KPMG

Türkiye Garanti Bankası Anonim Şirketi
And Its Affiliates

Consolidated Financial Statements

30 September 2007

With Report on Review of Interim
Financial Information Thereon

9 November 2007

This report contains the "Report on Review of Interim Financial Information" comprising 2 pages and; the "Consolidated financial statements and their explanatory notes" comprising 75 pages.

Türkiye Garanti Bankası Anonim Şirketi

And Its Affiliates

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Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying consolidated balance sheet of Türkiye Garanti Bankası Anonim Şirketi (the Bank) and its affiliates as of 30 September 2007 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not give a true and fair view of the financial position of the Bank and its affiliates as at 30 September 2007, and of its financial performance and its cash flows for the nine month period then ended in accordance with IAS 34.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to the "Significant Accounting Policies" paragraph "n" to the consolidated interim financial statements. On 22 March 2007, the Constitutional Court reached a verdict with regards to the suspension of the execution of the first paragraph of provisional article 23 of the Banking Law, which requires the transfer of the pension funds to the Social Security Institution ("SSK"), until the decision regarding the cancellation thereof is published in the Official Gazette. The detailed verdict of the Constitutional Court with regards to the cancellation has not been issued as at the date of our report. The Banking Regulation and Supervision Agency ("BRSA") expressed its opinion that the cancellation of transfer of the pension funds to the SSK will not have any impact on the measurement principles of the existing liability of the Bank. Considering whether a settlement to eliminate all legal and constructive obligations of all of the benefits provided under the defined benefit plan will occur or not upon the publication of the decision of the Constitutional Court, it is not certain whether there will be any possible change to the measuring of the retirement benefits and possible obligation of the Bank as at the date of our report.

KPMG Akis Bağımsız Denetim
ve SMMM A.Ş.

İstanbul,
9 November 2007

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Balance Sheet
At 30 September 2007

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

	Notes	30 September 2007	31 December 2006
Assets			
Cash and balances with central banks	*4*	2.317.362	2.456.165
Financial assets at fair value through profit or loss	*5*	1.065.573	1.019.421
Loans and advances to banks	*6*	4.043.639	2.532.498
Loans and advances to customers	*7*	37.854.804	30.625.191
Other assets	*9*	3.926.602	4.110.474
Security investments	*10,21*	16.097.584	14.967.591
Investments in equity participations	*11*	45.901	19.495
Tangible assets, net	*12*	1.093.002	1.079.249
Goodwill, net	*13*	33.170	34.051
Deferred tax asset	*19*	104.301	70.095
Total assets		**66.581.938**	**56.914.230**
Liabilities			
Deposits from banks	*14*	1.161.178	1.573.730
Deposits from customers	*15*	37.481.979	32.294.557
Obligations under repurchase agreements	*16*	6.442.968	5.295.542
Loans and advances from banks	*17*	11.018.629	9.649.770
Bonds payable	*18*	51.471	55.155
Current tax liability	*19*	141.457	128.022
Deferred tax liability	*19*	2.394	1.108
Other liabilities and accrued expenses	*20*	3.467.264	2.975.942
Total liabilities		**59.767.340**	**51.973.826**
Shareholders' equity and minority interest			
Share capital	*21*	3.046.371	3.046.371
Minority interest	*21*	21.838	7.845
Revaluation of available-for-sale assets	*10,21*	146.732	122.562
Hedging reserve	*21*	11.867	3.148
Translation reserve	*21*	5.739	14.405
Legal reserves	*21*	172.776	113.053
Retained earnings	*21*	3.409.276	1.633.020
Total shareholders' equity and minority interest		**6.814.599**	**4.940.404**
Total liabilities, shareholders' equity and minority interest		**66.581.939**	**56.914.230**
Commitments and contingencies	*23*		

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Income Statement
For The Nine-Month Period Ended 30 September 2007

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

	Notes	Nine-month period ended 30 September 2007	Three-month period ended 30 September 2007	Nine-month period ended 30 September 2006	Three-month period ended 30 September 2006
Interest income:-					
Interest on loans		3.268.140	1.173.831	2.309.284	872.473
Interest on securities		1.705.847	566.454	1.237.983	457.177
Interest on deposits at banks		446.705	169.964	249.237	88.881
Interest on lease business		133.448	50.007	92.478	35.739
Others		75.925	35.132	31.265	11.978
		5.630.065	1.995.388	3.920.247	1.466.248
Interest expense:-					
Interest on saving, commercial and public deposits		(2.272.977)	(812.771)	(1.640.314)	(610.478)
Interest on borrowings and obligations under repurchase agreements		(1.065.143)	(381.890)	(647.371)	(306.447)
Interest on bank deposits		(82.912)	(14.320)	(108.841)	(49.427)
Others		(9.165)	(1.762)	(2.726)	(545)
		(3.430.197)	(1.210.743)	(2.399.252)	(966.897)
Net interest income		**2.199.868**	**784.645**	**1.520.995**	**499.351**
Fee and commission income		1.362.013	480.531	1.082.191	384.839
Fee and commission expense		(343.576)	(126.981)	(254.621)	(103.686)
Net fee and commission income	*26*	**1.018.437**	**353.550**	**827.570**	**281.153**
Income on sale of shares in consolidated affiliates	*25*	703.803	-	10.430	10.430
Premium income from insurance business		187.201	27.925	182.647	57.697
Income on sale of customer relationship	*30*	147.775	147.775	-	-
Trading income, net	*5*	-	-	42.838	-
Others		60.784	16.923	36.589	13.682
Other operating income		**1.099.563**	**192.623**	**272.504**	**81.809**
Total operating Income		**4.317.868**	**1.330.818**	**2.621.069**	**862.313**
Salaries and wages		(474.042)	(171.052)	(374.636)	(126.381)
Impairment losses	*7,8,9,11,12,13,20*	(199.892)	(59.792)	(199.966)	(10.598)
Employee benefits		(134.796)	(49.909)	(108.796)	(39.143)
Depreciation and amortization	*12*	(133.415)	(46.616)	(125.620)	(42.800)
Trading loss, net	*5*	(108.734)	(36.039)	-	(16.861)
Communication expenses		(83.796)	(30.258)	(74.079)	(26.819)
Claim loss from insurance business		(70.068)	(13.578)	(91.266)	(20.552)
Rent expenses		(59.344)	(21.555)	(42.126)	(15.730)
Other operating expenses	*27*	(616.222)	(248.470)	(525.920)	(164.988)
Total operating expenses		**(1.880.309)**	**(677.269)**	**(1.542.409)**	**(463.872)**
Income before tax		**2.437.559**	**653.549**	**1.078.660**	**398.441**
Taxation charge	*19*	(376.141)	(131.668)	(210.739)	(78.846)
Net income for the period		**2.061.418**	**521.881**	**867.921**	**319.595**
Net income for the period attributable to:					
Equity holders of the Bank		2.055.013	519.779	866.748	318.253
Minority interest		6.405	2.102	1.173	1.342
		2.061.418	**521.881**	**867.921**	**319.595**
Weighted average number of shares with a face value of YTL 1,000 each	*21*	**2,100 billion**	**2,100 billion**	**2,100 billion**	**2,100 billion**
Earnings per share (full YTL amount per YTL'000 face value each)		**978,6**	**247,5**	**412,7**	**151,5**

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Changes in Shareholders' Equity
For The Nine-Month Period Ended 30 September 2007

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

	Notes	Share Capital	Minority Interest	Revaluation of Available-for-Sale Assets	Hedging Reserve	Translation Reserve	Legal Reserves	Retained Earnings	Total Shareholders' Equity and Minority Interest
Balances at 31 December 2005		**3.046.371**	**43.134**	**162.522**	**3.553**	**-**	**78.600**	**697.795**	**4.031.975**
Transfer from unappropriated earnings		-	-	-	-	-	36.122	(36.122)	-
Dividends paid		-	-	-	-	-	-	(178.578)	(178.578)
Net market value losses from available-for-sale portfolio		-	-	(120.216)	-	-	-	-	(120.216)
Net gains on available-for-sale assets transferred to the income statement on disposal		-	-	(38.869)	-	-	-	-	(38.869)
Foreign currency translation differences for foreign operations		-	-	-	-	18.444	-	-	18.444
Net fair value gains from cash flow hedges		-	-	-	244	-	-	-	244
Net income for the nine-month period		-	1.173	-	-	-	-	866.748	867.921
Balances at 30 September 2006		**3.046.371**	**44.307**	**3.437**	**3.797**	**18.444**	**114.722**	**1.349.843**	**4.580.921**
Transfer from unappropriated earnings	*21*	-	-	-	-	-	(132)	132	-
Net market value gains from available-for-sale portfolio	*21*	-	-	122.766	-	-	-	-	122.766
Net gains on available-for-sale assets transferred to the income statement on disposal	*21*	-	-	(3.641)	-	-	-	-	(3.641)
Foreign currency translation differences for foreign operations		-	-	-	-	18.479	-	-	18.479
Net loss on hedge of net investment in foreign operations	*21*	-	-	-	-	(22.518)	-	-	(22.518)
Release of minority interest due to sale of a consolidated affiliate		-	(36.533)	-	-	-	-	-	(36.533)
Release of reserves due to sale of a consolidated affiliate		-	-	-	-	-	(1.537)	1.537	-
Net fair value losses from cash flow hedges	*21*	-	-	-	(649)	-	-	-	(649)
Net income for the three-month period		-	71	-	-	-	-	281.508	281.579
Balances at 31 December 2006		**3.046.371**	**7.845**	**122.562**	**3.148**	**14.405**	**113.053**	**1.633.020**	**4.940.404**
Transfer to unappropriated earnings	*21*	-	-	-	-	-	64.314	(64.314)	-
Dividends paid		-	-	-	-	-	-	(219.474)	(219.474)
Net market value gains from available-for-sale portfolio	*21*	-	-	30.272	-	-	-	-	30.272
Net gains on available-for-sale assets transferred to the income statement on disposal	*21*	-	-	(6.083)	-	-	-	-	(6.083)
Foreign currency translation differences for foreign operations		-	-	-	-	(20.765)	-	-	(20.765)
Net gains on hedge of net investment in foreign operations	*21*	-	-	-	-	12.099	-	-	12.099
Net fair value gains from cash flow hedges	*21*	-	-	-	8.719	-	-	-	8.719
Release of reserves due to sale of a consolidated affiliate		-	-	-	-	-	(4.591)	4.591	-
Reclassification to minority interest due to partial sale of a consolidated affiliate		-	7.588	(19)	-	-	-	440	8.009
Net income for the nine-month period		-	6.405	-	-	-	-	2.055.013	2.061.418
Balances at 30 September 2007		**3.046.371**	**21.838**	**146.732**	**11.867**	**5.739**	**172.776**	**3.409.276**	**6.814.599**

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Cash Flows
For The Nine-Month Period Ended 30 September 2007

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

	Notes	30 September 2007	30 September 2006
Cash flows from operating activities:-			
Interest and commission received		4.808.392	3.077.194
Interest expense paid		(3.107.611)	(2.330.638)
Other operating activities, net		1.008.710	(176.438)
Cash payments to employees and suppliers		(1.351.773)	(576.789)
		1.357.718	(6.671)
(Increase)/decrease in operating assets:-			
Loans and advances to banks		(1.347.351)	(363.739)
Balances with central banks		421.827	160.723
Financial assets at fair value through profit or loss		(43.075)	95.606
Loans and advances to customers		(4.806.277)	(7.606.057)
Consumer loans		(2.523.244)	(2.518.243)
Other assets		(213.958)	(484.874)
Increase/(decrease) in operating liabilities:-			
Deposits from banks		(406.439)	975.892
Deposits from customers		5.137.612	6.101.507
Obligations under repurchase agreements		1.157.335	2.199.886
Other liabilities		223.702	303.853
Net cash used in operating activities before income taxes paid		**(1.042.150)**	**(1.142.117)**
Income taxes paid		**(283.708)**	**(198.521)**
Net cash used in operating activities		**(1.325.858)**	**(1.340.638)**
Cash flows from investing activities:-			
Net increase in security investments		(1.565.024)	(2.388.618)
Interest received		1.934.403	1.316.652
Decrease/(increase) in investments in equity participations, net		(358)	31.306
Dividends received		2.880	2.127
Decrease/(increase) in tangible assets, net		(144.466)	159.660
Net cash from/(used in) investing activities		**227.435**	**(878.873)**
Cash flows from financing activities:-			
Increase in loans and advances from banks, net		1.334.073	2.468.167
Increase in bonds payable		-	56.262
Dividends paid		(219.474)	(178.578)
Net cash from financing activities		**1.114.599**	**2.345.851**
Effect of exchange rate changes		**(52.724)**	**(86.485)**
Net (decrease)/increase in cash and cash equivalents		**(36.548)**	**39.855**
Cash and cash equivalents at the beginning of the period	*2*	4.204.216	4.026.024
Cash and cash equivalents at the end of the period	*2*	**4.167.668**	**4.065.879**

Overview of the Bank

Türkiye Garanti Bankası AŞ (the Bank) is a bank domiciled in Turkey. The consolidated financial statements of the Bank for the nine-month period ended 30 September 2007 comprise the Bank and its affiliates (the Affiliates) and their interest in associates.

(a) Brief History

Foundation of the Bank was approved by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and "Articles of Association" was published in the official gazette dated 25 April 1946. The Bank provides corporate, commercial and retail banking services through a network of 470 domestic branches, five foreign branches, four representative offices abroad and 75 offices. In addition to its branches, the Bank has 100% ownership in two banks each of which is located in Amsterdam and Moscow. The Bank and its affiliates in total have 15,334 employees. The Bank's head office is located at Levent Nispetiye Mahallesi Aytar Caddesi 2 Beşiktaş 34340 İstanbul.

(b) Ownership

The Companies owned by Doğuş Holding AŞ, called as Doğuş Group, currently holds 25.87% of the issued capital. On 22 December 2005, Doğuş Holding AŞ has completed the sale of 53,550,000,000 shares representing 25.50% of the Bank's issued share capital to "GE Araştırma ve Müşavirlik Limited Şti." of the General Electric (GE) Group as explained in Note 21. Accordingly, GE acquired a joint control in the Bank's management.

Subsequent to this sale in December 2005, a call was made to the Bank's minority shareholders by GE 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 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 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 the ownership rights including sale of 24,161,797,524 shares representing 11.50% of the Bank's capital (per 1 New Kuruş) throughout the option period agreed.

Significant accounting policies

(a) Statement of compliance

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

The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS"). The accompanying consolidated financial statements are authorized for issue by the directors on 9 November 2007.

(b) Basis of preparation

The accompanying consolidated financial statements are presented in thousands of YTL, which is the Bank's functional currency.

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

The accounting policies set out below have been applied consistently by the Bank and its affiliates to all periods presented in these consolidated financial statements.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Notes 7, 10, 17 and 22.

Significant accounting policies (continued)

(d) Basis of consolidation

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

Affiliates

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

Associates

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

Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. Special purpose entities are consolidated when the substance of the relationship between the Bank and the special purpose entity indicates that the special purpose entity is controlled by the Bank.

Transactions eliminated on consolidation

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

Significant accounting policies (continued)

(e) Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

The foreign operations of the Bank and its affiliates are not considered an integral part of its operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to YTL at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to YTL using average exchange rates. Foreign exchange differences arising on translation are recognized directly in a separate component of equity. When a foreign operation is disposed of in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the income statement.

Hedge of net investment in a foreign operation see accounting policy *(i)*.

(f) Tangible assets and related depreciation

Owned assets

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

Leased assets

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

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

Significant accounting policies (continued)

Subsequent Expenditure

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

Depreciation

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

The estimated useful lives are as follows:

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

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

(g) Goodwill

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

Significant accounting policies (continued)

(h) Financial instruments

Classification

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

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

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

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

Recognition

Financial assets at fair value through profit or loss and available-for-sale assets are initially recognized on the transaction date at which the Bank and its affiliates become a party to the contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets are recognized.

Held-to-maturity instruments, loans and receivables, deposits and subordinated liabilities are recognized on the date they are originated.

Measurement

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

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

Significant accounting policies (continued)

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

Fair value measurement principles

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

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

Gains and losses on subsequent measurement

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

Specific instruments

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

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

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

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

Significant accounting policies (continued)

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

Derecognition

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

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

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

(i) Derivatives held for risk management purposes

Derivatives held for risk management purposes are measured at fair value in the balance sheet. The treatment for the changes in their fair value depends on their classification into the following categories:

Cash flow hedge

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the result of income statement, the effective portion of changes in the fair value of the derivative are recognised directly in the shareholders' equity. The amount recognised in the shareholders' equity is removed and included in the income statement in the same period as the hedged cash flows affect the income statement under the same line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognized in the shareholders' equity remains there until the forecast transaction affects the income statement. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in the shareholders' equity is recognized immediately in the income statement.

Significant accounting policies (continued)

Net investment hedge

When a derivative or a non-derivative financial liability is designated as a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognized directly in the shareholders' equity, in the foreign currency translation reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement. The amount recognized in the shareholders' equity is removed and included in the income statement on disposal of the foreign operation.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Bank and its affiliates account for embedded derivatives separately from the host contract when the host contract is not itself carried at fair value through profit or loss, and the characteristics of the embedded derivatives are not clearly and closely related to the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the balance sheet together with the host contract.

(j) Securities borrowing and lending business

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

(k) Repurchase and resale agreements over investments

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

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

Significant accounting policies (continued)

(l) Items held in trust

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

(m) Financial guarantees

Financial guarantees are contracts that require the Bank and its affiliates to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

(n) Employee benefits

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

Pension and other post-retirement obligations

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

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

As per the provisional article no.23 of the Turkish Banking Law no.5411 as approved by the Turkish Parliament on 19 October 2005, pension funds which are in essence similar to foundations are required to be transferred directly to the Social Security Institution (”SSK”) within a period of three years. As per this new Law, a commission established by the representatives from various organizations will calculate the commitment for each fund based on the actuarial calculations made taking into account the revenues and expenses of the funds. The commitment to be calculated will be paid maximum in 15 years in equal instalments. Subsequently, the commission established under the coordination of the Ministry of Labour and Social Security completed working on the methodology and parameters to be used for the calculation of such commitments and the related Decree was approved by the Board of Ministries on 30 November 2006 and published in the Official Gazette no. 26377 dated 15 December 2006. However the said Article was vetoed by the President and on 2 November 2005 the President initiated a lawsuit before the Turkish Constitutional Court in order to rescind certain paragraphs of the provisional article no.23.

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

Significant accounting policies (continued)

On 22 March 2007, the Turkish Constitutional Court reached a verdict with regards to the suspension of the execution of the first paragraph of provisional article no.23 of the Turkish Banking Law, which requires the transfer of pension funds to SSK, until the decision regarding the cancellation thereof is published in the Official Gazette. As stipulated in the other relevant articles of the Turkish Banking Law, namely article no.58, provisional article no.7 and in light of the legal opinions obtained, it is interpreted that it is against the law for the banks to transfer any resources to pension funds to cover their deficits effective from 31 December 2007. Besides, BRSA expressed its opinion that the cancellation of the transfer of pension funds to SSK will not have any impact on the measurement principles of the existing liability of the banks in the subsequent periods.

The Bank obtained an actuarial report from an actuary who is registered with the Undersecretariat of the Treasury regarding this Fund in accordance with the Decree on the Principles and Procedures of Determining the Application of Transfer Transactions ("the Decree"), published in the Official Gazette dated 15 December 2006 with number 26377 by the Decision of Council of Ministers no. 2006/11345. Based on this Decree, the actuarial balance sheet of the Fund has been prepared in accordance with technical interest rate of 10.24% and the CSO mortality table, and reflects no technical deficit at 31 December 2006. Furthermore, the Bank management believes that the Fund is capable of meeting its liabilities to be calculated by the commission mentioned above during the transfer of the Fund without any burden to the Bank.

Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Bank and its affiliates arising from the retirement of the employees and calculated in accordance with the Turkish Labor Law. It is computed and reflected in the financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment are YTL 2,030.19 and YTL 1,857.44 at 30 September 2007 and 31 December 2006, respectively.

International Financial Reporting Standards require actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. The principal actuarial assumptions used in the calculation of the total liability in the accompanying consolidated financial statements at 30 September 2007 and 31 December 2006 are as follows:

	30 September 2007 %	***31 December 2006 %***
Discount rate	5.71	5.71
Expected rate of salary/limit increase	5.00	5.00
Turnover rate to estimate the probability of retirement	5.25	5.25

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

Significant accounting policies (continued)

(o) Taxes on income

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

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

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

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

(p) Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses from a group of similar transactions.

(q) Earnings per share

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

Significant accounting policies (continued)

Additionally, considering the fact that the increase in the number of shares issued by way of bonus shares in fact does not require any cash injection by the shareholders; the number of issued shares outstanding before such bonus share issuances is adjusted for the proportionate change in the number of issued shares outstanding as if the event had occurred at the beginning of the earliest period reported.

(r) Impairment

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

Loans and receivables and held-to-maturity instruments

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

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

Financial assets remeasured to fair value

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

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

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

Significant accounting policies (continued)

(s) Income and expense recognition

Interest income and expense

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

Fee and commission

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

Net trading income

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

Dividend income

Dividend income is recognized in the income statement when received.

Insurance business

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

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

Significant accounting policies (continued)

Claims and provision for "outstanding" claims: Claims incurred include all claims (including claim estimates) and claims settlement payments made in respect of the financial period and the movement in provision for outstanding claims and settlement expenses. Provisions for outstanding claims and settlement expenses include claims incurred but not reported (IBNR), net of salvage and subrogation recoveries.

Life mathematical reserves: The life mathematical reserves have been calculated on the life policies in force at period-end by using actuarial assumptions and formulas approved by the Prime Ministry Undersecretariat of Treasury ("Treasury").

Life profit share reserve: Life profit share is the portion of investment income allocated to life policy holders from income generated due to premiums of life policies with a savings clause. Such policies normally have at least 10 years of maturity and policy holders are entitled to receive a profit share after 3 years from the date of policy issuance. Profit share is calculated on an individual policy basis. Investment income presented within income from insurance operations represents income generated through utilisation of funds associated with mathematical reserves in various investment tools whereas the provision for profit share represents the amount allocated to policy holders out of investment income after certain deductions.

Liability adequacy test: At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. Any deficiency is immediately charged to the income statement. The Bank has no additional liability with respect to the life insurance portfolio of its affiliate since in its revised tariffs, the affiliate changed the basis of its life profit share calculation to guarantee an annual return of the lower of the guaranteed rate or the annual inflation rate.

(t) Non-current assets held for sale

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

(u) Segment reporting

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

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

Index for the notes to the consolidated financial statements:

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

1 Segment reporting

Segment information is presented in respect of the Bank and its affiliates' geographical and business segments. The primary format, business segments, is based on the Bank and its affiliates. Measurement of segment assets and liabilities and segment results is based on the accounting policies set out in the accounting policy notes.

1.1 Geographical segments

The Bank and its affiliates operate principally in Turkey, but also have operations in Holland, Russia, Ireland, Turkish Republic of Northern Cyprus, Malta, Luxembourg, Germany and Romania. Total geographic sector risk concentrations, both on and off balance sheet, are presented in the table below:

	30 September 2007				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	35,986,330	59,040,278	44,466,516	10,374,176	158,370
England	111,159	1,601,864	3,131,589	294,154	-
Germany	29,712	1,454,679	2,384,437	167,051	-
Holland	469,090	1,173,546	1,084,662	41,318	14,711
Russia	438,850	1,051,154	83,701	55,733	438
Romania	228,793	305,603	207,062	65,543	-
USA	36,294	294,689	5,020,381	203,030	-
France	12,641	267,287	29,611	199,435	-
Others	541,935	1,392,839	3,359,381	746,028	-
	37,854,804	66,581,939	59,767,340	12,146,468	173,519

	31 December 2006				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	29,237,572	52,062,163	37,693,554	8,458,958	165,751
Germany	33,379	989,234	2,131,261	68,609	-
Russia	449,618	898,077	64,593	31,058	615
Holland	279,436	464,682	979,207	259,873	7,736
USA	49,625	405,167	4,473,149	16,187	-
Romania	222,998	319,181	228,182	46,682	-
France	12,144	301,995	32,019	27,514	-
England	88,461	171,282	2,533,648	65,719	-
Others	251,958	1,302,449	3,838,213	1,072,776	-
	30,625,191	56,914,230	51,973,826	10,047,376	174,102

Total geographic sector risk concentrations on income statement is presented in the table below:

	Nine-month period ended 30 September 2007	***Three-month period ended 30 September 2007***	***Nine-month period ended 30 September 2006***	***Three-month period ended 30 September 2006***
Turkey	1,962,028	494,979	784,593	281,348
Malta	47,055	7,921	26,884	21,132
Holland	33,459	9,521	33,329	9,040
Others	18,876	9,460	23,115	8,075
	2,061,418	521,881	867,921	319,595

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

1 **Segment reporting** (continued)

1.2 Business segments

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

30 September 2007	*Retail Banking*	*Commercial, Corporate & SME Banking*	*Other Operations*	*Eliminations*	*Total Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial*	*Other Non-Financial*	*Combined*	*Eliminations*	*Total*
Operating income	1,297,845	1,044,752	1,701,637	-	4,044,234	77,038	203,500	16,083	29,094	17,310	4,387,259	(69,391)	4,317,868
Operating expenses	(547,991)	(331,069)	(802,350)	-	(1,681,410)	(39,520)	(126,117)	(11,100)	(23,542)	(16,727)	(1,898,416)	18,107	(1,880,309)
Income/(loss) from operations	**749,854**	**713,683**	**899,287**	-	**2,362,824**	**37,518**	**77,383**	**4,983**	**5,552**	**583**	**2,488,843**	**(51,284)**	**2,437,559**
Taxation charge	-	-	(361,513)	-	(361,513)	(71)	(11,653)	(993)	(1,737)	(174)	(376,141)	-	(376,141)
Net income for the period	**749,854**	**713,683**	**537,774**	**-**	**2,001,311**	**37,447**	**65,730**	**3,990**	**3,815**	**409**	**2,112,702**	**(51,284)**	**2,061,418**
Segment assets	12,796,937	24,298,397	25,891,949	(171,216)	62,816,067	1,849,140	699,563	416,501	42,528	10,059	65,833,858	(528,294)	65,305,564
Investments in equity participations	-	-	325,487	-	325,487	250	275	9,635	4,726	1,121	341,494	(295,592)	45,902
Unallocated assets	-	-	1,159,796	-	1,159,796	17,049	8,898	1,323	4,596	956	1,192,618	37,855	1,230,473
Total assets	**12,796,937**	**24,298,397**	**27,377,232**	**(171,216)**	**64,301,350**	**1,866,439**	**708,736**	**427,459**	**51,850**	**12,136**	**67,367,970**	**(786,031)**	**66,581,939**
Segment liabilities	22,591,121	13,873,456	21,293,485	(171,216)	57,586,846	1,672,525	623,440	389,423	6,186	4,652	60,283,072	(515,732)	59,767,340
Shareholders' equity and minority interest	-	-	6,714,504	-	6,714,504	193,914	85,296	38,036	45,664	7,484	7,084,898	(270,299)	6,814,599
Total liabilities, shareholders' equity and minority interest	**22,591,121**	**13,873,456**	**28,007,989**	**(171,216)**	**64,301,350**	**1,866,439**	**708,736**	**427,459**	**51,850**	**12,136**	**67,367,970**	**(786,031)**	**66,581,939**

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

1 **Segment reporting** (continued)

30 September 2006	***Retail Banking***	***Commercial, Corporate & SME Banking***	***Other Operations***	***Eliminations***	***Total Banking***	***Leasing***	***Insurance***	***Factoring***	***Other Financial***	***Other Non-Financial***	***Combined***	***Eliminations***	***Total***
Operating income	1,127,579	802,386	454,795	-	2,384,760	54,084	194,440	16,288	31,343	18,982	2,699,897	(78,828)	2,621,069
Operating expenses	(421,776)	(278,323)	(641,025)	-	(1,341,124)	(25,453)	(152,988)	(11,842)	(28,819)	(18,865)	(1,579,091)	36,682	(1,542,409)
Income/(loss) from operations	**705,803**	**524,063**	**(186,230)**	**-**	**1,043,636**	**28,631**	**41,452**	**4,446**	**2,524**	**117**	**1,120,806**	**(42,146)**	**1,078,660**
Taxation charge	-	-	(201,586)	-	(201,586)	-	(7,502)	(1,052)	(393)	(206)	(210,739)	-	(210,739)
Net income for the period	**705,803**	**524,063**	**(387,816)**	**-**	**842,050**	**28,631**	**33,950**	**3,394**	**2,131**	**(89)**	**910,067**	**(42,146)**	**867,921**
31 December 2006													
Segment assets	10,426,782	19,133,900	24,114,995	(72,009)	53,603,668	1,351,525	682,431	540,427	37,194	9,979	56,225,224	(513,884)	55,711,340
Investments in equity participations	-	-	362,711	-	362,711	-	365	9,635	5,453	1,120	379,284	(359,789)	19,495
Unallocated assets	-	-	1,100,109	-	1,100,109	17,494	20,531	2,820	3,770	939	1,145,663	37,732	1,183,395
Total assets	**10,426,782**	**19,133,900**	**25,577,815**	**(72,009)**	**55,066,488**	**1,369,019**	**703,327**	**552,882**	**46,417**	**12,038**	**57,750,171**	**(835,941)**	**56,914,230**
Segment liabilities	17,580,830	12,786,322	19,881,423	(72,009)	50,176,566	1,212,552	564,868	518,837	2,439	4,964	52,480,226	(506,400)	51,973,826
Shareholders' equity and minority interest	-	-	4,889,922	-	4,889,922	156,467	138,459	34,045	43,978	7,074	5,269,945	(329,541)	4,940,404
Total liabilities, shareholders' equity and minority interest	**17,580,830**	**12,786,322**	**24,771,345**	**(72,009)**	**55,066,488**	**1,369,019**	**703,327**	**552,882**	**46,417**	**12,038**	**57,750,171**	**(835,941)**	**56,914,230**

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

2 Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, due from banks with original maturity periods of less than three months and other cash items. Cash and cash equivalents as at 30 September 2007 and 2006, included in the accompanying consolidated statements of cash flows are as follows:

	30 September 2007	*30 September 2006*
Cash at branches	309,356	220,615
Loans and advances to banks with original maturity periods of less than three months	3,858,312	3,845,264
	4,167,668	4,065,879

3 Related party disclosures

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

3.1 Outstanding balances

	30 September 2007	*31 December 2006*
Balance sheet		
Loans and advances to customers	169,384	82,620
Loans granted in YTL	*116,131*	*49,929*
Loans granted in foreign currencies:	*US$ 29,687,130*	*US$ 22,369,176*
	EUR 10,193,730	*EUR 808,490*
Miscellaneous receivables	211,940	223,823
Deposits received	839,548	645,328
Commitments and contingencies		
Non-cash loans	128,865	51,302

3.2 Transactions

	Nine-month period ended 30 September 2007	*Three-month period ended 30 September 2007*	*Nine-month period ended 30 September 2006*	*Three-month period ended 30 September 2006*
Interest income	5,300	2,032	3,719	643
Interest expense	42,638	20,203	53,065	17,595

In 2007, interest rates applied to foreign currency receivables from and payables to related parties vary within the ranges of 3.1%-9.0% and 3.8%-15.1% (31 December 2006: 4.0%-10.4% and 1.5%-7.4%), respectively. The interest rates applied to YTL receivables from and payables to related parties vary within the ranges of 4.3%-21.6% and 15.0%-19.0% (31 December: 2006: 7%-21% and 10%-22%). Various commission rates are applied to transactions involving guarantees and commitments.

3 Related party disclosures (continued)

No impairment losses have been recorded against balances outstanding during the period with related parties and no specific allowance has been made for impairment losses on balances with the related parties at the year-end.

Key management personnel compensation for the nine-month period ended 30 September 2007 amounted YTL 48,435 thousands (30 September 2006: YTL 40,793 thousands) on a consolidated basis. Within this total, individual key management expenses of the Bank amounted YTL 30,525 thousands (30 September 2006: YTL 21,623 thousands), of its financial affiliates amounted YTL 17,910 thousands (30 September 2006: YTL 19,170 thousands).

Doğuş Holding AŞ, signed an agreement ("the Agreement") with General Electric (GE) on 24 August 2005 for the sale of 53.550.000.000 shares representing 25.5% of the Bank's issued share capital. According to the terms of the Agreement, certain affiliates, associates and real estates were to be taken over by Doğuş Holding AŞ at a total price of YTL 958 millions calculated based on the consolidated financial statements as of 31 March 2005 of which 50% was paid at the closing date and the remaining to be paid in two equal instalments at the first and second anniversaries. Accordingly, the shares of Voyager Mediterranean Turizm End. ve Tic. AŞ, Sititur Turizm Taşımacılık Org. AŞ, Lasaş Lastik San. ve Tic. AŞ, Doğuş Hava Taşımacılığı AŞ and, Şahintur Şahinler Otelcilik Turizm Yatırım İşletmeleri AŞ as its consolidated affiliate and Doğuş Turizm Sağlık Yat. İşlt. Tic. AŞ. having a total book value of YTL 508,432 thousands were sold to Doğuş Holding AŞ at a total sale price of YTL 503,490 thousands in December 2005. Subsequent to the year end 2005, the assets that are categorized as the second group representing certain equity participations, namely Garanti Turizm Yatırım ve İşletmeleri AŞ and Doc Finance SA with a total book value of YTL 31,556 thousands and certain real estates either in use or held for sale having a total book value of YTL 242,261 thousands were altogether sold to Doğuş Holding AŞ on 17 April 2006. YTL 100,000 thousands of the total sale price amounting YTL 273,397 thousands was collected on the date of sale and the remaining are to be collected in two equal instalments, each amounting YTL 86,698.5 thousands, on 22 December 2006 and 24 December 2007. In December 2006, the first installments of the first and second group asset sales were fully collected by the Bank. As of 30 September 2007, the Bank's net receivable from Doğuş Holding AŞ on these sales amounted YTL 205,050 thousands (31 December 2006: YTL 198,329 thousands), which is reflected in "miscellaneous receivables" (Note 9), in the accompanying consolidated financial statements.

The Bank sold a real estate, a building in Maslak, acquired against its impaired assets to Doğuş Holding AŞ on 15 August 2006. US$ 20 millions of the sale price of US$ 32 millions was collected on the date of sale. The remaining US$ 12 millions will be collected at 31 December 2008. Accordingly, a gain of YTL 2,634 thousands on this sale is recorded as of 31 December 2006.

The Bank's two consolidated financial affiliates, having in total 76% ownership in Cappadocia Investments Ltd. with a share capital of GBP 4,700,000 sold their shares in this company before the end of November 2006 with a total book value of YTL 5,298 thousands to a related party. Accordingly, a total loss of YTL 670 thousands is recognized as of 31 December 2006 on this sale.

On 1 December 2006, the Bank sold its 50.98% participation in Garanti Gayrimenkul Yatırım Ortaklığı AŞ, a consolidated affiliate, to Doğuş Holding AŞ and GE Capital Corporation. In the accompanying consolidated financial statements, the Bank incurred a gain of YTL 15,772 thousands on this sale as of 31 December 2006.

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

4 Cash and balances with central banks

	30 September 2007	*31 December 2006*
Cash at branches	309,356	335,284
Balances with central banks excluding reserve deposits	2,008,006	2,120,881
	2,317,362	2,456,165

5 Financial assets at fair value through profit or loss

	30 September 2007				*31 December 2006*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments held at fair value:					
Government bonds in YTL	224,236	201,862	14-21	2012	39,709
Bonds issued by foreign institutions	103,772	106,942	9	2010	129,789
Eurobonds	53,921	62,245	5-12	2036	65,488
Gold	-	61,562	-	-	16,601
Discounted government bonds in YTL	41,721	35,264	17-18	2009	46,357
Bonds issued by corporations	22,240	23,060	8-21	2012	50,513
Government bonds in foreign currency	16,984	17,485	6-7	2010	63,123
Government bonds at floating rates	3,925	4,088	19-22	2014	258
Others		55,508			8,642
		568,016			420,480
Equity and other non-fixed income instruments:					
Forfeiting receivables		497,386			598,928
Listed shares		171			13
Total financial assets at fair value through profit or loss		1,065,573			1,019,421

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

Net income from trading of financial assets is detailed in the table below:

	Nine-month period ended 30 September 2007	*Three-month period ended 30 September 2007*	*Nine-month period ended 30 September 2006*	*Three-month period ended 30 September 2006*
Fixed / floating securities	59,146	6,449	56,936	6,561
Foreign exchange transactions	(12,468)	(8,961)	901	4,379
Derivate transactions	(155,412)	(33,527)	(14,999)	(27,801)
Trading income/(loss), net	(108,734)	(36,039)	42,838	(16,861)

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

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

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to YTL 136,098 thousands (31 December 2006: YTL 133,500 thousands).

As at 30 September 2007, financial assets at fair value through profit or loss amounting of YTL 1,833 thousands are blocked against asset management operation and insurance business related transactions (31 December 2006: YTL 8,017 thousands).

6 Loans and advances to banks

	30 September 2007			*31 December 2006*		
	YTL	*Foreign Currency*	*Total*	*YTL*	*Foreign Currency*	*Total*
Loans and advances-demand						
Domestic banks	658	7,225	7,883	4,972	1,856	6,828
Foreign banks	35,617	187,885	223,502	19,391	130,339	149,730
	36,275	195,110	231,385	24,363	132,195	156,558
Loans and advances-time						
Domestic banks	187,679	677,974	865,653	131,825	818,544	950,369
Foreign banks	669,302	2,207,428	2,876,730	96,910	1,320,241	1,417,151
	856,981	2,885,402	3,742,383	228,735	2,138,785	2,367,520
Accrued interest on loans and advances	43,190	26,681	69,871	3,252	5,168	8,420
Total loans and advances to banks	936,446	3,107,193	4,043,639	256,350	2,276,148	2,532,498
Less: allowance for uncollectibility	-	-	-	-	-	-
Net loans and advances to banks	936,446	3,107,193	4,043,639	256,350	2,276,148	2,532,498

As at 30 September 2007, loans and advances-time are almost all short-term, maturing within one year, with interest rates ranging between 4%-11% per annum for foreign currency time placements and 17%-30% per annum for YTL time placements (31 December 2006: 3%-9% and 16%-22%, respectively).

As at 30 September 2007, loans and advances at domestic and foreign banks include blocked accounts of YTL 1,069,363 thousands (31 December 2006: YTL 255,541 thousands) held against "Diversified Payment Rights" securitizations, fundings, legal legislations for the branches operating in foreign countries, and insurance business.

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

7 Loans and advances to customers

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

	30 September 2007	*31 December 2006*
Consumer loans	12,707,011	10,183,767
Service sector	2,408,689	2,394,690
Financial institutions	2,108,405	1,604,898
Construction	1,939,586	1,102,000
Transportation vehicles and sub-industry	1,485,847	1,123,609
Textile	1,484,946	1,285,261
Food	1,450,262	1,459,621
Transportation and logistics	1,437,223	1,240,510
Metal and metal products	1,346,136	1,058,125
Data processing	1,234,153	758,775
Energy	1,190,694	1,456,498
Durable consumption	986,304	496,298
Tourism	876,122	747,431
Agriculture and stockbreeding	656,628	485,835
Machinery and equipments	532,368	379,768
Chemistry and chemical product	439,602	399,382
Stone, rock and related products	427,773	231,364
Electronic, optical and medical equipment	420,512	359,050
Mining	299,583	216,172
Paper and paper products	267,692	225,405
Plastic products	255,115	166,803
Others	1,137,748	1,033,685
Total performing loans	35,092,399	28,408,947
Non-performing loans and lease receivables	827,526	657,722
Total gross loans	35,919,925	29,066,669
Financial lease receivables, net of unearned income (Note 8)	1,740,114	1,269,727
Factoring receivables	372,736	402,600
Accrued interest income on loans and lease receivables	544,543	481,219
Allowance for possible losses from loans and lease receivables	(722,514)	(595,024)
Loans and advances to customers	37,854,804	30,625,191

As at 30 September 2007, interest rates on loans granted to customers range between 1%-16% (31 December 2006: 3%-14%) per annum for the foreign currency loans and 12%-28% (31 December 2006: 14%-31%) per annum for the YTL loans.

The factoring payables amounting YTL 178,561 thousands are netted with the same amount of factoring receivables as of 31 December 2006.

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

7 Loans and advances to customers (continued)

The provision for possible losses is comprised of amounts for specifically identified as being impaired and non-performing loans and advances and a further portfolio-basis amount considered adequate to cover the residual inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers. The amount of the portfolio basis allowance is YTL 146,930 thousands (31 December 2006: YTL 85,178 thousands).

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

	30 September 2007	*31 December 2006*
Balance at the beginning of the period	595,024	569,141
Write-offs	(57,953)	(109,429)
Recoveries and reversals	(35,764)	(85,988)
Provision for the period	221,207	221,300
Balance at the end of the period	722,514	595,024

Movement in the portfolio basis allowance are as follows:

	30 September 2007	*31 December 2006*
Balance at the beginning of the period	85,178	76,573
Provision for the period, net	61,752	8,605
Balance at the end of the period	146,930	85,178

8 Financial lease receivables

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

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

	30 September 2007	*31 December 2006*
Financial lease receivables, net of unearned income (Note 7)	1,740,114	1,269,727
Add: non-performing lease receivables	15,196	13,488
Less: allowance for possible losses on lease receivables	(15,196)	(8,895)
	1,740,114	1,274,320
Accrued interest on lease receivables	23,928	12,548
Analysis of net financial lease receivables		
Due within 1 year	918,134	700,208
Due between 1 and 5 years	1,090,067	778,478
Financial lease receivables, gross	2,008,201	1,478,686
Unearned income	(268,087)	(204,366)
Financial lease receivables, net	1,740,114	1,274,320
Analysis of net financial lease receivables, net		
Due within 1 year	773,003	589,234
Due between 1 and 5 years	967,111	685,086
Financial lease receivables, net	1,740,114	1,274,320

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

9 Other assets

	30 September 2007	*31 December 2006*
Reserve deposits at the Central Bank of Turkey	2,502,878	2,924,704
Insurance premium receivables	519,828	412,843
Miscellaneous receivables (Note 3)	395,937	356,575
Prepaid expenses, insurance claims and similar items	184,195	140,172
Accrued exchange gain on derivatives	103,062	59,921
Tangible assets held for sale	102,137	115,196
Clearing house	58,344	33,508
Prepaid taxes and taxes and funds to be refunded	20,641	16,000
Others	39,580	51,555
	3,926,602	4,110,474

At 30 September 2007, reserve deposits at the Central Bank of Turkey are kept as minimum reserve requirement. These funds are not available for the daily business of the Bank and its affiliates. As required by the Turkish Banking Law, these reserve deposits are calculated on the basis of customer deposits taken at the rates determined by the Central Bank of Turkey. In accordance with the current legislation, the reserve deposit rates for YTL and foreign currency deposits are 6% and 11%, respectively. These reserve deposit rates are applicable to both time and demand deposits. Interest rates applied for reserve requirements are 12.93% (31 December 2006: 13.12%) for YTL deposits and 1.700% and 2.325% (31 December 2006: 1.73% and 2.515%) for foreign currency deposits in US$ and Euro.

YTL 94,751 thousands (31 December 2006: YTL 99,443 thousands) of the tangible assets held for sale is comprised of foreclosed real estate acquired by the Bank against its impaired receivables. Such assets are required to be disposed of within three years following their acquisitions per the Turkish Banking Law. This three year period can be extended by a legal permission from the regulators. In case of real estates held for sale, this requirement is valid only if the legal limit on the size of the real estate portfolio that a bank can maintain is exceeded. Currently, as the Bank is within this legal limit, it is not subject to the above requirement.

The Bank sold a significant part of its tangible assets held for sale to Doğuş Holding AŞ on 17 April 2006 as explained in detail in Note 3.

Impairment losses provided on real estates held for sale were determined based on the appraisals of independent appraisal firms. As of 30 September 2007, real estates held for sale costing YTL 100,187 thousands (31 December 2006: YTL 123,085 thousands) have been impaired by YTL 7,194 thousands (31 December YTL 8,100 thousands).

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

10 Security investments

	30 September 2007				31 December 2006
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments available-for-sale:					
Government bonds at floating rates	3,578,564	3,724,656	19-22	2014	3,797,572
Discounted government bonds in YTL	3,167,411	2,656,591	17-18	2009	1,725,401
Eurobonds	1,442,706	1,539,555	5-12	2036	1,417,448
Bonds issued by corporations ***(a)***	1,295,280	1,308,467	6-21	2017	1,072,209
Government bonds in YTL	1,251,332	1,254,833	14-21	2012	54,067
Government bonds in foreign currency	873,456	896,195	7	2010	1,587,007
Bonds issued by financial institutions	147,976	150,356	5-12	2013	46,221
Government bonds indexed to consumer price index	99,155	105,501	10	2012	-
Bonds issued by foreign governments	28,364	43,792	6-13	2028	50,465
Others ***(b)***		54,010			44,576
Total securities available-for-sale		11,733,956			9,794,966
Debt and other instruments held-to-maturity:					
Government bonds at floating rates	2,700,411	2,836,367	***(c)***	2011	2,782,304
Eurobonds	699,220	755,118	8-12	2030	941,289
Government bonds in YTL	594,227	584,472	14-20	2011	567,896
Bonds issued by foreign governments	120,500	122,086	3	2008	140,978
Bonds issued by corporations	2,678	2,720	8-9	2014	22,263
Discounted government bonds in YTL		-			412,148
Other		23,678			46,143
		4,324,441			4,913,021
Accrued interest on held-to-maturity portfolio		39,187			259,604
Total securities held-to-maturity		4,363,628			5,172,625
Total security investments		16,097,584			14,967,591

(a) *Bonds issued by corporations include credit linked notes with face value amounting to YTL 1,054,375 thousands (31 December 2006: YTL 871,875 thousands) and carrying value amounting to YTL 1,067,177 thousands (31 December: YTL 897,013 thousands) that are linked to the default risk of the Turkish Government. All bonds issued by corporations are valued at amortized cost since these financial assets are not quoted in an active market. The consolidated factoring affiliate's "financial assets available-for-sale" portfolio also includes private sector bonds with "credit linked notes" at a total face value of US$ 24,535,000 and EUR 1,000,000 (31 December 2006: -) and a total carrying value of YTL 31,802 thousands (31 December 2006: -).*

(b) *In 2006, the Bank recorded 424,159 shares of MasterCard Incorporated at a total nominal value of US$ 42.42 acquired free of charge for its credit card marketing activities on MasterCard. As of 27 July 2006, the Bank sold 250,254 shares of MasterCard Incorporated at a total nominal value of US$ 25.03 amounting to US$ 7,698,964.21. As of 30 September 2007 the Bank recorded 173,905 shares of MasterCard Incorporated at a nominal value of US$ 17.39 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 investment securities available-for-sale portfolio.*

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

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

10 Security investments (continued)

Movements in the allowance for security investments are as follows:

	30 September 2007	*31 December 2006*
Balance at the beginning of the period	55,472	34,731
Provision for the period, net	1,169	20,741
Balance at the end of the period	56,641	55,472

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

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to YTL 7,277,830 thousands (31 December 2006: YTL 6,066,007 thousands).

In 2006, the Bank reclassified certain security investments, previously classified in its securities available-for-sale portfolio, amounting YTL 2,993,773 thousands with total face value of YTL 2,936,112 thousands to its securities held-to-maturity portfolio. Such securities are included in the securities held-to-maturity portfolio above 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.

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

	30 September 2007		*31 December 2006*	
	Face Value	*Carrying value*	*Face Value*	*Carrying value*
Deposited at Istanbul Stock Exchange	5,196,342	5,194,947	4,155,068	4,045,302
Collateralized to foreign banks	2,263,514	2,350,923	2,503,622	2,740,629
Deposited at CBT for interbank transactions	525,975	539,211	594,050	615,547
Deposited at CBT for foreign currency money market transactions	193,075	203,059	13,950	14,468
Deposited at CBT for repurchase transactions	88,135	92,942	83,553	78,555
Deposited at Clearing Bank (Takasbank)	92,004	89,106	42,223	41,627
Others		38,021		45,452
		8,508,209		7,581,580

11 Investments in equity participations

	30 September 2007		*31 December 2006*	
	Carrying Value	*Ownership %*	*Carrying Value*	*Ownership %*
Investments in associated companies				
Eureko Sigorta AŞ	26,058	20.00	-	-
İMKB Takasbank AŞ	11,915	5.83	11,915	5.83
Others	7,929		7,580	
	45,902		19,495	

As discussed in more detail in Note 29, 80% shares of a previously consolidated affiliate, Garanti Sigorta AŞ, owned by the Bank are sold to Eureko BV on 21 June 2006. After the sale, the remaining 20% is reclassified to investments in equity participations and accounted under equity method of accounting. Subsequent to this sale, at 1 October 2007 the legal name of the company has been changed as Eureko Sigorta AŞ.

The Bank’s two consolidated financial affiliates, having together a total 76% ownership in Cappadocia Investments Ltd. with a share capital of GBP 4,700,000, sold their shares in this company before the end of November 2006 with a total book value of YTL 5,298 thousands to a related party. Accordingly a total of YTL 670 thousands loss is recognized as of 31 December 2006 in the accompanying consolidated financial statemets on this sale.

As discussed in more detail in Note 3, in accordance with the Agreement signed between Doğuş Holding AŞ and GE on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank’s issued share capital, certain equity participations that are categorized in the second group of the agreement, namely Garanti Turizm Yatırım ve İşletmeleri AŞ and Doc Finance SA with a total book value of YTL 31,556 thousands were also sold to Doğuş Holding AŞ on 17 April 2006.

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.

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

Impairment losses of YTL 1,551 thousands as of 30 September 2006 (30 September 2007: -) are provided for the decreases in the value of certain investments in equity participations. Accordingly, the cumulative provisions for such impairment losses amounted to YTL 3,906 thousands as of 30 September 2007 (31 December 2006 : YTL 3,931 thousands).

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

12 Tangible assets

Movement in tangible assets from 1 January to 30 September 2007 is as follows:

	1 January	*Additions*	*Adjustment for Currency Translation*	*Disposals*	*30 September*
Costs					
Land and buildings	1,061,922	13,223	(4,304)	(19,088)	1,051,753
Furniture, fixture and equipments	1,105,376	118,556	(1,106)	(134,331)	1,088,495
Leasehold improvements	214,480	36,515	(571)	(15,302)	235,122
	2,381,778	168,294	(5,981)	(168,721)	2,375,370
Less: Accumulated depreciation					
Buildings	210,477	16,883	(391)	(2,622)	224,347
Furniture, fixture and equipments	843,754	97,759	(664)	(127,308)	813,541
Leasehold improvements	137,258	18,628	(318)	(10,982)	144,586
	1,191,489	133,270	(1,373)	(140,912)	1,182,474
Construction in progress	7,335	5,225 **(a)**			12,560
	1,197,624				1,205,456
Impairment in value of tangible assets	(118,375)				(112,454)
	1,079,249				1,093,002

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

	1 January	*Additions*	*Adjustment for Currency Translation*	*Disposals*	*31 December*
Costs					
Land and buildings	1,166,780	18,096	8,275	(131,229)	1,061,922
Furniture, fixture and equipments	1,097,093	82,927	2,171	(76,815)	1,105,376
Leasehold improvements	146,735	73,079	1,602	(6,936)	214,480
	2,410,608	174,102	12,048	(214,980)	2,381,778
Less: Accumulated depreciation					
Buildings	195,105	22,025	418	(7,071)	210,477
Furniture, fixture and equipments	796,939	100,861	1,138	(55,184)	843,754
Leasehold improvements	94,559	45,638	517	(3,456)	137,258
	1,086,603	168,524	2,073	(65,711)	1,191,489
Construction in progress	22,001			(14,666) **(a)**	7,335
	1,346,006				1,197,624
Impairment in value of tangible assets	(126,593)				(118,375)
	1,219,413				1,079,249

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

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

12 Tangible assets (continued)

A portion of the disposals during the nine-month period of 2007 amounting to YTL 14,099 thousands represented the tangible assets of the consolidated affiliate that is recorded under equity method of accounting in the accompanying consolidated financial statements as of 30 September 2007 following the sale of 80% ownership in this company by the Bank in June 2007 as discussed in more detail in Note 29.

A significant portion of the disposals during the year 2006 amounting to YTL 108,087 thousands mainly represented the tangible assets of a consolidated affiliate that was sold in December 2006.

Depreciation expense for the nine-month period ended and the three-month period ended 30 September 2007 amounts to YTL 133,270 thousands and YTL 46,471 thousands respectively (the nine-month period ended 30 September 2006: YTL 125,767 thousands and the three-month period ended 30 September 2006: YTL 42,947 thousands).

Assessment of the independent appraiser firms have been taken into consideration in the determination of the impairment losses provided for land and buildings. As of 30 September 2007, land and buildings at a total net book value before impairment of YTL 408,585 thousands (31 December 2006: YTL 427,838 thousands) have been impaired by YTL 112,454 thousands (31 December 2006: YTL 118,375 thousands).

13 Goodwill

As of 30 September 2007, goodwill arises from the direct acquisitions of 100.00% ownership in Garanti Yatırım Menkul Kıymetler AŞ, 98.94% ownership in Garanti Finansal Kiralama AŞ, 84.91% ownership in Garanti Emeklilik ve Hayat AŞ, 81.84% ownership in Garanti Faktoring Hizmetleri AŞ and 20.00% ownership in Eureko Sigorta AŞ consisting of the excesses of the total acquisition costs over net assets of these consolidated entities at the dates of their acquisition as follows:

	30 September 2007	*31 December 2006*
Garanti Yatırım Menkul Kıymetler AŞ	20,984	20,984
Garanti Finans Faktoring Hizmetleri AŞ	6,697	6,697
Garanti Finansal Kiralama AŞ	5,233	5,233
Eureko Sigorta AŞ	222	1,099
Garanti Emeklilik ve Hayat AŞ	34	38
	33,170	34,051
Impairment of goodwill	-	-
	33,170	34,051

Impairment losses are provided for decrease in the net asset value of the consolidated entities by assessing their internal and external resources.

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

14 Deposits from banks

Deposits from banks comprise the following:

	30 September 2007	*31 December 2006*
Payable on demand	380,764	310,970
Term deposits	774,582	1,250,815
	1,155,346	1,561,785
Accrued interest on deposits from banks	5,832	11,945
	1,161,178	1,573,730

Deposits from banks include both YTL accounts amounting YTL 452,330 thousands (31 December 2006: YTL 705,482 thousands) and foreign currency accounts amounting YTL 703,016 thousands (31 December 2006: YTL 856,303 thousands) in total. As at 30 September 2007, interest rates applicable to YTL bank deposits and foreign currency bank deposits vary within ranges of 16%-21% and 3%-11% (31 December 2006: 14%-23% and 2%-7%), respectively.

15 Deposits from customers

Deposits from customers comprise the following:

	30 September 2007			*31 December 2006*
	Demand	*Time*	*Total*	*Total*
Foreign currency	5,251,002	15,237,326	20,488,328	18,567,949
Saving	1,034,096	10,305,983	11,340,079	9,062,046
Commercial	1,555,576	3,472,543	5,028,119	4,034,746
Public and other	267,732	139,685	407,417	461,590
	8,108,406	29,155,537	37,263,943	32,126,331
Accrued interest expense on deposits from customers	20,598	197,438	218,036	168,226
	8,129,004	29,352,975	37,481,979	32,294,557

As at 30 September 2007, interest rates applicable to YTL deposits and foreign currency deposits vary within ranges of 13%-21% and 1%-12% (31 December 2006: 11%-22% and 1%-11%), respectively.

As at 30 September 2007, subordinated deposits obtained by the consolidated banking affiliate in Holland amounting EUR 48 millions (equivalent of YTL 82,369 thousands) are included in foreign currency time deposits (31 December 2006: equivalent of YTL 88,217 thousands).

16 Obligations under repurchase agreements

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

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

16 Obligations under repurchase agreements (continued)

Assets sold under repurchase agreements comprise the following:

	Carrying value	*Fair value of underlying assets*	*Carrying amount of corresponding liabilities*	*Range of repurchase dates*	*Repurchase price*
30 September 2007					
Financial assets at fair value through profit or loss	136,098	136,098	127,927	Oct'07-Dec'08	129,967
Security investments	7,277,830	7,247,563	6,315,041	Oct'07-Feb'11	6,354,153
	7,413,928	7,383,661	6,442,968		6,484,120
31 December 2006					
Financial assets at fair value through profit or loss	133,500	133,500	120,815	Jan'07-Dec'08	127,240
Security investments	6,066,007	6,065,690	5,174,727	Jan'07-Feb'11	5,232,163
	6,199,507	6,199,190	5,295,542		5,359,403

Accrued interest on obligations under repurchase agreements amounting to YTL 65,627 thousands (31 December 2006: YTL 75,536 thousands) is included in the carrying amount of corresponding liabilities.

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

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As at 30 September 2007, the maturities of the obligations varied from one day to four years and interest rates varied between 4%-20% (31 December 2006: 3%-19%).

17 Loans and advances from banks

Loans and advances from banks comprise the following:

	30 September 2007	*31 December 2006*
Short-term borrowings		
Domestic banks	617,120	583,132
Foreign banks	1,602,554	2,402,850
	2,219,674	2,985,982
Long-term debts		
Short-term portion	1,883,709	838,385
Medium and long-term portion	6,775,113	5,720,056
	8,658,822	6,558,441
Accrued interest on loans and advances from banks	140,133	105,347
	11,018,629	9,649,770

As at 30 September 2007, loans and advances from banks included various promissory notes amounting to YTL 1,209,200 thousands in total with latest maturity of 2009 (31 December 2006: YTL 871,597 thousands with latest maturity of 2008), of which YTL 349,161 thousands (31 December 2006:YTL 265,190 thousands) are classified under long-term debts.

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

17 Loans and advances from banks (continued)

As at 30 September 2007, short-term borrowings included one-year syndicated facility to finance pre-export contracts of the Bank's corporate customers with a total amount of EUR 600 millions (equivalent of YTL 1,028,880 thousands) with a rate of Euribor+0.475% per annum as signed with 43 banks.

Long-term debts comprise the following:

	30 September 2007					31 December 2006
	Interest rate%	*Latest Maturity*	*Amount in original currency*	*Short term portion*	*Medium and long term portion*	*Medium and long term debts*
Sydicated club-term loan facility	6.2	2008	US$ 700 mio	-	841,096	976,500
DPR Securitisation-IV	5.8-6.4	2013	US$ 600 mio	-	720,907	834,622
Deutsche Bank AG	11.3-12.9	2017	YTL 701 mio	-	701,210	-
DPR Securitisation-V	5.5-6.3	2013	US$ 525 mio	18,776	612,444	730,784
Subordinated debt	6.95	2017	US$ 500 mio	-	600,394	-
DPR Securitisation-VI	4.1	2011	EUR 300 mio	-	513,734	550,463
DPR Securitisation-VII	6.3	2016	US$ 400 mio	-	481,529	557,487
DPR Securitisation-VIII	5.6	2017	US$ 350 mio	-	421,217	-
DPR Securitisation-III	5.6	2013	US$ 300 mio	17,821	342,655	417,336
DPR Securitisation-VI	6.2	2013	US$ 300 mio	81,206	279,567	417,674
DPR Securitisation-VI	5.5	2016	US$ 225 mio	-	270,490	313,182
DPR Securitisation-VII	6.2	2014	US$ 100 mio	-	120,372	139,358
DPR Securitisation-VIII	5.6	2017	US$ 100 mio	-	120,348	-
DPR Securitisation-VIII	5.6	2017	US$ 100 mio	-	120,348	-
DPR Securitisation-VIII	6.2	2015	US$ 50 mio	-	60,186	-
Syndication debt	5.8	2008	US$ 250 mio	302,346	-	116,281
Others				1,463,560	568,616	666,369
				1,883,709	6,775,113	5,720,056

On 28 June 2007, the Bank obtained a securitization (the "DPR Securitization-VIII") transaction by issuance of certificates; three tranches of US$ 550 millions with 10 years maturity wrapped by Ambac Assurance Corp., Financial Guaranty Insurance Corp. and XL Capital Assurance and a tranche of US$ 50 millions with 8 years maturity and no financial guarantee.

On 5 February 2007, the Bank obtained a 10-year subordinated fixed-rate notes of US$ 500 millions due February 2017 with a repayment option for the Bank at the end of the fifth year. The fixed rate notes with Political Risk Insurance provided by Steadfast (a subsidiary of Zurich American Insurance Company) received a rating of Baa1 by Moody's Investors Service and priced at par to yield 6.95% to investors (207.7 bps over comparable US Treasuries).

On 24 January 2007, the Bank borrowed YTL 435 millions from Deutsche Bank AG, London with a maturity of 10 years at 12.93% annual fixed interest rate through a secured financing transaction. Accordingly, the Bank pledged US$ 300 millions of cash collateral to Deutsche Bank AG, London. Subsequently, the Bank has entered into two more secured financing transactions with the same counterparty under the same collateral conditions and borrowed in total YTL 266 millions in two seperate transactions on 28 June and 3 July 2007 with maturity of 10 years for each and pledged US$ 100 millions of cash collateral for each. The funding costs are 11.30% and 11.35%, respectively. The cash collaterals earn annually US$ libor floating interest rate.

17 Loans and advances from banks (continued)

In December 2006, the Bank completed a securitization (the "DPR Securitization-VII") transaction by issuance of certificates: US$ 400 millions tranche with a maturity of 10 years and US$ 100 millions tranche with a maturity of 8 years. Both of the series were issued on an unwrapped basis.

In November 2006, the Bank signed a two year syndicated club term-loan facility amounting to US$ 700 millions as signed with 34 banks including 22 mandated lead arrangers.

In May 2006, the Bank completed a securitization (the "DPR Securitization-VI") transaction by issuance of certificates: Euro 300 millions with a guarentee issued by MBIA Insurance Corp. with maturity of 5 years, US$ 300 millions with no financial guarantee and a maturity of 7 years and US$ 225 millions with a guarantee issued by Ambac Assurance Corp. with maturity of 10 years.

One of the banking affiliates of the Bank obtained a two-year syndication loan amounting US$ 250 millions in March 2006 as signed with 25 banks.

In November 2005, the Bank completed a securitization (the "DPR Securitization-V") transaction by issuance of certificate: US$ 150 millions with a guarantee issued by CIFG Inc. with a maturity of 7 years, US$ 250 millions with a guarantee issued by XL Capital Assurance with a maturity of 8 years and US$ 125 millions with no financial guarantee and a maturity of 8 years.

In September 2005, the Bank completed a securitization (the "DPR Securitisation-IV") transaction by issuance of certificate: US$ 150 millions with a guarantee issued by Financial Guaranty Insurance Corp. with a final maturity of 7 years, US$ 150 millions with a guarantee issued by Financial Security Assurance with a final maturity of 8 years, US$ 165 millions with a financial guarantee issued by Assured Guaranty Corp. with a final maturity of 8 years, US$ 110 millions with a financial guarantee issued by Radian Asset Assurance Inc. with a final maturity of 7 years, US$ 25 millions with no financial guarantee and a final maturity of 7 years.

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

The DPR securitization is a way of securitizing the Bank's payment orders created via SWIFT MT 103 or similar payment orders in terms of US Dollar, Euro and GBP accepted as derived primarily from the Bank's trade finance and other corporate businesses and paid through foreign depository banks.

18 Bonds payable

Bonds payable comprise of the following:

	30 September 2007				*31 December 2006*
	Amount in original currency in millions	*Maturity*	*Interest rates %*	*Carrying value*	*Carrying value*
Subordinated debt	EUR 30	2016	Euribor+1.57	51,444	55,131
Accrued interest on bonds payable				27	24
				51,471	55,155

On 29 September 2006, one of the Bank's affiliates issued its first FRN for EUR 30 millions, Euro-denominated lower tier-2 capital, priced at 99.30, arranged by Deutsche Bank and traded on the alternative market in Frankfurt.

19 Taxation

In Turkey, corporate income tax is levied at the rate of 20% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the years 2007 and 2006. This rate was 30% for the year 2005. 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, corporate tax rate is reduced from 30% to 20%. Accordingly, effective from 1 January 2006, statutory income is subject to corporate tax at 20%.

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 earings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from prior years. There is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns within four months following the end of the accounting year to which they relate. Tax returns and accounting records are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit the tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In Holland, corporate income tax is levied at the rate of 25.5% (31 December 2006: 29.6%) on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2006. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. There is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for an unlimited number of years. Tax losses can be carried back to three prior years. Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assesment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax has been calculated using the nominal tax rate of 25.5% over the Dutch taxable income, 40% over the local taxable income of Germany branch and 16% over the local taxable income of Romania branch.

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

19 **Taxation** (continued)

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

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

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

	30 September 2007	*%*	*30 September 2006*	*%*
Taxes on income per statutory tax rate	487,512	20.00	215,732	20.00
Income items exempt from tax	(125,860)	(5.17)	(4,550)	(0.42)
Disallowable expenses	8,708	0.36	29,795	2.76
Reversal of valuation allowance	-	-	(79,558)	(7.37)
Effect of change in legal tax rate	-	-	44,755	4.15
Others	5,781	0.24	4,565	0.42
	376,141	15.43	210,739	19.54
Taxation charge				

The taxation charge is comprised of the following:

	For the nine-month period ended 30 September 2007	*30 September 2006*
Current taxes	404,191	180,427
Deferred taxes	(28,050)	30,312
Taxation charge	376,141	210,739

The current taxes payable on income are comprised of the following:

	30 September 2007	*31 December 2006*
Provision for current taxes payable on income	376,141	283,945
Less: Prepaid corporate taxes	(262,734)	(161,772)
Add/(less): Deferred taxes	28,050	5,849
Current tax liability	141,457	128,022

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

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

19 Taxation (continued)

Income tax liability recognised directly in equity is as follows:

	30 September 2007	*31 December 2006*
Revaluation of available-for-sale assets	8,079	10,494
Hedging reserve	264	787
	8,343	11,281

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

	30 September 2007	*31 December 2006*
Deferred tax asset		
Impairment losses on loans	42,587	27,472
Impairment of investments in associated companies and tangible assets	27,849	28,344
Short-term employee benefits	25,203	19,080
Valuation difference on financial assets and liabilities	10,118	(9,447)
Reserve for employee severance indemnity	9,117	7,213
Accruals on credit card rewards	9,033	9,210
Discount on miscellaneous receivables	1,383	3,363
Pro-rata basis depreciation expenses	(10,992)	(10,922)
Others, net	(9,997)	(4,218)
Total deferred tax asset	104,301	70,095
Deferred tax liability		
Total deferred tax liability	2,394	1,108

As of 30 September 2007, there are not any deferred tax assets and liabilities that have not been recognized in the accompanying consolidated financial statements.

Movements in deferred tax assets and liabilities are detailed in the table below:

	Opening Balance	*Recognized in income statement*	*Recognized in equity*	*Closing balance*
30 September 2007				
Impairment losses on loans	27,472	15,115	-	42,587
Impairment of investments in associated companies and tangible assets	28,344	(495)	-	27,849
Short-term employee benefits	19,080	6,123	-	25,203
Valuation difference on financial assets and liabilities	(9,447)	14,695	4,870	10,118
Reserve for employee severance indemnity	7,213	1,904	-	9,117
Accruals on credit card rewards	9,210	(177)	-	9,033
Discount on miscellaneous receivables	3,363	(1,980)	-	1,383
Pro-rata basis depreciation expenses	(10,922)	(70)	-	(10,992)
Others	(5,326)	(7,065)	-	(12,391)
Net deferred tax asset	68,987	28,050	4,870	101,907

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

19 Taxation (continued)

	Opening Balance	Recognized in income statement	Recognized in equity	Closing balance
31 December 2006				
Impairment losses on loans	27,040	432	-	27,472
Impairment of investments in associated companies and tangible assets	33,361	(5,017)	-	28,344
Short-term employee benefits	10,361	8,719	-	19,080
Accruals on credit card rewards	11,086	(1,876)	-	9,210
Reserve for employee severance indemnity	8,545	(1,332)	-	7,213
Discount on miscellaneous receivables	6,458	(3,095)	-	3,363
Pro-rata basis depreciation expenses	(12,697)	1,775	-	(10,922)
Valuation difference on financial assets and liabilities	(1,632)	10,197	(18,012)	(9,447)
Others	(1,372)	(3,954)	-	(5,326)
Net deferred tax asset	81,150	5,849	(18,012)	68,987

Tax-related contingent asset

The monetary losses amounting YTL 712,872 thousands incurred by the Bank 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 continues.

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

20 Other liabilities and accrued expenses

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

	30 September 2007	*31 December 2006*
Blocked accounts against expenditures of card holders	1,523,085	1,209,748
Payables to insurance and reinsurance companies relating to insurance business	513,054	344,532
Accrued exchange losses on derivatives	473,445	259,545
Expense accruals	196,118	161,891
Transfer orders	156,995	371,160
Withholding taxes	105,923	76,069
Insurance business related provisions	103,061	206,744
Payables to suppliers relating to financial lease activities	91,085	53,502
Miscellaneous payables	59,757	47,599
Reserve for employee severance indemnity	44,939	38,280
Blocked accounts	44,294	64,400
Unearned income	37,817	10,017
General provision for non-cash loans	31,173	21,038
Others	86,518	111,417
	3,467,264	2,975,942

The factoring payables amounting YTL 178,561 thousands are netted with the same amount of factoring receivables as of 31 December 2006.

Insurance business related provisions are detailed in the table below:

	30 September 2007	*31 December 2006*		
	Garanti Emeklilik AŞ	*Garanti Sigorta AŞ*	*Garanti Emeklilik AŞ*	*Total*
Reserve for unearned premiums, net	26,656	83,254	17,837	101,091
Gross	*28,500*	*180,045*	*19,205*	*199,250*
Reinsurers' share	*(1,844)*	*(94,291)*	*(1,368)*	*(95,659)*
Deferred commission – net		*(2,500)*	*-*	*(2,500)*
Provision for claims, net	3,981	33,364	2,967	36,331
Gross	*4,098*	*84,260*	*4,225*	*88,485*
Reinsurers' share	*(117)*	*(50,896)*	*(1,258)*	*(52,154)*
Life mathematical reserves	72,424	-	69,322	69,322
	103,061	116,618	90,126	206,744

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

	30 September 2007	*31 December 2006*
Balance, beginning of the period	38,280	32,860
Effects of change in actuarial assumptions	-	(3,605)
Disposal due to sale of consolidated affiliates	(592)	(111)
Payments during the period	(5,542)	(7,173)
Provision for the period	12,793	16,309
Balance, end of the period	44,939	38,280

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

20 Other liabilities and accrued expenses (continued)

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

	30 September 2007	*31 December 2006*
Balance, beginning of the period	21,038	16,587
Provision for the period	10,135	4,451
Balance, end of the period	31,173	21,038

21 Shareholders' equity

The authorized nominal share captial of the Bank amounted to YTL 2,100,000 thousands as of 30 September 2007.

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

Doğuş Holding AŞ, signed an Agreement with GE on 24 August 2005 for the sale of 53.550.000.000 shares representing 25.5% of the Bank's issued share capital. Subsequent to receiving the necessary permission from BRSA, the transfer of the Bank's shares with nominal value of YTL 535,500 thousands representing 25.5% of the Bank's issued share capital and 182 of the founder shares from Doğuş Holding AŞ to GE Araştırma ve Müşavirlik Limited Şti., an investee company of GE Capital Corporation incorporated in Turkey, has been completed on 22 December 2005. Accordingly, on 22 December 2005 GE Araştırma ve Müşavirlik Limited Şti. made a total cash payment of US$ 1,805,500 thousands to Doğuş Holding AŞ to purchase the shares of the Bank (having a nominal value of YTL 535,500 thousands) for US$ 1,555,500 thousands and to purchase the Bank's 182 of the founder shares for US$ 250,000 thousands. Subsequent to this sale in December 2005, a call was made to the Bank's minority shareholders by GE 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 ended on 10 April 2006 and the minority shareholders responded to this call by selling 6,249.49 shares with a face value of YTL 1 each. Accordingly, the shares owned by GE Araştırma ve Müşavirlik Limited Şti. increased to YTL 535,506 thousands.

As per the resolution of the Board of Directors on 17 April 2007, the Bank started paying dividends amounting YTL 105,000 thousands to the ordinary share holders, YTL 76,213 thousands to the owners of the founder shares and YTL 38,106 thousands to the top management and employees as of 24 April 2007.

The reserves include legal reserves amounting to YTL 172,776 thousands in total which are generated by annual appropriations amounting to 5% of the statutory income of the Bank and its affiliates until such reserves reach 20% of paid-in share capital (first legal reserves). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in share capital appropriated to generate the legal reserves (second legal reserves). The legal reserves are restricted and are not available for distribution as dividends unless they exceed 50% of the share capital.

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

21 Shareholders' equity (continued)

As at 30 September 2007 net minority interest amounts to YTL 21,838 thousands (31 December 2006: YTL 7,845 thousands). Minority interest is detailed as follows:

	30 September 2007	*31 December 2006*
Capital and other reserves	13,808	5,642
Retained earnings	1,625	959
Current period net income	6,405	1,244
	21,838	7,845

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

	30 September 2007	*31 December 2006*
Balance at the beginning of the period	122,562	162,522
Net gains/(losses) from changes in fair value	37,502	(13,907)
Related deferred and current income taxes	(7,262)	16,457
Net gains transferred to the income statement on disposal	(7,587)	(59,074)
Related deferred and current income taxes	1,517	16,564
Balance at the end of the period	146,732	122,562

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities amounting YTL 2,571 thousands that hedges the Bank's net investment in foreign operations. The financial liabilities designated as hedging instrument amount to EUR 136,883,575 and US$ 28,274,282. The hedging relation is effective in achieving offsetting the changes in foreign currencies attributable to hedged item due to changes in foreign currency rates.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (see Note 24 for the details).

22 Fair value information

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

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

22 Fair value information (continued)

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

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

Fair value of loans and advances to customers is YTL 38,064,059 thousands (31 December 2006: YTL 30,458,277 thousands), whereas the carrying amount is YTL 37,854,804 thousands (31 December 2006: YTL 30,625,191 thousands) in the accompanying consolidated balance sheet as at 30 September 2007.

Fair value of security investments is YTL 16,059,874 thousands (31 December 2006: YTL 14,904,559 thousands), whereas the carrying amount is YTL 16,097,584 thousands (31 December 2006: YTL 14,967,591 thousands) in the accompanying consolidated balance sheet as at 30 September 2007.

23 Commitments and contingencies

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

	30 September 2007	*31 December 2006*
Letters of guarantee	9,308,670	7,358,910
Letters of credit	2,709,970	2,485,822
Acceptance credits	127,828	143,541
Other guarantees and endorsements	-	59,103
	12,146,468	10,047,376

As at 30 September 2007, commitment for uncalled capital of affiliated companies amounts approximately to YTL 250 thousands (31 December 2006: YTL 250 thousands).

As at 30 September 2007, commitments for unused credit limits for credit cards, overdrafts, cheques and loans to customers, and commitments for “credit linked notes” amount approximately to YTL 14,032,953 thousands (31 December 2006: YTL 11,124,896 thousands) in total.

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

23 Commitments and contingencies (continued)

As at 30 September 2007, commitment for purchase and sale of foreign currencies under spot, forwards, swaps, future rate agreements, options and forward agreements for gold trading amounts to YTL 13,217,311 thousands (31 December 2006: YTL 8,451,719 thousands), approximately 97% of which are due within a year.

The breakdown of outstanding commitments arising from derivatives is presented as follows:

	30 September 2007		*31 December 2006*	
	Purchases	***Sales***	***Purchases***	***Sales***
Forward agreements for customer dealing activities	125,945	242,493	240,022	139,652
Currency swap agreements for customer dealing activities	202,665	150,098	184,544	63,134
Options for customer dealing activities	199,841	239,724	35,657	45,521
Forward agreements for hedging purposes	176,833	257,355	93,122	244,066
Currency swap agreements for hedging purposes	3,859,666	1,687,932	2,361,287	3,780,631
Interest rate and credit default swap agreements	79,337	2,384	5,516	12,747
Interest rate, foreign currency and securities options	2,474,929	1,937,767	581,173	308,020
Forward rate agreements, foreign currency and interest rate futures	145,309	347,638	99,530	66,583
Forward agreements for gold trading	38,476	214,472	16,799	15,299
Spot foreign currency transactions	447,836	386,611	60,201	98,215
	7,750,837	5,466,474	3,677,851	4,773,868

The following tables summarize the contractual amounts of the forward, swap, futures and options contracts, with details of remaining periods to maturity. Foreign currency amounts are translated at rates ruling at the balance sheet date. Monetary items denominated in foreign currencies are economically hedged using foreign currency derivative contracts. All gains and losses on foreign currency contracts are recognized in the income statement, except for contracts of cash flow hedges as stated above. At 30 September 2007, approximately 104% of the net consolidated balance sheet foreign currency open position was hedged through the use of foreign currency contracts (31 December 2006: 106%).

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

23 Commitments and contingencies (continued)

	Notional amount with remaining life of					
At 30 September 2007	***Up to 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Forward rate agreements	2,310	-	-	36,282	-	38,592
Purchases	*2,310*	-	-	*18,141*	-	*20,451*
Sales	-	-	-	*18,141*	-	*18,141*
Interest rate swaps	15,232	4,647	21,427	2,648	37,767	81,721
Purchases	*15,159*	*2,336*	*21,427*	*2,648*	*37,767*	*79,337*
Sales	*73*	*2,311*	-	-	-	*2,384*
Interest rate futures	-	113,108	2,915	-	-	116,023
Purchases	-	*91,455*	*2,111*	-	-	*93,566*
Sales	-	*21,653*	*804*	-	-	*22,457*
Currency Derivatives						
Spot exchange contracts	834,447	-	-	-	-	834,447
Purchases	*447,836*	-	-	-	-	*447,836*
Sales	*386,611*	-	-	-	-	*386,611*
Forward exchange contracts	476,369	225,719	79,498	17,065	3,975	802,626
Purchases	*155,656*	*107,719*	*28,447*	*7,341*	*3,615*	*302,778*
Sales	*320,713*	*118,000*	*51,051*	*9,724*	*360*	*499,848*
Currency/cross currency swaps	3,224,483	131,765	880,063	1,336,249	327,801	5,900,361
Purchases	*1,574,375*	*97,949*	*861,575*	*1,245,257*	*283,175*	*4,062,331*
Sales	*1,650,108*	*33,816*	*18,488*	*90,992*	*44,626*	*1,838,030*
Options	1,345,860	2,036,984	415,887	1,041,480	12,050	4,852,261
Purchases	*854,410*	*1,036,626*	*229,466*	*542,218*	*12,050*	*2,674,770*
Sales	*491,450*	*1,000,358*	*186,421*	*499,262*	-	*2,177,491*
Foreign currency futures	-	331,209	7,123	-	-	338,332
Purchases	-	*31,167*	*125*	-	-	*31,292*
Sale	-	*300,042*	*6,998*	-	-	*307,040*
Other foreign exchange contracts	252,948	-	-	-	-	252,948
Purchases	*38,476*	-	-	-	-	*38,476*
Sale	*214,472*	-	-	-	-	*214,472*
Subtotal Purchases	3,088,222	1,367,252	1,143,151	1,815,605	336,607	7,750,837
Subtotal Sales	3,063,427	1,476,180	263,762	618,119	44,986	5,466,474
Total of Transactions	6,151,649	2,843,432	1,406,913	2,433,724	381,593	13,217,311

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

23 Commitments and contingencies (continued)

	Notional amount with remaining life of					
At 31 December 2006	***Up to 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Forward rate agreements	-	-	-	69,768	-	69,768
Purchases	*-*	*-*	*-*	*69,768*	*-*	*69,768*
Sales	*-*	*-*	*-*	*-*	*-*	*-*
Interest rate swaps	12,662	172	-	508	4,921	18,263
Purchases	*-*	*87*	*-*	*508*	*4,921*	*5,516*
Sales	*12,662*	*85*	*-*	*-*	*-*	*12,747*
Interest rate futures	-	9,300	1,815	-	-	11,115
Purchases	*-*	*3,747*	*1,481*	*-*	*-*	*5,228*
Sales	*-*	*5,553*	*334*	*-*	*-*	*5,887*
Currency Derivatives						
Spot exchange contracts	158,416	-	-	-	-	158,416
Purchases	*60,201*	*-*	*-*	*-*	*-*	*60,201*
Sales	*98,215*	*-*	*-*	*-*	*-*	*98,215*
Forward exchange contracts	561,981	110,468	28,770	10,428	5,215	716,862
Purchases	*245,238*	*59,529*	*16,744*	*6,616*	*5,017*	*333,144*
Sales	*316,743*	*50,939*	*12,026*	*3,812*	*198*	*383,718*
Currency/cross currency swaps	2,786,751	1,853,498	617,282	901,914	230,151	6,389,596
Purchases	*1,434,555*	*439,531*	*511,793*	*101,620*	*58,332*	*2,545,831*
Sales	*1,352,196*	*1,413,967*	*105,489*	*800,294*	*171,819*	*3,843,765*
Options	657,333	201,867	68,593	42,578	-	970,371
Purchases	*391,323*	*163,627*	*45,578*	*16,302*	*-*	*616,830*
Sales	*266,010*	*38,240*	*23,015*	*26,276*	*-*	*353,541*
Foreign currency futures	-	77,576	7,654	-	-	85,230
Purchases	*-*	*22,087*	*2,447*	*-*	*-*	*24,534*
Sale	*-*	*55,489*	*5,207*	*-*	*-*	*60,696*
Other foreign exchange contracts	32,098	-	-	-	-	32,098
Purchases	*16,799*	*-*	*-*	*-*	*-*	*16,799*
Sale	*15,299*	*-*	*-*	*-*	*-*	*15,299*
Subtotal Purchases	2,148,116	688,608	578,043	194,814	68,270	3,677,851
Subtotal Sales	2,061,125	1,564,273	146,071	830,382	172,017	4,773,868
Total of Transactions	4,209,241	2,252,881	724,114	1,025,196	240,287	8,451,719

24 Financial risk management disclosures

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

The nature of the risks and the approach to managing risk differs fundamentally between the trading and non-trading portfolios; section 24.2 contains risk management information related to the trading portfolio and section 24.3 deals with the non-trading portfolio.

Risk management framework

Developing risk management policies and strategies, and controlling these functions are among the responsibilities of the Board of Directors. Consequently, the Risk Management Department, which carries out the risk management activities and works independently from executive activities, report directly to the Board of Directors.

The Board of Directors monitors the effectiveness of the risk management system through the audit committee, other related committees and senior management.

The Bank's risk management policy is established on its maintainable long term, value adding growth strategy. This policy is measuring risks with the methods in compliance with its activities and international standards, and optimal allocation of economic capital to business lines considering the risk-return balance.

The Risk Management System consists of all the mechanisms related to establishment of standards, information flow, determination of the compliance with standards, decision making and applications processes; which were put into practice by the Board of Directors in order to monitor, control and change when deemed necessary the risk-return structure and the future cash flows of the Bank and the quality and the level of related activities.

The risks are measured with the internationally accepted methodologies in compliance with local and international regulations, the Bank's structure, policy and procedures. They are effectively managed and assessed in a continuously growing manner. At the same time, studies for compliance with the international banking applications, such as Basel II, are carried out.

In order to ensure the compliance with the rules altered pursuant to the Articles 23, 29 and 31 of the Banking Law No. 5411 and the Articles 36 and 43 of Regulation on Internal Systems within the Banks, dated 1 November 2006, the Bank revised the current written policies and implementation procedures regarding management of each risk encountered in its activities in February 2007.

The Bank has purchased an integrated software system to place better risk management and Basel II applications in order to support and improve risk management activities. The Bank aims to establish the Basel II applications in line with BRSA's roadmap.

24 Financial risk management disclosures (continued)

Audit Committee

The Audit Committee consists of two members of the Board of Directors who do not have any executive functions. The Audit Committee, established to assist the Board of Directors in its auditing and supervising activities, is responsible for:

- The supervision of the efficiency and effectiveness of the internal control, risk management and internal audit systems of the Bank, functioning of these systems as well as accounting and reporting systems within the framework of related procedures, and the integrity of information generated;
- The preliminary assessment on the selection process of independent audit firms and the systematic monitoring of the activities of these companies;
- The maintenance and coordination of the internal audit functions of corporations subject to consolidated internal audits.

Other Committees

Market, credit and operational sub-risk committees have been established in order to support the implementation of risk management and internal audit systems within the Bank by sharing information with the involved units.

24.1 Derivative financial instruments

The Bank and its affiliates enter into a variety of derivative financial instruments for hedging and risk management purposes. This note describes the derivatives used. Further details of the objectives and strategies in the use of derivatives are set out in the sections of this note on non-trading activities. Details of the nature and terms of derivative instruments outstanding at the balance sheet dates are set out in Note 23. Derivative financial instruments used include swaps, futures, forwards, options and other similar types of contracts whose value changes in response to changes in interest rates, foreign exchange rates and gold prices. Derivatives are individually negotiated over-the-counter contracts. A description of the main types of derivative instruments used is set out below:

Swaps

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

24 Financial risk management disclosures (continued)

Futures and forwards

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

Options

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

24.2 Trading activities

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

Counterparty credit risk

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

24 Financial risk management disclosures (continued)

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

Market risk

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

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

24.3 Non-trading activities

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

Liquidity risk

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

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

24 Financial risk management disclosures (continued)

Exposure to liquidity risk

The calculation method used to measure the banks compliance with the liquidity limit is set by BRSA. Currently, this calculation is performed on a bank only basis. In November 2006, BRSA issued a new communiqué on the measurement of liquidity adequacy of banks. The legislation requires the banks to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities on a weekly and monthly basis effective from 1 June 2007.

The Bank's banking affiliate in Holland is subject to a similar liquidity measurement, however the Dutch Central Bank does not impose limits, rather monitors the banks' overall liquidity position to ensure there is no significant deterioration in the liquidity of banks operating in Holland.

The Bank's banking affiliate in Russia is subject to three levels of liquidity requirement since 2004; instant liquidity of minimum 15%, current liquidity of minimum 50% and long-term liqudity of maximum 120%. The affiliate complies with the local legislation.

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

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

	30 September 2007						*31 December 2006*					
	Up to 1 month	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***Over 1 year***	***Total***	***Up to 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***Over 1 year***	***Total***
MONETARY ASSETS												
New Turkish Lira												
Cash and balances with central banks	182.898	-	-	-	-	182.898	682.602	-	-	-	-	682.602
Financial assets at fair value through profit or loss	16.156	1.790	1.594	52.434	193.485	265.459	9.568	3.071	9.106	18.247	61.613	101.605
Loans and advances to banks	460.116	78.529	1.435	6.471	389.895	936.446	177.397	63.342	1.000	-	14.611	256.350
Loans and advances to customers	7.175.057	2.465.044	644.885	1.594.440	8.430.671	20.310.097	6.553.816	2.286.275	1.127.074	1.974.548	4.272.774	16.214.487
Accrued exchange gain on derivatives	24.683	12.677	4.126	9.674	-	51.160	19.097	1.261	600	4.206	-	25.164
Other assets	770.162	715.949	260	496	7.593	1.494.460	1.343.370	368.447	-	198.328	10.232	1.920.377
Security investments	125.793	10.793	-	2.184.996	8.947.471	11.269.053	12.016	178.559	489.369	760.235	8.183.342	9.623.521
Deferred tax asset	-	-	-	-	104.301	104.301	-	-	-	-	70.075	70.075
Total New Turkish Lira monetary assets	8.754.865	3.284.782	652.300	3.848.511	18.073.416	34.613.874	8.797.866	2.900.955	1.627.149	2.955.564	12.612.647	28.894.181
Foreign currency												
Cash and balances with central banks	2.134.464	-	-	-	-	2.134.464	1.773.563	-	-	-	-	1.773.563
Financial assets at fair value through profit or loss	62.514	19.218	34.847	193.259	490.276	800.114	16.663	9.233	31.086	301.948	558.886	917.816
Loans and advances to banks	1.624.638	157.275	235.375	249.033	840.872	3.107.193	1.623.614	90.684	243.025	204.913	113.912	2.276.148
Loans and advances to customers	830.082	2.371.536	1.545.723	2.452.337	10.240.017	17.439.695	1.026.537	2.190.106	1.241.561	1.930.100	7.959.702	14.348.006
Accrued exchange gain on derivatives	21.427	5.889	14.355	9.776	455	51.902	6.563	6.542	17.041	3.483	1.128	34.757
Other assets	1.988.797	5.393	0	3.873	23.780	2.021.843	1.773.047	44.838	4.011	5.388	31.074	1.858.358
Security investments	100.359	370.918	529.777	171.854	3.655.623	4.828.531	32.185	545.637	90.897	506.588	4.168.763	5.344.070
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	20	20
Total foreign currency monetary assets	6.762.281	2.930.229	2.360.077	3.080.132	15.251.023	30.383.742	6.252.172	2.887.040	1.627.621	2.952.420	12.833.485	26.552.738
Total Monetary Assets	15.517.146	6.215.011	3.012.377	6.928.643	33.324.439	64.997.616	15.050.038	5.787.995	3.254.770	5.907.984	25.446.132	55.446.919
MONETARY LIABILITIES												
New Turkish Lira												
Deposits	15.629.538	1.262.689	142.864	118.553	153.171	17.306.815	13.214.031	981.132	77.848	49.084	4.607	14.326.702
Obligations under repurchase agreements	4.421.693	147.438	-	202.536	556.414	5.328.081	2.776.498	700.591	-	54.022	779.578	4.310.689
Loans and advances from banks	424.235	52.666	80.811	78.046	738.548	1.374.306	464.650	24.470	55.059	405.934	-	950.113
Bonds payable	-	-	-	-	-	-	-	-	-	-	-	-
Accrued exchange loss on derivatives	38.735	53.433	92.597	78.809	148.519	412.093	228.213	4.484	2.405	5.194	6.743	247.039
Other liabilities and accrued expenses	1.650.252	2.298	716.024	110.090	336.810	2.815.474	1.359.130	258	469.055	198.636	269.229	2.296.308
Total New Turkish Lira monetary liabilities	22.164.453	1.518.524	1.032.296	588.034	1.933.462	27.236.769	18.042.522	1.710.935	604.367	712.870	1.060.157	22.130.851
Foreign currency												
Deposits	17.588.023	2.066.480	789.390	606.727	285.722	21.336.342	16.407.279	2.004.577	370.304	529.877	229.548	19.541.585
Obligations under repurchase agreements	355.620	334.321	157.047	215.665	52.234	1.114.887	170.492	282.841	90.694	130.779	310.047	984.853
Loans and advances from banks	80.087	342.541	450.672	2.632.708	6.138.315	9.644.323	147.413	328.440	1.613.535	851.479	5.758.790	8.699.657
Bonds payable	-	-	-	-	51.471	51.471	-	-	-	-	55.155	55.155
Accrued exchange loss on derivatives	35.229	14.497	3.401	7.920	305	61.352	5.292	5.958	777	384	95	12.506
Other liabilities and accrued expenses	164.565	89.688	58.699	0	9.244	322.196	136.976	82.543	178.350	144.022	7.328	549.219
Total foreign currency monetary liabilities	18.223.524	2.847.527	1.459.209	3.463.020	6.537.291	32.530.571	16.867.452	2.704.359	2.253.660	1.656.541	6.360.963	29.842.975
Total Monetary Liabilities	40.387.977	4.366.051	2.491.505	4.051.054	8.470.753	59.767.340	34.909.974	4.415.294	2.858.027	2.369.411	7.421.120	51.973.826

24 Financial risk management disclosures (continued)

Market risk

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

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

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

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

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

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

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

	30 September 2007						
	Up to 1 month	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***Over 1 year***	***Non-Interest Bearing***	***Total***
MONETARY ASSETS							
Cash and balances with central banks	426.129	-	-	-	-	1.891.233	2.317.362
Financial assets at fair value through profit or loss	120.020	9.278	45.883	186.798	499.174	204.420	1.065.573
Loans and advances to banks	1.841.664	230.672	717.796	854.014	98.237	301.256	4.043.639
Loans and advances to customers	8.926.171	7.999.013	3.691.440	3.777.619	12.811.006	544.543	37.749.792
Other assets	2.443.561	209.365	260	4.369	31.371	930.439	3.619.365
Security investments	1.086.963	572.220	7.171.508	1.433.060	5.266.336	567.497	16.097.584
Deferred tax asset	-	-	-	-	-	104.301	104.301
Total Monetary Assets	14.844.508	9.020.548	11.626.887	6.255.860	18.706.124	4.543.689	64.997.616
MONETARY LIABILITIES							
Deposits	25.719.007	3.309.221	912.640	705.584	409.589	7.587.116	38.643.157
Obligations under repurchase agreements	4.668.382	543.796	501.197	613.408	50.557	65.628	6.442.968
Loans and advances from banks	5.606.867	1.521.757	1.491.551	1.768.715	489.606	140.133	11.018.629
Bonds payable	-	51.444	-	-	-	27	51.471
Other liabilities and accrued expenses	-	-	-	-	-	3.611.115	3.611.115
Total Monetary Liabilities	35.994.256	5.426.218	2.905.388	3.087.707	949.752	11.404.019	59.767.340

	31 December 2006						
	Up to 1 month	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***Over 1 year***	***Non-Interest Bearing***	***Total***
MONETARY ASSETS							
Cash and balances with central banks	601.674	-	-	-	-	1.854.491	2.456.165
Financial assets at fair value through profit or loss	43.601	103.723	78.330	299.716	461.188	32.863	1.019.421
Loans and advances to banks	1.639.178	153.744	242.883	204.074	99.531	193.088	2.532.498
Loans and advances to customers	8.632.167	5.906.829	2.844.049	5.786.039	6.912.189	481.220	30.562.493
Other assets	3.095.349	-	3.903	203.501	40.998	494.905	3.838.656
Security investments	2.158.360	5.893.335	1.323.318	796.353	3.965.162	831.063	14.967.591
Deferred tax asset	-	-	-	-	-	70.095	70.095
Total Monetary Assets	16.170.329	12.057.631	4.492.483	7.289.683	11.479.068	3.957.725	55.446.919
MONETARY LIABILITIES							
Deposits	22.809.845	2.964.029	444.229	583.101	193.270	6.873.813	33.868.287
Obligations under repurchase agreements	3.702.102	213.505	105.881	179.078	1.019.441	75.535	5.295.542
Loans and advances from banks	3.844.373	1.545.523	2.382.536	1.211.403	557.499	108.436	9.649.770
Bonds payable	-	-	-	-	55.131	24	55.155
Other liabilities and accrued expenses	-	-	-	-	-	3.105.072	3.105.072
Total Monetary Liabilities	30.356.320	4.723.057	2.932.646	1.973.582	1.825.341	10.162.880	51.973.826

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

24 Financial risk management disclosures (continued)

The following table indicates the effective interest rates by major currencies for the major balance sheet components for the nine-month of 2007 and the year 2006:

	30 September 2007			
	US$ %	*EUR %*	*YTL %*	*Other Currencies %*
Assets				
Loans and advances to banks	5.00-6.40	4.00-4.06	18.65-23.13	1.25-9.75
Debt and other fixed or floating income instruments	4.43-7.95	4.50-6.02	18.12-20.78	5.50-10.75
Loans and advances to customers	5.00-14.71	4.00-10.71	15.91-33.35	2.28-16.00
Liabilities				
Deposits:				
- Foreign currency deposits	1.00-6.50	1.25-5.00		0.50-9.25
- Bank deposits	5.12-6.70	3.95-6.41	14.00-18.01	5.75-10.00
- Saving deposits	-	-	19.00-19.52	-
- Commercial deposits	-	-	19.00-19.87	-
- Public and other deposits	-	-	19.51	-
Obligations under repurchase agreements	1.00-5.48	-	14.00-16.63	-
Loans and advances from banks	5.00-8.95	5.26-5.59	13.00-18.62	1.76

	31 December 2006			
	US$ %	*EUR %*	*YTL %*	*Other Currencies %*
Assets				
Loans and advances to banks	3.25-8.00	2.75-4.75	17.34-21.50	5.00-9.20
Debt and other fixed or floating income instruments	7.95-9.25	6.39-6.50	20.00-23.06	4.00-13.36
Loans and advances to customers	7.00-14.33	5.73-9.93	14.00-25.16	8.00-13.00
Liabilities				
Deposits:				
- Foreign currency deposits	4.85-6.75	2.25-5.00	-	0.50-9.00
- Bank deposits	5.25-7.35	3.33-5.67	15.00-18.56	2.00-6.25
- Saving deposits	-	-	19.00-19.84	-
- Commercial deposits	-	-	18.13-21.03	-
- Public and other deposits	-	-	20.08	-
Obligations under repurchase agreements	5.26-5.45	3.33	14.20-17.14	-
Loans and advances from banks	5.50-6.70	3.97-4.41	14.69-19.83	-

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

24 Financial risk management disclosures (continued)

The market risk arising from trading transactions is calculated via Value at Risk (VaR). In addition to this, the stress tests and scenario analysis are performed. The balance sheet interest rate risk is monitored with methods such as static duration, gap and sensitivity analysis.

Internal limits are set as well as legal limits in order to restrict market risk; value at risk limits for trading portfolio, position limits set for trading desks, single transaction limits set for traders and stop-loss limits. Approval, update, monitoring, override and warning procedures of these limits are put into practice and changed with the approval of the Board of Directors.

The consolidated value at market risks as of 30 September 2007 and 31 December 2006 calculated as per the statutory consolidated financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assesment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006, are as follows:

	30 September 2007			*31 December 2006*		
	Average	*Highest*	*Lowest*	*Average*	*Highest*	*Lowest*
Interest rates risk	1,522,808	1,708,025	1,218,229	2,244,681	2,849,322	1,218,229
Common share risk	4,502	15,042	25	76,394	139,174	25
Currency risk	118,283	221,950	44,248	226,729	276,194	183,784
Option risk	238,898	323,780	117,662	67,209	182,025	8,191
Total value at risk	1,884,491	2,268,797	1,380,164	2,615,013	3,446,715	1,410,229

Exposure to interest rate risk – non-trading portfolios

The balance sheet management is performed by the Assets and Liabilities Management Department in line with the main strategies determined by the Assets and Liabilities Committee (ALCO). Hedging transactions for the Bank's balance sheet are carried out upon the decisions of ALCO.

ALCO can determine limits to balance sheet transactions if considered necessary.

The balance sheet interest rate risk is monitored with methods such as static duration gap and sensitivity analyses based on all interest rate sensitive assets and liabilities. The scenarios include a 100 basis point parallel fall or rise in all yield curves. Currently as such sensivity analysis are performed only on a bank-only basis for the statutory financial statements of the Bank, they are not considered to be representative for the accompanying consolidated financial statements, and accordingly not included in this report.

Currency risk

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

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

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

24 Financial risk management disclosures (continued)

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

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

	30 September 2007			
	US$	*EUR*	*Other Currencies*	*Total*
Assets				
Cash and balances with central banks	59,646	2,009,769	65,049	2,134,464
Financial assets at fair value through profit or loss	639,821	93,072	67,221	800,114
Loans and advances to banks	2,266,888	686,485	153,820	3,107,193
Loans and advances to customers	10,306,039	6,616,784	504,429	17,427,252
Other assets	121,056	1,981,370	9,784	2,112,210
Security investments	4,537,333	225,257	65,941	4,828,531
Investments in equity participations	-	546	-	546
Tangible assets	644	65,292	2,320	68,256
Deferred tax asset	-	-	-	-
Total Assets	17,931,427	11,678,575	868,564	30,478,566
Liabilities				
Deposits	12,502,812	7,941,823	891,707	21,336,342
Obligations under repurchase agreements	1,052,696	62,191	-	1,114,887
Loans and advances from banks	7,379,419	2,262,710	2,194	9,644,323
Current and deferred tax liability	-	2,340	21	2,361
Bonds payable	-	51,471	-	51,471
Other liabilities and accrued expenses	174,571	191,356	15,260	381,187
Total Liabilities	21,109,498	10,511,891	909,182	32,530,571
Net On Balance Sheet Position	(3,178,071)	1,166,684	(40,618)	(2,052,005)
Net Off Balance Sheet Position	3,058,490	(1,200,862)	278,727	2,136,355
Net Long/(Short) Position	(119,581)	(34,178)	238,109	84,350

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

24 Financial risk management disclosures (continued)

	31 December 2006			
	US$	***EUR***	***Other Currencies***	***Total***
Total Assets	*15,944,543*	*10,178,816*	*515,083*	*26,638,442*
Total Liabilities	*19,351,296*	*9,711,036*	*780,643*	*29,842,975*
Net On Balance Sheet Position	*(3,406,753)*	*467,780*	*(265,560)*	*(3,204,533)*
Net Off Balance Sheet Position	*3,382,774*	*(384,901)*	*394,369*	*3,392,242*
Net Long/(Short) Position	*(23,979)*	*82,879*	*128,809*	*187,709*

For the purposes of the evaluation of the table above, the figures represent the YTL equivalent of the related hard currencies.

Approximately 104% (31 December 2006: 106%) of the amounts shown in the table above, at 30 September 2007 are economically hedged by currency swaps, forward contracts and other derivatives entered into to manage these currency exposures. In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank and its affiliates ensure that their net exposures are kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

The net amount of Russian Rubles denominated assets and liabilities as included in the above table at their YTL equivalents, is a net asset of YTL 119,785 thousands at 30 September 2007 (31 December 2006: YTL 104,072 thousands).

Credit risk

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

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

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

The Bank and its affiliates' primary exposures to credit risk arise through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Bank and its affiliates are exposed to credit risk on various other financial assets, including derivative instruments used for hedging and debt investments. The current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Bank and its affiliates are exposed to off balance sheet credit risk through guarantees issued (Note 23).

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

24 Financial risk management disclosures (continued)

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

Exposure to credit risk

	Loans and advances to customers	
	30 September 2007	***31 December 2006***
Individually impaired	827,526	657,722
Allowance for impairment	(575,584)	(509,846)
Carrying amount	251,942	147,876
Collectively impaired	-	-
Allowance for impairment	(146,930)	(85,178)
Carrying amount	(146,930)	(85,178)
Past due but not impaired	-	-
Carrying amount	-	-
Neither past due nor impaired	37,652,109	30,449,753
Loans with renegotiated terms	97,683	112,740
Carrying amount	37,749,792	30,562,493
Total carrying amount	37,854,804	30,625,191

As of 30 September 2007 or 31 December 2006, the Bank has no allowance for loans and advances to banks. The allowance details for security investments are explained in Note 10.

Impaired loans

Impaired loans are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement due to lack of assets, high debtness ratio, insufficient working capital and/or equity of the customer.

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

24 Financial risk management disclosures (continued)

Sectoral and geographical concentration of impaired loans

The Bank and its affiliates monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of non-performing loans and lease receivables is shown below:

	30 September 2007	*31 December 2006*
Consumer loans	536,872	384,072
Service sector	75,055	71,354
Textile	74,971	66,646
Food	20,594	14,023
Construction	19,551	15,494
Durable consumption	11,804	9,904
Metal and metal products	10,773	9,311
Agriculture and stockbreeding	8,266	5,484
Financial institutions	7,769	7,961
Others	61,871	73,473
Total non-performing loans and lease receivables	827,526	657,722

	30 September 2007	*31 December 2006*
Turkey	822,170	650,753
Holland	2,326	3,545
Germany	1,290	1,424
Others	1,740	2,000
Total non-performing loans and lease receivables	827,526	657,722

Past due but not impaired loans

Loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available and the customer's current activities, assets and financial position.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a portfolio-basis loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Bank writes off a receivable balance (and any related allowances for impairment losses) when it is determined that the receivable is uncollectible based on the evidence of insolvency issued by the Court.

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

24 Financial risk management disclosures (continued)

Collateral policy

The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. The Bank and its affiliates currently hold collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 30 September 2007 or 31 December 2006.

Approximately 75% of the outstanding performing loans is collateralized. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank and its affiliates' obligations. The extent of collateral held for performing guarantees and letters of credit is approximately 79%.

The breakdown of performing cash and non-cash loans and advances to customers by type of collateral is as follows:

	30 September 2007	*31 December 2006*
Cash loans		
Secured loans:	27,889,906	21,811,384
Secured by cash collateral	1,174,713	1,094,525
Secured by mortgages	7,161,824	5,195,898
Secured by government institutions or government securities	1,215,002	1,190,992
Guarantees issued by financial institutions	44,081	261,358
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	18,294,286	14,068,611
Unsecured loans	9,315,343	8,269,890
Total performing loans and financial lease receivables	37,205,249	30,081,274
Non-cash loans		
Secured loans:	9,573,684	7,925,065
Secured by cash collateral	481,376	316,893
Secured by mortgages	101,560	126,022
Guarantees issued by financial institutions	7,032	26,157
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	8,983,716	7,455,993
Unsecured loans	2,572,784	2,122,311
Total non-cash loans	12,146,468	10,047,376

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

24 Financial risk management disclosures (continued)

An estimate of the fair value of collateral held against non-performing loans and receivables is as follows:

	30 September 2007	*31 December 2006*
Surety	193,217	131,565
Mortgages	120,771	104,258
Promissory notes	52,655	23,389
Pledge assets	47,922	23,855
Cash collateral	66	494
Unsecured	412,895	374,161
	827,526	657,722

The amounts reflected in the tables above represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for uncollectibility.

Operational risks

Operational risk expresses the probability of loss that may arise from the overlook of faults and inconsistency with the established rules due to the deficiencies in the Bank and its affiliates' internal controls, manner of the management and the personnel that are not in coherence with time and conditions, deficiencies in the bank management, faults and problems in information technology systems and disasters such as earthquake, fire, flood or terror attacks.

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering the whole processes, products and departments. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this context, appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined.

Currently, the value at operational risk is calculated according to the basic indicator approach as per the Article 14 of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The annual gross income is defined as net interest income plus net non-interest income at year end. This is increased by provisions, operating expenses including fees paid to outsourcing service providers, reduced by realised gains/losses from the sale of securities available-for-sale and held-to-maturity and extraordinary income and income derived from insurance claims. The result is added to risk weighted assets in the capital adequacy calculation.

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

24 Financial risk management disclosures (continued)

Capital management – regulatory capital

BRSA sets and monitors capital requirements for the Bank as a whole. The parent company and individual banking operations are directly supervised by their local regulators. In implementing current capital requirements BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets. The Bank and its affiliates' consolidated regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, translation reserve and minority interest after deductions for goodwill and certain cost items.
- Tier 2 capital, which includes qualifying subordinated liabilities, general impairment allowances and the element of the fair value reserve relating to unrealised gains on securities classified as available-for-sale.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in the Bank's management of capital during the period.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

The Bank's and its affiliates regulatory capital position on a consolidated basis at 30 September 2007 and 31 December 2006 was as follows:

	30 September 2007	*31 December 2006*
Tier 1 capital	6,538,397	4,711,033
Tier 2 capital	1,029,265	339,636
Deductions from capital	(393,496)	(321,535)
Total regulatory capital	7,174,166	4,729,134
Risk-weighted assets and value at market risk	51,965,276 (*)	36,874,284
Capital ratios (%)		
Total regulatory capital expressed as a percentage of total risk-weighted assets and value at market risk	13.81	12.83
Total tier 1 capital expressed as a percentage of risk-weighted assets and value at market risk	12.58	12.78

(*) *including operational risk*

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

24 Financial risk management disclosures (continued)

The factoring payables amounting YTL 178,561 thousands are netted with the same amount of factoring receivables as of 31 December 2006. As a result of this netting the capital adequacy ratio increased from 12.76% to 12.83%.

24.4 Hedging

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

In September 2007, the Bank has entered into two interest rate swap transactions in order to hedge its certain cash flow exposures primarily on floating rate assets, through converting its floating rate receivables into fixed rate receivables. The following table includes certain characteristics of these swap transactions:

Notional amount	*Fixed collection rate (%)*	*Floating collection rate (%)*	*Fixed collection frequency*	*Maturity*
US$ 100 millions	7.525	6 month libor + 2.80	Semi annual	2011
US$ 50 millions	7.335	6month libor + 2.61	Semi annual	2011

In May 2007, the Bank has entered into two interest rate swap transactions in order to hedge its certain cash flow exposures primarily on fixed rate liabilities, through converting its fixed rate payments into floating rate payments. The following table includes certain characteristics of these swap transactions:

Notional amount	*Fixed payer rate (%)*	*Floating Payer Rate (%)*	*Fixed payment frequency*	*Maturity*
US$ 250 millions	6.95	6 month libor + 1.64	Semi annual	2012
US$ 250 millions	6.95	6 month libor + 1.64	Semi annual	2012

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

Notional amount	*Fixed payer rate (%)*	*Floating payer rate (%)*	*Fixed payment frequency*	*Maturity*
US$ 131.3 millions	5.445	3 month libor + 1.75	Quarterly	2009

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

25 Affiliates and associates

The table below sets out the Affiliates and shows their shareholding structure as at 30 September 2007:

Affiliates	***Shareholding Interest (%)***
Garanti Bank International NV	100.00
Garanti Bank Moscow	100.00
Garanti Portföy Yönetimi AŞ	100.00
Garanti Yatırım Menkul Kıymetler AŞ	100.00
Garanti Financial Services plc.	100.00
Garanti Fund Management Co. Ltd.	100.00
Garanti Bilişim Teknolojisi	100.00
Galata Araştırma Yayıncılık Tanıtım ve Bilişim Teknoloji Hizmetleri AŞ	100.00
Garanti Finansal Kiralama AŞ	98.94
Garanti Emeklilik ve Hayat AŞ	84.91
Garanti Faktoring Hizmetleri AŞ	81.84
Eureko Sigorta AŞ	20.00
Garanti Diversified Payment Rights Finance Company	- ***(a)***

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

As per the agreement signed with Eureko BV on 21 June 2007, the Bank sold its 80% share in Garanti Sigorta AŞ and its 15% share in Garanti Emeklilik ve Hayat AŞ to this company. Upon this sale, a gain of YTL 703,803 thousands is recognized in the accompanying consolidated financial statements as of 30 September 2007. As part of the sale transactions mentioned above, the Bank has a sale option on the remaining shares of Garanti Sigorta AŞ and Eureko BV has purchase and sale options on the shares of Garanti Emeklilik ve Hayat AŞ. Subsequent to these sales, at 1 October 2007 the legal name of Garanti Sigorta AŞ has been changed as Eureko Sigorta AŞ.

As per the Agreement signed with GE on 24 August 2005 for the sale of 53,550,000,000 shares representing 25.5% of the Bank issued share capital, the Bank sold some of its consolidated affiliates to Doğuş Holding AŞ in December 2005. These affiliates were Voyager Mediterranean Turizm End. ve Tic. AŞ (77.00%), Sititur Turizm taşımacılık Org. AŞ (99.95%), Lasaş Lastik San. ve Tic. (99.99%), Doğuş Hava Taşımacılığı AŞ (100.00%), Şahintur Şahinler Otelcilik Turizm Yatırım İşletmeleri AŞ (100.00%) and Doğuş Turizm Sağlık Yat. İşlt. Tic. AŞ (100.00%). Subsequent to the year end 2005, the Bank further sold certain equity participations to Doğuş Holding AŞ, that were categorized as the second group as per this Agreement, namely Garanti Turizm Yatırım ve İşletmeleri AŞ and Doc Finance SA with a total book value of YTL 31,556 thousands on 17 April 2006.

Early in December 2006, the Bank sold its 50.98% participation in Garanti Gayrimenkul Yatırım Ortaklığı AŞ, a consolidated affiliate to Doğuş Holding A.Ş. and GE Capital Corporation.

Garanti Fund Management Co. Ltd. (100.00%) is under liquidation as of the reporting date. The liquidation procedures are expected to complete in 2007.

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

26 Net fee and commission income

	Nine-month period ended 30 September 2007	*Three-month period ended 30 September 2007*	*Nine-month period ended 30 September 2006*	*Three-month period ended 30 September 2006*
Fee and commission income:				
Credit cards fees	686,847	246,536	500,127	179,640
Retail banking	220,394	90,199	180,696	61,776
Commercial banking	118,195	40,511	96,761	33,490
SME banking	118,028	47,543	95,507	35,538
Corporate banking	93,204	26,348	89,478	27,933
Others	125,345	29,394	119,622	46,462
Total fee and commission income	1,362,013	480,531	1,082,191	384,839
Fee and commission expense:				
Credit cards fees	278,613	115,446	187,288	81,285
Retail banking	1,288	261	1,527	697
SME banking	731	148	852	389
Commercial banking	252	51	274	125
Others	62,692	11,075	64,680	21,190
Total fee and commission income	343,576	126,981	254,621	103,686
Net fee and commission income	1,018,437	353,550	827,570	281,153

27 Other expenses

	Nine-month period ended 30 September 2007	*Three-month period ended 30 September 2007*	*Nine-month period ended 30 September 2006*	*Three-month period ended 30 September 2006*
Bonus promotion expenses	117,063	61,757	78,711	27,796
Advertising expenses	75,457	23,098	65,340	18,379
Foreign exchange loss, net	52,724	46,440	86,485	10,713
EDP expenses	47,940	15,369	52,881	22,733
Taxes and duties other than on income	44,793	18,957	45,003	13,654
Saving deposits insurance fund	36,028	12,727	30,923	11,665
Utility expenses	22,420	8,038	19,991	7,344
Research and development expenses	18,319	10,453	7,743	2,804
Repair and maintenance expenses	15,714	5,512	9,552	3,588
Other operating expenses	185,764	46,120	129,291	46,312
	616,222	248,471	525,920	164,988

28 Use of estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management (see Note 24).

28 Use of estimates and judgements (continued)

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortized cost are evaluated for impairment on a basis described in accounting policy Note 7.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgement about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit risk function.

Portfolio-basis assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of portfolio-basis assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies and Note 22. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements in applying the Bank's accounting policies

Critical accounting judgements made in applying the Bank's accounting policies include:

Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy *(i) Financial instruments.*
- In designating financial assets or liabilities at fair value through profit or loss, the Bank has determined that it has met one of the criteria for this designation set out in accounting policy *(i) Financial instruments.*

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

28 Use of estimates and judgements (continued)

- In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy *(i) Financial instruments.*

Securitizations

In applying its policies on securitised financial assets, the Bank has considered both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Bank over the other entity:

- When the Bank, in substance, controls the entity to which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognised in the Bank's consolidated balance sheet.
- When the Bank has transferred financial assets to another entity, but has not transferred substantially all of the risk and rewards relating to the transferred assets, the assets are recognised in the Bank's consolidated balance sheet.
- When the Bank transfers substantially all the risks and rewards relating to the transferred assets to an entity that it does not control, the assets have been derecognised from the Bank's consolidated balance sheet.

Details of the Bank's securitisation activities are given in Note 17.

29 Sale of majority shareholding in a consolidated affiliate

An agreement has been reached between the Bank and Eureko BV (Holland) on 21 March 2007 for the sale of 80% shares in Garanti Sigorta AŞ, and a consolidated affiliate, representing nominal shares of YTL 48,000,000 for EUR 365,000,000. The share transfer is completed on 21 June 2007. The gain on sale of this consolidated affiliate is YTL 539,556 thousands before tax. The tax expense effect of this gain amounts to YTL 29,851 thousands as per the local tax legulation.

The results of this company included in the accompanying consolidated income statement are as follows:

	30 September 2007	***30 September 2006***
Gross profit	103,908	119,579
Expenses	(66,146)	(91,819)
Income before tax	37,762	27,760
Taxation charge	(7,038)	(7,502)
Net results	30,724	20,258

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

29 Sale of majority shareholding in a consolidated affiliate (continued)

As at 30 September 2007, Garanti Sigorta AŞ had YTL 6,733 thousands (30 September 2006: YTL 4,449 thousands) of interest income on deposits at banks, YTL 13,765 thousands (30 September 2006: YTL 13,621 thousands) of commission and fee income, YTL 441 thousands (30 September 2006: YTL 86 thousands) of other expense and YTL 130 thousands (30 September 2006: YTL 137 thousands) of other income from intercompany transactions that were eliminated in the accompanying consolidated financial statements during consolidation process.

During the nine-month period, Garanti Sigorta AŞ contributed YTL 34,827 thousands (30 September 2006: YTL 11,831 thousands) to the Bank's net operating cash flow and paid YTL 1,053 thousands (30 September 2006: YTL 2,708 thousands) in respect of investing activities.

The effect of sale on segment results is also included in Note 1 under "insurance" segment.

The major classes of assets and liabilities of this company at the date of sale are as follows:

	30 June 2007	***31 December 2006***
Cash and balances with central banks	2	67
Loans and advances to banks	148,635	116,683
Other assets	120,866	118,869
Security investments	2,959	2,641
Investments in equity participations	5,766	5,762
Tangible assets, net	15,626	14,099
Deferred tax assets	5,532	-
Total assets	299,386	258,121
Current tax liability	4,988	2,217
Deferred tax liability	-	717
Other liabilities and accrued expenses	169,905	161,381
Total liabilities	174,893	164,315
Net asset of the company as per its balance sheet	124,493	93,806
Bank's share in net assets of the company	99,594	75,045
Goodwill associated with the company	878	878
Total net asset of the company	100,472	75,923
Proceeds from the sale	640,028	
Gain on the sale	539,556	

At the date of sale, Garanti Sigorta AŞ had YTL 106,990 thousands (31 December 2006: YTL 81,872 thousands) of loans and advances to banks, YTL 4,443 thousands (31 December 2006: YTL 5,317 thousands) of other assets and YTL 15 thousands (31 December 2006: YTL 473 thousands) of other liabilities from intercompany balances.

Subsequent to this sale, at 1 October 2007 the legal name of this company has been changed as Eureko Sigorta AŞ.

30 Significant events

- 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.

- It was decided during the board of directors meeting of the Bank held on 4 April 2007 to merge the Romania branches of Garanti Bank International NV, a fully owned subsidiary of the Bank in Holland and the following companies of GE Consumer Finance; Domenia Credit IFN, Ralfi IFN and Motoractive Leasing IFN operating in Romania. The ultimate shareholders of Motoractive Leasing IFN, the company planned to operate in Romania under the banking license after these mergers will be Türkiye Garanti Bankası AŞ, Doğuş Holding AŞ and GE Consumer Finance.

- It has been resolved in the Bank's board of directors meeting held on 11 June 2007 that:

  - the Article 38 "Voting" of the Articles of Association of the Bank will be amended to provide right of one vote for each Garanti Bank share of 1Ykr (the pertaining amendment reflects a technical adjustment, related to the transition to YTL and does not entail any change regarding the voting rights of the shares).

  - the Article 45 "Distribution of Profit" of the Articles of Association of the Bank regarding the distribution of the net profit to members of the board of directors and the personnel will be abolished and removed from the Articles of Association of the Bank; and other terms in Article 45 regarding distribution of net profit will remain without any changes.

  The applications have been filed with the BRSA and the CMB for these resolutions on 13 June 2007. Following the completion of this process, the amendments to the Articles of Association are approved at the extraordinary general assembly meeting held on 4 October 2007.

- On 5 July 2007, the Bank has reached an agreement with Deutsche Bank AG regarding the transfer of its custody services to foreign institutional investors for US$ 115 millions. Pursuant to the agreement, ongoing services provided to foreign institutional investors will continue to be provided by the Bank for the duration of the next ten months.

  US$ 115 millions (YTL 147,775 thousands) that was paid in cash by Deutsche Bank AG for the transfer of the said services up front, is recorded under other operating income.

  On the other hand, custody services provided by the Bank to local investors will continue to be provided as presently carried out and such investors will continue to receive custody services from Türkiye Garanti Bankası AŞ.

- It was decided during the board of directors meeting of the Bank held on 15 September 2007 to establish a new company named Garanti Financial Services NV in Holland for the purpose of cross border expansions and accordingly to authorize the head office to carry out the establishment procedures.

31 Subsequent event

The legal registration process of Garanti Konut Finansmanı Danışmanlık Hizmetleri AŞ, a new company established as per the decision made during the board of directors meeting of the Bank on 15 September 2007 to provide consultancy and outsourcing services to banks, housing finance and mortgage finance companies, has been completed on 3 October 2007. The Bank owns 99.99% of the company shares. ¼ of the share capital of the company amounting YTL 750 in total, is paid.

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