 Revaluation surplus on assets held for sale		-	-	-	-	-	-
16.2.9 Other capital reserves		772,554	-	772,554	772,554	-	772,554
16.3 Profit reserves		590,034	2,177	592,211	48,607	1,419	50,026
16.3.1 Legal reserves		89,957	2,177	92,134	47,842	1,419	49,261
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		500,558	-	500,558	628	-	628
16.3.4 Other profit reserves		-481	-	-481	137	-	137
16.4 Profit or loss		1,063,663	-	1,063,663	721,286	-	721,286
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period profit/loss		1,063,663	-	1,063,663	721,286	-	721,286
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		25,846,134	24,440,779	50,286,913	18,598,339	17,827,123	36,425,462

The accompanying notes are an integral part of these unconsolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi

Off-Balance Sheet Items

At 31 December 2006

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD 31 December 2006			PRIOR PERIOD 31 December 2005		
		YTL	FC	Total	YTL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		16,579,521	14,531,045	31,110,566	10,502,355	10,835,032	21,337,387
I. GUARANTEES AND SURETIES	(5.3.1),(5.3.3)	2,688,511	6,837,765	9,526,276	2,359,189	5,778,640	8,137,829
1.1. Letters of guarantee		2,687,808	4,575,955	7,263,763	2,090,318	3,872,083	5,962,401
1.1.1. Guarantees subject to State Tender Law		268,378	628,922	897,300	228,643	724,043	952,686
1.1.2. Guarantees given for foreign trade operations		255,968	240,821	496,789	242,518	43,347	285,865
1.1.3. Other letters of guarantee		2,163,462	3,706,212	5,869,674	1,619,157	3,104,693	4,723,850
1.2. Bank acceptances		616	142,925	143,541	-	286,255	286,255
1.2.1. Import letter of acceptance		600	141,356	141,956	-	286,255	286,255
1.2.2. Other bank acceptances		16	1,569	1,585	-	-	-
1.3. Letters of credit		87	2,118,885	2,118,972	268,871	1,620,302	1,889,173
1.3.1. Documentary letters of credit		-	10,810	10,810	-	79,627	79,627
1.3.2. Other letters of credit		87	2,108,075	2,108,162	268,871	1,540,675	1,809,546
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Underwriting commitments		-	-	-	-	-	-
1.7. Factoring related guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	-	-	-	-	-
1.9. Other sureties		-	-	-	-	-	-
II. COMMITMENTS	(5.3.1),(5.3.3)	9,807,443	714,290	10,521,733	6,516,940	157,355	6,674,295
2.1. Irrevocable commitments		9,807,443	714,051	10,521,494	6,516,940	157,190	6,674,130
2.1.1. Asset purchase commitments		146,776	158,806	305,582	13,203	80,626	93,829
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		250	-	250	12,000	-	12,000
2.1.4. Loan granting commitments		1,825,959	394,698	2,220,657	-	-	-
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		1,528,984	-	1,528,984	1,175,321	-	1,175,321
2.1.8. Tax and fund obligations on export commitments		19,092	-	19,092	25,639	-	25,639
2.1.9. Commitments for credit card limits		6,134,969	-	6,134,969	5,251,513	-	5,251,513
2.1.10. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.11. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		151,413	160,547	311,960	39,264	76,564	115,828
2.2. Revocable commitments		-	239	239	-	165	165
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	239	239	-	165	165
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2)	4,083,567	6,978,990	11,062,557	1,626,226	4,899,037	6,525,263
3.1. Derivative financial instruments held for risk management		-	7,107	7,107	-	6,601	6,601
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	7,107	7,107	-	6,601	6,601
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		4,083,567	6,971,883	11,055,450	1,626,226	4,892,436	6,518,662
3.2.1. Forward foreign currency purchases/sales		356,402	497,943	854,345	156,329	285,628	441,957
3.2.1.1. Forward foreign currency purchases		235,783	193,363	429,146	24,227	182,488	206,715
3.2.1.2. Forward foreign currency sales		120,619	304,580	425,199	132,102	103,140	235,242
3.2.2. Currency and interest rate swaps		3,380,728	5,736,300	9,117,028	693,101	3,332,749	4,025,850
3.2.2.1. Currency swaps-purchases		28,567	4,392,056	4,420,623	176,658	1,853,897	2,030,555
3.2.2.2. Currency swaps-sales		3,346,038	1,330,945	4,676,983	503,384	1,478,852	1,982,236
3.2.2.3. Interest rate swaps-purchases		3,010	6,664	9,674	6,212	-	6,212
3.2.2.4. Interest rate swaps-sales		3,113	6,635	9,748	6,847	-	6,847
3.2.3. Currency, interest rate and security options		309,499	604,878	914,377	646,764	973,285	1,620,049
3.2.3.1. Currency call options		50,768	333,396	384,164	298,062	472,889	770,951
3.2.3.2. Currency put options		258,731	120,767	379,498	348,702	398,319	747,021
3.2.3.3. Interest rate call options		-	-	-	-	-	-
3.2.3.4. Interest rate put options		-	-	-	-	-	-
3.2.3.5. Security call options		-	65,742	65,742	-	37,752	37,752
3.2.3.6. Security put options		-	84,973	84,973	-	64,325	64,325
3.2.4. Currency futures		36,938	34,828	71,766	128,042	119,913	247,955
3.2.4.1. Currency futures-purchases		36,938	-	36,938	125,791	316	126,107
3.2.4.2. Currency futures-sales		-	34,828	34,828	2,251	119,597	121,848
3.2.5. Interest rate futures		-	-	-	1,990	-	1,990
3.2.5.1. Interest rate futures-purchases		-	-	-	1,990	-	1,990
3.2.5.2. Interest rate futures-sales		-	-	-	-	-	-
3.2.6. Others		-	97,934	97,934	-	180,861	180,861
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		115,037,822	126,092,949	241,130,771	82,517,396	86,389,714	168,907,110
IV. ITEMS HELD IN CUSTODY		28,448,874	12,781,762	41,230,636	29,933,025	6,197,970	36,130,995
4.1. Customers' securities held		3,219,699	4,408,869	7,628,568	8,008,195	3,577,487	11,585,682
4.2. Investment securities held in custody		20,700,068	1,926,185	22,626,253	19,352,636	832,483	20,185,119
4.3. Checks received for collection		3,641,784	378,927	4,020,711	2,048,776	213,908	2,262,684
4.4. Commercial notes received for collection		864,143	1,862,917	2,727,060	509,926	1,559,300	2,069,226
4.5. Other assets received for collection		90	3,861,442	3,861,532	217	1,112	1,329
4.6. Assets received through public offering		-	20,233	20,233	-	8,756	8,756
4.7. Other items under custody		23,090	323,189	346,279	13,275	4,924	18,199
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		86,588,948	113,311,187	199,900,135	52,584,371	80,191,744	132,776,115
5.1. Securities		207,080	-	207,080	238,405	60	238,465
5.2. Guarantee notes		7,584,926	4,770,191	12,355,117	4,511,386	3,763,402	8,274,788
5.3. Commodities		237	-	237	237	-	237
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		7,935,629	5,948,579	13,884,208	4,586,459	3,441,425	8,027,884
5.6. Other pledged items		70,860,906	102,586,494	173,447,400	43,247,714	72,981,384	116,229,098
5.7. Pledged items-depository		170	5,923	6,093	170	5,473	5,643
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		131,617,343	140,623,994	272,241,337	93,019,751	97,224,746	190,244,497

Türkiye Garanti Bankası Anonim Şirketi
Income Statement
For the Year Ended 31 December 2006

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)	
		CURRENT PERIOD	PRIOR PERIOD
		2006	2005
I. INTEREST INCOME	(5.4.1)	5,063,150	3,467,476
1.1 Interest income from loans		2,858,896	1,974,921
1.2 Interest income from reserve deposits		125,849	67,784
1.3 Interest income from banks		114,430	46,757
1.4 Interest income from money market transactions		2,150	939
1.5 Interest income from securities portfolio		1,691,873	1,326,950
1.5.1 Trading financial assets		26,704	38,270
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		1,118,310	984,082
1.5.4 Investments held-to-maturity		546,859	304,598
1.6 Financial lease income		-	-
1.7 Other interest income		269,952	50,125
II. INTEREST EXPENSE	(5.4.2)	3,161,344	1,792,816
2.1 Interest on deposits		2,316,654	1,413,786
2.2 Interest on funds borrowed		391,542	183,722
2.3 Interest on money market transactions		449,215	188,314
2.4 Interest on securities issued		-	-
2.5 Other interest expenses		3,933	6,994
III. NET INTEREST INCOME (I - II)		1,901,806	1,674,660
IV. NET FEES AND COMMISSIONS INCOME		1,014,451	737,637
4.1 Fees and commissions received		1,349,697	998,533
4.1.1 Cash loans		95,424	72,546
4.1.2 Non-cash loans		85,048	63,198
4.1.3 Others		1,169,225	862,789
4.2 Fees and commissions paid		335,246	260,896
4.2.1 Cash loans		35,093	28,968
4.2.2 Non-cash loans		280	242
4.2.3 Others		299,873	231,686
V. DIVIDEND INCOME	(5.4.3)	46,945	3,141
VI. NET TRADING INCOME/LOSSES (Net)	(5.4.4)	(56,272)	116,461
6.1 Trading account income/losses (Net)		24,875	(6,418)
6.2 Foreign exchange gains/losses (Net)		(81,147)	122,879
VII. OTHER OPERATING INCOME	(5.4.5)	212,746	173,606
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		3,119,676	2,705,505
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(5.4.6)	325,261	446,657
X. OTHER OPERATING EXPENSES (-)	(5.4.7)	1,465,052	1,308,339
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,329,363	950,509
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	(5.4.8)	1,329,363	950,509
XVI. PROVISION FOR TAXES	(5.4.9)	265,700	229,223
16.1 Current tax charge		259,965	167,056
16.2 Deferred tax charge/(credit)		5,735	62,167
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV-XVI)	(5.4.10)	-	-
17.1 Discontinued operations		-	-
17.2 Others		-	-
XVIII. NET PROFIT/LOSS (XV-XVI)	(5.4.11)	1,063,663	721,286
EARNINGS PER SHARE (full YTL amount per YTL'000 face value each)		507	343

The accompanying notes are an integral part of these unconsolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2006

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)													
		Paid-In Capital	Capital Reserves from Inflation Adjustments to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Revaluation Fund	Revaluation Surplus	Securities Value Increase Fund	Total Shareholders' Equity
PRIOR PERIOD (31/12/2005)															
I. Balances at beginning of the period		1,200,000	1,222,554	-	-	26,337	-	71,416	5,229	-	459,041	9,143	5,731	141,218	3,140,669
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	(63,959)	-	-	23,119	(40,840)
2.1. Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	(3.22)	-	-	-	-	-	-	-	-	-	(63,959)	-	-	23,119	(40,840)
III. Adjusted balances at beginning of the period (I+II)		1,200,000	1,222,554	-	-	26,337	-	71,416	5,229	-	395,082	9,143	5,731	164,337	3,099,829
Changes during the period															
VI. Mergers		-	-	-	-	-	-	-	(1,676)	-	-	87	(871)	78,950	76,490
V. "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Hedges for risk management		-	-	-	-	-	-	-	(1,676)	-	-	87	(871)	78,950	78,166
6.1. Net cash flow hedges		-	-	-	-	-	-	-	(1,676)	-	-	-	-	-	(1,676)
6.2. Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	(1,676)
Transfers		-	-	-	-	-	-	-	-	-	-	-	-	(57,004)	(57,004)
VII. "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	-	-	(57,004)	(57,004)
VIII. Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.1. Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.2. Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Current period net profit		-	-	-	-	-	-	-	-	721,286	-	-	-	-	721,286
X. Profit distribution		-	-	-	-	22,953	-	372,129	-	-	(395,082)	-	-	-	-
10.1. Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.2. Transferred to reserves		-	-	-	-	22,953	-	372,129	-	-	(395,082)	-	-	-	-
10.3. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Capital increase		900,000	(450,000)	-	-	-	-	(442,917)	-	-	-	(7,083)	-	-	-
11.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Revaluation surplus on tangible assets		7,083	-	-	-	-	-	-	-	-	-	(7,083)	-	-	-
11.3. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.4. Securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.5. Capital reserves from inflation adjustments to paid-in capital		450,000	(450,000)	-	-	-	-	-	-	-	-	-	-	-	-
11.6. Issuance of share certificates		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.7. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.8. Others		442,917	-	-	-	-	-	(442,917)	-	-	-	-	-	-	-
XII. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Primary subordinated debts		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Secondary subordinated debts		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	(29)	-	-	137	-	-	-	-	-	108
Balances at end of the period (III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI)		2,100,000	772,554	-	-	49,261	-	628	3,690	721,286	-	2,147	4,860	186,283	3,840,709
CURRENT PERIOD (31/12/2006)															
I. Balances at beginning of the period		2,100,000	772,554	-	-	49,261	-	628	3,690	-	721,286	2,147	4,860	186,283	3,840,709
Changes during the period	(5.5.1)	-	-	-	-	-	-	-	(30,771)	-	-	-	40	34,456	3,725
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Hedges for risk management		-	-	-	-	-	-	-	(30,771)	-	-	-	40	34,456	34,496
4.1. Net cash flow hedges		-	-	-	-	-	-	-	(405)	-	-	-	-	-	(405)
4.2. Net foreign investment hedges		-	-	-	-	-	-	-	(30,366)	-	-	-	-	-	(30,366)
Transfers		-	-	-	-	-	-	-	-	-	-	-	(202)	(58,501)	(58,703)
V. "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	-	(202)	(58,501)	(58,703)
VI. Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1. Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2. Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Current period net profit		-	-	-	-	-	-	-	-	1,063,663	-	-	-	-	1,063,663
VIII. Profit distribution	(5.5.3)	-	-	-	-	42,777	-	499,930	-	-	(721,286)	-	-	-	(178,579)
8.1. Dividends		-	-	-	-	-	-	-	-	-	(178,579)	-	-	-	(178,579)
8.2. Transferred to reserves	(5.5.4)	-	-	-	-	42,777	-	499,930	-	-	(542,707)	-	-	-	-
8.3. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.2. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.3. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.4. Securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.5. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.6. Issuance of share certificates	(5.5.5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.7. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.8. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Primary subordinated debts		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Secondary subordinated debts		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Others		-	-	-	-	96	-	-	(618)	-	-	-	-	-	(522)
Balances at end of the period (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV)		2,100,000	772,554	-	-	92,134	-	500,558	(27,699)	1,063,663	-	2,147	4,698	162,238	4,670,293

The accompanying notes are an integral part of these unaudited financial statements.

Türkiye Garanti Bankası Anonim Şirketi
Statement of Cash Flows
For the Year Ended 31 December 2006

STATEMENT OF CASH FLOWS		Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)	
			CURRENT PERIOD 31 December 2006	PRIOR PERIOD 31 December 2005
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities		1,386,098	1,104,779
1.1.1	Interests received		4,523,476	3,316,264
1.1.2	Interests paid		(3,045,130)	(1,738,151)
1.1.3	Dividend received		46,945	3,141
1.1.4	Fees and commissions received		1,349,697	737,637
1.1.5	Other income		885,851	71,294
1.1.6	Collections from previously written-off loans and other receivables		29,773	31,448
1.1.7	Payments to personnel and service suppliers		(1,024,412)	(1,168,981)
1.1.8	Taxes paid		(223,263)	(151,869)
1.1.9	Others	5.6.1	(1,156,839)	3,996
1.2	Changes in operating assets and liabilities		1,469,680	1,628,283
1.2.1	Net (increase) decrease in financial assets held for trading		68,090	62,332
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss		-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions		(138,287)	(63,614)
1.2.4	Net (increase) decrease in loans		(10,087,341)	(6,632,276)
1.2.5	Net (increase) decrease in other assets		(853,557)	(817,597)
1.2.6	Net increase (decrease) in bank deposits		431,963	(70,119)
1.2.7	Net increase (decrease) in other deposits		6,851,019	6,035,901
1.2.8	Net increase (decrease) in funds borrowed		2,291,094	2,947,093
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities	5.6.1	2,906,699	166,563
I.	Net cash flow from banking operations		2,855,778	2,733,062
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash flow from investing activities		(2,444,647)	(1,431,031)
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures	5.6.2	(14,685)	(45,067)
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures	5.6.3	101,995	696,589
2.3	Purchases of tangible assets		(168,121)	(447,376)
2.4	Sales of tangible assets		367,129	118,378
2.5	Cash paid for purchase of financial assets available-for-sale		(3,763,060)	(2,958,299)
2.6	Cash obtained from sale of financial assets available-for-sale		-	-
2.7	Cash paid for purchase of investments held-to-maturity		-	-
2.8	Cash obtained from sale of investments held-to-maturity		1,032,095	1,204,744
2.9	Others		-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash flow from financing activities		(218,544)	(6,403)
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Equity instruments issued		-	-
3.4	Dividends paid		(178,579)	-
3.5	Payments for financial leases		(39,965)	(6,403)
3.6	Others	5.6.1	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	5.6.1	(93,496)	100,527
V.	Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)		99,091	1,396,155
VI.	Cash and cash equivalents at beginning of period	5.6.4	2,888,209	1,492,054
VII.	Cash and cash equivalents at end of period (V+VI)	5.6.5	2,987,300	2,888,209

The accompanying notes are an integral part of these unconsolidated financial statements.

Türkiye Garanti Bankası Anonim Şirketi

Statement of Profit Distribution

At 31 December 2006

STATEMENT OF PROFIT DISTRIBUTION		THOUSANDS OF NEW TURKISH LIRA (YTL)	
		CURRENT PERIOD	PRIOR PERIOD
		31 December 2006	31 December 2005
I.	DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1	CURRENT PERIOD PROFIT	1,329,363	950,509
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	265,700	229,223
1.2.1	Corporate tax (income tax)	265,700	229,223
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	-	-
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	1,063,663	721,286
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	53,183	35,420
1.5	OTHER STATUTORY RESERVES (-)	23,018	-
B.	NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	987,462	685,866
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	154,052
1.6.1	To owners of ordinary shares	-	105,000
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of redeemed shares	-	49,052
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	24,526
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of redeemed shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	7,358
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	499,930
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	DISTRIBUTION OF RESERVES		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of redeemed shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE (per YTL'000 face value each)		
3.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	507	343
3.2	TO OWNERS OF ORDINARY SHARES (%)	51	34
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-	73
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	7
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

The accompanying notes are an integral part of these unconsolidated financial statements.

3 Accounting policies

3.1 Basis of presentation

As per the Article 37 of “Accounting and Recording Rules” of the Turkish Banking Law No 5411 published on the Official Gazette no.25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published by the Banking Regulation and Supervision Agency (BRSA) and in effect since 1 November 2006, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances.

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

3.1.1 Additional paragraph for convenience translation to English

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

3.2 Strategy for the use of financial instruments and foreign currency transactions

3.2.1 Strategy for the use of financial instruments

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

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

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

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

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

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

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

3.2.2 Foreign currency transactions

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the income statement except for foreign exchange gain/loss arising from the conversion of the net investments in associates and subsidiaries in foreign countries into YTL.

Foreign currency differences arising from the conversion of the net investments in associates and subsidiaries in foreign countries into YTL are classified as "securities value increase fund" under the shareholders' equity.

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

The Bank revalued its foreign currency-indexed government securities acquired as "debt swap" in 2001 and classified in investments held-to-maturity as of 31 December 2005 by discounting using the internal rate of return and translated the foreign currency amounts using the currency exchange rates applicable based on the ten days' average of Central Bank's foreign currency exchange rates by fixing it two business days prior to the balance sheet date, as required by the Ministry of State that is in charge of the Treasury, and recorded the evaluations to financial statements. These securities matured during the year 2006.

3.3 Forwards, options and other derivative transactions

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

According to the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement"; forward foreign currency purchases/sales, swaps, options and futures are classified "hedging purposes" and "trading purposes". Derivatives are initially recorded in off-balance sheet accounts at their purchase costs including the transaction costs. Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively. The subsequent fair value changes are recorded under the income statement for trading derivatives and under the shareholders' equity for hedging derivatives.

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

3.4 Interest income and expenses

Interests are recorded according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) defined in the Turkish Accounting Standard 39 (TAS 39) “Financial Instruments: Recognition and Measurement”.

In case of an interest accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest of the period after the acquisition is recorded as interest income in the financial statements.

The accrued interest income on non-performing loans are reversed and subsequently recognised as interest income only when collected.

3.5 Fees and commissions

Fees and commissions received and paid, and other fees and commissions paid to financial institutions are calculated according to either accrual basis of accounting or effective interest rate method depending on nature of fees and commissions, incomes derived from agreements and asset purchases from third parties are recognized as income when realized.

3.6 Financial assets

3.6.1 Financial assets at fair value through profit or loss

Such assets are valued at their fair values and gain/loss arising is recorded in the income statement. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the income statement. In case of sales of such securities before their maturity, the gains/losses on such sales are recorded under trading income/losses.

3.6.2 Investments held-to-maturity, financial assets available-for-sale and loans and receivables

Financial assets are recorded at their purchase costs including the transaction costs.

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

There are no financial assets that are not allowed to be classified as investments held-to-maturity for two years due to the tainting rules applied for the breach of classification rules.

Investments held-to-maturity are recorded using discounting method with internal rate of return after deducting impairments, if any. Interest earned on investments held-to-maturity are recognized as interest income.

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

Financial assets available-for-sale are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued using discounting method with internal rate of return for the ones with a fixed maturity; and using valuation models or discounted cash flow techniques for the ones which do not have a fixed maturity. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in “securities value increase fund” under the shareholders’ equity. In case of sales, the realized gain/losses are recognized directly in the income statement.

Purchase and sale transactions of securities are accounted at delivery dates.

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

Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Originated loans and receivables are recorded at cost and valued using discounting method with internal rate of return. The duties paid, transaction expenditures and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers.

3.7 Impairment of financial assets

Financial asset or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Bank estimates the amount of impairment.

Impairment loss incurs if, and only if, there is an objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely effected by an event(s) (“loss event(s)”) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank provides specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables published on the Official Gazette no.2633 dated 1 November 2006. The allowances are recorded in the income statement of the related period.

3.8 Netting of financial instruments

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

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

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

3.9 Repurchase and resale agreements and securities lending

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

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

3.10 Assets held for sale and discontinued operations

A tangible asset (or a disposal group) classified as “asset held for sale” is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has no discontinued operations.

3.11 Goodwill and other intangible assets

The Bank’s intangible assets consist of leasehold improvements, softwares, intangible rights and pre-operating expenses.

Goodwill and other intangible assets are recorded at cost in compliance with the Turkish Accounting Standard 38 (TAS 38) “Intangible Assets”.

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

Estimated useful lives of the Bank’s intangible assets are 5-15 years, and amortisation rates are 6.67-20%.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) “Impairment of Assets” and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

3.12 Tangible assets

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

Tangible assets are recorded at cost in compliance with the Turkish Accounting Standard 16 (TAS 16) “Tangible Assets”.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) “ Impairment of Assets” and if the recoverable amount is less then the carrying value of the related asset, a provision for impairment loss is made.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price.

Maintenance and repair costs incurred for tangible assets, are recorded as expense.

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

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

Depreciation rates and estimated useful lives are:

Tangible assets	Estimated useful lives (years)	Depreciation Rates (%) from 1 January 2005	Depreciation Rates (%) before 1 January 2005
Buildings	50	4	2
Vaults	20-50	4-10	2-5
Motor vehicles	5-7	30-40	15-20
Other tangible assets	4-20	10-50	5-25

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

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

3.13 Leasing activities

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

In cases where leased assets are impaired or the expected future benefits of the assets are less than their book values, the book values of such leased assets are reduced to their net realizable values. Depreciation for assets acquired through financial leases is calculated consistently with the same principle as for the tangible assets.

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

3.14 Provisions and contingent liabilities

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

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

3.15 Obligations of the Bank concerning employee rights

As per the existing labour law in Turkey, the Bank is required to pay certain amounts to the employees retired or fired except for resignation or misbehaviours.

The Bank reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) “Employee Benefits”.

The major actuarial assumptions used in the calculation of the total liability are as follows:

	31 December 2006	31 December 2005
Discount Rate	5.71 %	5.49%
Expected Rate of Salary/Limit Increase	5.00%	6.18%
Estimated Employee Turnover Rate	5.25%	5.00%

The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with TAS 19.

The employees of the Bank are the members of “Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı” (the Fund) established as per the temporary article no.20 of the Social Security Law no.506.

As per the letter of the Ministry of Employment and Social Security no.55723 dated 9 November 2006, the temporary Article no.23 of the Turkish Banking Law no.5411 and the temporary Article no.6 of the Law no.5502 dated 16 May 2006, the Board of Ministry of Turkey has agreed on 30 November 2006 by the Decree of Board of Ministries no. 2006/11345 that the Decree on the transfer of pension funds similar foundations subject to the temporary article no.20 of the Social Security Law no.506 together with their members and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to Social Security Foundation (SSF) will take place.

On 2 November 2005 the President has applied to the Constitution Court for annulment of certain statements of the related Article of the Turkish Banking Law no.5411 related with the transfer of funds to SSF.

As per the Article no.9 of the related Decision of Board of Ministries;

The discounted liability for each fund in terms of the persons transferred as of the transfer date, including the contributors left the fund, should be calculated by taking the revenues and expenditures of funds into account under the Law no.506 as follows;

- a) The technical interest rate to be used for the actuarial calculation is 10.24% calculated as the nominal interest rate at the issue date of the longest-maturity discounted New Turkish Lira-denominated government bonds as of 30 June 2006, as adjusted to real interest rate using the year-end inflation target based on the consumer price index declared in the Medium-Term Program of the Turkish Government.
- b) Mortality table “CSO 1980 female and male lifetime tables” will be used for death-age assumptions.
- c) Estimated premium payments (including insurance premiums for illness) made by contributors of the fund after the date of transfer of the fund (i.e. active members and persons making voluntary premium payments) up to the date they are entitled to receive salary or income as per the Law no.506 are taken into account as revenue in the calculation of discounted value of the fund.

The technical financial statements of the Fund are audited by the certified actuary according to the Article no.38 of the Insurance Law and the “Actuaries Regulation” issued as per this Article. As per the actuarial report dated 12 February 2007 and prepared in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against.

3.16 Taxation

3.16.1 Corporate tax

In accordance with Article No. 32 of the new Corporate Tax Law no.5520 published in the Official Gazette no.26205 dated 21 June 2006, the corporate tax rate is reduced from 30% to 20%. Accordingly, effective from 1 January 2006, statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made. The corporation tax rate applied for the year 2005 was 30%.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, increased to 15% from 10%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. This rate was 30% for the first quarter of 2006, and 20% for the subsequent quarters. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The new tax legislation requiring the application of inflationary accounting is effective from 1 January 2004 as per the Law no.5024 published in the Official Gazette dated 30 December 2003 with no.25332. According to the new tax legislation, the corporate tax will be calculated considering the effects of inflation accounting adjustments if the increase in wholesale price index is higher than 100% for the last 36 months and 10% for the last 12 months. At the end of each quarterly “temporary tax computation” periods, such indices will be reviewed to assess the necessity for the application of inflationary accounting; and if it is concluded as necessary, the calculations will be revised to include the effects of the inflationary accounting not only for the current period but for the whole year including the prior quarterly “temporary tax” periods retrospectively.

As of 31 December 2005, such indices were 35.61% and 4.54% for the last 36 months and 12 months, respectively. As of 31 December 2006, the last 36-month index is 32.13% and the last 12-month index is 11.58%. As both of the conditions required by the Law are not met, the corporate tax is calculated for the tax period ended 31 December 2006 on the financial statements not adjusted for the effect of inflation.

3.16.2 Deferred taxes

According to the Turkish Accounting Standard 12 (TAS 12) “Income Taxes”; deferred tax assets and liabilities are recognized, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

If transactions and events are recorded in the income statement, then the related tax effects are also recognized in the income statement. However, if transactions and events are recorded directly in the shareholders’ equity, the related tax effects are also recognized directly in the shareholders’ equity.

The deferred tax assets and liabilities are reported as net in the financial statements.

3.17 Funds borrowed

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

There are no convertible bonds or any other securities issued.

3.18 Shares and share issuances

None.

3.19 Confirmed bills of exchange and acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

3.20 Government incentives

As of 31 December 2006, the Bank does not have any government incentives or aids.

3.21 Segment reporting

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

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

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

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

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

3.22 Other disclosures

3.22.1 Disclosures for the first-time adoption of Turkish Accounting Standards

The accounting principles and valuation methods used in the preparation of the prior period financial statements are revised as explained in Note 3.1 in compliance with Turkish Accounting Standards and Turkish Financial Reporting Standards as per the communiqué no.1 "Frame for Preparation and Presentation of Financial Statements" of the Turkish Accounting Standards Board published on the Official Gazette no.25702 dated 16 January 2005. In compliance with the Turkish Accounting Standard 8 (TAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors", the adjustments net of deferred tax effects made to the financial statements of the prior period are summarized below.

	Securities Value Increase Fund	Net Profit/Loss Current Period	Prior Periods' Profit/Loss	Shareholders' Equity
Reported Balances as of 31 December 2004	141,218	-	459,041	3,140,669
Reserve for Employee Severance Indemnities	-	-	-9,805	-9,805
Provision for Short-Term Employee Benefits	-	-	-23,290	-23,290
Provision for Promotion Expenses of Credit Cards	-	-	-7,745	-7,745
Exchange Rate Difference on Investments in Foreign Associates, Subsidiaries and Joint-Ventures	23,119	-	-23,119	-
Adjusted Balances as of 31 December 2004	164,337	-	395,082	3,099,829
Reported Balances as of 31 December 2005	194,131	708,394	-	3,899,624
Reserve for Employee Severance Indemnities	-	-8,576	-	-18,381
Provision for Short-Term Employee Benefits	-	-6,198	-	-29,488
Provision for Promotion Expenses of Credit Cards	-	-3,301	-	-11,046
Exchange Rate Difference on Investments in Foreign Associates, Subsidiaries and Joint-Ventures	-7,848	30,967	-	-
Equity Effect of Adjustments to Opening Balance Sheet	-	-	-	-40,840
Adjusted Balances as of 31 December 2005	186,283	721,286	-	3,840,709

As a result of the deferred tax asset effects of the above adjustments, the total assets as of 31 December 2005 increased by YTL 14,729 thousands.

3.22.2 Other reclassifications made as of 31 December 2005 for comparison purposes

In compliance with the related communiqué, the expenditures of the card holders, either on installment or in cash, are recorded under “miscellaneous payables” during the time frame representing the date of issuing the sales document and the date of payment to the member business entity. Accordingly, “commercial deposits” are reduced by YTL 883,244 thousands and “miscellaneous payables” increased by the same amount as of 31 December 2005 for comparison purposes.

The deals made on behalf of the customers amounting YTL 8,007,813 thousands that are reflected in “other items under custody” in the statement of off-balance sheet items originally, are transferred to “customers’ securities held” line in the same statement as of 31 December 2005.

The temporary accounts, namely the account no.280 on the asset side under “other assets” and the account no.392 on the liability side under “other external resources payable” that are used to record the cheque clearing transactions among the banks, are not netted off anymore in compliance with the BRSA’s communique BDDK.DZM.2/13/1-a 1300. Therefore these accounts are increased by YTL 94,364 thousands as of 31 December 2005.

The account no.260, namely “prepaid taxes” classified under “other assets”, where the taxes amounting YTL 151,869 thousands paid during the temporary tax payment periods in 2005 are recorded, is netted off with the account no.350, namely “provision for income taxes” classified under “provisions” as of 31 December 2005.

The gold investment amounting YTL 13,995 thousands classified under trading securities as of 31 December 2005 are reclassified to “cash and balances with central bank” line in the accompanying financial statements for comparison purposes.

The foreign exchange losses of YTL 41,210 thousands and YTL 25,446 thousands on the principal of foreign currency-indexed securities and the foreign currency-indexed loans, respectively are reclassified from “other operating expenses” to “foreign exchange losses”; and the the foreign exchange gains of YTL 10,974 thousands from “other operating income” to “foreign exchange gains” as of 31 December 2005.

4 Financial position and results of operations

4.1 Capital adequacy ratio

The Bank's unconsolidated capital adequacy ratio is 14.08%.

4.1.1 Risk measurement methods in calculation of capital adequacy ratio

Capital adequacy ratio is calculated within the scope of the "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006.

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

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

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

In the calculation of the risk based values of the derivative financial instruments, such instruments are weighted and classified according to the related risk groups after being multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

4.1.2 Capital adequacy ratio

	Risk Weights			
	0%	20%	50%	100%
Value at Credit Risk				
Balance Sheet Items (Net)	20,638,642	1,619,751	5,020,506	22,558,965
Cash on Hand	348,422	1,542	-	-
Securities in Redemption	-	-	-	-
Balances with the Central Bank of Turkey	2,001,473	-	-	-
Domestic and Foreign Banks, Foreign Headoffices and Branches	-	611,447	-	283,510
Interbank Money Market Placements	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-
Reserve Deposits	2,886,740	-	-	-
Loans	2,121,474	131,122	4,957,623	19,502,040
Loans under Follow-Up (Net)	-	-	-	185,345
Lease Receivables	-	-	-	-
Financial Assets Available-for-Sale	8,018,556	871,875	-	214,011
Investments Held-to-Maturity	4,349,056	-	-	-
Receivables from Term Sale of Assets	-	-	-	265,143
Miscellaneous Receivables	100	-	-	83,543
Accrued Interest and Income	865,390	3,765	62,883	365,907
Investments in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	604,911
Tangible Assets (Net)	-	-	-	919,054
Other Assets	47,431	-	-	135,501
Off-Balance Sheet Items	307,835	3,614,260	1,062,044	4,818,530
Non-Cash Loans and Commitments	307,835	3,547,231	1,062,044	4,813,613
Derivative Financial Instruments	-	67,029	-	4,917
Non-Risk-Weighted Accounts	-	-	-	-
Total Risk-Weighted Assets	20,946,477	5,234,011	6,082,550	27,377,495

4.1.3 Summary information related to capital adequacy ratio

	Current Period
Value at Credit Risk	31,465,572
Value at Market Risk	303,300
Value at Operational Risk (*)	-
Shareholders' Equity	4,472,559
Shareholders' Equity/ (VaCR+VaMR+VaOR)*100 (**)	14.08

(*) not calculated as per the article 24 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

(**) VaCR: Value at Credit Risk

VaMR: Value at Market Risk

VaOR: Value at Operational Risk

As per the Article 28(b) of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks", no information is provided for the prior period.

4.1.4 Components of shareholders' equity items

	Current Period
CORE CAPITAL	
Paid-in Capital	2,100,000
Nominal Capital	2,100,000
Capital Commitments (-)	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	772,554
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	92,134
I. Legal Reserve (Turkish Commercial Code 466/1)	84,776
II. Legal Reserve (Turkish Commercial Code 466/2)	7,358
Reserves allocated as per Special Legislations	-
Status Reserves	-
Extraordinary Reserves	500,558
Reserve allocated as per the Decision held by the General Assembly	500,558
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Differences on Foreign Currency Capital	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-
Profit	1,063,663
Current Period Profit	1,063,663
Prior Periods Profit	-
Provision for Possible Losses (upto 25% of Core Capital)	30,000
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	-
Primary Subordinated Debt (upto 15% of Core Capital)	-
Loss excess of Reserves (-)	-
Current Period Loss	-
Prior Periods Loss	-
Leasehold Improvements (-)	57,100
Prepaid Expenses (-)	146,106
Intangible Assets (-)	10,618
Deferred Tax Asset excess of 10% of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
Total Core Capital	4,558,909

SUPPLEMENTARY CAPITAL	
General Provisions	158,466
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	966
Bonus shares of Associates, Subsidiaries and Joint-Ventures	4,698
Hedging Reserves (effective portion)	-27,218
Primary Subordinated Debt excluding the Portion included in Core Capital	-
Secondary Subordinated Debt	-
45% of Securities Value Increase Fund	73,007
Associates and Subsidiaries	13,562
Investment Securities Available for Sale	59,445
Other Profit Reserves	-481
Total Supplementary Capital	209,438
TIER III CAPITAL	-
CAPITAL	4,768,347
DEDUCTIONS FROM CAPITAL	295,788
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at 10% or more	418
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained more than Five Years	81,546
Others	-
TOTAL SHAREHOLDERS' EQUITY	4,472,559

As per the Article 28(b) of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”, no information is provided for the prior period.

4.2 Credit risk

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

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

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

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

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

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

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

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

The Bank's largest 100 cash loan customers compose 29.82% of the total cash loan portfolio.

The Bank's largest 100 non-cash loan customers compose 49.92% of the total non-cash loan portfolio.

The Bank's largest 100 cash and non-cash loan customers represent 13.61% of the total "on and off balance sheet" assets.

The general provision for credit risk amounts to YTL 158,466 thousands at 31 December 2006.

4.2.1 Geographical concentration

	Assets	Liabilities	Non-cash Loans	Capital Expenditures	Net Profit/(Loss)
Current Period					
Domestic	48,224,335	39,945,339	8,218,665	162,918	1,042,175
European Union (EU) Countries	1,644,539	3,373,822	630,600	-	16,182
OECD Countries (*)	4,706	1,543,114	143,877	-	-
Off-Shore Banking Regions	60,726	78,822	14,991	-	2,422
USA, Canada	274,833	4,464,822	234,269	-	-
Other Countries	77,683	35,967	283,874	-	2,884
Unallocated Assets/Liabilities (**)	91	845,027			
Total	50,286,913	50,286,913	9,526,276	162,918	1,063,663
Prior Period					
Domestic	34,901,298	28,629,968	7,232,548	447,376	709,430
EU Countries	981,087	3,717,301	520,698	-	13,184
OECD Countries (*)	38,205	158,208	169,074	-	-
Off-Shore Banking Regions	23,404	30,181	14,043	-	-1,345
USA, Canada	429,289	3,170,684	69,201	-	-
Other Countries	51,900	41,905	132,265	-	17
Unallocated Assets/Liabilities (**)	279	677,215			
Total	36,425,462	36,425,462	8,137,829	447,376	721,286

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

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

4.2.2 Sectoral distribution of cash loans

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	128,341	0.85	56,253	0.47	51,784	0.56	89,040	1.16
Farming and Stockbreeding	125,090	0.83	54,750	0.46	51,129	0.55	88,249	1.15
Forestry	183	-	459	-	-	-	-	-
Fishery	3,068	0.02	1,044	0.01	655	0.01	791	0.01
Manufacturing	2,069,847	13.67	3,606,183	29.98	983,279	10.63	1,818,375	23.70
Mining	55,198	0.36	109,358	0.91	42,835	0.46	28,322	0.37
Production	1,694,070	11.19	3,240,893	26.94	939,725	10.16	1,733,848	22.60
Electricity, Gas, Water	320,579	2.12	255,932	2.13	719	0.01	56,205	0.73
Construction	482,807	3.19	557,141	4.63	171,154	1.85	544,862	7.10
Services	2,306,646	15.26	5,663,925	47.06	1,189,127	12.87	3,725,433	48.57
Wholesale and Retail Trade	1,597,532	10.56	1,728,073	14.36	760,063	8.22	1,163,088	15.16
Hotel, Food and Beverage Services	120,827	0.80	548,965	4.56	56,723	0.61	254,092	3.31
Transportation and Telecommunication	239,936	1.59	1,691,973	14.06	116,115	1.26	1,214,753	15.84
Financial Institutions	203,698	1.35	1,305,876	10.85	196,217	2.12	1,012,244	13.20
Real Estate and Renting Services	30,078	0.20	181,552	1.51	7,036	0.08	45,995	0.60
“Self-Employment” Type Services	-	-	-	-	-	-	-	-
Educational Services	30,371	0.20	25,831	0.21	13,411	0.15	14,061	0.18
Health and Social Services	84,204	0.56	181,655	1.51	39,562	0.43	21,200	0.28
Other	10,147,318	67.03	2,146,684	17.86	6,851,931	74.09	1,493,389	19.47
Total	15,134,959	100.00	12,030,186	100.00	9,247,275	100.00	7,671,099	100.00

4.3 Market risk

The Bank has defined its risk management procedures and has taken necessary precaution in order to avoid market risk, in compliance with “Regulation on Bank’s Internal Control and Risk Management Systems” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in Official Gazette no. 26333 dated 1 November 2006.

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

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

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

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

4.3.1 Value at market risk

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	19,904
(II) Capital Obligation against Specific Risks - Standard Method	78
(III) Capital Obligation against Currency Risk - Standard Method	3,192
(IV) Capital Obligation against Stocks Risks - Standard Method	-
(V) Capital Obligation against Exchange Risks - Standard Method	-
(VI) Capital Obligation against Market Risks of Options - Standard Method	1,090
(VII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(VIII) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI)	24,264
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	303,300

4.3.2 Monthly average values at market risk

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	1,319,969	1,908,575	221,488	810,025	1,038,125	671,788
Common Share Risk	98,722	159,938	-	127,270	140,125	86,725
Currency Risk	60,399	229,800	4,838	132,591	236,988	52,763
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	64,159	246,775	4,274	70,894	248,725	13,100
Total Value at Risk	1,543,249	2,545,088	230,600	1,140,780	1,663,963	824,376

4.4 Operational risk

As per the Article 24 of “Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks”, operational risk is not calculated.

4.5 Foreign currency exchange rate risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2006, the Bank’s net ‘on balance sheet’ foreign currency short position amounts to YTL 2,825,652 thousands, net ‘off-balance sheet’ foreign currency long position amounts to YTL 2,829,902 thousands, while net foreign currency long position amounts to YTL 4,250 thousands.

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

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

	US\$	EUR	Yen (100)	GBP
The Bank's foreign currency purchase rate at balance sheet date	1.3950	1.8377	1.1709	2.7320
<u>Foreign currency rates for the days before balance sheet date:</u>				
Day 1	1.3950	1.8375	1.1720	2.7327
Day 2	1.3950	1.8338	1.1728	2.7334
Day 3	1.4050	1.8448	1.1839	2.7479
Day 4	1.4050	1.8461	1.1810	2.7505
Day 5	1.4180	1.8605	1.1933	2.7982
Last 30-day arithmetical average rate	1.4163	1.8697	1.2066	2.7795

Currency risk:

	Euro	US\$	Yen	Other FCs	Total
Current Period					
Assets					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	3,292,277	73,477	339	25,444	3,391,537
Banks and Other Financial Institutions	191,646	623,556	3,925	14,835	833,962
Financial Assets at Fair Value through Profit/Loss	21,639	57,777	-	2	79,418
Interbank Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale	28,994	3,979,890	-	-	4,008,884
Loans	4,424,502	7,459,214	11,923	134,547	12,030,186
Investments in Associates, Subsidiaries and Joint-Ventures	251,551	39,165	-	-	290,716
Investments Held-to-Maturity	9,968	806,053	-	-	816,021
Derivative Financial Assets Held for Risk Management	-	4,799	-	-	4,799
Tangible Assets	-	236	-	885	1,121
Intangible Assets	-	119	-	84	203
Other Assets	4,498	73,373	1	946	78,818
Total Assets	8,225,075	13,117,659	16,188	176,743	21,535,665
Liabilities					
Bank Deposits	185,270	255,251	22	40,953	481,496
Foreign Currency Deposits	4,907,072	10,045,872	19,395	385,730	15,358,069
Interbank Money Market Takings	-	557,121	-	-	557,121
Other Fundings	1,742,634	5,637,386	-	344	7,380,364
Securities Issued	-	-	-	-	-
Miscellaneous Payables	1,414	13,826	-	180	15,420
Derivative Financial Liabilities Held for Risk Management	-	-	-	-	-
Other Liabilities (*)	71,895	436,751	398	59,803	568,847
Total Liabilities	6,908,285	16,946,207	19,815	487,010	24,361,317
Net 'On Balance Sheet' Position	1,316,790	(3,828,548)	(3,627)	(310,267)	(2,825,652)
Net 'Off-Balance Sheet' Position	(1,307,253)	3,786,385	3,197	347,573	2,829,902
Derivative Assets	148,462	4,466,731	3,197	434,199	5,052,589
Derivative Liabilities	1,455,715	680,346	-	86,626	2,222,687
Non-Cash Loans	-	-	-	-	-
Prior Period					
Total Assets	5,570,593	11,593,635	20,152	130,529	17,314,909
Total Liabilities	4,312,911	13,092,114	22,513	332,631	17,760,169
Net 'On Balance Sheet' Position	1,257,682	(1,498,479)	(2,361)	(202,102)	(445,260)
Net 'Off-Balance Sheet' Position	(1,231,563)	1,320,767	2,036	208,133	299,373
Derivative Assets	208,207	2,111,661	2,036	348,650	2,670,554
Derivative Liabilities	1,439,770	790,894	-	140,517	2,371,181
Non-Cash Loans	-	-	-	-	-

(*) Other liabilities also include gold deposits of YTL 56,956 thousands.

4.6 Interest rate risk

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

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

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

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

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

Current Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	3,425,434	-	-	-	-	1,851,438	5,276,872
Banks and Other Financial Institutions	713,825	15,199	15,090	425	15,077	136,826	896,442
Financial Assets at Fair Value through Profit/Loss	8,538	25,201	47,816	8,135	58,769	-	148,459
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	1,760,022	3,895,051	1,286,994	202,453	2,417,094	66,316	9,627,930
Loans	7,905,344	5,171,776	2,417,330	5,329,049	6,341,646	185,345	27,350,490
Investments Held-to-Maturity	530,310	2,375,743	4,879	462,785	1,245,130	-	4,618,847
Other Assets	208,608	7,857	3,903	203,501	40,998	1,903,006	2,367,873
Total Assets	14,552,081	11,490,827	3,776,012	6,206,348	10,118,714	4,142,931	50,286,913
Liabilities							
Bank Deposits	560,366	153,754	10,324	3,742	17,306	268,782	1,014,274
Other Deposits	19,719,324	2,380,000	324,068	314,835	764	6,385,772	29,124,763
Interbank Money Market Takings	3,607,983	213,447	-	-	992,463	-	4,813,893
Miscellaneous Payables	-	-	-	-	-	1,326,830	1,326,830
Securities Issued	-	-	-	-	-	-	-
Other Fundings	48,011	146,293	1,451,335	930,632	5,314,134	-	7,890,405
Other Liabilities	1,467,136	168,277	111,222	210,128	11,845	4,148,140	6,116,748
Total Liabilities	25,402,820	3,061,771	1,896,949	1,459,337	6,336,512	12,129,524	50,286,913
On Balance Sheet Long Position	-	8,429,056	1,879,063	4,747,011	3,782,202	-	-
On Balance Sheet Short Position	-10,850,739	-	-	-	-	-7,986,593	-
Off-Balance Sheet Long Position	20,773	192	-	-	-	-	20,965
Off-Balance Sheet Short Position	-10,521	-167	-	-	-	-	-10,688
Total Position	-10,840,487	8,429,081	1,879,063	4,747,011	3,782,202	-7,986,593	10,277

Average interest rates on monetary financial instruments:

Current Period	Euro	US\$	Yen	YTL
	%	%	%	%
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks and Other Financial Institutions	3.55	5.29	-	17.34
Financial Assets at Fair Value through Profit/Loss	5.63	7.37	-	19.74
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	5.34	8.15	-	20.60
Loans	5.73	7.62	2.80	25.16
Investments Held-to-Maturity	9.14	9.48	-	17.53
Liabilities				
Bank Deposits	3.69	5.90	-	18.56
Other Deposits	2.09	3.42	0.68	15.77
Interbank Money Market Takings	-	5.45	-	17.14
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	3.97	6.16	-	14.69

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

Prior Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	2,099,456	-	-	-	-	2,004,439	4,103,895
Banks and Other Financial Institutions	888,321	850	13,340	400	-	121,638	1,024,549
Financial Assets at Fair Value through Profit/Loss	4,853	20,707	43,966	3,508	133,948	-	206,982
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	346,575	5,288,743	662,416	239,765	2,167,443	44,507	8,749,449
Loans	5,650,640	1,268,135	1,840,300	1,907,967	6,251,332	237,423	17,155,797
Investments Held-to-Maturity	-	-	1,489,902	188,104	797,568	-	2,475,574
Other Assets	46,412	-	3,525	118,446	142,507	2,398,326	2,709,216
Total Assets	9,036,257	6,578,435	4,053,449	2,458,190	9,492,798	4,806,333	36,425,462
Liabilities							
Bank Deposits	183,334	45,400	42,631	24,061	20,294	264,491	580,211
Other Deposits	13,456,863	2,937,914	323,348	283,631	55,424	5,195,979	22,253,159
Interbank Money Market Takings	1,506,247	-	-	183,400	266,798	8,506	1,964,951
Miscellaneous Payables	-	-	-	-	-	1,020,139	1,020,139
Securities Issued	-	-	-	-	-	-	-
Other Fundings	34,839	154,014	473,682	2,344,162	2,506,153	47,305	5,560,155
Other Liabilities	147,244	77,287	193,623	145,487	7,196	4,476,010	5,046,847
Total Liabilities	15,328,527	3,214,615	1,033,284	2,980,741	2,855,865	11,012,430	36,425,462
On Balance Sheet Long Position	-	3,363,820	3,020,165	-	6,636,933	-	-
On Balance Sheet Short Position	-6,292,270	-	-	-522,551	-	-6,206,097	-
Off-Balance Sheet Long Position	13,235	-	-	737	-	-	13,972
Off-Balance Sheet Short Position	-9,403	-	-	-622	-	-	-10,025
Total Position	-6,288,438	3,363,820	3,020,165	-522,436	6,636,933	-6,206,097	3,947

Average interest rates on monetary financial instruments:

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

4.7 Liquidity risk

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	1,851,438	3,425,434	-	-	-	-	-	5,276,872
Banks and Other Financial Institutions	136,826	713,825	15,199	15,090	425	15,077	-	896,442
Financial Assets at Fair Value through Profit/Loss	-	8,512	4,820	8,496	19,014	107,617	-	148,459
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	66,316	19	722,016	487,493	628,514	7,723,572	-	9,627,930
Loans	63,883	6,763,523	3,796,321	1,930,907	3,349,822	11,260,689	185,345	27,350,490
Investments Held-to-Maturity	-	-	-	4,879	462,784	4,151,184	-	4,618,847
Other Assets	102,619	149,668	7,857	3,903	203,501	40,998	1,859,327	2,367,873
Total Assets	2,221,082	11,060,981	4,546,213	2,450,768	4,664,060	23,299,137	2,044,672	50,286,913
Liabilities								
Bank Deposits	268,782	560,366	153,754	10,324	3,742	17,306	-	1,014,274
Other Deposits	6,385,772	19,719,324	2,380,000	324,068	314,835	764	-	29,124,763
Other Fundings	-	48,011	146,293	1,451,335	930,632	5,314,134	-	7,890,405
Interbank Money Market Takings	-	3,607,983	213,447	-	-	992,463	-	4,813,893
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	117,082	1,209,748	-	-	-	-	-	1,326,830
Other Liabilities (**)	69,139	156,344	168,277	114,368	213,273	11,845	5,383,503	6,116,748
Total Liabilities	6,840,775	25,301,776	3,061,771	1,900,095	1,462,482	6,336,512	5,383,503	50,286,913
Liquidity Gap	-4,619,693	-14,240,795	1,484,442	550,674	3,201,579	16,962,625	-3,338,831	-
Prior Period								
Total Assets	4,010,451	7,145,945	1,775,056	3,888,684	3,400,283	13,803,641	2,401,402	36,425,462
Total Liabilities	6,464,587	15,400,361	3,214,615	1,033,284	2,980,741	2,855,865	4,476,009	36,425,462
Liquidity Gap	-2,454,136	-8,254,416	-1,439,559	2,855,400	419,542	10,947,776	-2,074,607	-

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

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

4.8 Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	44,495,912	31,175,196	44,281,291	31,242,924
Interbank Money Market Placements	-	-	-	-
Banks and Other Financial Institutions	2,898,645	2,794,376	2,898,645	2,794,376
Financial Assets Available-for-Sale	9,627,930	8,749,449	9,627,930	8,749,449
Investments Held-to-Maturity	4,618,847	2,475,574	4,571,140	2,512,671
Loans	27,350,490	17,155,797	27,183,576	17,186,428
Financial Liabilities	44,170,166	31,378,615	44,170,166	31,378,615
Bank Deposits	1,014,275	580,211	1,014,275	580,211
Other Deposits	29,124,763	22,253,159	29,124,763	22,253,159
Other Fundings	12,704,298	7,525,106	12,704,298	7,525,106
Securities Issued	-	-	-	-
Miscellaneous Payables	1,326,830	1,020,139	1,326,830	1,020,139

Fair values of financial assets available-for-sale and investments held-to-maturity are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed a reasonable proxy for their fair values.

Fair values of other financial assets and liabilities are represented by the total of acquisition costs and accrued interest income.

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

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

The Bank is not involved in trust activities.

5 Disclosures and Footnotes on Unconsolidated Financial Statements

5.1 Assets

5.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Cash in YTL/Foreign Currency	181,169	146,565	107,356	90,301
Central Bank of Turkey	1,700,078	3,226,830	1,000,938	2,888,101
Others	4,088	18,142	2,445	14,754
Total	1,885,335	3,391,537	1,110,739	2,993,156

Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Unrestricted Demand Deposits	621	1,500,852	235	1,769,592
Unrestricted Time Deposits	500,730	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Deposits	1,198,727	1,725,978	1,000,703	1,118,509
Total	1,700,078	3,226,830	1,000,938	2,888,101

The banks operating in Turkey keep reserve deposits for turkish currency and foreign currency liabilities in YTL and USD or EUR at the rates of 6% and 11%, respectively as per the Communiqué no.2005/1 “Reserve Deposits” of the Central Bank of Turkey. Interest rates applied for reserve requirements by the Central Bank of Turkey are 13.12% for YTL deposits and 2.515%-1.73% for foreign currency deposits.

5.1.2 Further information on financial assets at fair value through profit/loss

5.1.2.1 *Financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked*

None.

5.1.2.2 *Positive differences on trading derivative instruments*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Transactions	7,520	899	62	1,633
Swap Transactions	59	2,963	196	2,470
Futures	-	-	-	-
Options	2,639	210	148	79
Other	-	-	-	-
Total	10,218	4,072	406	4,182

5.1.3 Banks and other financial institutions

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	62,480	833,962	94,258	930,291
Domestic banks	7,472	446,883	61,634	630,155
Foreign banks	55,008	387,079	32,624	300,136
Foreign headoffices and branches	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	62,480	833,962	94,258	930,291

Due from foreign banks:

	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	88,444	61,357	154,021	59,012
USA and Canada	79,036	115,276	47,396	32,522
OECD Countries (*)	4,568	29,553	-	-
Off-shore Banking Regions	22,996	20,140	14,119	-
Other	31,507	257	-	14,643
Total	226,551	226,583	215,536	106,177

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

5.1.4 Financial assets available-for-sale

5.1.4.1 *Financial assets subject to repurchase agreements and provided as collateral/blocked*

Collateralized financial assets available-for-sale in YTL include government bonds. Carrying values of such securities with total face value of YTL 454,760 thousands, is YTL 460,717 thousands. The related accrued interests amount to YTL 51,015 thousands.

Collateralized financial assets available-for-sale in foreign currencies include eurobonds and other foreign currency government securities. Carrying values of such securities with total face value of US\$ 411,670,000, is US\$ 405,158,355. The related accrued interests and impairment losses amount to US\$ 18,845,582 and US\$ 28,485, respectively.

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Collateralised/Blocked Assets	511,732	591,446	506,687	554,309
Assets subject to Repurchase Agreements	3,883,783	450,580	1,518,009	325,322
Total	4,395,515	1,042,026	2,024,696	879,631

5.1.4.2 Details of financial assets available-for-sale

	Current Period	Prior Period
Debt Securities	9,564,288	8,709,499
Quoted at Stock Exchange	7,155,806	7,529,375
Unquoted at Stock Exchange	2,408,482	1,180,124
Common Shares	29,416	28,864
Quoted at Stock Exchange	12,042	11,191
Unquoted at Stock Exchange	17,374	17,673
Impairment Losses (-)	34,226	11,086
Total	9,627,930	8,749,449

On 1 March 2006, the Bank participated in Gelişen İşletmeler Piyasaları AŞ by 5% for YTL 500 thousands of which YTL 250 thousands was paid.

During the current period, the Bank recorded 424.159 shares of MasterCard Incorporated at a total nominal value of US\$ 42.42 and one share of Visa Europe Limited at a nominal value of EUR 10 acquired free of charge for its credit card marketing activities, in its financial assets available-for-sale portfolio. On 27 July 2006, 250.254 shares of MasterCard Incorporated at a total nominal value of US\$ 25.03 are sold for a sale price of US\$ 7,698,964.

5.1.5 Loans

5.1.5.1 Loans and advances to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	2	8,253	-	155,948
Corporates	2	8,253	-	155,948
Individuals	-	-	-	-
Indirect Lendings to Shareholders	21,033	41,793	87,120	2,006
Loans to Employees	37,034	-	28,858	-
Total	58,069	50,046	115,978	157,954

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

Cash Loans	Performing Loans and Other Receivables (Group I)		Loans under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Loans	27,052,405	-	-	112,740
Discounted Bills	75,431	-	-	-
Export Loans	2,160,988	-	-	34,354
Import Loans	29,911	-	-	-
Loans to Financial Sector	388,563	-	-	-
Foreign Loans	271,847	-	-	-
Consumer Loans	5,618,867	-	-	-
Credit Cards	4,806,310	-	-	-
Precious Metal Loans	104,861	-	-	-
Other	13,595,627	-	-	78,386
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	27,052,405	-	-	112,740

5.1.5.3 Maturity analysis of cash loans

	Performing Loans and Other Receivables (Group I)		Loans under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Short-term Loans	12,150,411	-	-	105,101
Loans	12,150,411	-	-	105,101
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	14,901,994	-	-	7,639
Loans	14,901,994	-	-	7,639
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	27,052,405	-	-	112,740

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans – YTL	196,443	4,668,353	4,864,796
Housing Loans	7,540	2,314,543	2,322,083
Automobile Loans	27,946	1,063,975	1,091,921
General Purpose Loans	160,957	1,289,835	1,450,792
Other	-	-	-
Consumer Loans – FC-indexed	16,739	445,314	462,053
Housing Loans	3,094	382,821	385,915
Automobile Loans	2,591	46,195	48,786
General Purpose Loans	11,054	16,298	27,352
Other	-	-	-
Consumer Loans – FC	75	6,169	6,244
Housing Loans	-	94	94
Automobile Loans	46	5,707	5,753
General Purpose Loans	29	368	397
Other	-	-	-
Retail Credit Cards – YTL	4,649,959	-	4,649,959
With Installment	2,291,353	-	2,291,353
Without Installment	2,358,606	-	2,358,606
Retail Credit Cards – FC	15,395	-	15,395
With Installment	-	-	-
Without Installment	15,395	-	15,395
Personnel Loans – YTL	10,122	9,017	19,139
Housing Loan	-	535	535
Automobile Loans	6	227	233
General Purpose Loans	6,192	8,255	14,447
Other	3,924	-	3,924
Personnel Loans - FC-indexed	-	156	156
Housing Loans	-	41	41
Automobile Loans	-	115	115
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	8	31	39
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	8	31	39
Other	-	-	-
Personnel Credit Cards – YTL	17,700	-	17,700
With Installment	8,340	-	8,340
Without Installment	9,360	-	9,360
Personnel Credit Cards – FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Deposit Accounts– YTL (real persons)	266,440	-	266,440
Deposit Accounts– FC (real persons)	-	-	-
Total	5,172,881	5,129,040	10,301,921

5.1.5.5 Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – YTL	284,497	1,768,558	2,053,055
Real Estate Loans	2,702	250,629	253,331
Automobile Loans	98,387	957,279	1,055,666
General Purpose Loans	183,408	560,650	744,058
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	41,983	221,165	263,148
Real Estate Loans	310	40,129	40,439
Automobile Loans	6,569	124,872	131,441
General Purpose Loans	35,104	56,164	91,268
Other	-	-	-
Installment-based Commercial Loans – FC	153	1,303	1,456
Real Estate Loans	-	-	-
Automobile Loans	50	895	945
General Purpose Loans	103	408	511
Other	-	-	-
Corporate Credit Cards – YTL	121,376	-	121,376
With Installment	-	-	-
Without Installment	121,376	-	121,376
Corporate Credit Cards – FC	1,880	-	1,880
With Installment	-	-	-
Without Installment	1,880	-	1,880
Deposit Accounts– YTL (corporate)	274,538	-	274,538
Deposit Accounts– FC (corporate)	-	-	-
Total	724,427	1,991,026	2,715,453

5.1.5.6 Allocation of loan customers

	Current Period	Prior Period
Public Sector	905,600	815,326
Private Sector	26,259,545	16,103,048
Total	27,165,145	16,918,374

5.1.5.7 Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	26,893,298	16,539,432
Foreign Loans	271,847	378,942
Total	27,165,145	16,918,374

5.1.5.8 Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Lending	-	-
Indirect Lending	124,139	6,895
Total	124,139	6,895

5.1.5.9 Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	23,281	16,186
Doubtful Loans and Receivables	58,177	53,451
Uncollectible Loans and Receivables	369,786	407,878
Total	451,244	477,515

5.1.5.10 Non-performing loans(NPLs) (Net)

Non-performing loans and other receivables restructured or rescheduled (gross amounts before specific provisions):

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Current Period			
Restructured Loans and Receivables	-	-	-
Rescheduled Loans and Receivables	-	-	32,547
Total			32,547
Prior Period			
Restructured Loans and Receivables	-	-	-
Rescheduled Loans and Receivables	-	-	37,433
Total			37,433

Movements in non-performing loan groups:

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Balances at Beginning of Period	99,143	108,153	507,642
Additions (+)	268,812	95,199	13,385
Transfer from Other NPL Categories (+)	-	194,286	198,051
Transfer to Other NPL Categories (-)	194,286	198,051	95,365
Collections during the Period (-)	95,045	81,803	76,501
Write-offs (-)	392	336	106,303
Balances at End of Period	78,232	117,448	440,909
Specific Provisions (-)	23,281	58,177	369,786
Net Balance on Balance Sheet	54,951	59,271	71,123

The loans previously classified under Group V - uncollectible loans and receivables amounting YTL 95,365 thousands are included in "Transfer to Other NPL Categories" line as they are either restructured or rescheduled.

Non-performing loans in foreign currencies:

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Current Period			
Balance at End of Period	161	581	103,662
Specific Provisions (-)	22	154	62,002
Net Balance at Balance Sheet	139	427	41,660
Prior Period			
Balance at End of Period	17,311	650	163,209
Specific Provisions (-)	906	41	103,222
Net Balance at Balance Sheet	16,405	609	59,987

5.1.5.11 Liquidation policy for uncollectible loans and receivables

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

5.1.6 Investments held-to-maturity (net)

5.1.6.1 Investment subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Collateralised/Blocked Investments	229,691	35,469	-	21,922
Investments subject to Repurchase Agreements	1,057,869	293,706	-	474,438
Total	1,287,560	329,175	-	496,360

5.1.6.2 Government securities held-to-maturity

	Current Period	Prior Period
Government Bonds	4,475,929	2,339,056
Treasury Bills	-	-
Other Government Securities	140,966	135,478
Total	4,616,895	2,474,534

5.1.6.3 Investments held-to-maturity

	Current Period	Prior Period
Debt Securities	4,656,239	2,499,124
Quoted at Stock Exchange	3,943,582	136,468
Unquoted at Stock Exchange	712,657	2,362,656
Impairment Losses (-)	37,392	23,550
Total	4,618,847	2,475,574

5.1.6.4 *Movement of investments held-to-maturity*

	Current Period	Prior Period
Balances at Beginning of Period	2,475,574	3,690,025
Foreign Currency Differences On Monetary Assets	38,142	-67,873
Purchases during the Period	3,801,796	1,040
Disposals through Sales/Redemptions	1,610,397	1,122,588
Impairment Losses (-)	13,842	15,271
Change in Redeemed Costs	-72,426	-9,759
Balances at End of Period	4,618,847	2,475,574

The Bank reclassified certain investment securities, previously classified in its available-for-sale portfolio, amounting YTL 2,993,773 thousands with total face value of YTL 2,936,112 thousands to its investments held-to-maturity portfolio in compliance with the “Regulation on Accounting Standards”. Such securities are included in “purchases during the period” line above in the movement table of investments held-to-maturity for the period at their fair values of YTL 3,108,957 thousands as of their reclassification dates. The value increases of such securities amounting YTL 23,083 thousands are recorded under the shareholders’ equity and amortized through the income statement up to their maturities as earned.

5.1.7 **Investments in associates (Net)**

5.1.7.1 *Investments in associates*

	Associate	Address (City/ Country)	Bank’s Share – If Different, Voting Rights (%)	Bank’s Risk Group Share (%)
1	Bankalararası Kart Merkezi AŞ	Istanbul/Turkey	10.15	10.15

	Total Assets	Shareholders’ Equity	Total Tangible and Intangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company’s Fair Value (if available)
1	11,265	9,637	3,847	825	-	2,193	873	-

5.1.7.2 *Movement of investments in associates*

	Current Period	Prior Period
Balance at Beginning of Period	30,635	159,640
Movements during the Period	-29,458	-129,005
Acquisitions and Capital Increases	-	21,978
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations (-)	29,458	146,085
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-623
Impairment Losses (-)	-	4,275
Balance at End of Period	1,177	30,635
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

5.1.7.3 Sectoral distribution of investments and associates

Investments in Associates	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	4,401
Other Associates	1,177	26,234

5.1.7.4 Quoted associates

None.

5.1.7.5 Valuation methods of investments in associates

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

5.1.7.6 Investments in associates sold during the current period

Investee Company	Sale Price YTL'000	Market Value at Date of Sale	Payment Type
Garanti Turizm Yatırım ve İşletmeleri AŞ	27,056	-	Term Sale
Doc Finance SA	4,623	-	Term Sale

Doğuş Holding AŞ signed a Share Sales Agreement on 24 August 2005 for the sale of 53.550.000.000 shares representing 25.5% of the Bank issued share capital to GE Araştırma ve Müşavirlik Limited Şti which is a GE Group company. According to this agreement, certain non-financial participations and property are to be taken over by Doğuş Holding AŞ at a total price of YTL 958 millions calculated based on the financial statements as of 31 March 2005. 50% of the sale price to be collected at the closing date, 25% to be collected one year from the closing date and the remaining to be collected two years from the closing date. Accordingly, following the sale of shares, the Bank's certain non-financial subsidiaries representing the first group were transferred over to Doğuş Holding AŞ in December 2005. In accordance with the terms of the agreement, the investments in certain associates categorized in the second group, namely Garanti Turizm Yatırım ve İşletmeleri AŞ, a non-financial associate and Doc Finance SA having book values of YTL 25,057 thousands and CHF 4,350,000, respectively were sold to Doğuş Holding AŞ at a total price of YTL 31,679 thousands. The Bank recorded a gain of YTL 2,139 thousands from these sales. YTL 11,587 thousands of the total sale price was collected on the date of sale; the half of the remaining balances was collected on 22 December 2006 and the rest is to be collected on 22 December 2007.

5.1.7.7 Investments in associates acquired during the current period

None.

5.1.8 Investments in subsidiaries (Net)

5.1.8.1 Investments in subsidiaries

	Subsidiary	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. AŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.92	100.00
3	Doğuş Hiz. Yön. ve Org. Danış AŞ	Istanbul/Turkey	93.40	100.00
4	Galata Araştırma Yayıncılık Tanıtım ve Bilişim Teknoloji Hizmetleri AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Finansal Kiralama AŞ ⁽²⁾	Istanbul/Turkey	94.10	98.93
6	Garanti Faktoring Hiz. AŞ ⁽¹⁾	Istanbul/Turkey	55.40	55.40
7	Garanti Yatırım Menkul Kıymetler AŞ ⁽²⁾	Istanbul/Turkey	100.00	100.00
8	Garanti Portföy Yönetimi AŞ ⁽²⁾	Istanbul/Turkey	100.00	100.00
9	Garanti Sigorta AŞ ⁽²⁾	Istanbul/Turkey	100.00	100.00
10	Garanti Emeklilik ve Hayat AŞ ⁽²⁾	Istanbul/Turkey	99.91	100.00
11	Garanti Bank International NV ⁽²⁾	Amsterdam/Holland	100.00	100.00
12	Garanti Bank Moscow ⁽²⁾	Moscow/Russia	75.02	99.94
13	Garanti Financial Services Plc ⁽²⁾	Dublin/Ireland	99.99	100.00
14	Garanti Fund Management Co. Ltd ⁽²⁾	Valetta/Malta	99.50	100.00

	Total Assets	Shareholders' Equity	Total Tangible and Intangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (if available)
1	11,773	6,916	600	-	702	-766	-94,999	-
2	13,674	4,917	663	33	1,286	1,524	2,814	-
3	941	872	44	59	83	598	-	-
4	266	159	1	-	1	-32	-147	-
5	1,234,742	145,581	17,554	97,091	-189	29,407	32,925	-
6	530,513	27,509	1,349	27,558	39	3,484	2,465	67,152
7	19,038	17,320	2,125	-	2,079	187	2,447	-
8	15,488	15,109	778	218	457	1,765	661	-
9	253,093	89,761	15,217	10,486	556	21,264	3,563	-
10	389,475	44,264	4,376	5,236	2,622	13,983	-37,006	-
11	4,898,178	333,669	59,138	165,455	76,982	33,021	28,214	-
12	424,691	66,540	1,839	12,251	6,264	3,288	9,056	-
13	11,626	11,068	-	272	-	-103	6,540	-
14	91	-	-	-	-	-	-267	-

(1) Financial statements are as of 30 September 2006, but fair value information is as of 31 December 2006.

(2) Financial statements are as of 30 September 2006.

5.1.8.2 Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at Beginning of Period	611,151	1,394,850
Movements during the Period	-6,999	-783,699
Acquisitions and Capital Increases	14,685	23,089
Bonus Shares Received	10,723	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	72,537	820,051
Reclassifications	-	-
Increase/Decrease in Market Values	2,184	50,539
Currency Differences on Foreign Subsidiaries	37,946	-38,703
Impairment Losses (-)	-	-1,427
Balance at End of Period	604,152	611,151
Capital Commitments	-	12,000
Share Percentage at the End of Period (%)	-	-

As per the resolution no.251 of the Board of Directors of Garanti Sigorta AŞ on 24 May 2006, the company's share capital increased from YTL 35,000 thousands to YTL 60,000 thousands through appropriation of capital reserves from inflation adjustments to paid-in capital of YTL 13,763 thousands, prior periods profits of YTL 8,552 thousands and cash injection from shareholders of YTL 2,685 thousands.

The capital commitment to Garanti Emeklilik ve Hayat AŞ amounting YTL 12,000 thousands was fulfilled.

As per the resolution of the 2005 Annual General Assembly of Garanti Portföy Yönetimi AŞ on 17 May 2006, the company's share capital increased from YTL 1,500 thousands to YTL 10,000 thousands through appropriation of capital reserves from inflation adjustments to paid-in capital of YTL 6,877 thousands and extraordinary reserves of YTL 1,623 thousands.

5.1.8.3 Sectoral distribution of investments in subsidiaries

Subsidiaries	Current Period	Prior Period
Banks	287,036	249,251
Insurance Companies	123,095	99,858
Factoring Companies	37,205	28,755
Leasing Companies	76,169	76,169
Finance Companies	72,757	149,228
Other Subsidiaries	7,890	7,890

5.1.8.4 Quoted subsidiaries

Subsidiaries	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	37,205	107,011
Quoted at International Stock Exchanges	-	-

5.1.8.5 Valuation methods of investments in subsidiaries

Subsidiaries	Current Period	Prior Period
Valued at Cost	559,128	496,321
Valued at Fair Value	37,205	107,011
Valued by Equity Method of Accounting	7,819	7,819

5.1.8.6 Investments in subsidiaries disposed during the current period

The Bank sold its 50.98% participation in Garanti Gayrimenkul Yatırım Ortaklığı AŞ presenting 37,622,945 shares at a book value of YTL 47,052 thousands to Doğu Holding AŞ (A-group shares of 737,705 and B-group shares of 18,066,240 in total 18,803,945 shares) and GE Capital Corporation (A-group shares of 737,705 and B-group shares of 18,081,295 in total 18,819,000 shares) at sale prices of YTL 36,254 thousands and YTL 36,283 thousands, respectively.

5.1.8.7 Investments in subsidiaries disposed during the current period

None.

5.1.9 Investments in Joint-Ventures (Net)

None.

5.1.10 Lease receivables (Net)

None.

5.1.11 Derivative financial instruments held for risk management

5.1.11.1 Positive differences on derivative financial instruments held for risk management

Derivative Financial Assets held for Risk Management	Current Period		Prior Period	
	YTL	FC	YTL	FC
Fair value hedges	-	-	-	-
Cash flow hedges	-	4,799	-	5,300
Net foreign investment hedges	-	-	-	-
Total	-	4,799	-	5,300

5.1.12 Tangible assets (Net)

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at End of Prior Period					
Cost	847,096	222,537	38,020	680,355	1,788,008
Accumulated Depreciation (-)	163,361	137,987	19,245	524,535	845,128
Net Book Value	683,735	84,550	18,775	155,820	942,880
Balance at End of Current Period					
Net Book Value at Beginning of Current Period	683,735	84,550	18,775	155,820	942,880
Additions	21,410	41,687	8,939	56,074	128,110
Disposals (-)	39,914	39	1,584	12,099	53,636
Impairment Losses (-)	4	-	-	-	4
Depreciation Expense for Current Period (-)	18,514	35,230	7,589	70,571	131,904
Currency Translation Differences on Foreign Operations	-	-	-	-	-
Cost at End of Current Period	825,647	264,170	37,584	684,424	1,811,825
Accumulated Depreciation at End of Current Period (-)	178,934	173,202	19,043	555,200	926,379
Net Book Value at End of Current Period	646,713	90,968	18,541	129,224	885,446

5.1.12.1 Disclosure for impairment losses or releases individually material for financial statements:

Conditions for allocating/releasing any impairment:

None.

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

None.

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

In 2006, a total provision of YTL 4 thousands was made for the impairment in values of certain real estates in compliance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets"

5.1.13 Intangible assets

5.1.13.1 Useful lives and amortisation rates

Intangible assets include pre-operating expenses, leasehold improvements and intangible rights. The estimated useful lives of such assets vary between 5 and 15 years.

5.1.13.2 Amortisation methods

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

5.1.13.3 Balances at beginning and end of current period

	Beginning of Period		End of Period	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Intangible Assets	217,107	149,389	185,446	129,961

5.1.13.4 Movements of intangible assets for the current period

	Current Period	Prior Period
Net Book Value at End of Prior Period	55,485	61,865
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	34,808	17,438
Disposals (-)	1,706	1,256
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	20,869	22,562
Currency Translation Differences on Foreign Operations	-	-
Other Movements	-	-
Net Book Value at End of Current Period	67,718	55,485

5.1.13.5 Details for any individually material intangible assets

None.

5.1.13.6 Intangible assets capitalised under government incentives at fair values

None.

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

None.

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

None.

5.1.13.9 Commitments to acquire intangible assets

None.

5.1.13.10 Disclosure on revalued intangible assets

None.

5.1.13.11 Research and development costs expensed during current period

None.

5.1.13.12 Goodwill

None.

5.1.13.13 Movements in goodwill during current period

None.

5.1.14 Deferred tax assets

As of 31 December 2006, the Bank had a deferred tax asset of YTL 38,188 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank did not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2006. However, there was a deferred tax asset of YTL 83,312 thousands and deferred tax liability of YTL 45,124 thousands presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods. For the cases where such differences are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

5.1.15 Assets held for sale

	Current Period	Prior Period
Balance at Beginning of Current Period	423,853	492,820
Additions	5,203	25,552
Disposals (-)	311,787	57,043
Impairment Losses (-)	-	37,476
Depreciation Expense for Current Period (-)	2,115	-
Cost at End of Current Period	117,255	423,853
Accumulated Depreciation at End of Current Period (-)	2,101	-
Net Book Value at End of Current Period	115,154	423,853

5.1.16 Other assets

5.1.16.1 Receivables from term sale of assets

	Current Period	Prior Period
Investments in Associates, Subsidiaries and Joint Ventures	169,619	269,570
Real Estates	92,680	3,724
Other Assets	2,843	2,843
Total	265,142	276,137

5.1.16.2 Prepaid expenses, taxes and similar items

	Current Period	Prior Period
Prepaid Expenses	146,106	99,895
Prepaid Taxes	7,857	5,808

5.1.17 Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	29,990	8,704	17,012	2,744
Financial Assets at Fair Value through Profit or Loss	906	1,857	159	2,739
Banks and Other Financial Institutions	498	987	282	660
Interbank Money Markets	-	-	-	-
Financial Assets Available-for-Sale	386,190	137,297	317,199	92,891
Loans	225,008	227,878	94,704	123,900
Investments Held-to-Maturity	267,639	2,152	52	74,566
Other Accruals	11,188	414	20,015	1,343
Total	921,419	379,289	449,423	298,843

5.2 Liabilities

5.2.1 Maturity profile of deposits

Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	858,171	-	2,634,237	5,359,621	171,765	34,720	57,271	-	9,115,785
Foreign Currency Deposits	3,921,229	-	5,310,261	4,608,753	633,879	256,678	560,530	66,739	15,358,069
Residents in Turkey	3,577,938	-	5,129,059	4,486,519	603,335	217,947	432,301	66,058	14,513,157
Residents in Abroad	343,291	-	181,202	122,234	30,544	38,731	128,229	681	844,912
Public Sector Deposits	13,447	-	8,047	6,792	7	46	48	-	28,387
Commercial Deposits	1,381,951	-	1,583,036	1,178,296	23,406	12,262	8,671	-	4,187,622
Other	178,253	-	28,762	170,388	305	19	216	-	377,943
Precious Metal Deposits	32,721	-	24,235	-	-	-	-	-	56,956
Bank Deposits	268,782	-	269,293	318,501	122,260	15,526	19,913	-	1,014,275
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	3,427	-	109,841	18,277	7,033	9,807	17,227	-	165,612
Foreign Banks	199,908	-	159,452	300,224	115,227	5,719	2,686	-	783,216
Special Purpose Financial Institutions	65,447	-	-	-	-	-	-	-	65,447
Other	-	-	-	-	-	-	-	-	-
Total	6,654,554	-	9,857,871	11,642,351	951,622	319,251	646,649	66,739	30,139,037

Prior Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	791,429	-	1,636,476	3,782,707	207,468	76,211	102,491	-	6,596,782
Foreign Currency Deposits	3,177,372	-	3,866,703	2,627,866	567,526	253,189	354,211	54,441	10,901,308
Residents in Turkey	2,857,627	-	3,767,172	2,506,741	550,497	166,902	293,209	53,724	10,195,872
Residents in Abroad	319,745	-	99,531	121,125	17,029	86,287	61,002	717	705,436
Public Sector Deposits	10,827	-	18,315	15,740	465	42	43	-	45,432
Commercial Deposits	1,040,771	-	1,881,405	1,378,816	93,764	6,493	5,075	-	4,406,324
Other	171,089	-	31,490	79,396	939	1,408	170	-	284,492
Precious Metal Deposits	4,490	-	22	1,048	-	13,261	-	-	18,821
Bank Deposits	264,491	-	52,660	145,177	24,943	41,461	51,479	-	580,211
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	1,456	-	5,019	60,695	22,572	21,334	20,176	-	131,252
Foreign Banks	197,231	-	47,641	84,482	2,371	20,127	31,303	-	383,155
Special Purpose Financial Institutions	65,804	-	-	-	-	-	-	-	65,804
Other	-	-	-	-	-	-	-	-	-
Total	5,460,469	-	7,487,071	8,030,750	895,105	392,065	513,469	54,441	22,833,370

5.2.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund

Saving deposits covered by deposit insurance and total amount of deposits exceeding insurance coverage limit:

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	4,517,802	3,555,602	4,529,157	2,901,048
Foreign Currency Saving Deposits	3,015,500	2,594,253	5,151,654	3,836,318
Other Deposits	3,417	605	45,860	16,432
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

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

None.

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

Saving Deposits at	Current Period	Prior Period
Foreign Branches	239,732	273,112
Off-Shore Branches	-	-

5.2.2 Derivative financial liabilities held for trading

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward deals	2,830	602	2,132	1,378
Swaps	216,466	2,145	27,116	18
Futures	-	-	-	-
Options	470	389	300	935
Other	-	-	-	-
Total	219,766	3,136	29,548	2,331

5.2.3 Funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	192,435	53,445	125,631	41,146
Foreign Banks, Institutions and Funds	317,606	7,326,919	-	5,393,378
Total	510,041	7,380,364	125,631	5,434,524

5.2.3.1 Maturities of funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-Term	510,041	1,876,506	125,631	2,854,337
Medium and Long-Term	-	5,503,858	-	2,580,187
Total	510,041	7,380,364	125,631	5,434,524

5.2.3.2 Disclosures for concentration areas of the Bank's borrowings according to customers or sector groups providing funds or other risk concentrating criterias

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced YTL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed in abroad and YTL funds obtained through repurchase transactions.

5.2.4 Other liabilities

Funds provided through repurchase transactions:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Domestic Transactions	3,476,521	-	1,257,469	-
Financial Institutions and Organizations	59,156	-	113,928	-
Other Institutions and Organizations	3,373,115	-	1,118,729	-
Individuals	44,250	-	24,812	-
Foreign Transactions	780,251	557,121	53,697	653,785
Financial Institutions and Organizations	779,578	557,121	53,377	653,785
Other Institutions and Organizations	378	-	233	-
Individuals	295	-	87	-
Total	4,256,772	557,121	1,311,166	653,785

5.2.5 Lease payables

5.2.5.1 Financial lease payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 Year	37,364	34,074	18,130	15,550
1-4 Years	12,313	10,664	8,740	7,785
More than 4 Years	-	-	-	-
Total	49,677	44,738	26,870	23,335

5.2.5.2 Operational lease agreements

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

5.2.6 Derivative financial liabilities held for risk management

None.

5.2.7 Provisions

5.2.7.1 General provisions

	Current Period	Prior Period
General Provision for		
Loans and Receivables in Group I	138,632	85,028
Loans and Receivables in Group II	490	227
Non-Cash Loans	19,344	14,145
Other	-	-
Total	158,466	99,400

5.2.7.2 Provisions for foreign exchange differences on foreign currency indexed loans and financial lease receivables

	Current Period	Prior Period
Short-Term Loans	12,392	1,369
Medium and Long-Term Loans	7,344	11,592
Total	19,736	12,961

5.2.7.3 Provisions for non-cash loans that are not indemnified or converted into cash

	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	8	698
Doubtful Loans and Receivables	168	234
Uncollectible Loans and Receivables	1,518	1,510
Total	1,694	2,442

5.2.7.4 Other provisions

5.2.7.4.1 General reserves for possible losses

	Current Period	Prior Period
General Reserves for Possible Losses	30,000	58,500

The Bank provided a general reserve in the amount of YTL 30,000 thousands in the current period against the possible adverse effects of the potential risks in the economy.

5.2.7.4.2 General reserves for possible losses

	Current Period	Prior Period
Reserve for Employee Benefits	128,818	102,243
Provision for Promotion Expenses of Credit Cards	46,051	36,954
Other Provisions	62,100	12,379
Total	236,969	151,576

5.2.8 Taxes and other duties payable

5.2.8.1 Current tax liability

5.2.8.1.1 Tax provision

As of 31 December 2006, the Bank had a current tax liability of YTL 121,650 thousands. In cases where the differences between the carrying amounts and the taxable amounts of assets subject to tax, are related with certain items in the equity accounts, the current tax assets/liabilities are charged or credited directly to these accounts.

5.2.8.1.2 Taxes payable

	Current Period	Prior Period
Corporate Taxes Payable	121,650	61,528
Taxation on Securities Income	31,202	22,557
Taxation on Real Estates Income	677	395
Banking Insurance Transaction Tax	23,563	25,212
Foreign Exchange Transaction Tax	3,252	2,030
Value Added Tax Payable	1,248	941
Others	9,923	12,214
Total	191,515	124,877

5.2.8.1.3 Premiums

	Current Period	Prior Period
Social Security Premiums-Employees	2	2
Social Security Premiums-Employer	-	-
Bank Pension Fund Premium-Employees	8	7
Bank Pension Fund Premium-Employer	11	8
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	462	199
Unemployment Insurance-Employer	850	329
Others	-	-
Total	1,333	545

5.2.8.2 Deferred tax liability

None.

5.2.9 Payables for assets held for sale

None.

5.2.10 Subordinated loans

None.

5.2.11 Shareholders' equity

5.2.11.1 Paid-in capital

	Current Period	Prior Period
Common Shares	2,100,000	2,100,000
Preference Shares	-	-

5.2.11.2 Registered share capital system

Capital	Paid-in Capital	Ceiling per Registered Share Capital
Common Shares	2,100,000	7,000,000
Preference Shares	-	-

5.2.11.3 Capital increases in current period

None.

5.2.11.4 Capital increases from capital reserves in current period

None.

5.2.11.5 Capital commitments for current and future financial periods

None.

5.2.11.6 Possible effect of estimations made for the parent bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties

None.

5.2.11.7 Information on privileges given to stocks representing the capital

None.

5.2.11.8 Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Investments in Associates, Subsidiaries and Joint-ventures	30,137	-	14,988	-
Valuation difference	7,619	-	22,836	-
Exchange rate difference	22,518	-	(7,848)	-
Securities Available-for-Sale	60,764	71,337	118,666	52,629
Valuation difference	60,764	71,337	118,666	52,629
Exchange rate difference	-	-	-	-
Total	90,901	71,337	133,654	52,629

5.2.11.9 Revaluation surplus

	Current Period		Prior Period	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	2,147	-	2,147	-
Gain On Sale of Investments in Associates and Subsidiaries and Real Estates to be used for Capital Increases	-	-	-	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-

5.2.11.10 Bonus shares of associates, subsidiaries and joint-ventures

It includes the bonus shares received from the following investee companies; Garanti Gayrimenkul Yatırım Ortaklığı AŞ by YTL 23 thousands, Garanti Sigorta AŞ by YTL 2,806 thousands, Garanti Ödeme Sistemleri AŞ by YTL 401 thousands, Garanti Yatırım Menkul Değerler AŞ by YTL 942 thousands, Kredi Kartları Bürosu by YTL 481 thousands, Tat Konserve AŞ by YTL 36 thousands and Yatırım Finansman Menkul Değerler AŞ by YTL 9 thousands.

5.2.11.11 Legal reserves

	Current Period	Prior Period
I. Legal Reserve	84,776	49,261
II. Legal Reserve	7,358	-
Special Reserves	-	-

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

5.2.11.12 Extraordinary reserves

	Current Period	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	500,558	628
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-

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

5.2.12 Accrued interest and expenses

The details of accrued interest and expenses allocated to the related items on the liability side of the balance sheet are as follows:

	Current Period		Prior Period	
	FC	YTL	FC	YTL
Deposits	119,029	42,246	116,434	22,156
Funds Borrowed	24,460	62,002	3,561	43,744
Interbank Money Markets	52,445	10,434	4,428	4,078
Other Accruals	5,667	10,732	3,706	12,318
Total	201,601	125,414	128,129	82,296

5.3 Off-Balance Sheet Items

5.3.1 Off-balance sheet contingencies

5.3.1.1 Irrevocable credit commitments

	Current Period	Prior Period
Letters of Guarantee in Foreign Currency	4,575,955	3,872,083
Letters of Guarantee in YTL	2,687,808	2,090,318
Letters of Credit	1,505,384	1,318,659
Bills of Exchange and Acceptances	143,541	286,255
Prefinancings	-	-
Total	8,912,688	7,567,315

5.3.1.2 Possible losses and commitments resulted from off-balance sheet items

A specific provision of YTL 1,694 thousands is made for unliquidated non-cash loans of YTL 6,621 thousands recorded under the off-balance sheet items as of 31 December 2006 in the accompanying financial statements.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

5.3.1.3 Non-cash loans

	Current Period	Prior Period
Non-Cash Loans against Cash Risks	293,794	326,860
<i>With Original Maturity of 1 Year or Less</i>	41,294	46,395
<i>With Original Maturity of More Than 1 Year</i>	252,500	280,465
Other Non-Cash Loans	9,232,482	7,810,969
Total	9,526,276	8,137,829

5.3.1.4 Sectoral risk concentration of non-cash loans

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	12,136	0.45	13,193	0.19	262,362	11.12	29,840	0.52
Farming and Stockbreeding	11,226	0.42	13,193	0.19	262,113	11.11	29,816	0.52
Forestry	80	-	-	-	-	-	-	-
Fishery	830	0.03	-	-	249	0.01	24	-
Manufacturing	709,238	26.38	2,778,048	40.63	663,705	28.13	2,137,290	36.99
Mining	66,001	2.45	28,819	0.42	50,024	2.12	82,349	1.43
Production	627,430	23.34	2,458,165	35.95	613,681	26.01	2,054,941	35.56
Electricity, Gas, Water	15,807	0.59	291,064	4.26	-	-	-	-
Construction	438,975	16.33	1,235,059	18.06	317,989	13.48	1,184,698	20.50
Services	1,410,591	52.47	2,658,889	38.88	1,014,479	43.01	1,618,236	27.99
Wholesale and Retail Trade	857,786	31.9	812,314	11.88	696,454	29.52	679,835	11.76
Hotel, Food and Beverage Services	68,449	2.55	106,313	1.55	69,952	2.97	92,499	1.60
Transportation and Telecommunication	73,029	2.72	594,163	8.69	52,665	2.23	106,382	1.84
Financial Institutions	370,255	13.77	1,118,742	16.36	155,598	6.60	671,633	11.62
Real Estate and Renting Services	12,032	0.45	11,685	0.17	18,380	0.78	27,810	0.48
“Self-Employment” Type Services	-	-	-	-	-	-	-	-
Educational Services	5,750	0.21	4,763	0.07	4,309	0.18	8,891	0.15
Health and Social Services	23,290	0.87	10,909	0.16	17,121	0.73	31,186	0.54
Other	117,571	4.37	152,576	2.24	100,654	4.26	808,576	14.00
Total	2,688,511	100.00	6,837,765	100.00	2,359,189	100.00	5,778,640	100.00

5.3.1.5 Non-cash loans classified under Group I and II

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	2,685,585	6,834,305	-	-
Letters of Guarantee	2,684,882	4,574,780	-	-
Bills of Exchange and Bank Acceptances	616	142,925	-	-
Letters of Credit	87	2,116,600	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	-	-	-
Total	-	-	-	-

5.3.2 Financial derivative instruments

	Current Period	Prior Period
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	10,885,312	6,401,535
Currency Forwards	886,442	514,115
Currency Swaps	9,163,443	4,121,495
Currency Futures	71,766	247,954
Currency Options	763,661	1,517,971
Interest Rate Related Derivative Transactions (II)	170,138	117,127
Interest Rate Forwards	-	-
Interest Rate Swaps	19,422	13,059
Interest Rate Futures	150,716	102,078
Interest Rate Options	-	1,990
Other Trading Derivatives (III)	-	-
A. Total Trading Derivatives (I+II+III)	11,055,450	6,518,662
Hedging Derivatives		
Fair Value Hedges	-	-
Cash Flow Hedges	7,107	6,601
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	7,107	6,601
Total Derivative Transactions (A+B)	11,062,557	6,525,263

5.3.3 Contingent liabilities and assets

The monetary losses amounting YTL 712,872 thousands incurred in the 2001 financial year as a result of the inflation accounting applied in compliance with the Temporary article no.4 added to the Banks Law no.4389 through the Law no.4743, were net off with extraordinary reserves, legal reserves and capital reserves from inflation adjustments to equity items. As per the Temporary article no.4/13 of the same Law and the statements of the reiterated article 14/1a of the Corporate Tax Law no.5422, these losses have not been taking into account in the tax returns of the year 2001 and subsequent years, whereas such losses should have been deducted from the taxable income. Accordingly, the tax returns were submitted with a condition stating that such losses should have been deducted and the Bank may appeal to the tax court for the tax return. Following the rejection of this condition by the tax office, the Bank appealed to the tax court for the corporate tax return of the year 2004 and the temporary tax periods of the year 2005 and the tax court decided in favour of the Bank. However, as of the reporting date, the judgement process is not finalized yet and continues at the Council of State.

5.3.4 Services rendered on behalf of third parties

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

5.3.5 The Bank's latest international risk ratings

MOODY'S (July 2006*)

Long Term FC Deposit	B1
Long Term YTL Deposit	A3
Short Term YTL Deposit	Prime-2
Long Term FC Deposit Outlook	Stable
FSR	D+
FSR Outlook	Positive
Long Term National	Aaa.tr
Short Term National	TR-1

STANDARD AND POORS (June 2006*)

Long Term FC Obligations	BB-
Long Term YTL Deposit	BB-
Outlook	Stable

FITCH RATINGS (August 2006*)

Foreign Currency	
Long Term	BB
Short Term	B
Outlook	Positive
Individual	C
Support	3
Turkish Lira	
Long Term	BB+
Short Term	B
Outlook	Positive
National	AA
Outlook	Stable

CAPITAL INTELLIGENCE (June 2006*)

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

(* Latest dates in risk ratings or outlooks.

5.4 Income Statement

5.4.1 Interest Income

5.4.1.1 Interest income from loans

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Interest Income from Loans				
Short-term loans	1,541,256	162,964	1,415,922	111,981
Medium and long-term loans	571,449	553,454	158,261	283,277
Loans under follow-up	29,772	1	5,480	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	2,142,477	716,419	1,579,663	395,258

5.4.1.2 Interest income from banks

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	17,962	-	1,459	4,543
Domestic Banks	6,943	5,277	2,691	4,477
Foreign Banks	18,132	66,116	10,161	23,426
Foreign Headoffices and Branches	-	-	-	-
Total	43,037	71,393	14,311	32,446

5.4.1.3 Interest income from securities portfolio

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Trading Financial Assets	9,876	16,828	26,327	11,943
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	829,894	288,416	717,775	266,307
Investments Held-to-Maturity	410,353	136,506	186,711	117,887
Total	1,250,123	441,750	930,813	396,137

5.4.1.4 Interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Investments in Associates and Subsidiaries	8,246	1,736

5.4.2 Interest Expenses

5.4.2.1 Interest expenses on funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks				
Central Bank of Turkey	-	-	-	-
Domestic Banks	20,783	2,773	17,987	1,797
Foreign Banks	17,719	331,085	17	147,523
Foreign Headoffices and Branches	-	-	-	-
Other Institutions	36	19,146	-	16,398
Total	38,538	353,004	18,004	165,718

5.4.2.2 Interest expenses paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Investments in Associates and Subsidiaries	16,126	7,266

5.4.2.3 Interest expenses on securities issued

None.

5.4.2.4 Maturity structure of interest expense on deposits

Account Description	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	177	93,864	-	-	-	-	-	94,041
Saving Deposits	2,347	404,933	719,073	22,287	6,478	10,713	-	1,165,831
Public Sector Deposits	12	510	370	33	6	7	-	938
Commercial Deposits	6,941	358,644	252,734	19,232	823	987	-	639,361
Other	4,774	6,504	12,522	151	128	25	-	24,104
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total YTL	14,251	864,455	984,699	41,703	7,435	11,732	-	1,924,275
Foreign Currency								
Foreign Currency Deposits	19,140	151,528	148,141	24,210	5,720	15,038	2,206	365,983
Bank Deposits	-	26,042	-	-	-	-	-	26,042
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	3	13	25	313	-	-	354
Total FC	19,140	177,573	148,154	24,235	6,033	15,038	2,206	392,379
Grand Total	33,391	1,042,028	1,132,853	65,938	13,468	26,770	2,206	2,316,654

5.4.2.5 Interest expense on repurchase agreements

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Interest Paid on Repurchase Agreements	409,781	39,360	135,864	29,948

5.4.2.6 Financial lease expenses

	Current Period	Prior Period
Financial Lease Expenses	3,493	3,869

5.4.2.7 Interest expenses on factoring payables

None.

5.4.3 Dividend income

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	2,400	1,140
Others	44,545	2,001
Total	46,945	3,141

5.4.4 Trading income/losses (Net)

	Current Period	Prior Period
Income	3,538,081	2,601,119
Trading Account Income	763,803	484,866
Derivative financial instruments	632,995	327,738
Others	130,808	157,128
Foreign Exchange Gain	2,774,278	2,116,253
Losses (-)	3,594,353	2,484,658
Trading Account Losses	738,928	491,284
Derivative financial instruments	658,691	390,944
Others	80,237	100,340
Foreign Exchange Losses	2,855,425	1,993,374
Total	-56,272	116,461

5.4.5 Other operating income

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

5.4.6 Provision for losses on loans or other receivables

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	165,886	318,661
<i>Loans and receivables in Group III</i>	138,398	16,186
<i>Loans and receivables in Group IV</i>	13,091	-
<i>Loans and receivables in Group V</i>	14,397	302,475
General Provisions	59,024	33,938
Provision for Possible Losses	30,000	17,000
Impairment Losses on Securities	4,204	56
<i>Financial assets at fair value through profit or loss</i>	-	56
<i>Financial assets available-for-sale</i>	4,204	-
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	13,578	4,548
<i>Associates</i>	-	4,275
<i>Subsidiaries</i>	-	273
<i>Joint Ventures</i>	-	-
<i>Investments held-to-maturity</i>	13,578	-
Others	52,569	72,454
Total	325,261	446,657

5.4.7 Other operating expenses

	Current Period	Prior Period
Personnel Costs	531,928	443,853
Reserve for Employee Termination Benefits	5,108	11,402
Deficit Provision for Pension Fund	-	-
Impairment Losses on Tangible Assets	4	-
Depreciation Expenses of Tangible Assets	131,904	102,216
Impairment Losses on Intangible Assets	-	-
Amortisation Expenses of Intangible Assets	20,869	22,562
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses of Assets to be Disposed	-	-
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	603,736	505,130
<i>Operational lease related expenses</i>	56,184	47,154
<i>Repair and maintenance expenses</i>	14,925	13,989
<i>Advertisement expenses</i>	69,881	61,262
<i>Other expenses</i>	462,746	382,725
Loss on Sale of Assets	17,381	64,123
Others	154,122	159,053
Total	1,465,052	1,308,339

5.4.8 Profit/loss before taxes

The Bank increased its profit before taxes to YTL 1,329,363 thousands increasing by 40% comparing to the prior year. YTL 1,901,806 thousands of the profit before taxes is derived from net interest income and YTL 1,014,451 thousands from fees and commissions income. The total operating expenses amount to YTL 1,465,052 thousands.

5.4.9 Provision for taxes on income

As of 31 December 2006, the Bank recorded a tax expense of YTL 259,965 thousands and a deferred tax expense of YTL 5,735 thousands.

Deferred tax income/expense on timing differences

Deferred tax income/(expense) on timing difference	Current Period
Increase in tax deductible timing differences	30,680
Decrease in tax deductible timing differences (-)	35,667
Increase in taxable timing differences (-)	2,984
Decrease in taxable timing differences	2,236
Total	-5,735

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

Deferred tax income/(expense) arising on timing differences, tax losses and tax deductions and exemptions	Current Period
Increase/(decrease) in tax deductible timing differences	-4,987
(Increase)/decrease in taxable timing differences	-748
Increase/(decrease) in tax losses	-
Increase/(decrease) in tax deductions and exemptions	-
Total	-5,735

5.4.10 Operating profit/loss after taxes

None.

5.4.11 Net profit and loss

5.4.11.1 Any further explanation on operating results needed for better understanding of the Bank's performance

None.

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

None.

5.4.12 Components of other items in income statement, as each sub-account exceeding 20% of the total separately, exceeding 10% of total income statement

None.

5.5 Statement of Changes in Shareholders' Equity

5.5.1 Any increases arising from application of accounting for financial instruments

5.5.1.1 Increases from valuation of financial assets available-for-sale

None.

5.5.1.2 Increases due to cash flow hedges

In 2004, the Bank entered into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. A gain of YTL 3,690 thousands on such effective hedging contracts were classified directly under shareholders' equity within "other profit reserves" in the prior period. In the current period, the decrease in such gains is YTL 405 thousands after netting with the related deferred tax effect.

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

The Bank applied hedge accounting for its investments in foreign subsidiaries in compliance with the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement" using its foreign borrowings in foreign currencies obtained to finance such investments.

The effective portion of net foreign investment hedges is recorded in shareholders' equity as shown in the statement of changes in shareholders' equity and the ineffective portion, if any, is recorded directly in the income statement.

The effective loss of YTL 37,958 thousands on net foreign investment hedge after netting with the related tax effect of YTL 7,592 thousands as net YTL 30,366 thousands is recorded under the shareholders' equity as of 31 December 2006. The balance sheet leg of this net foreign investment hedge is under "funds borrowed".

5.5.2 Any decreases arising from application of accounting for financial instruments

5.5.2.1 Decreases from valuation of financial assets available-for-sale

As of 31 December 2006, the revaluation of financial assets available-for-sale at fair value netted with the related deferred tax liability effect has resulted in an increase by YTL 34,456 thousands that is presented as the current period movement in "securities value increase fund" in the statement of changes in shareholders' equity. The amounts transferred to "net profit" from "securities value increase fund" were YTL 57,004 thousands and YTL 58,501 thousands for the year ended 31 December 2005 and 2006, respectively.

5.5.2.2 Decreases due to cash flow hedges

None.

5.5.3 Dividends

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

There are no dividend distribution announced before the release of financial statements. At the General Assembly dated 5 April 2006, it was decided to distribute the 2005 income as follows. As this decision was before the revisions made to the financial statements in accordance with the Turkish Accounting Standards (TAS), the effects of TAS are not considered in the table below.

2005 PROFIT DISTRIBUTION TABLE	
CURRENT YEAR PROFIT	708,394
A - I.Legal reserve (Turkish Commercial Code 466/1) at 5%	-35,420
B – The first dividend at 5% of the Paid Capital	-105,000
C – Extraordinary reserves at 5% after above deductions	-28,399
D -	
- to the members of the Board of Directors upto 5%	-
- to the Bank personnel at 5%	-24,526
- to the owners of the Founder Shares	-49,052
E – Extraordinary reserves	-458,639
F - II.Legal reserve (Turkish Commercial Code 466/2)	-7,358

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

As per the resolutions of the Board of Directors and the General Assembly on 5 April 2006, the profit distribution as detailed below was decided.

CASH DIVIDEND ON 2005 PROFIT TO BE PAID TO ORDINARY SHARE HOLDERS

	AMOUNTS TO BE PAID IN CASH			DIVIDEND PAYMENT DATE
	TOTAL AMOUNT OF DIVIDEND	DIVIDEND PER SHARE WITH A FACE VALUE OF YTL 1		
		AMOUNT	RATIO (%)	
GROSS	105,000	0.05000	5.00000	12.04.2006
NET(*)	95,022	0.04525	4.52485	

CASH DIVIDEND ON 2005 PROFIT TO BE PAID TO FOUNDER SHARE HOLDERS

	AMOUNTS TO BE PAID IN CASH			DIVIDEND PAYMENT DATE
	TOTAL AMOUNT OF DIVIDEND	DIVIDEND PER SHARE		
		NO OF SHARES	AMOUNT	
GROSS	49,052	370	133	12.04.2006
NET(*)	44,391	370	120	

(*) According to the paragraph 6 (bi) of the article 94 of the Income Tax Law, the individuals, and the nonresident institutions and individuals are subject to a withholding tax of 10% (except for the ones with the operations and the permanent representatives in Turkey). However, there will be no withholding taxes on the dividend derived from income already subjected to the withholding tax on the investment incentives according to the temporary article 61 of the Income Tax Law.

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

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.

5.5.4 Transfers to legal reserves

	Current Period	Prior Period
Transfers to Legal Reserves from Prior Year Profits	42,777	22,953
Transfers to Extraordinary Reserves from Prior Year Profits	499,030	372,129

5.5.5 Issuance of share certificates

None.

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

Please refer to Note 3.22.

5.5.7 Compensation of prior period losses

None.

5.6 Statement of Cash Flows

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

In 2006, the net cash inflows arising from banking operations amount to YTL 2,855,778 thousands. YTL 1,469,680 thousands of this amount is generated from the change in operating assets and liabilities and YTL 1,386,098 thousands from operating profit. The net cash outflow from investing activities is YTL 2,444,647 thousands. The major item is the cash outflows arising from new investments in securities available-for-sale. Cash and cash equivalents increased to YTL 2,987,300 thousands at the end of the current period in comparison to YTL 2,888,209 thousands at the beginning of the current period.

5.6.2 Cash outflows from acquisition of associates, subsidiaries and joint-ventures

Please refer to Notes 5.1.7.7, 5.1.8.2 and 5.1.8.7.

5.6.3 Cash inflows from disposal of associates, subsidiaries and joint-ventures

Please refer to Notes 5.1.7.6 and 5.1.8.6.

5.6.4 Cash and cash equivalents at beginning of period

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

5.6.5 Cash and cash equivalents at end of period

	Current Period	Prior Period
Cash on Hand	327,734	197,657
<i>Cash in YTL</i>	181,169	107,356
<i>Cash in Foreign Currency</i>	146,565	90,301
Cash Equivalents	2,659,566	2,690,552
<i>Other</i>	2,659,566	2,690,552
TOTAL	2,987,300	2,888,209

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

The placements at foreign banks include restricted accounts amounting YTL 215,536 thousands in total; the amount of YTL 154,021 thousands and YTL 14,119 thousands are kept at the Central Bank of Luxembourg and the Central Bank of NCTR, respectively and YTL 47,396 thousands are blocked for repayments of funds borrowed through securitisations at various banks.

5.6.7 Additional information

5.6.7.1 Restrictions on the Bank’s potential borrowings:

None.

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

None.

5.7 Related Party Risks

5.7.1 Transactions with the Bank's risk group; lendings and deposits and other related party transactions outstanding at period end and income and expenses from such transactions incurred during the period

5.7.1.1 Loans and other receivables

Current Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	554,054	15,818	220,633	155,948	120,193	2,006
Balance at end of period	671,306	22,923	224,108	8,253	25,793	41,793
Interest and Commission Income	9,362	114	25	1,287	1,938	134

Prior Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	1,264,193	17,146	57,477	189,462	184,622	8,510
Balance at end of period	554,054	15,818	220,633	155,948	120,193	2,006
Interest and Commission Income	3,358	119	3,109	1,460	6,221	24

5.7.1.2 Other related party balances

Deposits:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	167,596	65,545	1,144,326	7,047	125,333	145,759
Balance at end of period	218,882	167,596	75,693	1,144,326	130,183	125,333
Interest Expenses	16,126	7,266	53,902	1,987	11,062	3,903

Derivative transactions:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading:						
Beginning of Period	-	-	-	-	-	680
End of Period	2,790	-	-	-	-	-
Total Profit/Loss	6	-	-	-	-	-
Hedging Transactions:						
Beginning of Period	-	-	-	-	-	-
End of Period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

5.7.2 The Bank's risk group

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

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

5.7.2.2 *Concentration of transaction volumes and balances with risk group and pricing policy*

The cash loans of the risk group amounting YTL 145,174 thousands compose 0.53% of the Bank's total cash loans and 0.29% of the Bank's total assets. The total loans and similar receivables amounting YTL 921,207 thousands compose 1.83% of the Bank's total assets. The non-cash loans of the risk group amounting YTL 72,969 thousands compose 0.77% of the Bank's total non-cash loans. The deposits of the risk group amounting YTL 424,758 thousands compose 1.41% of the Bank's total deposits. The pricing in transactions with the risk group companies is set in compliance with the market prices.

5.7.2.3 *Other matters not required to be disclosed*

None.

5.7.2.4 *Transactions accounted under equity method*

Please refer to Notes 5.1.7 and 5.1.8.

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

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

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

5.8 Significant Events and Matters Arising Subsequent to Balance Sheet Date

On 5 February 2007, the Bank obtained a subordinated debt of US\$ 500 millions from foreign markets with an interest of 6.95% and maturity of 10 years with a repayment option for the Bank at the end of the fifth year. This debt is qualified as the secondary subordinated debt to be included in the supplementary capital by BRSA in the calculation of the Bank's capital adequacy ratio as of 5 February 2007 in compliance with the conditions set in the legislation on "Banks' Equities" issued by BRSA and published in the Official Gazette no.26333 dated 1 November 2006.

5.9 Domestic, Foreign and Off-Shore Branches or Investments and Foreign Representative Offices

5.9.1 Domestic and foreign branches and representative offices

	Number of Branches	Number Of Employees			
Domestic Branches	478	11,843			
			Country		
Foreign Representative Offices	1	1	1-GERMANY		
	1	1	2-RUSSIA		
	1	1	3-ENGLAND		
	1	1	4-CHINA		
				Total Assets	Legal Capital
Foreign Branches	1	17	1- LUXEMBOURG	8,325,280	124,853
	1	12	2- MALTA	7,931,183	57
	3	30	3- NCTR	156,544	3,200

5.9.2 Opening or closing of domestic and foreign branches and representative offices and significant changes in organisational structure

The Bank ceased the activities of its representative office in Geneva-Switzerland as per the decision of the Board of Directors dated 1 June 2006.

During the year 2006, 54 new domestic branches were opened and 4 branches were closed.

6 Other Disclosures and Footnotes

- As explained in Note 1.4, Doğu Holding AŞ signed a Share Sales Agreement on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank issued share capital to GE Araştırma ve Müşavirlik Limited Şti which is a GE Group company. According to this agreement, certain non-financial participations and property are to be taken over by Doğu Holding AŞ at a total price of YTL 958 millions calculated based on the financial statements as of 31 March 2005. 50% of the sale price to be collected at the closing date, 25% to be collected one year from the closing date and the remaining to be collected two years from the closing date. Accordingly, following the sale of shares, the Bank's certain non-financial subsidiaries representing the first group were transferred over to Doğu Holding AŞ on 22 December 2005.

In accordance with the terms of the agreement, the assets that are categorized as the second group representing certain non-financial associates namely Garanti Turizm Yatırım ve İşletmeleri AŞ and Doc Finance SA having a total book value of YTL 29,497 thousands and certain real estates either in use or held for resale (Ankara-Çankaya-building, İstanbul-Esenyurt/B.Çekmece-building, Kocaeli-Gebze-building, İstanbul-Kartal-two pieces of land, İstanbul-Çatalca/B.Çekmece-land) having a total book value of YTL 237,536 thousands were altogether sold to Doğu 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. Subsequently, the first installment of YTL 86,698,500 was collected on 22 December 2006. The remaining balance amounting YTL 86,698,500 is to be collected on 24 December 2007.

- As per the announcements made according to the Article VIII no.39 of the Turkish Capital Market Board, the Bank decided to entrusted Watson Wyatt Limited with the assessment of potential merger, joint venture, share purchase and sale prospects for Garanti Sigorta AŞ and Garanti Emeklilik ve Hayat AŞ, as their parent company, in the insurance sector. As of the reporting date, negotiations with various prospective strategic investor continue.
- The Bank sold a building in Maslak/Istanbul, acquired against its impaired assets to Doğu Holding AŞ on 15 August 2006. US\$ 20,000,000 of the sale price of US\$ 32,000,000 was collected on the date of sale. The remaining US\$ 12,000,000 will be collected on 31 December 2008.
- A land in Umraniye/Istanbul was transferred to Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı AŞ and Garanti Gayrimenkul Yatırım Ortaklığı AŞ on 8 September 2006 at a total sale price of YTL 26,238 thousands of which YTL 25,933 thousands was collected on the date of sale.
- 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.
- On 4 December 2006, the Bank secured US\$ 500 millions through another Diversified Payment Rights securitisation transaction. The borrowing has two tranches; US\$ 100 millions with eight years maturity, and US\$ 400 millions with 10 years maturity.
- On 29 November 2006, the Bank signed an agreement for a club term loan facility of US\$ 700 millions with a maturity of two years and interest rate of $\text{libor}+0.625\%$ per annum.

7 Independent Auditor's Report

7.1 Disclosure on Independent Auditor's Report

The Bank's unconsolidated financial statements as of 31 December 2006, have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International) and an unqualified opinion has been issued in their independent auditors' report dated 21 February 2007.

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