KPMG

Türkiye Garanti Bankası Anonim Şirketi
And Its Affiliates

Consolidated Financial Statements

31 March 2008

With Report on Review of Interim
Financial Information Thereon

15 May 2008

This report contains the "Report on Review of Interim Financial Information" comprising 1 page and; the "Consolidated financial statements and their explanatory notes" comprising 74 pages.

Türkiye Garanti Bankası Anonim Şirketi

And Its Affiliates

Table of contents

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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 31 March 2008 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the three-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 31 March 2008, and of its financial performance and its cash flows for the three month period then ended in accordance with IAS 34 after giving retroactive effect to the Social Security Law No. 5754 enacted 8 May 2008.

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

İstanbul,
15 May 2008

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Balance Sheet
At 31 March 2008

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

	Notes	31 March 2008	31 December 2007
Assets			
Cash and balances with central banks	*4*	3,688,135	2,874,979
Financial assets at fair value through profit or loss	*5*	968,259	1,004,018
Loans and advances to banks	*6*	5,703,619	5,049,041
Loans and advances to customers	*7*	47,384,420	41,042,495
Other assets	*9*	4,660,299	6,168,558
Security investments	*10,21*	17,434,054	17,835,310
Investments in equity participations	*11*	51,986	49,776
Tangible assets, net	*12*	1,155,488	1,162,901
Goodwill, net	*13*	33,170	33,170
Deferred tax asset	*19*	96,919	104,472
Total assets		**81,176,349**	**75,324,720**
Liabilities			
Deposits from banks	*14*	3,217,127	2,436,093
Deposits from customers	*15*	45,125,532	41,334,747
Obligations under repurchase agreements	*16*	7,792,546	8,591,954
Loans and advances from banks	*17*	13,414,172	11,440,372
Bonds payable	*18*	62,324	50,912
Current tax liability	*19*	9,307	5,301
Deferred tax liability	*19*	331	30
Other liabilities and accrued expenses	*20*	4,096,289	4,213,543
Total liabilities		**73,717,628**	**68,072,952**
Shareholders' equity and minority interest			
Share capital	*21*	3,046,371	3,046,371
Minority interest	*21*	26,138	23,410
Unrealised (losses)/gains on available-for-sale assets	*10,21*	(95,394)	189,382
Hedging reserve	*21*	(679)	31,464
Translation reserve	*21*	41,313	6,709
Legal reserves	*21*	173,004	172,678
Retained earnings	*21*	4,267,968	3,781,754
Total shareholders' equity and minority interest		**7,458,721**	**7,251,768**
Total liabilities, shareholders' equity and minority interest		**81,176,349**	**75,324,720**
Commitments and contingencies	*23*		

The notes on pages 5 to 74 are an integral part of these consolidated financial statements.

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Income Statement
For The Three-Month Period Ended 31 March 2008

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

	Notes	31 March 2008	31 March 2007
Interest income:-			
Interest on loans		1,334,639	1,030,123
Interest on securities		643,127	572,532
Interest on deposits at banks		165,877	138,220
Interest on lease business		59,326	39,724
Others		25,940	23,277
		2,228,909	1,803,876
Interest expense:-			
Interest on saving, commercial and public deposits		(900,743)	(715,216)
Interest on borrowings and obligations under repurchase agreements		(437,400)	(334,325)
Interest on bank deposits		(41,445)	(46,576)
Others		(3,237)	(2,961)
		(1,382,825)	(1,099,078)
Net interest income		**846,084**	**704,798**
Fee and commission income		494,005	403,792
Fee and commission expense		(88,056)	(93,096)
Net fee and commission income	*26*	**405,949**	**310,696**
Trading income, net		76,001	-
Premium income from insurance business		31,382	69,065
Other operating income		18,308	21,233
Other operating income		**125,691**	**90,298**
Total operating Income		**1,377,724**	**1,105,792**
Salaries and wages		(259,055)	(155,570)
Impairment losses	*7,8,9,11,12,13,20*	(118,479)	(75,294)
Employee benefits	*20*	(56,784)	(41,645)
Depreciation and amortization	*12*	(42,828)	(41,264)
Communication expenses		(31,996)	(23,440)
Rent expenses		(23,606)	(18,945)
Claim loss from insurance business		(9,039)	(28,320)
Trading loss, net	*5*	-	(29,193)
Other operating expenses	*27*	(217,949)	(164,742)
Total operating expenses		**(759,736)**	**(578,413)**
Taxation credit/(charge)	*19*	(129,046)	(102,609)
Net income for the period		**488,942**	**424,770**
Net income for the period attributable to:			
Equity holders of the Bank		486,214	424,439
Minority interest		2,728	331
		488,942	**424,770**
Weighted average number of shares with a face value of YTL 1,000 each	*21*	**2,100 billion**	**2,100 billion**
Earnings per share (full YTL amount per YTL'000 face value each)		**231.5**	**202.1**

The notes on pages 5 to 74 are integral part of these consolidated financial statements

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Changes in Shareholders' Equity
For The Three-Month Period Ended 31 March 2008

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

	Notes	Share Capital	Minority Interest	Unrealised (Losses)/Gains on Available-for-Sale Assets	Hedging Reserve	Translation Reserve	Legal Reserves	Retained Earnings	Total Shareholders' Equity and Minority Interest
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		-	-	-	-	-	(17)	17	-
Net unrealised market value losses from available-for-sale portfolio		-	-	(35,588)	-	-	-	-	(35,588)
Net gains on available-for-sale assets transferred to the income statement on disposal		-	-	(8,830)	-	-	-	-	(8,830)
Foreign currency translation differences for foreign operations		-	-	-	-	1,944	-	-	1,944
Net loss on hedge of net investment in foreign operations		-	-	-	-	-	-	-	-
Net fair value losses from cash flow hedges		-	-	-	(784)	-	-	-	(784)
Net income for the three-month period		-	331	-	-	-	-	424,439	424,770
Balances at 31 March 2007		**3,046,371**	**8,176**	**78,144**	**2,364**	**16,349**	**113,036**	**2,057,476**	**5,321,916**
Transfer to unappropriated earnings		-	-	-	-	-	64,233	(64,233)	-
Dividends paid		-	-	-	-	-	-	(219,474)	(219,474)
Net unrealised market value gains from available-for-sale portfolio		-	-	112,632	-	-	-	-	112,632
Net gains on available-for-sale assets transferred to the income statement on disposal		-	-	(1,375)	-	-	-	-	(1,375)
Foreign currency translation differences for foreign operations		-	-	-	-	(9,640)	-	-	(9,640)
Net fair value gains from cash flow hedges		-	-	-	29,100	-	-	-	29,100
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		-	7,587	(19)	-	-	-	441	8,009
Net income for the nine-month period		-	7,647	-	-	-	-	2,002,953	2,010,600
Balances at 31 December 2007		**3,046,371**	**23,410**	**189,382**	**31,464**	**6,709**	**172,678**	**3,781,754**	**7,251,768**
Foreign exchange difference on foreign currency legal reserves	*21*	-	-	-	-	-	326	-	326
Net unrealised market value losses from available-for-sale portfolio	*21*	-	-	(281,629)	-	-	-	-	(281,629)
Net gains on available-for-sale assets transferred to the									-
income statement on disposal	*21*	-	-	(3,147)	-	-	-	-	(3,147)
Foreign currency translation differences for foreign operations		-	-	-	-	34,604	-	-	34,604
Net fair value gains from cash flow hedges	*21*	-	-	-	3,859	-	-	-	3,859
Net fair value gains from cash flow hedges transferred to the income statement on disposal	*21*	-	-	-	(36,002)	-	-	-	(36,002)
Net income for the three-month period		-	2,728	-	-	-	-	486,214	488,942
Balances at 31 March 2008		**3,046,371**	**26,138**	**(95,394)**	**(679)**	**41,313**	**173,004**	**4,267,968**	**7,458,721**

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Cash Flows
For The Three-Month Period Ended 31 March 2008

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

	Notes	31 March 2008	31 March 2007
Cash flows from operating activities:-			
Interests and commissions received		1,099,959	1,408,415
Interest expenses paid		(1,403,557)	(1,058,203)
Other operating activities, net		124,755	(112,551)
Cash payments to employees and suppliers		(572,621)	(221,470)
		(751,464)	16,191
(Increase)/decrease in operating assets:-			
Loans and advances to banks		(31,087)	(987,571)
Balances with central banks		2,083,649	522,560
Financial assets at fair value through profit or loss		28,818	(229,033)
Loans and advances to customers		(5,202,971)	(1,941,217)
Consumer loans		(889,437)	(453,845)
Other assets		(251,684)	(99,450)
Increase/(decrease) in operating liabilities:-			
Deposits from banks		777,365	252,663
Deposits from customers		3,780,957	2,995,811
Obligations under repurchase agreements		(806,100)	(652,424)
Other liabilities		(121,171)	(49,135)
Net cash used in operating activities before income taxes paid		**(1,383,125)**	**(625,450)**
Income taxes paid	*19*	**(125,512)**	**(124,753)**
Net cash used in operating activities		**(1,508,637)**	**(750,203)**
Cash flows from investing activities:-			
Net increase in security investments		(180,921)	(784,390)
Interest received		1,112,776	897,395
Decrease/(increase) in investments in equity participations, net		-	(250)
Dividends received		93	309
Proceeds from sale of tangible assets		82,584	1,200
Purchase of tangible assets		(83,016)	(46,398)
Net cash from investing activities		**931,516**	**67,866**
Cash flows from financing activities:-			
Increase in loans and advances from banks, net		1,998,870	871,191
Net cash from financing activities		**1,998,870**	**871,191**
Effect of exchange rate changes		**(6,913)**	**(6,097)**
Net increase in cash and cash equivalents		**1,414,836**	**182,757**
Cash and cash equivalents at the beginning of the period	*2*	4,315,192	4,204,216
Cash and cash equivalents at the end of the period	*2*	**5,730,028**	**4,386,973**

The notes on pages 5 to 74 are an integral part of these consolidated financial statements.

Overview of the Bank

Türkiye Garanti Bankası AŞ (the Bank) is a bank domiciled in Turkey. The consolidated financial statements of the Bank as of and for the three-month period ended 31 March 2008 comprise the Bank and its affiliates (the Affiliates) and their interest in associates.

(a) Brief History

The foundation of the Bank was approved by the decree of the 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 535 domestic branches, five foreign branches, four representative offices abroad and 89 offices. In addition to its branches, the Bank has 100% ownership in two banks each of which is located in Amsterdam and Moscow. The Bank and its affiliates in total have 17,100 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 30.52% and "GE Araştırma ve Müşavirlik Limited Şti." of the General Electric (GE) Group holds 20.85% of the issued capital.

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 Standard ("IFRS") IAS 34 Interim Financial Reporting after giving retroactive effect to the Social Security Law No. 5754 enacted 8 May 2008. The accompanying consolidated financial statements are authorized for issue by the directors on 15 May 2008.

(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.

Significant accounting policies (continued)

(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.

(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.

Significant accounting policies (continued)

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.

(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)*).

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

Significant accounting policies (continued)

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.

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.

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.

Significant accounting policies (continued)

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 the 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.

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

Significant accounting policies (continued)

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.

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.

Significant accounting policies (continued)

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.

(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).

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

Significant accounting policies (continued)

(n) Retirement benefit obligations

(i) Defined benefit plan

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.

The Bank has a defined benefit plan ("the Plan") for its employees namely Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı ("the Fund"). The Fund is a separate legal entity and a foundation recognized by an official decree, providing pension and post-retirement medical benefits to all qualified Bank employees. This benefit plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506 and these contributions are as follows:

	31 March 2008	
	Employer	***Employee***
	%	*%*
Pension contributions	15.5	10.0
Medical benefit contributions	6.0	5.0

This benefit plan is composed of a) the contractual benefits of the employees, which are subject to transfer to Social Security Foundation ("SSF") ("pension and medical benefits transferable to SSF") (see Note 20) and b) other excess social rights and payments provided in the existing trust indenture but not transferable to SSF and medical benefits provided by the Bank for its constructive obligation ("excess benefits").

a) Pension and medical benefits transferable to SSF

As discussed in Note 20, the Bank expects to transfer a portion of the obligation of the Fund to SSF. This transfer will be a settlement of that portion of the Fund's obligation. Final legislation establishing the terms for this transfer was enacted on 8 May 2008. Although the settlement will not be recognized until the transfer is made, the Bank believes that it is more appropriate to measure the obligation at 31 December 2007 as the value of the payment that would need to be made to SSF to settle the obligation at the balance sheet date in accordance with the Temporary Article 20 of the Law No.5754: "Law regarding the changes in Social Insurance and General Health Insurance Law and other laws and regulations" ("New Law"). The pension disclosures set out in Note 20, therefore reflect the actuarial assumptions and mortality tables specified in the New Law, including a discount rate of 9.80%.

The pension benefits transferable to SSF are calculated annually by an independent actuary, who is registered with the Undersecretariat of the Treasury.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are directly charged to income statement.

Significant accounting policies (continued)

b) Excess benefits not transferable to SSF

The excess benefits, which are not subject to the transfer, are accounted in accordance with IAS 19, "*Employee Benefits*". The obligation in respect of the retained portion of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value by using the projected unit credit method, and any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is a floating discount rate between 16.77% - 10.17%.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are directly charged to income statement.

(ii) 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 calculated in accordance with the Turkish Labor Law. In accordance with Turkish Labor Law, the Bank and its affiliates are required to make lump-sum payments to each employee whose employment is terminated due to retirement or before the retirement date for reasons other than resignation or misconduct and has completed at least one year of service.

Provision is made for the present value of the liability calculated using the projected unit credit method and all actuarial gains and losses are recognized immediately in the consolidated income statement.

(o) Taxes on income

Taxes on income for the year comprise current tax and deferred taxes. Current taxes on income comprises tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting 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.

Significant accounting policies (continued)

(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.

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.

Significant accounting policies (continued)

Financial assets remeasured to fair value

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

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

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

(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 year.

Significant accounting policies (continued)

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 year, less reinsurance share.

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.

Index for the notes to the consolidated financial statements:

Note description

(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:

	31 March 2008				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	44,347,306	70,815,653	53,194,139	11,801,431	63,782
Holland	530,337	2,277,844	2,471,003	642,538	-
England	117,779	2,103,640	3,746,852	440,322	-
Russia	985,271	1,579,371	150,593	94,884	7
Germany	36,009	1,333,717	2,896,084	76,874	-
Romania	527,754	686,314	526,611	104,805	10,741
USA	63,023	350,847	5,830,677	361,964	-
France	23,305	279,772	170,104	216,956	-
Others	753,636	1,749,191	4,731,565	1,286,266	-
	47,384,420	81,176,349	73,717,628	15,026,040	74,530

	31 December 2007				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	38,984,518	67,127,417	51,061,766	10,565,100	284,270
Holland	471,332	1,675,657	1,971,262	319,790	-
England	119,600	1,599,043	3,855,098	302,471	-
Germany	31,374	1,362,560	1,668,080	77,527	-
Russia	523,224	1,116,366	211,330	140,175	517
USA	37,275	471,726	5,132,038	318,572	-
Romania	256,544	385,859	265,807	56,552	21,341
France	14,259	23,845	135,062	229,914	-
Others	604,369	1,562,247	3,772,509	880,847	-
	41,042,495	75,324,720	68,072,952	12,890,948	306,128

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

	For the three-month period ended	
	31 March 2008	***31 March 2007***
Turkey	451,923	371,632
Luxembourg	19,500	5,178
Holland	6,575	12,670
Malta	983	32,340
Others	9,961	2,950
	488,942	424,770

(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:

31 March 2008	*Retail Banking*	*Commercial, Corporate & SME Banking*	*Other Operations*	*Eliminations*	*Total Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial*	*Other Non-Financial*	*Combined*	*Eliminations*	*Total*
Operating income	499,662	431,954	366,673	-	1,298,289	26,418	42,082	6,243	8,479	7,101	1,388,612	(10,888)	1,377,724
Operating expenses	(208,555)	(135,049)	(366,412)	-	(710,016)	(10,420)	(23,673)	(4,198)	(7,900)	(5,573)	(761,780)	2,044	(759,736)
Income from operations	**291,107**	**296,905**	**261**	**-**	**588,273**	**15,998**	**18,409**	**2,045**	**579**	**1,528**	**626,832**	**(8,844)**	**617,988**
Taxation credit/(charge)	-	-	(124,774)	-	(124,774)	7	(3,351)	(491)	(70)	(367)	(129,046)	-	(129,046)
Net income for the period	**291,107**	**296,905**	**(124,513)**	**-**	**463,499**	**16,005**	**15,058**	**1,554**	**509**	**1,161**	**497,786**	**(8,844)**	**488,942**
Segment assets	14,629,375	31,730,269	30,405,390	(140,007)	76,625,027	2,310,774	846,901	707,641	42,321	13,156	80,545,820	(707,034)	79,838,786
Investments in equity participations	-	-	310,769	-	310,769	1,000	275	9,635	5,090	1,159	327,928	(275,942)	51,986
Unallocated assets	-	-	1,218,214	-	1,218,214	17,998	8,218	1,384	4,636	1,027	1,251,477	34,100	1,285,577
Total assets	**14,629,375**	**31,730,269**	**31,934,373**	**(140,007)**	**78,154,010**	**2,329,772**	**855,394**	**718,660**	**52,047**	**15,342**	**82,125,225**	**(948,876)**	**81,176,349**
Segment liabilities	25,988,924	17,463,592	27,552,940	(140,007)	70,865,449	2,102,484	747,956	677,300	3,532	6,162	74,402,883	(685,255)	73,717,628
Shareholders' equity and minority interest	-	-	7,288,561	-	7,288,561	227,288	107,438	41,360	48,515	9,180	7,722,342	(263,621)	7,458,721
Total liabilities, shareholders' equity and minority interest	**25,988,924**	**17,463,592**	**34,841,501**	**(140,007)**	**78,154,010**	**2,329,772**	**855,394**	**718,660**	**52,047**	**15,342**	**82,125,225**	**(948,876)**	**81,176,349**

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

1 Segment reporting (continued)

31 March 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	395,619	330,097	259,785	-	985,501	24,798	81,573	5,558	9,069	6,672	1,113,171	(7,379)	1,105,792
Operating expenses	(159,172)	(105,218)	(232,500)	-	(496,890)	(13,859)	(51,734)	(4,070)	(8,559)	(6,389)	(581,501)	3,088	(578,413)
Income from operations	**236,447**	**224,879**	**27,285**	**-**	**488,611**	**10,939**	**29,839**	**1,488**	**510**	**283**	**531,670**	**(4,291)**	**527,379**
Taxation charge	-	-	(100,953)	-	(100,953)	(3)	(1,189)	(307)	(75)	(82)	(102,609)	-	(102,609)
Net income for the period	**236,447**	**224,879**	**(73,668)**	**-**	**387,658**	**10,936**	**28,650**	**1,181**	**435**	**201**	**429,061**	**(4,291)**	**424,770**
31 December 2007													
Segment assets	13,682,475	25,979,466	31,400,256	(89,625)	70,972,572	2,132,203	768,686	638,241	46,792	10,814	74,569,308	(594,907)	73,974,401
Investments in equity participations	-	-	324,336	-	324,336	1,000	275	9,635	4,554	1,121	340,921	(291,145)	49,776
Unallocated assets	-	-	1,230,114	-	1,230,114	18,323	7,791	1,413	4,525	969	1,263,135	37,408	1,300,543
Total assets	**13,682,475**	**25,979,466**	**32,954,706**	**(89,625)**	**72,527,022**	**2,151,526**	**776,752**	**649,289**	**55,871**	**12,904**	**76,173,364**	**(848,644)**	**75,324,720**
Segment liabilities	23,946,399	16,521,575	25,030,059	(89,625)	65,408,408	1,940,243	684,365	609,483	8,952	4,887	68,656,338	(583,386)	68,072,952
Shareholders' equity and minority interest	-	-	7,118,614	-	7,118,614	211,283	92,387	39,806	46,919	8,017	7,517,026	(265,258)	7,251,768
Total liabilities, shareholders' equity and minority interest	**23,946,399**	**16,521,575**	**32,148,673**	**(89,625)**	**72,527,022**	**2,151,526**	**776,752**	**649,289**	**55,871**	**12,904**	**76,173,364**	**(848,644)**	**75,324,720**

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

2 Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, due from banks with original maturity periods of less than three months and other cash items. Cash and cash equivalents as at 31 March 2008 and 2007, included in the accompanying consolidated statements of cash flows are as follows:

	31 March 2008	***31 March 2007***
Cash at branches	383,726	238,969
Loans and advances to banks with original maturity periods of less than three months	5,346,302	4,148,004
	5,730,028	4,386,973

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 had the following balances outstanding from and transactions with related parties:

3.1 Outstanding balances

	31 March 2008	***31 December 2007***
Balance sheet		
Loans and advances to customers	140,940	157,832
Loans granted in YTL	*51,778*	*97,612*
Loans granted in foreign currencies:	*US$ 29,783,206*	*US$ 22,547,863*
	EUR 24,142,314	*EUR 20,075,886*
Miscellaneous receivables	30,672	5,411
Deposits received	607,284	292,387
Commitments and contingencies		
Non-cash loans	192,767	169,696

3.2 Transactions

	For the three-month period ended	
	31 March 2008	***31 March 2007***
Interest income	2,542	2,001
Interest expense	9,277	11,590

In the first quarter of 2008, interest rates applied to foreign currency receivables from and payables to related parties vary within the ranges of 2.6%-7.4% and 2.2%-5.9% (31 December 2007: 3.1%-7.4% and 3.8%-6.6%), respectively. The interest rates applied to YTL receivables from and payables to related parties vary within the ranges of 15.9%-21.9% and 15.4%-17.3%, respectively (31 December 2007: 16.3%-21.6% and 15.2%-19.0%). Various commission rates are applied to transactions involving guarantees and commitments.

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

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.

The Bank sold a real estate, a building in Maslak to Doğuş Holding AŞ on 11 March 2008 at a sale prices of US$ 35 millions. US$ 15 millions of the sale price was collected on the date of sale, the Bank's net receivable from Doğuş Holding AŞ on this sale to be collected in one-year term is YTL 20,620 thousands, classified under "miscellaneous receivables" (Note 9), in the accompanying consolidated financial statements. Accordingly, a gain of 267 thousands on this sale is recorded as of 31 March 2008.

Key management personnel compensation for the three-month period ended 31 March 2008 amounted YTL 48,364 thousands (31 March 2007: YTL 31,460 thousands) on a consolidated basis. Within this total, individual key management expenses of the Bank amounted YTL 39,011 thousands (31 March 2007: YTL 23,587 thousands) and of its financial affiliates amounted YTL 9,353 thousands (31 March 2007: YTL 7,873 thousands).

4 Cash and balances with central banks

	31 March 2008	*31 December 2007*
Cash at branches	383,726	454,195
Balances with central banks excluding reserve deposits	3,304,409	2,420,784
	3,688,135	2,874,979

5 Financial assets at fair value through profit or loss

	31 March 2008				*31 December 2007*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments held at fair value:					
Government bonds in YTL	230,694	208,197	10-20	2014	205,146
Bonds issued by foreign institutions	98,266	101,643	7-9	2010	94,112
Gold	-	67,353	-	-	69,444
Eurobonds	55,084	63,216	4-12	2038	96,528
Discounted government bonds in YTL	54,630	44,590	17-19	2009	18,659
Bonds issued by corporations	37,382	37,936	8-21	2010	24,467
Government bonds in foreign currency	9,779	10,098	4-7	2010	10,516
Government bonds at floating rates	3,508	3,806	17-22	2014	4,527
Others		31,964			52,643
		568,803			576,042
Equity and other non-fixed income instruments:					
Forfeiting receivables		399,307			427,836
Listed shares		149			140
		399,456			427,976
Total financial assets at fair value through profit or loss		968,259			1,004,018

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

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

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

Income/(loss) from trading of financial assets is detailed in the table below:

	31 March 2008	*31 March 2007*
Fixed and floating securities	18,105	44,834
Foreign exchange transactions	9,058	565
Derivative transactions	48,838	(74,592)
Trading income/(loss), net	76,001	(29,193)

Expenses related with derivative transactions amounting YTL 15,074 thousands, are classified from "other interest expenses" to "trading loss, net" as of 31 March 2007.

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to YTL 139,415 thousands (31 December 2007: YTL 129,071 thousands).

As at 31 March 2008, financial assets at fair value through profit or loss amounting to YTL 94 thousands are blocked against asset management operation and insurance business related transactions (31 December 2007: YTL 1,824 thousands).

6 Loans and advances to banks

	31 March2008			*31 December 2007*		
	YTL	*Foreign Currency*	*Total*	*YTL*	*Foreign Currency*	*Total*
Loans and advances-demand						
Domestic banks	1,511	4,718	6,229	1,429	3,901	5,330
Foreign banks	66,279	221,553	287,832	35,180	218,824	254,004
	67,790	226,271	294,061	36,609	222,725	259,334
Loans and advances-time						
Domestic banks	163,947	1,443,027	1,606,974	261,942	1,001,617	1,263,559
Foreign banks	1,427,131	2,244,147	3,671,278	731,231	2,685,421	3,416,652
	1,591,078	3,687,174	5,278,252	993,173	3,687,038	4,680,211
Accrued interest on loans and advances	98,602	32,704	131,306	64,155	45,341	109,496
Total loans and advances to banks	1,757,470	3,946,149	5,703,619	1,093,937	3,955,104	5,049,041
Less: allowance for uncollectibility	-	-	-	-	-	-
Net loans and advances to banks	1,757,470	3,946,149	5,703,619	1,093,937	3,955,104	5,049,041

As at 31 March 2008, majority of loans and advances-time are short-term with interest rates ranging between 3%-7% per annum for foreign currency time placements and 13%-20% per annum for YTL time placements (31 December 2007: 2%-7% and 16%-21%, respectively).

As at 31 March 2008, loans and advances at domestic and foreign banks include blocked accounts of YTL 1,219,461 thousands (31 December 2007: YTL 1,095,412 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:

	31 March 2008	***31 December 2007***
Consumer loans	14,327,627	13,438,190
Credit cards	*5,463,470*	*5,430,110*
Mortgage loans	*4,730,512*	*4,156,756*
General purpose loans	*2,674,622*	*2,314,226*
Auto loans	*1,112,690*	*1,131,629*
Other consumer loans	*346,333*	*405,469*
Service sector	3,205,926	2,575,186
Energy	2,618,481	1,987,433
Construction	2,572,422	2,217,345
Financial institutions	2,447,988	1,949,021
Transportation vehicles and sub-industry	2,013,411	1,556,786
Food	1,983,677	1,886,326
Textile	1,804,130	1,526,818
Transportation and logistics	1,774,988	1,653,543
Metal and metal products	1,676,626	1,291,787
Data processing	1,507,530	1,251,934
Tourism	1,192,995	999,291
Durable consumption	965,177	818,559
Chemistry and chemical product	796,628	444,381
Agriculture and stockbreeding	719,063	710,237
Stone, rock and related products	573,897	437,162
Machinery and equipments	559,240	534,142
Electronic, optical and medical equipment	494,760	457,263
Plastic products	314,939	240,011
Mining	304,085	280,611
Paper and paper products	280,941	253,936
Others	1,618,595	1,487,989
Total performing loans	43,753,126	37,997,951
Non-performing loans and lease receivables	911,825	869,567
Total gross loans	44,664,951	38,867,518
Financial lease receivables, net of unearned income (Note 8)	2,136,297	1,923,040
Factoring receivables	566,675	494,400
Accrued interest income on loans and lease receivables	876,808	543,392
Allowance for possible losses from loans and lease receivables	(860,311)	(785,855)
Loans and advances to customers	47,384,420	41,042,495

As at 31 March 2008, interest rates on loans granted to customers range between 2%-15% (31 December 2007: 2%-16%) per annum for the foreign currency loans and 15%-29% (31 December 2007: 16%-31%) per annum for the YTL loans.

(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 164,420 thousands (31 December 2007: YTL 153,805 thousands).

Movements in the allowance for possible losses on loans and lease receivables including the portfolio basis allowances, are as follows:

	31 March 2008	*31 December 2007*
Balance at the beginning of the period	785,855	595,024
Write-offs	(39,622)	(83,513)
Recoveries and reversals	(9,618)	(41,780)
Provision for the period	123,696	316,124
Balance at the end of the period	860,311	785,855

Movement in the portfolio basis allowance are as follows:

	31 March 2008	*31 December 2007*
Balance at the beginning of the period	153,805	85,178
Net change in provision for the period, net	10,615	68,627
Balance at the end of the period	164,420	153,805

8 Financial lease receivables

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

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

	31 March 2008	*31 December 2007*
Financial lease receivables, net of unearned income (Note 7)	2,136,297	1,923,040
Add: non-performing lease receivables	19,070	16,181
Less: allowance for possible losses on lease receivables	(19,070)	(16,819)
	2,136,297	1,922,402
Accrued interest on lease receivables	25,531	23,246
Analysis of net financial lease receivables		
Due within 1 year	1,094,896	987,689
Due after 1 year	1,389,400	1,240,013
Financial lease receivables, gross	2,484,296	2,227,702
Unearned income	(347,999)	(305,300)
Financial lease receivables, net	2,136,297	1,922,402
Analysis of net financial lease receivables, net		
Due within 1 year	913,938	826,985
Due between 1 and 5 years	1,222,359	1,095,417
Financial lease receivables, net	2,136,297	1,922,402

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

9 Other assets

	31 March 2008	*31 December 2007*
Reserve deposits at the Central Bank of Turkey	2,820,788	4,907,841
Insurance premium receivables	647,848	580,695
Accrued exchange gain on derivatives	507,528	136,424
Prepaid expenses, insurance claims and similar items	235,714	202,262
Miscellaneous receivables (Note 3)	232,247	133,292
Tangible assets held for sale	97,400	112,886
Advances for tangible assets	36,129	19,085
Prepaid taxes and taxes and funds to be refunded	28,968	52,399
Others	53,677	23,674
	4,660,299	6,168,558

At 31 March 2008, 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 YTL and foreign currency liabilities 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 liabilities are 6% and 11%, respectively. Interest rates applied for reserve requirements are 11.43% (31 December 2007: 11.81%) for YTL deposits and 0.95% and 1.875% (31 December 2007: 1.95% and 1.80%) for foreign currency deposits in US$ and Euro.

YTL 89,284 thousands (31 December 2007: YTL 100,582 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.

Impairment losses provided on real estates held for sale were determined based on the appraisals of independent appraisal firms. As of 31 March 2008, real estates held for sale costing YTL 101,630 thousands (31 December 2007: YTL 117,055 thousands) have been impaired by YTL 6,057 thousands (31 December 2007: YTL 6,924 thousands).

As of 31 March 2008, the rights of repurchase on various tangible assets held for sale amounted to YTL 15,129 thousands (31 December 2007 : YTL 29,850 thousands).

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

10 Security investments

	31 March 2008				*31 December 2007*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments available-for-sale:					
Government bonds at floating rates	3,656,647	3,826,700	17-22	2014	3,977,839
Discounted government bonds in YTL	3,317,365	2,895,143	17-19	2009	2,931,781
Government bonds in YTL	3,070,120	2,878,485	14-19	2012	2,649,515
Eurobonds	1,499,597	1,540,567	5-12	2036	1,726,716
Bonds issued by corporations ***(a)***	1,520,252	1,511,361	4-18	2017	1,367,802
Government bonds in foreign currency	361,155	363,987	4-7	2010	509,559
Bonds issued by financial institutions	225,308	227,667	5-12	2014	150,229
Bonds issued by foreign governments	113,887	130,558	6-13	2028	42,735
Government bonds indexed to consumer price index	105,481	114,974	10	2012	120,324
Others ***(b)***		61,211			58,455
Total securities available-for-sale		13,550,653			13,534,955
Debt and other instruments held-to-maturity:					
Government bonds at floating rates	2,701,113	2,826,553	***(c)***	2011	2,837,628
Government bonds in YTL	488,563	469,559	15	2011	468,740
Eurobonds	352,018	392,677	9-12	2030	669,120
Bonds issued by foreign governments	131,000	132,385	3	2008	116,617
Discounted government bonds in YTL	2,994	2,994	7	2008	2,994
Bonds issued by corporations	1,970	1,958	8	2014	1,718
Other		25,718			22,561
		3,851,844			4,119,378
Accrued interest on held-to-maturity portfolio		31,557			180,977
Total securities held-to-maturity		3,883,401			4,300,355
Total security investments		17,434,054			17,835,310

(a) *Bonds issued by corporations include credit linked notes with face value amounting to YTL 1,146,250 thousands (31 December 2007: YTL 1,015,000 thousands) and carrying value amounting to YTL 1,159,940 thousands (31 December 2007: YTL 1,039,423 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$ 28,850,000 and EUR 2,500,000 (31 December 2007: US$ 35,850,000 and EUR 2,500,000) and a total carrying value of YTL 28,434 thousands (31 December 2007:YTL 30,633).*

(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 31 March 2008, the Bank has 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:

	31 March 2008	*31 December 2007*
Balance at the beginning of the period	17,548	31,672
Value increase in securities available-for-sale portfolio for the period, net	(4,660)	(15,797)
(Reversal of provision)/provision for security investments for the period, net	(5,045)	1,673
Balance at the end of the period	7,843	17,548

Interest income from debt and other fixed or floating 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 8,647,789 thousands (31 December 2007: YTL 9,718,647 thousands).

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

	31 March 2008		*31 December 2007*	
	Face Value	*Carrying value*	*Face Value*	*Carrying value*
Deposited at Istanbul Stock Exchange	6,959,156	6,687,549	7,434,431	7,654,013
Collateralized to foreign banks	3,610,940	3,771,182	2,556,803	2,765,952
Deposited at CBT for interbank transactions	555,200	564,779	516,600	537,225
Deposited at CBT for foreign currency money market transactions	192,000	202,445	192,400	212,552
Deposited at Clearing Bank (Takasbank)	125,560	115,649	97,325	98,888
Deposited at central banks for repurchase transactions	107,382	107,996	79,412	76,429
Others		41,680		37,605
		11,491,280		11,382,664

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

11 Investments in equity participations

	31 March 2008		*31 December 2007*	
	Carrying Value	***Ownership %***	***Carrying Value***	***Ownership %***
Eureko Sigorta AŞ	31,060	20.00	28,997	20.00
IMKB Takasbank AŞ	11,915	5.83	11,915	5.83
Others	9,011		8,864	
	51,986		49,776	

Garanti Konut Finansmanı Danışmanlık Hizmetleri AŞ is 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. Its legal registration process has been completed on 3 October 2007. The Bank owns 99.99% of the company shares. 1/4 of the share capital of the company amounting YTL 750 in total, is paid. This company is not consolidated in the accompanying consolidated financial statements as currently it does not have material operations comparing to the consolidated performance of the Bank and its affiliates, instead it is recorded under investments in equity participations in “others” above and valued at cost.

80% shares of a previously consolidated affiliate, Garanti Sigorta AŞ, owned by the Bank are sold to Eureko BV on 21 June 2007. 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.

Garanti Filo Yönetimi Hizmetleri ve Ticaret AŞ is established on 10 January 2007 as an operational leasing company, and fully owned and controlled by the leasing affiliate of the Bank. The company’s main objective is to rent cars to corporates, institutional and small and medium size enterprises. The paid share capital is YTL 1,000 thousand as of the issue date of the financial statements. This company is not consolidated in the accompanying financial statements as currently it does not have material operations comparing to the consolidated performance of the Bank and its affiliates, instead it is recorded under investments in equity participations in “others” above and valued at cost.

IMKB 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 15 thousands as of 31 March 2008 (31 March 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 3,917 thousands as of 31 March 2008 (31 December 2007 : YTL 3,902 thousands).

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

12 Tangible assets

Movement in tangible assets from 1 January to 31 March 2008 is as follows:

	1 January	Additions	Adjustment for Currency Translation	Disposals	31 March
Costs					
Land and buildings	1,096,919	15,851	13,401	(61,025)	1,065,146
Furniture, fixture and equipments	1,086,273	40,419	4,920	(19,100)	1,112,512
Leasehold improvements	198,274	20,785	2,473	(600)	220,932
	2,381,466	77,055	20,794	(80,725)	2,398,590
Less: Accumulated depreciation					
Buildings	229,497	5,741	1,412	(18,603)	218,047
Furniture, fixture and equipments	809,741	28,527	1,684	(6,056)	833,896
Leasehold improvements	87,894	8,953	400	(600)	96,647
	1,127,132	43,221	3,496	(25,259)	1,148,590
Construction in progress	17,794			***(a)*** (2,525)	15,269
	1,272,128				1,265,269
Impairment in value of tangible assets	(109,227)				(109,781)
	1,162,901				1,155,488

Movement in tangible assets from 1 January to 31 December 2007 is as follows:

	1 January	Additions	Adjustment for Currency Translation	Disposals	31 December
Costs					
Land and buildings	1,061,922	64,746	(4,934)	(24,815)	1,096,919
Furniture, fixture and equipments	1,105,376	165,659	(1,285)	(183,477)	1,086,273
Leasehold improvements	214,480	65,264	(641)	(80,829)	198,274
	2,381,778	295,669	(6,860)	(289,121)	2,381,466
Less: Accumulated depreciation					
Buildings	210,477	23,038	(449)	(3,569)	229,497
Furniture, fixture and equipments	843,754	135,739	(753)	(168,999)	809,741
Leasehold improvements	137,258	26,427	(358)	(75,433)	87,894
	1,191,489	185,204	(1,560)	(248,001)	1,127,132
Construction in progress	7,335	10,459 ***(a)***			17,794
	1,197,624				1,272,128
Impairment in value of tangible assets	(118,375)				(109,227)
	1,079,249				1,162,901

(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 year 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 31 December 2007 following the sale of 80% ownership in this company by the Bank in June 2007.

Depreciation expense for the three-month period ended 31 March 2008 amounts to YTL 42,828 thousands (31 March 2007: YTL 41,264 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 31 March 2008, land and buildings at a total net book value before impairment of YTL 408,542 thousands (31 December 2007: YTL 407,411 thousands) have been impaired by YTL 109,781 thousands (31 December 2007: YTL 109,227 thousands).

13 Goodwill

As of 31 March 2008, 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:

	31 March 2008	*31 December 2007*
Garanti Yatırım Menkul Kıymetler AŞ	20,984	20,984
Garanti Faktoring Hizmetleri AŞ	6,697	6,697
Garanti Finansal Kiralama AŞ	5,233	5,233
Eureko Sigorta AŞ	222	222
Garanti Emeklilik ve Hayat AŞ	34	34
	33,170	33,170
Impairment of goodwill	-	-
	33,170	33,170

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:

	31 March 2008	*31 December 2007*
Payable on demand	522,626	376,914
Term deposits	2,676,508	2,044,855
	3,199,134	2,421,769
Accrued interest on deposits from banks	17,993	14,324
	3,217,127	2,436,093

Deposits from banks include both YTL accounts amounting YTL 1,448,121 thousands (31 December 2007: YTL 894,291 thousands) and foreign currency accounts amounting YTL 1,751,013 thousands (31 December 2007: YTL 1,527,478 thousands) in total. As at 31 March 2008, interest rates applicable to YTL bank deposits and foreign currency bank deposits vary within ranges of 13%-20% and 2%-12% (31 December 2007: 16%-21% and 4%-11%), respectively.

15 Deposits from customers

Deposits from customers comprise the following:

	31 March 2008			*31 December 2007*
	Demand	*Time*	*Total*	*Total*
Foreign currency	6,114,463	18,356,995	24,471,458	21,905,297
Saving	1,229,234	12,481,973	13,711,207	12,536,696
Commercial	1,816,317	3,942,791	5,759,108	5,886,583
Public and other	782,248	170,610	952,858	785,098
	9,942,262	34,952,369	44,894,631	41,113,674
Accrued interest expense on deposits from customers	10,985	219,916	230,901	221,073
	9,953,247	35,172,285	45,125,532	41,334,747

As at 31 March 2008, interest rates applicable to YTL deposits and foreign currency deposits vary within ranges of 14%-19% and 1%-9% (31 December 2007: 16%-21% and 1%-9%), respectively.

As at 31 March 2008, subordinated deposits obtained by the consolidated banking affiliate in Holland amounting EUR 48 millions (equivalent of YTL 99,715 thousands) are included in foreign currency time deposits (31 December 2007: equivalent of YTL 81,458 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*
31 March 2008					
Financial assets at fair value through profit or loss	139,415	139,415	120,770	Apr'08-Feb'09	122,635
Security investments	8,647,789	8,659,289	7,671,776	Apr'08-Feb'11	7,868,528
	8,787,204	8,798,704	7,792,546		7,991,163
31 December 2007					
Financial assets at fair value through profit or loss	129,071	129,071	116,469	Jan'08-Dec'08	117,551
Security investments	9,718,647	9,720,363	8,475,485	Jan'08-Feb'11	8,686,021
	9,847,718	9,849,434	8,591,954		8,803,572

Accrued interest on obligations under repurchase agreements amounting to YTL 77,640 thousands (31 December 2007: YTL 70,948 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 the 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 31 March 2008, the maturities of the obligations varied from one day to three years and two months and interest rates varied between 2%-20% (31 December 2007: 4%-18%).

17 Loans and advances from banks

Loans and advances from banks comprise the following:

	31 March 2008	*31 December 2007*
Short-term borrowings		
Domestic banks	792,841	683,481
Foreign banks	2,109,480	1,997,630
	2,902,321	2,681,111
Long-term debts		
Short-term portion	3,474,423	2,788,538
Medium and long-term portion	6,875,938	5,784,163
	10,350,361	8,572,701
Accrued interest on loans and advances from banks	161,490	186,560
	13,414,172	11,440,372

As at 31 March 2008, loans and advances from banks included various promissory notes amounting to YTL 1,442,058 thousands in total with latest maturity of 2009 (31 December 2007: YTL 1,084,457 thousands with latest maturity of 2009), of which YTL 290,629 thousands (31 December 2007:YTL 270,623 thousands) are classified under long-term debts.

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

17 Loans and advances from banks (continued)

As at 31 March 2008, 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 1,246,260 thousands) with a rate of Euribor+0.475% per annum as signed with 43 banks.

Long-term debts comprise the following:

	31 March 2008					*31 December 2007*
	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	3.3	2008	US$ 700 mio	915,637	-	-
Deutsche Bank AG	11.3-12.9	2017	YTL 701 mio	-	701,210	701,210
DPR Securitisation-IV	4.9-5.5	2013	US$ 600 mio	43,560	740,521	693,993
DPR Securitisation-V	4.7-5.5	2013	US$ 520 mio	55,690	623,951	583,534
Subordinated debt	6.9	2017	US$ 500 mio	-	653,138	578,016
DPR Securitisation-VI	4.7	2011	EUR 300 mio	-	622,538	508,376
DPR Securitisation-VII	5.5	2016	US$ 400 mio	7,844	516,028	463,543
DPR Securitisation-VIII	4.7	2017	US$ 350 mio	-	458,075	405,486
DPR Securitisation-VI	5	2013	US$ 277.5 mio	88,264	274,532	243,035
DPR Securitisation-III	5	2013	US$ 300 mio	58,768	333,315	312,470
DPR Securitisation-VI	4.7	2016	US$ 225 mio	-	294,157	260,381
DPR Securitisation-VII	5.4	2014	US$ 100 mio	5,385	125,139	115,876
DPR Securitisation-VIII	4.7	2017	US$ 100 mio	-	130,879	115,853
DPR Securitisation-VIII	4.7	2017	US$ 100 mio	-	130,879	115,853
DPR Securitisation-VIII	5.4	2015	US$ 50 mio	-	65,439	57,937
Others				2,299,275	1,206,137	628,600
				3,474,423	6,875,938	5,784,163

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 separate 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.

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:

	31 March 2008				*31 December 2007*
	Amount in original currency in millions	*Maturity*	*Interest rates %*	*Carrying value*	*Carrying value*
Subordinated debt	EUR	2016	Euribor+1.57	62,313	50,903
Accrued interest on bonds payable				11	9
				62,324	50,912

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 2008 and 2007.

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, is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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% on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. 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 for nine years to offset against future taxable income. Tax losses can be carried back to one prior year. 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 assessment 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, 30% (31 December 2007: 40%) over the local taxable income of Germany branch and 16% over the local taxable income of Romania branches.

(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:

	31 March 2008	*%*	*31March 2007*	*%*
Taxes on income per statutory tax rate	123,598	20.00	105,476	20.00
Income items exempt from tax	(6,361)	(1.03)	(694)	(0.13)
Disallowable expenses	9,012	1.46	2,674	0.51
Others	2,797	0.45	(4,847)	(0.92)
Taxation charge	129,046	20.88	102,609	19.46

The taxation charge is comprised of the following:

	For the three-month period ended	
	31 March 2008	*31 March 2007*
Current taxes	134,819	107,852
Deferred taxes	(5,773)	(5,243)
Taxation charge	129,046	102,609

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

	31 March 2008	*31 December 2007*
Provision for current taxes payable on income	129,046	340,414
Less: Prepaid corporate taxes	(125,512)	(363,809)
Add/(less): Deferred taxes	5,773	28,696
Current tax liability	9,307	5,301

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 assets/(liabilities) recognised directly in equity is as follows:

	31 March 2008	*31 December 2007*
Unrealised (losses)/gains on available-for-sale assets	16,625	(33,574)
Hedging reserve	170	(7,866)
	16,795	(41,440)

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

	31 March 2008	*31 December 2007*
Deferred tax asset		
Impairment losses on loans	57,237	47,675
Impairment of equity participations and tangible assets	26,446	26,668
Short-term employee benefits	31,413	20,088
Valuation difference on financial assets and liabilities	8,001	24,649
Reserve for employee severance indemnity	8,855	9,125
Accruals on credit card rewards	8,557	9,844
Discount on miscellaneous receivables	5,843	2,278
Value increase fund for equity participations	(9,313)	(8,378)
Pro-rata basis depreciation expenses	(11,403)	(10,992)
Prepaid expenses and promotions	(27,573)	(21,203)
Others, net	(1,144)	4,718
Total deferred tax asset	96,919	104,472
Deferred tax liability		
Total deferred tax liability	331	30

As of 31 March 2008, there are not any deferred tax assets and liabilities that have not been recognized in the accompanying consolidated financial statements.

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

19 Taxation (continued)

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

	Opening Balance	*Recognized in Income statement*	*Recognized in equity*	*Closing balance*
31 March 2008				
Impairment losses on loans	47,675	9,562	-	57,237
Impairment of equity participations and tangible assets	26,668	(222)	-	26,446
Short-term employee benefits	20,088	11,325	-	31,413
Valuation difference on financial assets and liabilities	24,649	(3,021)	(13,627)	8,001
Reserve for employee severance indemnity	9,125	(270)	-	8,855
Accruals on credit card rewards	9,844	(1,287)	-	8,557
Discount on miscellaneous receivables	2,278	3,565	-	5,843
Value increase fund for equity participations	(8,378)	(935)	-	(9,313)
Pro-rata basis depreciation expenses	(10,992)	(411)	-	(11,403)
Prepaid expenses and promotions	(21,203)	(6,370)	-	(27,573)
Others	4,688	(6,163)	-	(1,475)
Net deferred tax asset	104,442	5,773	(13,627)	96,588

	Opening Balance	*Recognized in Income statement*	*Recognized in equity*	*Closing balance*
31 December 2007				
Impairment losses on loans	27,472	20,203	-	47,675
Impairment of equity participations and tangible assets	27,511	(843)	-	26,668
Valuation difference on financial assets and liabilities	(543)	18,433	6,759	24,649
Short-term employee benefits	18,934	1,154	-	20,088
Accruals on credit card rewards	9,210	634	-	9,844
Reserve for employee severance indemnity	7,471	1,654	-	9,125
Discount on miscellaneous receivables	3,363	(1,085)	-	2,278
Pro-rata basis depreciation expenses	(10,922)	(70)	-	(10,992)
Value increase fund for equity participations	(8,554)	176	-	(8,378)
Prepaid expenses and promotions	(8,319)	(12,884)	-	(21,203)
Others	3,364	1,324	-	4,688
Net deferred tax asset	68,987	28,696	6,759	104,442

(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:

	31 March 2008	***31 December 2007***
Blocked accounts against expenditures of card holders	1,626,575	1,683,270
Payables to insurance and reinsurance companies relating to insurance business	623,540	573,272
Accrued exchange losses on derivatives	479,394	538,841
Expense accruals	230,233	186,642
Transfer orders	185,996	178,187
Cheques at cleaning house	182,057	206,247
Recognized liability for defined benefit obligations	169,283	164,598
Insurance business related provisions	115,173	101,150
Unearned income	83,073	55,104
Payables to suppliers relating to financial lease activities	68,124	90,298
Miscellaneous payables	53,775	86,455
Withholding taxes	45,746	111,773
Reserve for employee severance indemnity	44,785	44,868
Blocked accounts	42,272	47,487
Provision for non-cash loans	36,927	32,142
Others	109,336	113,209
	4,096,289	4,213,543

Recognized liability for defined benefit obligations

(i) Defined benefit plan

As a result of the changes in legislation described below, the Bank will transfer a substantial portion of its pension liability under the Plan to SSF. This transfer, which will be a settlement of the Bank's obligation in respect of the pension and medical benefits transferable to SSF, will occur within three years from the enactment of the New Law in May 2008. The actual date of the transfer has not been specified yet. However, in its financial statements for the year ended 31 December 2007, the Bank has modified the accounting required by IAS 19 *Employee Benefits* as the Bank believes that it is more appropriate to measure the obligation, in respect of the benefits that will be transferred to SSF, at the expected transfer amount prior to the date on which the transfer and settlement will occur. The expected transfer amount is calculated based on the methodology and actuarial assumptions (discount rate and mortality tables) prescribed in the New Law. As such, this calculation measures the liability to be transferred at the expected settlement amount i.e., the expected value of the payment to be made to SSF to assume that obligation.

The obligation with respect to excess benefits is accounted as a defined benefit plan under IAS 19.

20 Other liabilities and accrued expenses (continued)

a) Pension and medical benefits transferable to SSF

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 SSF within a period of three years. In accordance with the Banking Law, the actuarial calculation of the liability (if any) on the transfer should be performed regarding the methodology and parameters determined by the commission established by Ministry of Labor and Social Security. Accordingly, the Bank calculated the pension benefits transferable to SSF in accordance with the Decree published by the Council of Ministers in the Official Gazette no. 26377 dated 15 December 2006 ("Decree") for the purpose of determining the principles and procedures to be applied during the transfer of funds. However the said Article was vetoed by the President and at 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.

The Bank obtained an actuarial report regarding its obligations at 31 December 2006. This report, which was dated 12 February 2007, is from an actuary, who is registered with the Undersecretariat of the Treasury regarding this Fund in accordance with the Decree. Based on this Decree, the actuarial balance sheet of the Fund has been prepared using a discount rate of 10.24% and the CSO 1980 mortality table. Based on the actuarial report, the assets of the plan exceed the amount that will be required to be paid to transfer the obligation at 31 December 2006. In accordance with the existing legislation at 31 December 2006, the pension and medical benefits within the social security limits were subject to transfer and the banks were not required to provide any excess social rights and payments.

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 SSF, until the decision regarding the cancellation thereof is published in the Official Gazette. The Constitutional Court stated in its reasoned ruling published in the Official Gazette numbered 26731, dated 15 December 2007 that the reason behind this cancellation was the possible loss of antecedent rights of the members of pension funds. Following the publication of the verdict, the Grand National Assembly of Republic of Turkey ("Turkish Parliament") worked on the new legal arrangements by taking the cancellation reasoning into account. At 17 April 2008, the New Law has been accepted by the Turkish Parliament and the New Law has been enacted at 8 May 2008 following its publishment in the Official Gazette no 26870. In accordance with the New Law, members of the funds established in accordance with the Social Security Law should be transferred to SSF within three years following its enactment date.

The Bank obtained an actuarial report dated 13 May 2008 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the New Law. The actuarial balance sheet of the Fund has been prepared using a discount rate of 9.80% and the CSO 1980 mortality table, and the assets of the plan exceed the amount that will be required to be paid to transfer the obligation at 31 December 2007.

The Bank's obligation in respect of the pension and medical benefits transferable to SSF has been determined as the value of the payment that would need to be made to SSF to settle the obligation at the balance sheet date in accordance with the related article of the New Law. The pension disclosures set out below therefore reflect the methodology and actuarial assumptions specified in the New Law. This calculation measures the benefit obligation at the expected transfer amount i.e., the estimated amount the Bank will pay to SSF to assume this portion of the obligation.

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

20 Other liabilities and accrued expenses (continued)

The pension benefits are calculated annually, as per the calculation as of 31 December 2007 the present value of funded obligations amount to YTL 319,418 thousands and the fair value of the planned assets amount to YTL 469,931 thousands.

	31 March 2008	*31 December 2007*
Present value of funded obligations		
- Pension benefits transferable to SSF (obligation measured at the expected transfer amount)	(363,087)	(363,087)
- Medical benefits transferable to SSF (obligation measured at the expected transfer amount)	43,669	43,669
Fair value of plan assets	469,931	469,931
Asset surplus in the plan (*)	150,513	150,513

(*) *Asset surplus in this plan will be used as plan assets of the excess benefit plan.*

Plan assets consist of the following:

	31 March 2008	*31 December 2007*
Securities	344,318	344,318
Land and buildings	113,165	113,165
Cash and due from banks	12,448	12,448
	469,931	469,931

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 60 is 17 for males, and at age 58 for females is 23.

b) Excess benefits not transferable to SSF

The other social rights and payments representing benefits in excess of social security limits are not subject to transfer to SSF. Therefore these excess benefits are accounted as an ongoing defined benefit plan.

The amounts recognized in the balance sheet are as follows:

	31 March 2008	*31 December 2007*
Present value of defined benefit obligation	(319,796)	(315,111)
Fair value of plan assets (*)	150,513	150,513
Liability in the balance sheet	(169,283)	(164,598)

(*) *Plan assets are composed of asset surplus in the plan explained in paragraph* a).

Provision charge for excess benefits amounting to YTL 4,685 thousands has been recognized as employee benefits in the accompanying consolidated income statement for the three-month period ended 31 March 2008.

Expense recognized in profit or loss for the three-month period ended 31 March 2008 is as follows:

	31 March 2008
Total contribution payment	26,579
Unfunded liability	4,685
	31,264

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

20 Other liabilities and accrued expenses (continued)

Principal actuarial assumptions used at 31 March 2008 and 31 December 2007, are as follows:

	%
Discount rate	16.77-10.17
Inflation	8-4.85
Future real salary increases	1.5
Medical cost trend rate	12.8-7.76
Future pension increases	8-4.85

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 60 is 17 for males, and at age 58 for females is 23.

The sensitivity analysis of defined benefit obligation of excess liabilities is as follows:

	% change in defined benefit obligation		
Assumption change	***Pension Benefits %***	***Medical Benefits %***	***Overall %***
Discount rate +1%	(9.3)	(13.2)	(11.9)
Discount rate -1%	11.3	16.8	14.9
Medical inflation +10% of CPI		9.9	6.4
Medical inflation -10% of CPI		(7.8)	(5.1)

Insurance business related provisions

Insurance business related provisions are detailed in the table below:

	31 March 2008	***31 December 2007***
Reserve for unearned premiums, net	35,719	25,188
Gross	*37,514*	*26,858*
Reinsurers' share	*(1,795)*	*(1,670)*
Provision for claims, net	5,336	4,882
Gross	*5,466*	*5,022*
Reinsurers' share	*(130)*	*(140)*
Life mathematical reserves	74,118	71,080
	115,173	101,150

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

20 Other liabilities and accrued expenses (continued)

Reserve for employee severence indemnity

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

	31 March 2008	*31 December 2007*
Balance, beginning of the period	44,868	38,280
Disposal due to sale of consolidated affiliates	-	(592)
Payments during the period	(250)	(6,505)
Provision for the period	167	13,685
Balance, end of the period	44,785	44,868

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 2,087.92 and YTL 2,030.19 at 31 March 2008 and 31 December 2007, respectively.

The principal actuarial assumptions are as follows:

	31 March 2008 %	*31 December 2007 %*
Discount rate	11.00	11.00
Expected rate of salary/limit increase (*)	5.00	5.00
Turnover rate to estimate the probability of retirement	5.81	5.81

(*) Determined based on the government's future targets for annual inflation.

Provision for non-cash loans

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

	31 March 2008	*31 December 2007*
Balance, beginning of the period	32,142	21,038
Provision for the period, net	4,785	11,104
Balance, end of the period	36,927	32,142

21 Shareholders' equity

The authorized nominal share capital of the Bank amounted to YTL 2,100,000 thousands as of 31 March 2008.

There are 370 founder shares specified in the Articles of Association of the Bank. 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.

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

21 **Shareholders' equity** (continued)

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. In December 2007, GE Capital Corporation ("GECC") has sold 9,765,000,000 non-trading shares of the Bank to Doğuş Holding AŞ, representing 4.65% of the issued share capital of the Bank. According to the agreement between the parties, the total consideration for the shares amounted to US$ 674,250,000. The settlement of the transaction took place on 27 December 2007.

As per the resolution of the Board of Directors on 17 April 2007, the Bank paid dividends amounting YTL 219,319 thousands as of 24 April 2007.

The reserves include legal reserves amounting to YTL 173,004 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.

As at 31 March 2008 net minority interest amounts to YTL 26,138 thousands (31 December 2007: YTL 23,410 thousands). Minority interest is detailed as follows:

	31 March 2008	***31 December 2007***
Capital and other reserves	13,807	13,807
Retained earnings	9,603	1,625
Current period net income	2,728	7,978
	26,138	23,410

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

21 Shareholders' equity (continued)

Unrealised (losses)/gains from changes in fair value of available-for-sale assets are detailed as follows:

	31 March 2008	***31 December 2007***
Balance at the beginning of the year	189,382	122,562
Net unrealised gains/(losses) from changes in fair value	(331,040)	94,245
Related deferred and current income taxes	49,411	(17,201)
Net gains transferred to the income statement on disposal	(3,934)	(12,778)
Related deferred and current income taxes	787	2,554
Balance at the end of the year	(95,394)	189,382

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 51,785 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.

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.

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

22 Fair value information (continued)

Fair value of loans and advances to customers is YTL 47,408,429 thousands (31 December 2007: YTL 41,335,094 thousands), whereas the carrying amount is YTL 47,384,420 thousands (31 December 2007: YTL 41,042,495 thousands) in the accompanying consolidated balance sheet as at 31 March 2008.

Fair value of security investments is YTL 17,408,783 thousands (31 December 2007: YTL 17,831,767 thousands), whereas the carrying amount is YTL 17,434,054 thousands (31 December 2007: YTL 17,835,310 thousands) in the accompanying consolidated balance sheet as at 31 March 2008.

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:

	31 March 2008	*31 December 2007*
Letters of guarantee	10,928,080	9,769,546
Letters of credit	3,904,116	2,916,200
Acceptance credits	133,949	116,487
Other guarantees and endorsements	59,895	88,715
	15,026,040	12,890,948

As at 31 March 2008, commitment for uncalled capital of affiliated companies amounts approximately to YTL 812 thousands (31 December 2007: YTL 812 thousands).

As at 31 March 2008, commitments for unused credit limits for credit cards, overdrafts, cheques and loans to customers, and commitments for "credit linked notes" amount approximately to YTL 14,169,101 thousands (31 December 2007: YTL 13,812,131 thousands) in total.

As at 31 March 2008, commitments for the derivative transactions carried out on behalf of customers in the Turkish Derivatives Exchange amount to YTL 316,058 thousands (31 December 2007: YTL 353,992 thousands) in total.

As at 31 March 2008, 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 19,731,701 thousands (31 December 2007: YTL 13,766,322 thousands), approximately 98% of which are due within a year.

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

22 Fair value information

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

	31 March 2008		*31 December 2007*	
	Purchases	***Sales***	***Purchases***	***Sales***
Forward agreements for customer dealing activities	304,852	266,764	50,339	197,577
Currency swap agreements for customer dealing activities	241,317	71,021	116,715	65,933
Options for customer dealing activities	335,076	885,126	286,686	123,307
Forward agreements for hedging purposes	291,843	469,702	492,871	148,688
Currency swap agreements for hedging purposes	5,617,579	2,482,813	4,276,502	2,551,561
Interest rate and credit default swap agreements	7,356	7,789	41,278	10,272
Interest rate, foreign currency and securities options	3,808,473	2,869,998	2,160,487	1,790,084
Forward rate agreements, foreign currency and interest rate futures	9,985	144,974	35,291	86,231
Forward agreements for gold trading	55,886	270,586	138,764	321,458
Spot foreign currency transactions	725,689	864,872	470,994	401,284
	11,398,056	8,333,645	8,069,927	5,696,395

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 31 March 2008, approximately 478% of the net consolidated balance sheet foreign currency open position was hedged through the use of foreign currency contracts (31 December 2007: 105%).

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

23 Commitments and contingencies (continued)

	Notional amount with remaining life of					
31 March 2008	***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	-	13,100	-	-	-	13,100
Purchases	-	*6,550*	-	-	-	*6,550*
Sales	-	*6,550*	-	-	-	*6,550*
Interest rate swaps	5,081	4,776	-	5,288	-	15,145
Purchases	*855*	*2,988*	-	*3,513*	-	*7,356*
Sales	*4,226*	*1,788*	-	*1,775*	-	*7,789*
Interest rate futures	7,496	45	2	-	-	7,543
Purchases	-	*45*	*2*	-	-	*47*
Sales	*7,496*	-	-	-	-	*7,496*
Other Derivatives						
Securities, shares and index options	1,028	9,968	25,538	6,030	-	42,564
Purchases	*514*	*4,984*	*12,769*	*3,015*	-	*21,282*
Sales	*514*	*4,984*	*12,769*	*3,015*	-	*21,282*
Currency Derivatives						
Spot exchange contracts	1,590,561	-	-	-	-	1,590,561
Purchases	*725,689*	-	-	-	-	*725,689*
Sales	*864,872*	-	-	-	-	*864,872*
Forward exchange contracts	878,928	173,526	132,797	145,937	1,973	1,333,161
Purchases	*319,485*	*98,662*	*79,975*	*96,600*	*1,973*	*596,695*
Sales	*559,443*	*74,864*	*52,822*	*49,337*	-	*736,466*
Currency/cross currency swaps	4,363,172	1,106,121	1,224,147	1,373,375	345,915	8,412,730
Purchases	*2,952,173*	*1,043,188*	*813,946*	*741,739*	*307,850*	*5,858,896*
Sales	*1,410,999*	*62,933*	*410,201*	*631,636*	*38,065*	*2,553,834*
Options	2,891,432	2,771,997	1,792,818	304,094	95,768	7,856,109
Purchases	*1,756,015*	*1,176,917*	*974,228*	*167,329*	*47,778*	*4,122,267*
Sales	*1,135,417*	*1,595,080*	*818,590*	*136,765*	*47,990*	*3,733,842*
Foreign currency futures	130,413	3,388	1	514	-	134,316
Purchases	-	*3,388*	-	-	-	*3,388*
Sale	*130,413*	-	*1*	*514*	-	*130,928*
Other foreign exchange contracts	326,472	-	-	-	-	326,472
Purchases	*55,886*	-	-	-	-	*55,886*
Sale	*270,586*	-	-	-	-	*270,586*
Subtotal Purchases	5,810,617	2,336,722	1,880,920	1,012,196	357,601	11,398,056
Subtotal Sales	4,383,966	1,746,199	1,294,383	823,042	86,055	8,336,645
Total of Transactions	10,194,583	4,082,921	3,175,303	1,835,238	443,656	19,731,701

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

23 Commitments and contingencies (continued)

31 December 2007	*Notional amount with remaining life of* 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	-	11,600	-	-	-	11,600
Purchases	-	*5,800*	-	-	-	*5,800*
Sales	-	*5,800*	-	-	-	*5,800*
Interest rate swaps	3,823	20,791	10,646	-	16,290	51,550
Purchases	*136*	*20,709*	*6,483*	-	*13,950*	*41,278*
Sales	*3,687*	*82*	*4,163*	-	*2,340*	*10,272*
Interest rate futures	-	4,000	-	-	-	4,000
Purchases	-	*4,000*	-	-	-	*4,000*
Sales	-	-	-	-	-	-
Other Derivatives						
Securities, shares and index options	353,634	99,202	494	5,930	-	459,260
Purchases	*289,879*	*21,466*	*247*	*2,965*	-	*314,557*
Sales	*63,755*	*77,736*	*247*	*2,965*	-	*144,703*
Currency Derivatives						
Spot exchange contracts	872,278	-	-	-	-	872,278
Purchases	*470,994*	-	-	-	-	*470,994*
Sales	*401,284*	-	-	-	-	*401,284*
Forward exchange contracts	532,844	115,692	103,503	127,388	10,048	889,475
Purchases	*340,834*	*57,253*	*48,456*	*92,049*	*4,618*	*543,210*
Sales	*192,010*	*58,439*	*55,047*	*35,339*	*5,430*	*346,265*
Currency/cross currency swaps	2,955,339	1,809,436	954,392	996,709	294,835	7,010,711
Purchases	*1,922,009*	*381,845*	*914,373*	*902,390*	*272,600*	*4,393,217*
Sales	*1,033,330*	*1,427,591*	*40,019*	*94,319*	*22,235*	*2,617,494*
Options	898,526	1,656,661	666,325	678,519	1,273	3,901,304
Purchases	*514,866*	*858,823*	*390,316*	*367,338*	*1,273*	*2,132,616*
Sales	*383,660*	*797,838*	*276,009*	*311,181*	-	*1,768,688*
Foreign currency futures	-	103,703	2,219	-	-	105,922
Purchases	-	*23,272*	*2,219*	-	-	*25,491*
Sale	-	*80,431*	-	-	-	*80,431*
Other foreign exchange contracts	460,222	-	-	-	-	460,222
Purchases	*138,764*	-	-	-	-	*138,764*
Sale	*321,458*	-	-	-	-	*321,458*
Subtotal Purchases	3,677,482	1,373,168	1,362,094	1,364,742	292,441	8,069,927
Subtotal Sales	2,399,184	2,447,917	375,485	443,804	30,005	5,696,395
Total of Transactions	6,076,666	3,821,085	1,737,579	1,808,546	322,446	13,766,322

24 Financial risk management disclosures

This section provides details of the Bank and its affiliates' 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 affiliates 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, which was 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.

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

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 minimum 80% liquidity ratio of foreign currency assets/liabilities and minimum 100% liquidity ratio of total assets/liabilities on a weekly and monthly basis effective from 1 June 2007. The Bank's liquidity ratios as of 31 March 2008 and 31 December 2007 are as follows:

	31 March 2008			
	First Maturity Bracket (Weekly)		***Second Maturity Bracket (Monthly)***	
	FC	***FC + YTL***	***FC***	***FC + YTL***
Average (%)	165.95	157.40	109.59	111.05
Maximum (%)	189.44	179.94	123.88	119.49
Minimum (%)	147.32	138.94	103.27	101.59

	31 December 2007			
	First Maturity Bracket (Weekly)		***Second Maturity Bracket (Monthly)***	
	FC	***FC + YTL***	***FC***	***FC + YTL***
Average (%)	205.49	188.04	127.36	123.78
Maximum (%)	251.92	212.33	147.16	130.54
Minimum (%)	158.32	148.21	112.59	116.03

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 liquidity 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:

	31 March 2008						*31 December 2007*					
	Up to 1 month	***1 to 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 year***	***Total***	***Up to 1 month***	***1 to 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 year***	***Total***
MONETARY ASSETS												
New Turkish Lira												
Cash and balances with central banks	246,856	-	-	-	-	246,856	247,555	-	-	-	-	247,555
Financial assets at fair value through profit or loss	26,324	3,063	121,040	136,067	2,330	288,824	5,027	444	66,897	171,372	53	243,793
Loans and advances to banks	726,627	23,706	5,569	1,001,568	-	1,757,470	445,425	21,529	8,005	618,978	-	1,093,937
Loans and advances to customers	7,759,210	2,680,426	2,997,938	7,784,848	2,130,653	23,353,075	7,570,026	2,641,550	2,677,581	7,074,025	1,826,934	21,790,116
Accrued exchange gain on derivatives	180,390	49,647	76,897	335	-	307,269	12,614	16,045	15,892	9	-	44,560
Other assets	854,096	634,878	273	517	6,832	1,496,596	3,060,215	570,773	271	517	7,176	3,638,952
Security investments	90,671	191,726	2,720,127	9,597,685	604,201	13,204,410	10,938	-	2,256,804	10,417,932	635,931	13,321,605
Deferred tax asset	-	-	-	95,388	0	95,388	-	-	-	104,160	-	104,160
Total New Turkish Lira monetary assets	9,884,174	3,583,446	5,921,844	18,616,408	2,744,016	40,749,888	11,351,800	3,250,341	5,025,450	18,386,993	2,470,094	40,484,678
Foreign currency												
Cash and balances with central banks	3,441,279	-	-	-	-	3,441,279	2,627,424	-	-	-	-	2,627,424
Financial assets at fair value through profit or loss	68,624	57,468	188,810	353,876	10,657	679,435	78,375	42,743	212,973	384,817	41,317	760,225
Loans and advances to banks	1,657,008	208,374	987,383	426,143	667,241	3,946,149	1,857,168	203,966	890,071	439,082	564,817	3,955,104
Loans and advances to customers	1,255,878	3,333,123	5,336,349	7,726,263	6,328,218	23,979,831	1,036,142	2,470,824	4,564,376	6,384,323	4,713,002	19,168,667
Accrued exchange gain on derivatives	71,336	17,367	111,464	92	-	200,259	15,340	28,600	47,477	447	-	91,864
Other assets	2,202,478	22,014	5,226	5,746	21,910	2,257,374	1,951,008	1,153	4,276	5,209	18,644	1,980,290
Security investments	56,115	177,569	197,784	1,718,283	2,079,893	4,229,644	240,975	329,632	311,795	1,466,535	2,164,768	4,513,705
Deferred tax asset	-	-	-	1,531	-	1,531	-	-	-	312	-	312
Total foreign currency monetary assets	8,752,718	3,815,915	6,827,016	10,231,934	9,107,919	38,735,502	7,806,432	3,076,918	6,030,968	8,680,725	7,502,548	33,097,591
Total Monetary Assets	18,636,892	7,399,361	12,748,860	28,848,342	11,851,935	79,485,390	19,158,232	6,327,259	11,056,418	27,067,718	9,972,642	73,582,269
MONETARY LIABILITIES												
New Turkish Lira												
Deposits	20,350,583	1,089,432	319,214	170,243	-	21,929,472	17,835,682	1,870,749	323,928	165,968	-	20,196,327
Obligations under repurchase agreements	5,536,782	268,095	202,664	-	578,484	6,586,025	6,564,896	102,850	208,715	571,442	-	7,447,903
Loans and advances from banks	536,902	118,518	642,700	625,848	726,635	2,650,603	509,226	56,431	477,812	-	769,051	1,812,520
Bonds payable	-	-	-	-	-	-	-	-	-	-	-	-
Accrued exchange loss on derivatives	49,359	100,806	91,362	7,401	48,943	297,871	133,051	115,034	160,020	19,385	73,715	501,205
Other liabilities and accrued expenses	2,091,925	1,934	753,691	200,229	213,989	3,261,768	2,077,771	7,465	753,470	149,528	339,504	3,327,738
Total New Turkish Lira monetary liabilities	28,565,551	1,578,785	2,009,631	1,003,721	1,568,051	34,725,739	27,120,626	2,152,529	1,923,945	906,323	1,182,270	33,285,693
Foreign currency												
Deposits	21,155,533	1,787,998	2,779,365	581,249	109,042	26,413,187	18,870,026	2,381,424	1,772,037	459,264	91,762	23,574,513
Obligations under repurchase agreements	633,346	85,135	278,016	210,024	-	1,206,521	482,867	334,811	326,372	-	1	1,144,051
Loans and advances from banks	121,614	1,688,058	3,325,384	3,084,531	2,543,982	10,763,569	233,729	97,794	4,144,373	2,598,801	2,553,155	9,627,852
Bonds payable	-	-	-	62,324	-	62,324	-	-	-	-	50,912	50,912
Accrued exchange loss on derivatives	85,222	55,429	40,872	-	-	181,523	11,130	11,323	13,671	1,512	-	37,636
Other liabilities and accrued expenses	229,166	67,194	56,495	574	11,336	364,765	178,243	101,938	58,227	500	13,387	352,295
Total foreign currency monetary liabilities	22,224,881	3,683,814	6,480,132	3,938,702	2,664,360	38,991,889	19,775,995	2,927,290	6,314,680	3,060,077	2,709,217	34,787,259
Total Monetary Liabilities	50,790,432	5,262,599	8,489,763	4,942,423	4,232,411	73,717,628	46,896,621	5,079,819	8,238,625	3,966,400	3,891,487	68,072,952

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:

	31 March 2008						
	Up to 1 month	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 year*	*Non-Interest Bearing*	*Total*
MONETARY ASSETS							
Cash and balances with central banks	872,355	-	-	-	-	2,815,780	3,688,135
Financial assets at fair value through profit or loss	3,911	44,795	309,560	334,413	12,631	262,949	968,259
Loans and advances to banks	2,262,395	558,640	2,217,328	239,891	-	425,365	5,703,619
Loans and advances to customers	11,777,933	9,003,417	9,651,409	12,829,270	3,194,065	876,812	47,332,906
Other assets	2,778,808	20,401	5,499	6,263	28,740	1,421,787	4,261,498
Security investments	955,689	551,976	8,652,032	5,364,306	1,288,025	622,026	17,434,054
Deferred tax asset	-	-	-	-	-	96,919	96,919
Total Monetary Assets	18,651,091	10,179,229	20,835,828	18,774,143	4,523,461	6,521,638	79,485,390
MONETARY LIABILITIES							
Deposits	32,820,095	2,824,854	3,154,743	703,951	49,350	8,789,666	48,342,659
Obligations under repurchase agreements	6,132,070	350,681	473,524	208,620	550,000	77,651	7,792,546
Loans and advances from banks	7,397,984	709,082	3,832,522	1,317,180	-	157,404	13,414,172
Bonds payable	-	62,313	-	-	-	11	62,324
Other liabilities and accrued expenses	-	-	-	-	-	4,105,927	4,105,927
Total Monetary Liabilities	46,350,149	3,946,930	7,460,789	2,229,751	599,350	13,130,659	73,717,628

	31 December 2007						
	Up to 1 month	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 year*	*Non-Interest Bearing*	*Total*
MONETARY ASSETS							
Cash and balances with central banks	604,243	-	-	-	-	2,270,736	2,874,979
Financial assets at fair value through profit or loss	35,842	23,475	266,567	398,794	43,292	236,048	1,004,018
Loans and advances to banks	2,054,701	668,022	1,740,440	216,729	-	369,149	5,049,041
Loans and advances to customers	10,030,868	7,471,831	8,941,276	11,234,086	2,738,142	542,580	40,958,783
Other assets	4,857,208	277	4,089	5,409	25,818	862,865	5,755,666
Security investments	1,929,196	5,969,508	1,920,240	5,351,812	1,564,721	1,099,833	17,835,310
Deferred tax asset	-	-	-	-	-	104,472	104,472
Total Monetary Assets	19,512,058	14,133,113	12,872,612	17,206,830	4,371,973	5,485,683	73,582,269
MONETARY LIABILITIES							
Deposits	28,866,948	4,229,547	2,147,768	479,126	6,744	8,040,707	43,770,840
Obligations under repurchase agreements	7,017,203	432,939	520,865	549,999	-	70,948	8,591,954
Loans and advances from banks	5,801,614	1,988,845	2,867,826	595,528	-	186,559	11,440,372
Bonds payable	-	50,903	-	-	-	9	50,912
Other liabilities and accrued expenses	-	-	-	-	-	4,218,874	4,218,874
Total Monetary Liabilities	41,685,765	6,702,234	5,536,459	1,624,653	6,744	12,517,097	68,072,952

(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 first quarter of 2008 and the year of 2007:

	31 March 2008			
	US$ *%*	***EUR*** *%*	***YTL*** *%*	***Other Currencies*** *%*
Assets				
Loans and advances to banks	3.10-4.25	3.98-4.00	6.73-18.50	8.45-9.75
Debt and other fixed or floating income instruments	2.90-8.25	4.00-5.93	17.36-19.18	5.25-5.30
Loans and advances to customers	2.80-14.63	4.00-14.40	15.55-28.50	2.62-16.00
Liabilities				
Deposits:				
- Foreign currency deposits	1.00-6.50	1.50-5.50	-	0.50-9.25
- Bank deposits	2.80-6.72	4.20-7.07	15.00-16.45	5.25-6.40
- Saving deposits	-	-	14.20-18.00	-
- Commercial deposits	-	-	18.99-19.00	-
- Public and other deposits	-	-	17.70	-
Obligations under repurchase agreements	3.03-5.82	4.10-5.25	15.13	-
Loans and advances from banks	3.66-6.07	4.92-5.86	14.07-17.54	1.84

	31 December 2007			
	US$ *%*	***EUR*** *%*	***YTL*** *%*	***Other Currencies*** *%*
Assets				
Loans and advances to banks	4.23-5.51	3.70-6.27	16.00-21.58	8.45-9.70
Debt and other fixed or floating income instruments	2.25-12.39	1.05-10.63	10.00-20.78	3.50-5.25
Loans and advances to customers	4.83-13.00	4.00-10.79	16.45-30.82	2.31-16.00
Liabilities				
Deposits:				
- Foreign currency deposits	1.00-6.50	1.50-5.00	-	0.50-9.25
- Bank deposits	3.75-6.72	3.50-7.07	13.00-18.00	3.75-6.50
- Saving deposits	-	-	18.52-19.75	-
- Commercial deposits	-	-	18.99-19.75	-
- Public and other deposits	-	-	18.53	-
Obligations under repurchase agreements	5.06-5.83	4.11-5.06	15.44	-
Loans and advances from banks	5.27-6.22	4.91-5.85	13.66-18.38	1.85

(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 31 March 2008 and 31 December 2007 calculated as per the statutory consolidated financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006, are as follows:

	31 March 2008			*31 December 2007*		
	Average	*Highest*	*Lowest*	*Average*	*Highest*	*Lowest*
Interest rates risk	2,411,243	3,624,888	1,197,599	1,457,766	1,708,025	1,197,599
Common share risk	116,745	182,963	50,527	13,707	50,527	25
Currency risk	163,753	172,430	155,075	225,605	323,780	117,662
Option risk	148,181	166,813	129,550	120,536	221,950	44,248
Total value at risk	2,839,922	4,147,094	1,532,751	1,817,614	2,304,282	1,359,534

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 analysis based on all interest rate sensitive assets and liabilities. The scenarios include 100 basis point parallel fall or rise in all yield curves. In the analysis presented below, the sensitivity of the income statement is the effect of possible changes in the interest rates on the net interest income of floating rate financial assets and liabilities not held for trading purposes as of 31 March 2008. The sensitivity of the shareholders' equity as of 31 March 2008, is calculated through revaluating the financial assets available-for-sale taking into account the possible changes in interest rates. The below analysis is currently prepared only on a bank only basis for the Bank, not on a consolidated basis. The tax effects are not considered in the analysis. The other variables, especially exchanges rates, are assumed to be fixed in this analysis. The same method is applied for 31 December 2007. The sensivity of trading portfolio is also included in the below table.

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

24 Financial risk management disclosures (continued)

31 March 2008	*Income before Tax* increase by 100 bps	*Income before Tax* decrease by 100 bps	*Shareholders' Equity(*)* increase by 100 bps	*Shareholders' Equity(*)* decrease by 100 bps
Financial assets at fair value through profit or loss	711	(646)	711	(646)
Financial assets available-for-sale	-	-	(215,827)	231,914
Financial assets at floating rates	(291,866)	303,636	(291,866)	303,636
Financial liabilities at floating rates	93,088	(96,506)	93,088	(96,506)
Total, net	(198,067)	206,484	(413,894)	438,398

31 December 2007	*Income before Tax* increase by 100 bps	*Income before Tax* decrease by 100 bps	*Shareholders' Equity(*)* increase by 100 bps	*Shareholders' Equity(*)* decrease by 100 bps
Financial assets at fair value through profit or loss	(19,041)	20,072	(19,041)	20,072
Financial assets available-for-sale	-	-	(247,139)	269,742
Financial assets at floating rates	(283,524)	296,401	(283,524)	296,401
Financial liabilities at floating rates	89,699	(93,446)	89,699	(93,446)
Total, net	(212,866)	223,027	(460,005)	492,769

(*) The effect on shareholders' equity also includes the effect of 100 bps increase or decrease in interest rates on the income before tax.

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:

	31 March 2008			
	US$	*EUR*	*Other Currencies*	*Total*
Assets				
Cash and balances with central banks	1,738,394	1,649,850	53,035	3,441,279
Financial assets at fair value through profit or loss	518,501	86,151	74,783	679,435
Loans and advances to banks	3,204,000	685,823	56,326	3,946,149
Loans and advances to customers	14,044,440	8,910,076	1,008,715	23,963,231
Other assets	2,214,477	201,439	41,717	2,457,633
Security investments	3,921,898	233,415	74,331	4,229,644
Investments in equity participations	-	660	-	660
Tangible assets	685	130,014	15,647	146,346
Deferred tax asset	-	626	905	1,531
Total Assets	*25,642,395*	*11,898,054*	*1,325,459*	*38,865,908*
Liabilities				
Deposits	13,727,161	11,410,088	1,275,938	26,413,187
Obligations under repurchase agreements	1,004,576	201,945	-	1,206,521
Loans and advances from banks	7,663,886	3,098,034	1,649	10,763,569
Current and deferred tax liability	-	4,771	-	4,771
Bonds payable	-	62,324	-	62,324
Other liabilities and accrued expenses	282,384	232,070	27,063	541,517
Total Liabilities	*22,678,007*	*15,009,232*	*1,304,650*	*38,991,889*
Net On Balance Sheet Position	*2,964,388*	*(3,111,178)*	*20,809*	*(125,981)*
Net Off Balance Sheet Position	*(2,987,578)*	*3,469,584*	*119,694*	*601,700*
Net Long/(Short) Position	*(23,190)*	*358,406*	*140,503*	*475,719*

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

24 Financial risk management disclosures (continued)

	31 December 2007			
	US$	***EUR***	***Other Currencies***	***Total***
Total Assets	*19,997,523*	*12,332,912*	*899,188*	*33,229,623*
Total Liabilities	*21,291,440*	*12,500,267*	*995,552*	*34,787,259*
Net On Balance Sheet Position	*(1,293,917)*	*(167,355)*	*(96,364)*	*(1,557,636)*
Net Off Balance Sheet Position	*1,087,315*	*337,221*	*209,153*	*1,633,689*
Net Long/(Short) Position	*(206,602)*	*169,866*	*112,789*	*76,053*

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

The balance sheet short positions shown in the table above are 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 137,724 thousands at 31 March 2008 (31 December 2007: YTL 100,038 thousands).

The possible increases or decreases in the shareholders' equity and the income (for both, excluding tax effect) as per an assumption of devaluation of YTL by 10% against currencies mentioned below as of 31 March 2008 and 31 December 2007 are presented in the below table. The other variables, especially the interest rates, are assumed to be fixed in this analysis.

	31 March 2008		31 December 2007	
	Income before Tax	***Shareholders' Equity(*)***	***Income before Tax***	***Shareholders' Equity(*)***
US$	(3,063)	(2,319)	(35,429)	(20,660)
EUR	35,980	35,841	17,807	16,986
Other FCs	13,980	14,050	11,279	11,279
Total, net	46,897	47,572	(6,343)	7,605

(*) The effect on shareholders' equity also includes the effect of devaluation by 10% of YTL against other currencies on the income before tax.

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.

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

24 Financial risk management disclosures (continued)

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

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 these assets on the balance sheet. The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

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).

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.

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	
	31 March 2008	***31 December 2007***
Individually impaired	911,825	869,567
Allowance for impairment	(695,891)	(632,050)
Carrying amount	215,934	237,517
Collectively impaired	-	-
Allowance for impairment	(164,420)	(153,805)
Carrying amount	(164,420)	(153,805)
Past due but not impaired	1,169,926	-
Carrying amount	1,169,926	-
Neither past due nor impaired	46,104,348	40,893,267
Loans with renegotiated terms	58,632	65,516
Carrying amount	46,162,980	40,958,783
Total carrying amount	47,384,420	41,042,495

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

24 Financial risk management disclosures (continued)

As of 31 March 2008 and 31 December 2007, 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.

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:

	31 March 2008	***31 December 2007***
Consumer loans	579,201	567,485
Textile	80,431	76,513
Chemistry and chemical products	52,837	52,468
Food	29,013	23,906
Construction	24,597	21,707
Service sector	21,588	22,747
Durable consumption	12,991	12,153
Metal and metal products	12,072	11,510
Agriculture and stockbreeding	11,474	9,845
Financial institutions	8,268	8,067
Others	79,353	63,166
Total non-performing loans and lease receivables	911,825	869,567

	31 March 2008	***31 December 2007***
Turkey	906,548	864,349
Holland	2,366	2,752
Germany	991	808
Others	1,920	1,658
Total non-performing loans and lease receivables	911,825	869,567

Past due but not impaired loans

These are 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.

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

24 Financial risk management disclosures (continued)

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. In cases where any possible collections are negligible comparing to the prospective expenses and costs, such receivables are written off by the decision of the board of directors.

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 31 March 2008 and 31 December 2007.

Approximately 71% 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:

	31 March 2008	*31 December 2007*
Cash loans		
Secured loans:	33,153,848	30,012,228
Secured by cash collateral	1,211,409	1,173,952
Secured by mortgages	10,987,950	7,835,589
Secured by government institutions or government securities	1,690,808	1,457,954
Guarantees issued by financial institutions	390,512	186,359
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	18,873,169	19,358,374
Unsecured loans	13,302,250	10,403,163
Total performing loans and financial lease receivables	46,456,098	40,415,391
Non-cash loans		
Secured loans:	11,858,858	10,137,914
Secured by cash collateral	598,846	496,168
Secured by mortgages	1,280,887	173,903
Guarantees issued by financial institutions	4,181	3,766
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	9,974,944	9,464,077
Unsecured loans	3,167,182	2,753,034
Total non-cash loans	15,026,040	12,890,948

(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:

	31 March 2008	*31 December 2007*
Mortgages	187,721	174,647
Promissory notes and surety	153,196	166,330
Pledge assets	94,047	89,083
Cash collateral	193	355
Unsecured	476,668	439,152
	911,825	869,567

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 reduced by realised gains/losses from the sale of securities available-for-sale and held-to-maturity, non-recurring gains and income derived from insurance claims. The result is added to risk weighted assets in the capital adequacy calculation.

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 value at credit, market and operational risks. 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.

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

24 Financial risk management disclosures (continued)

- Tier 2 capital, which includes qualifying subordinated liabilities, general impairment allowances and the element of the fair value reserve relating to unrealised gain/(loss) on assets 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 31 March 2008 and 31 December 2007 was as follows:

	31 March 2008	*31 December 2007*
Tier 1 capital	7,541,784	6,926,311
Tier 2 capital	1,049,167	1,069,119
Deductions from capital	(427,021)	(488,448)
Total regulatory capital	8,163,930	7,506,982
Value at credit, market and operational risks	63,278,540	53,708,544
Capital ratios (%)		
Total regulatory capital expressed as a percentage of total value at credit, market and operational risks	12.90	13.98
Total tier 1 capital expressed as a percentage of total value at credit, market and operational risks	11.92	12.90

24.4 Hedging

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

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

24 Financial risk management disclosures (continued)

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

Notional amount	*Fixed payer rate (%)*	*Floating payer rate (%)*	*Fixed payment frequency*	*Maturity*
US$ 87.5 millions	5.445	3 month libor + 1.75	Quarterly	2009

On 9 January 2008 and 16 January 2008, the Bank has exercised four interest rate swap transactions held for cash flow risk management before their maturities. The Bank has recognized a total income amounting US$ 38,670,000 (equivalent of YTL 45,002 thousands) collected on the dates of these transactions as per the related agreements under trading income in the accompanying consolidated financial statements.

25 Affiliates and associates

The table below sets out the Affiliates and shows their shareholding structure as at 31 March 2008:

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 consolidated financial statements as of 31 December 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.

Garanti Fund Management Co. Ltd. (100.00%) is under liquidation as of the reporting date. The liquidation procedures are expected to complete in 2008.

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

26 Net fee and commission income

	31 March 2008	*31 March 2007*
Fee and commission income:		
Credit cards fees	238,001	202,450
Retail banking	92,242	71,066
SME banking	50,480	33,554
Commercial banking	33,143	26,958
Corporate banking	16,924	17,441
Others	63,215	52,323
Total fee and commission income	494,005	403,792
Fee and commission expense:		
Credit cards fees	69,981	61,147
Retail banking	313	596
SME banking	177	338
Commercial banking	61	115
Others	17,524	30,900
Total fee and commission expense	88,056	93,096
Net fee and commission income	405,949	310,696

Commissions received for cash loans amounting YTL 26,133 thousands are classified to "interest income on loans" and commissions paid for borrowings amounting YTL 6,544 thousands are classified to "interest expense on borrowings and obligations under repurchase agreements" as of 31 March 2007.

27 Other expenses

	31 March 2008	*31 March 2007*
Bonus promotion expenses	55,067	25,335
EDP expenses	21,593	12,535
Advertising expenses	18,450	14,662
Taxes and duties other than on income	15,970	12,338
Saving deposits insurance fund	13,903	11,359
Utility expenses	11,367	7,120
Foreign exchange loss, net	6,913	6,097
Repair and maintenance expenses	4,152	3,833
Research and development expenses	2,619	4,107
Other operating expenses	67,915	67,356
	217,949	164,742

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).

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.

28 Use of estimates and judgements (continued)

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.*

- 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 *(h) Financial instruments.*

28 Use of estimates and judgements (continued)

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 Significant events

- Social Security Law No. 5754 which requires the transfer of the liabilities of the members of "Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" ("the Fund") established as per the temporary article no. 20 of the Social Security Law No. 506 is accepted and approved by the Turkish Parliament at 17 April 2008 and enacted at 8 May 2008.

- The Bank had called off its existing legal cases against Boğaziçi Corporations Tax Office related with the final and interim corporate tax returns of the years from 2001 to 2005 and settled up with the related tax authority as per the article 3 of the Law No.5736 "Collection of Certain Public Sector Receivables through Conciliation" published in the Official Gazette No.26800 dated 27 February 2008. Accordingly, following the adjustments made to the corporate tax returns of the period from 2001 to 2005, and using the investment incentive rights that the Bank had but could not have benefited before, in the corporate tax return of 2005 as a result of such adjustments to corporate tax returns, the tax refund that the Bank will collect through conciliation from the tax office, due to the prepaid taxes in 2005 is agreed to be YTL 137,256 thousands.

30 Subsequent events

- A part of the Bank's non-performing loan portfolio amounting YTL 98,221 thousands is sold to a local asset management company at a sale price of YTL 28,898 thousands. The sale price is fully recognized as income as of 3 April 2008, as the sold receivables were fully provisoned in the Bank's financial statements previously.

30 Subsequent events (continued)

- It has been resolved in the Bank's board of directors meeting held on 22 April 2008 that:

  In the light of demands of the Bank's local and foreign investors concerning the cancellation of the Bank's founder share certificates (holders of which have right to 10% of the net profit of the Bank) to eliminate the negative impact the founder shares have over the market value of the Bank's shares, it has become necessary to cancel the founder share certificates. In this regard, it is resolved that; 370 founder share certificates of the Bank will be cancelled after purchasing at a price value of YTL 3,876 thousands per share (in total YTL 1,434,234 thousands) in accordance with the value determined by the Istanbul 5th Commercial Court of First Instance; the total consideration will be covered from the extraordinary reserves of the Bank; the founder share certificates will be destroyed following their purchase; and the head office of the Bank will be authorized to file necessary applications with the Banking Regulatory and Supervisory Agency, the Capital Market Board of Turkey and the other relevant official authorities in order to conclude the above-mentioned process.

  It is resolved that the Articles 15, 16 and 45 of the Articles of Association of the Bank will be amended, and the head office of the Bank is authorized to file necessary applications with the Banking Regulatory and Supervisory Agency, the Capital Market Board of Turkey and the other relevant official authorities in order to conclude the above-mentioned process and execute any and all operations related thereto.

  The issued capital of the Bank will be increased by YTL 2,100,000 thousands (100%) and accordingly from YTL 2,100,000 thousands to YTL 4,200,000 thousands within the registered share capital ceiling of the Bank of YTL 7,000,000 thousands; the current shareholders will participate in the capital increase through the coupon no.20 (which grants the right to obtain new shares), by paying a nominal value of YKr 1 per share (which has a nominal value of YKr 1); the portion of the coupons (which grants the right to obtain new shares) unused by the current shareholders will be sold to the investors in the stock exchange; and the head office of the Bank is authorized to obtain any approval and permission with respect to the capital increase and conduct any and all operations in this regard.

- On 8 May 2008, the Bank obtained a club term loan of Euro 600 millions with a maturity of one year and all-in cost of Euribor + 67.5 bps per annum with the participation of 31 banks from 15 countries.

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