



 **Garanti** Annual Report 2006

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SECTION I
INTRODUCTION



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
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ANNUAL REPORT COMPLIANCE OPINION

To the Shareholders of Türkiye Garanti Bankası Anonim Şirketi:

We have been engaged to audit the annual report of Türkiye Garanti Bankası Anonim Şirketi (the Bank) and its financial affiliates as of 31 December 2006. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on the consistency of the financial information represented in the annual report with the audited financial statements and explanatory notes.

Our audit was conducted in accordance with the regulations on preparation and issuance of annual report in (Turkish) Banking Law No 5411 and independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance regarding whether the consistency of financial information represented in the annual report with the audited financial statements and explanatory notes is free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information represented in the accompanying annual report presents fairly, in all material respects, the information regarding the financial position of Türkiye Garanti Bankası Anonim Şirketi and its financial affiliates as of 31 December 2006 in accordance with the effective regulations described in article 40 of (Turkish) Banking Law No 5411 and includes Independent Auditors' Report issued by us and Summary of Board of Directors' Report and is consistent with the audited financial statements and explanatory notes.

İstanbul,
23 March 2007

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat Alsan
Partner, Certified Public Accountant

1. The opening, the formation of the Board of Presidency.
2. The Authorization of the Board of Presidency to sign the minutes of the Ordinary General Shareholders' Meeting.
3. The reading and the discussion of Board of Directors' Annual Report and Auditors' Reports.
4. The reading, discussion and ratification of the balance sheet and the income statement; the discussion and acceptance or refusal of Board of Directors' proposal regarding the dividend distribution.
5. The voting of the appointment of the Board Members during the year in order to replace the vacancies.
6. The announcement of the members of the Board of Directors and Auditors.
7. The determination of the Board Members' and Auditors' remuneration.
8. The information to the shareholders regarding the Bank's charitable donations during the year.
9. The approval of the selected External Audit Company as per the related regulations set forth by the Banking Regulation and Supervision Agency.
10. Authorization of the Board Members to conduct business with the Bank in accordance with Articles 334 and 335 of the Turkish Commercial Code provided that the provisions of Banks' Act are complied with.

About Garanti

Corporate Profile

Garanti Bank was founded in Ankara in 1946 and is currently the third largest private bank in Turkey. The Bank's main business segments are corporate banking, commercial banking, SME banking and retail banking where Garanti provides high quality and diversified financial services.

Garanti is a fully integrated financial group with over 11,000 employees, 478 domestic and five international branches (Luxembourg, Malta and Turkish Republic of Northern Cyprus), four global representative offices (Shanghai, London, Moscow and Düsseldorf) and nine financial services subsidiaries. Its subsidiaries include GarantiBank International N.V. headquartered in the Netherlands and GarantiBank Moscow in Russia.

As of 2006 year end, Garanti had total assets of US\$ 36 billion, loan portfolio of US\$ 19.6 billion and deposits of US\$ 21.6 billion.

Innovative products and services

Garanti's growth strategy focuses on retail banking and SME banking. The Bank continuously develops innovative products and services to meet the varying financial needs of customers in these segments and to maintain and strengthen its leadership. Garanti's track record includes many products and services in the Turkish and international banking sector that it pioneered.

Garanti's credit card business recognized as 'best practice'

Credit card operations are one of Garanti's most successful business lines. Bonus Card, introduced in 2000 as the first multi-brand chip based credit card in Turkey, earned worldwide recognition soon after its launch and was pointed as 'best practice' by many financial institutions.

The efficiency of alternative delivery channels

Garanti customers are able to execute more than 80% of their transactions, including cash withdrawal, via the alternative delivery channels. Garanti, the leader in internet banking, has one of the largest call centers in Turkey. By investing in alternative delivery channels, the Bank has significantly increased operational efficiency and profitability.

Corporate citizenship

As a good corporate citizen, Garanti has established its own institutions to streamline its contributions to the environment and the society. Garanti conducts sponsorships in the areas of arts, sports, education, cultural and environmental issues and at times facilitates such activities taken to international platforms.



London
STOCK EXCHANGE

Garanti Bank's shares are traded on the Istanbul Stock Exchange (ISE) under the symbol "GARAN.IS" as well as on the London Stock Exchange. See p. 224 regarding stock performance.

Milestones

Founded in Ankara in 1946, Garanti

- was acquired by Dođuş Group, a Turkish conglomerate with operations in finance, industrial and services sectors, in 1983
- did its initial public offering and its shares started to trade on the ISE in 1990
- became the first Turkish company to issue shares in international markets in 1993
- merged with Ottoman Bank, another financial subsidiary of Dođuş Group, in 2001
- changed its shareholder structure in 2005. General Electric Consumer Finance (GECF) and Dođuş Group became equal shareholders in Garanti Bank.

As one of the leading banks in Turkey, Garanti will continue to create value for its shareholders, customers and employees in 2007 and beyond.

Shareholder Structure, Insider Holdings, Changes to the Articles of Association

Shareholder Structure

Shareholder Structure of T. Garanti Bankası A.Ş. (As of December 31, 2006)

	Number of Shares	Nominal Value (YTL)	Ownership
Dođuş Holding A.Ş.	46,225,035,536	462,250,355.36	22.01%
Dođuş Arařtırma Geliřtirme ve Műřavirlik Hizmetleri A.Ş.	7,977,711,856	79,777,118.56	3.80%
Dođuş Nakliyat ve Tic. A.Ş.	115,499,879	1,154,998.79	0.05%
Dođuş Group Total	54,318,247,271	543,182,472.71	25.87%
GE Arařtırma ve Műřavirlik Limited Őirketi	53,550,624,949	535,506,249.49	25.50%
Other Shareholders	102,131,127,780	1,021,311,277.80	48.63%
Total	210,000,000,000	2,100,000,000.00	100.00%

Insider Holdings

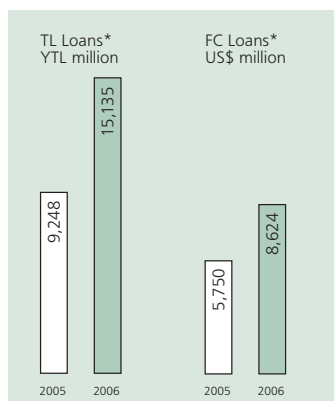
The Chairman, Board Members, the CEO and the Executive Vice Presidents do not own any Garanti shares.

Changes to the Articles of Association

There have been no changes to the Articles of Association during 2006.

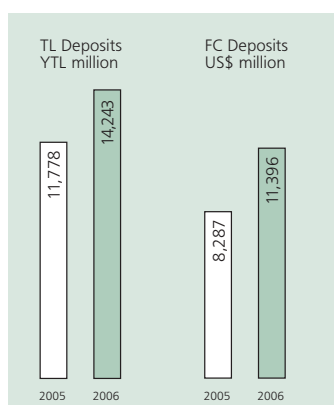
Key Financial Highlights

Assets	2005	2006
Cash and Banks	14.1%	12.3%
Securities	31.4%	28.6%
Loans	47.1%	54.4%
Subsidiaries and Investments	1.8%	1.2%
Fixed Assets	3.9%	2.1%
Other	1.8%	1.4%

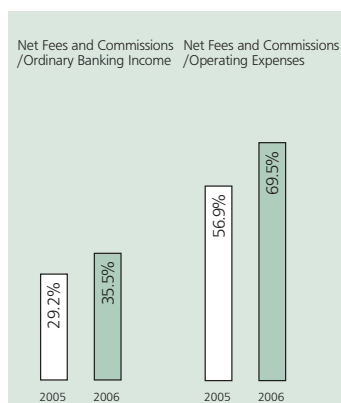


* Excluding non-performing loans

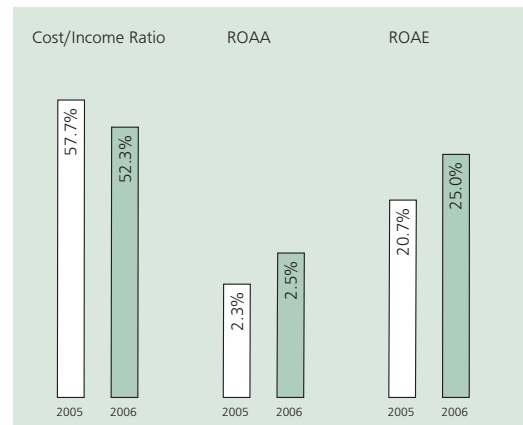
Liabilities	2005	2006
Deposits	62.7%	59.9%
Funds Borrowed and Repos	20.7%	25.3%
Other	6.1%	5.5%
Shareholders' Equity	10.5%	9.3%



Ordinary Banking Income	2005	2006
YTL millions		
Trading Income	(6)	25
Net Fees and Commissions	738	1,014
Adjusted NII	1,798	1,821
Total	2,529	2,860



YTL million	2005	2006
Total Assets	36,425	50,286
Total Loans	17,155	27,350
Total Non-Cash Loans	8,137	9,526
Total Deposits	22,833	30,139
Shareholders' Equity	3,840	4,670
Paid-in Capital	2,100	2,100
Net Income	721	1,063
ROAA	2.3%	2.5%
ROAE	20.7%	25.0%
Cost/Income	57.7%	52.3%



Garanti's Credit Ratings

Standard & Poor's

Long Term FC Counterparty	BB- (Stable)
Long Term FC Deposit	BB- (Stable)

Moody's

Long Term FC Deposit	B1 (Stable)
Long Term TRL Deposit	A3
Outlook on TRL Deposit	Stable
Short Term TRL Deposit	Prime-2
FSR	D+
Outlook on BFSR	Positive
National Scale Rating	Aaa-tr / TR-1

Fitch Ratings

Long Term FC Deposit*	BB (Positive)
Short Term FC	B
Individual Rating	C
Support	3
Long Term TRL Deposit*	BB+ (Positive)
Short Term TRL	B
National Rating	AA (TUR) (Stable)

*As of end 2006 Long Term TRL Deposit rating (BB+) and Long Term FC Deposit rating (BB), issued by Fitch, are two notches and one notch above the country ratings, respectively.

Garanti's Vision, Mission, Strategy and Core Values

Vision

To become the best bank in Europe

Mission

To create value for its customers, shareholders, employees, the society and the environment by utilizing its influence, agility and organizational efficiency

Strategy

To maintain long-term sustainable growth by continuously creating value

The main pillars of strategy

Focus on customers

- High quality products and services
- Unparalleled efficiency, experience and application
- Strong and established business processes throughout the Bank
- Guidelines on customer satisfaction

Focus on technological innovation

- Adoption and application of the latest technology in all business segments
- Up-to-date IT infrastructure

Focus on human resources

- Continuous improvement in efficiency and productivity
- Incentive structure based on performance

Focus on disciplined growth

- Sustainable and profit driven growth of balance sheet in line with 'real banking' operations
- Strong asset quality
- High quality service and distribution to reach out to all customers and markets

Focus on sustainable income sources and profitability

- Focus on high-return products and profitable business segments
- Increase of non-interest income
- Creation of customer-driven income
- Improvement in the cost of borrowing and free equity
- Development of cross-sell opportunities by prioritizing products that create customer loyalty

Focus on operational efficiency

- Focus on improving productivity
- Focus on cost / income synergies

Focus on strong distribution channels

- Wide and efficient branch network
- Effective and wide utilization of alternative distribution channels

Focus on risk management and audit

- Measurement of risk with globally accepted methods
- Portfolio based risk management where risk is associated with return leading to optimal distribution of economic capital
- Proactive audit systems

Focus on corporate governance and citizenship

- Commitment to corporate governance, ethics and corporate values
- Play an active role in creating value for the environment and the society

Garanti's Core Values

Garanti has established binding corporate values in the process of creating strategies for the execution of its vision and mission. These core values have become a way of life for the employees of the Bank.

'Garanti's customers'

- All operations and efforts are focused on customers
- The Bank's objective is to satisfy its customers above and beyond expectations
- Garanti employees are honest, courteous, helpful, solution-oriented and always smiling

'Garanti and its employees have high moral values'

- The Bank obeys rules and regulations without exception
- It is imperative for the Bank to execute its business with high moral values

'The most important issue for Garanti is the human factor'

- The Bank values individuals highly and continuously invests in human resources
- The Bank's quality is ensured by its employees
- Each Garanti team member aims to deliver high quality products and services
- The Bank understands the importance of delegating responsibilities
- Garanti encourages its employees to use initiative
- The Bank believes in the creative powers of motivation and strives to generate such an environment
- Garanti believes that each team member is a leader and the best at what he/she does

'Team work'

- The Bank believes in team work and open lines of communication; it does not divert from these principles
- The organization is opposed to strict layers of hierarchy
- Garanti team members work as one unit to realize their vision
- The Bank's efficient team work is strengthened by collaboration, mutual trust and respect

'Continuous progress'

- The Bank maintains its quality of work by constantly improving itself rather than holding onto status quo
- Garanti's policy is to invest in its people and technology to move forward
- The Bank's main mission is to sustain a certain level of quality while improving its products and services
- Garanti's approach to quality is proactive. The Bank strives to isolate the needs and expectations of its customers before they become problems and address them

'Social responsibility'

- Garanti respects the society and environment
- The Bank is confident that its exemplary work will benefit the banking sector as well as the whole country

Garanti's Position within the Banking Sector

Garanti's Market Shares

Market Shares*	2005	2006	Increase
Total Assets	9.5%	10.7%	1.2%
Total Loans	11.4%	13.0%	1.6%
TL	8.8%	9.9%	1.1%
FC	17.9%	21.4%	3.5%
Customer Deposits	9.1%	9.7%	0.6%
TL	7.3%	7.5%	0.2%
FC	12.2%	13.3%	1.1%
Demand Deposits	10.8%	12.0%	1.2%
Time Deposits	8.7%	9.3%	0.6%
Number of Credit Cards	16.7%	17.3%	0.6%
Number of Debit Cards	5.5%	6.2%	0.7%
Credit Card Transaction Volume	20.6%	21.7%	1.1%
Number of ATMs	8.2%	8.8%	0.6%
Total Foreign Trade	13.5%	14.7%	1.2%
Exports	14.4%	15.4%	1.0%
Imports	12.9%	14.3%	1.4%
Total Check Transactions	8.9%	10.2%	1.3%

* Among commercial banks

Garanti/Sector Growth Rates

Growth (2005-2006)	Garanti	Sector*
Total Assets	38.1%	22.5%
Total Loans	60.0%	41.2%
Total Deposits	32.1%	22.1%
Number of Branches	11.4%	7.7%
Number of Employees	14.0%	8.4%

* Commercial banks only

- Focus on customers
- Best IT infrastructure
- Strong distribution channels
- Proficient human resources
- Strong brand recognition and reputation
- Wide branch network
- Best solutions for customer management
- Superior database and reporting
- Centralized operations
- Leading and increasing market shares in all business segments
- Integrated financial services



 **GarantiBank** International N.V.

With operations in the Netherlands, Germany and Romania, GarantiBank International is a regional leader in trade finance activities. (See page 55)

 **GarantiBank** Moscow

GarantiBank Moscow has established itself as a reputable financial services firm in the Russian market as a result of its expertise in emerging markets and the synergy it has created with Garanti Bank's international network. (See page 56)

 **Garanti Securities**

Garanti Securities is one of Turkey's leading brokerage and advisory firms with operations in corporate finance, research, sales and trading. (See page 57)

 **Garanti Asset Management**

As the first asset management firm in Turkey, Garanti Asset Management offers investment fund management, portfolio management and pension fund management services to its individual and corporate customers. (See page 58)

 **Garanti Leasing**

Garanti Leasing, founded in 1990, is one of the leading companies of its industry. The firm has contributed to the growth of the leasing sector in Turkey by increasing its transaction value ten-fold in the last five years. (See page 59)

Garanti Factoring

Established in 1990 as one of the first factoring firms in Turkey, Garanti Factoring has become second in the sector by doubling its market share in 2006. (See page 61)

Garanti Insurance

With operations in the non-life assurance segments, Garanti Insurance offers insurance services and products to its customers via the Bank's distribution network as well as its own nationwide agency and broker system. (See page 62)

Garanti Pension Company

Garanti Pension Company, which started its operations as a life insurance firm in 1992, was one of the fastest growing and most admired corporations in its sector during 2006. (See page 63)

Garanti Payment Systems

Garanti Payment Systems, established as a result of the separation of credit card operations from other banking activities in 1999, continues to be a pioneer in Turkey as well as international markets. (See page 64)

Garanti Technology

Garanti Technology is one of the leading service providers with its creative and up to date technological solutions, secure infrastructure and uninterrupted transaction ability. (See page 65)

January

Garanti was the lead arranger in the six bank consortium that provided US\$ 1.8 billion for the privatization of Tüpraş, Turkey's largest refinery. Garanti's direct participation was US\$ 400 million and the total deal size was US\$ 4.1 billion.

The international rating agency Standard&Poor's confirmed Garanti's 'BB-' long term credit rating and changed its outlook from 'Stable' to 'Positive'.

Moody's Investor Service upgraded the outlook of the 'D+' financial strength rating of Garanti Bank from 'Stable' to 'Positive'.

GE Consumer Finance, Garanti Bank's partner announced that it will market Bonus Card in three Eastern European countries on a trial basis.

Garanti invited those individuals, who still own old and invalid coins, to use these coins in order to support educational and environmental projects. A large coin box was placed in Tepebaşı and the proceeds were donated to be used in the projects of Çağdaş Yaşamı Destekleme Derneği (Association in Support of Contemporary Living), Toplum Gönüllüleri Vakfı (The Community Volunteers' Foundation) and WWF Türkiye Doğal Hayatı Koruma Vakfı (World Wide Fund for Nature).

February

Garanti acted as the lead arranger in the US\$ 2.9 billion privatization of Erdemir, the largest flat sheet steel producer in Turkey, and provided direct funding of US\$ 300 million.

Garanti introduced Flexi, the most flexible card in the world, enabling customers to determine installments, bonuses, campaigns, interest rates and even card shapes in accordance with their spending and payment habits. Visa's newly designed vertical cards are offered for the first time within the Flexi concept. The features of the Flexi Card, which bears the new Visa logo, are determined by the cardholders.

The 'Basel II Criteria and Related Opportunities' conference for SMEs was organized in Aydın. The speakers agreed that the banking system will create objective rating criteria by adopting a risk-oriented credit approach and SMEs will start to produce reliable financials that are calculated in line with international standards and risk adjusted.

Garanti organized 'Foreign Trade Meetings' in Istanbul and Izmir. These meetings provided information on foreign trade procedures and international payment systems.

March

As the first Turkish bank with operations in China, Garanti signed an agreement with China Union Pay (CUP), the largest pay network in China, enabling CUP customers, who are in Turkey, to make their transactions at the Garanti POS terminals and ATMs in Chinese.

Garanti provided financing of €82.5 million for the purchase of Büyük Efes Oteli, one of the largest and oldest hotels in Izmir, as part of the privatization of government pension funds.

Garanti was the first bank to be a 100% ready for the chip&PIN system that will start in March 31, 2007.

Garanti was the first bank to launch coin dispense feature, enabling non-customers as well as Garanti customers to make their utility payments through the ATMs.

Garanti continued to undertake projects that would increase the usage of CepBank, the mobile banking service. Mobile phone top-up by sending an SMS through CepBank was launched for Avea subscribers.

Garanti Payment Systems became the first company to accept bill payments via POS machines.

The 'Basel II Criteria and Related Opportunities' conferences were organized in Ankara and Kayseri.

April

Garanti Bank signed a framework agreement with the European Investment Bank (EIB) to receive a loan of €100 million. The objective of this loan is to finance SME trade loans.

516 people from various companies attended the 'Foreign Trade Meetings', where current foreign trade procedures and international payments systems were discussed, in Istanbul and Kayseri.

The 'Basel II Criteria and Related Opportunities' conference for SMEs was held in Malatya.

Garanti Technology, Gantek Technology and Vasco Data Security created a password system that is based on a constantly changing and unbreakable platform to provide a solution for increasing security risks. Internet and phone banking activities became more secure with the introduction of this password system.

Bonus Card celebrated its sixth anniversary.

May

Garanti Bank raised more than US\$ 900 million from the international capital markets through a securitization transaction. The tranche for €300 million represents the first monoline-wrapped DPR securitization transaction globally. The transaction comprises of two more tranches; one wrapped with 10 years maturity and the other one unwrapped at 7 years.

Garanti Bank received a syndicated loan of €600 million with the participation of 35 banks from 15 countries. This loan has a term of 1 year and all-in interest rate of EURIBOR+0.475.

'Evimgaranti.com', the portal for people who are on the market to buy real estate, was launched. While evimgaranti.com is a micro site for Garanti Bank's real estate loans, it also allows potential buyers to search for deals that are offered by real estate firms who have special agreements with Garanti Bank.

Garanti showcased the proficiency of its technology infrastructure by launching its new product 'Five Minute Loan'. The Bank extended its credit sale channels significantly by this product, which enables customers to apply for loans through four different channels and get a response in five minutes.

The 32nd and 33rd editions of the 'Anatolian Meetings' were organized in Rize and Marmaris. The discussions focused on the fact that all sectors needed to conform to the EU accession process.

June

The international rating agency Fitch increased the long term local currency rating of Garanti from 'BB-' to 'BB+'. The Bank's credit rating went up from 'C/D' to 'C' and its support rating changed from '4' to '3'. The national credit rating was raised from 'A+ (tur)' to 'AA (tur)'.

Standard&Poor's upgraded the outlook of financial institutions and Turkey from 'stable' to 'positive', and reaffirmed Garanti's long term credit rating of 'BB-'

Garanti extended a loan of US\$ 170 million to Digitürk, the first and only digital broadcasting platform in Turkey, to refinance its debt and provide short-term capital.

Garanti was the lead arranger in the US\$ 900 million acquisition of Mey İçki by Texas Pacific Group and provided US\$ 150 million of funding.

Garanti provided financing of €85 million for the construction of the largest privately owned thermal power plant.

Garanti initiated the process of ID scanning at its branches. Kodak i40T scanners were placed in all branches with the assistance of Aksis, a solutions provider.

The 'Foreign Trade Meetings', where current foreign trade procedures and international payment systems are discussed, were carried out with private sessions in Istanbul.

Garanti organized the 'Anatolian Meetings' in Afyonkarahisar.

Garanti celebrated its 60th year anniversary on June 21, 2006.

July

Moody's Investor Service assigned Garanti Bank a long term National Scale Ratings of 'Aaa.tr' and a short term rating of 'TR-1'.

'Kobigaranti.com', which is a portal geared towards SMEs, was launched. Kobigaranti.com contains special deals, news and products for SMEs. The portal features the 'kobilirkisi' option, which helps SMEs utilize the offered products effectively, and a call center at 444 KOBİ (5624).

The Banks Association of Turkey released figures regarding the internet banking usage in Turkey. According to this report, 25% of the active internet banking users in Turkey utilize 'garanti.com.tr'.

'Paragaranti.com', the finance portal launched in 2001, was named as one of the most frequently visited sites by Marketing Turkey as a result of a research conducted throughout Turkey.

A market research was conducted among 2.5 million Türk Telekom ADSL users, where participants were asked to select their favorite sites for news, sports, shopping and business. 'Garanti.com.tr' and 'paragaranti.com' were among the most visited sites as per the research and were listed in the top 20 most-preferred web sites.

Flexi, Garanti's new credit card, reached 100,000 users in six months.

MasterCard PayPass, a 'tap-and-go' product designed for small transactions, was inaugurated in Europe with Garanti's 'Bonus Trink' credit card. PayPass eliminates long cashier lines and change problems.

The 'Foreign Trade Meetings' was held in Konya.

August

Garanti launched the 'Women Entrepreneurs' Support Package', a product designed for the needs of women entrepreneurs. This package provides loans of up to US\$ 30,000, foreign trade services, letters of guarantees, and insurance and pension products.

Garanti Bank initiated a service whereby existing on-line reservations for Turkish Airlines flights can be purchased via its Online Branch.

Cep Şifrematik, a PIN application that can be used on Java-enabled mobile phones, was launched. Cep Şifrematik provides an extra layer of security by creating a different PIN

each time a Garanti customer logs in to the Online Branch.

September

Garanti Bank started to offer on-line cardless cash deposit to current account service at its ATMs.

Garanti initiated the 'IP Address Management System', which allows Internet Bank users to access their accounts only by logging in through pre-specified IP addresses.

As a first in Turkey, a deposit product that follows the IMKB index performance was offered within the private banking framework.

The Central Sales Force, which was created to serve customers faster and more efficiently, started to operate in leading real estate sale offices and auto dealers.

October

Garanti was the arranger in the US\$ 125 million syndication for Vestel's letter of credit. This loan, which had a term of one year, was extended to Vestel Electronics, Vestel Communications, Vestel Durable Goods, Vestel Digital Production and Vestel Holland.

Garanti Bank and Türk Ekonomi Bankası (TEB) signed an agreement to offer Bonus Card to TEB customers. As a result of this agreement, first carried out with Denizbank, customers of each bank will be able to use both Garanti and TEB ATMs and TEB customers will be able to benefit fully from the advantages of Bonus Card starting in October 2006.

Garanti became a member of the MasterCard Management Board and the only Turkish bank on the MasterCard Europe Management Board. Mehmet Sezgin, the CEO of Garanti Payment Systems, was appointed the chairman of the MasterCard Southern Europe Management Board. As a result of these developments, Garanti formed a very strong partnership with MasterCard, carrying a wide variety of its products and being one of the 17 large banks with access to its infrastructure.

The 'Basel II Criteria and Related Opportunities' conference was held in Marmaris.

The Bonus Card brand developed into a common platform and became the first credit card issued by three banks.

EMV compliant Bonus Trink Cards can be printed in branch and handed out in one minute, which is another first in the Turkish banking sector.

November

Garanti received a syndicated loan, to be used in the financing of foreign trade, with an amount of US\$ 700 million and a term of two years. Thirty four banks from seventeen countries took part in the syndication. With an all-in rate of LIBOR+0.625, this loan was the lowest cost and highest amount two-year syndicated loan ever taken by a Turkish bank. HKB Master Fund L.P. exercised a portion of

its options and bought YTL 15 million (nominal) worth of Garanti Bank shares.

Garanti, which was the largest investor in the US\$ 1.4 billion letter of credit syndication for the US\$ 6.5 billion privatization of Türk Telekom, re-extended the letter of credit for an amount of US\$ 280 million in 2006. The sale of Türk Telekom was and still is the largest privatization deal in Turkey.

With the inclusion of the 'import transactions' option to internet banking, importers are now able to track their dealings and related documents on-line.

The 'Foreign Trade Meetings' were continued with private sessions in Istanbul and Konya.

Garanti supported the 'Baba Beni Okula Gönder' (Dad, please send me to school) initiative of Milliyet newspaper by sponsoring the education of 100 girls.

'Denizyıldızları' (Starfish), a voluntary project run by the friends, employees and customers of Garanti Bank, had a successful year. Four high schools, which were built as a part of this project, were officially opened by President Ahmet Necdet Sezer and his wife Semra Sezer in a ceremony.

December

Garanti acquired the rights to exclusively distribute The American Express Centurion Cards and accept merchants to its network in Turkey. Garanti will launch The American Express® Card, The American Express® Gold Card and Platinum Card®, issued in Turkey for the first time, in January 2007. The American Express Card will have chip&PIN features.

Garanti Bank raised US\$ 500 million from the global capital markets through a securitization transaction. The loan has two tranches; US\$ 100 million with 8 years maturity, and US\$ 400 million with 10 years maturity. This transaction differentiates itself by having the longest maturity ever achieved by a Turkish bank on an unwrapped basis. With this transaction, the long term financings of Garanti through securitizations exceeded an amount of US\$ 2.8 billion.

Garanti provided financing of US\$ 123 million for the purchase of Biofarma by Citigroup Venture Capital and PILS. This was the largest deal executed by a private equity firm in Turkey.

The 'Basel II Criteria and Related Opportunities' conference was held in the Istanbul Perpa Trade Center. This was the last of the series in 2006.

Garanti started to offer educational programs to women entrepreneurs in conjunction with The Women Entrepreneurs' Association of Turkey (KAGIDER). 18 women entrepreneurs attended the first phase of the program. The participants attended courses on strategic business plan development, foreign trade, basic economics and finance and investment tools.

Garanti began to sell pre-paid mobile phone credits through its POS network.

Awards

Garanti is selected as "The Best Bank in Turkey" for the seventh time

Euromoney, one of the most important financial publications in the world, presented Garanti with "The Euromoney Award for Excellence", thus naming the Bank as the best in Turkey for the seventh time.

Euromoney commented that Garanti received this award based on its successful performance in retail and corporate banking and its strong growth during the past year. Euromoney added that the strength of the Bank was derived from its human capital, which is considered to be one of the best and brightest in the Turkish banking sector.

Two awards from Active Academy

Garanti was the recipient of two awards at the Active Academy Finance Summit, which was organized for the fourth time this year.

Customer Satisfaction Award (Retail):

The winner was selected by more than 37,000 members of the makalem.com website. The participants were asked to vote on their favorite banks in terms of products and services.

Support for Foreign Trade Award:

Garanti won this award, which is presented to corporations that broker the highest amount of foreign trade transactions, for the fourth time this year.

Garanti takes sixth place on Capital Magazine's "Turkey's Most Admired Companies" list

Garanti was voted the sixth most admired company in Turkey by 1,350 senior managers in the Capital Magazine poll that covered 30 different industries and become the only bank in the top ten list. The Bank was ranked eighth in 2002, ninth in 2003 and fifth in 2004 in this category.

Garanti was also voted the most admired bank for the fifth year in a row.

"Excellence Award" from JP Morgan Chase Bank, Citibank N.A. and Bank of New York; "Quality Recognition Award" from Deutsche Bank

Garanti was presented "STP (Straight Through Processing) Excellence Award" by JP Morgan Chase, Citibank and Bank of New York, and "Quality Recognition Award" by Deutsche Bank. Garanti was awarded as a result of its error-free money transfer performance in foreign currencies. Garanti topped the list of Turkish banks in terms of error-free Euro transfers.

Garanti once again "The Best Custodian Bank in Turkey"

Garanti was chosen "The Best Custodian Bank of Turkey" in 2006 by a team of journalists from the Global Finance magazine, one of the leading financial publications. This team, which considered 35 custodian banks from various countries, based their evaluations on customer relations, service quality, handling of special transactions, technology infrastructure, business continuity plans and expertise on legal procedures and local know-how and applications. The award was Garanti's fourth year in a row.

Garanti was also selected by the Global Custodian Magazine as "The Top-Rated Sub-Custodian" for the tenth consecutive time. Garanti is the only sub-custodian in Turkey who has received a "Top-Rated" status in 10 consecutive years.

Global Investor magazine also selected Garanti as the "Best of the Best" sub-custodian in Turkey for the past decade, based on an evaluation of continuity on the service quality and customer relationships.

The Money Markets group has also awarded Garanti as the "Best in Class-Customer Services" for its custody business for 2006.

Garanti Bank is awarded "Best Turkish Loan of 2006"

Garanti Bank's Syndicated Loan totaling US\$ 700 million, was awarded "Best Turkish Loan" by Euroweek magazine. This transaction, in which 34 banks from 17 different countries were involved, is the highest amount and the least cost

2-year term loan a Turkish bank has ever received.

Garanti Bank is "The Safest Bank of Mediterranean Territory"

In internet banking and telephone banking, Garanti was selected as "The Safest Bank of Mediterranean Territory" among European Banks of the Region. This year, a Turkish Bank was awarded "Vasco Market Vision 2006" which is given in five different regions in the world. Vasco is the global market leader in strong user authentication products in finance, e-trade and e-communication sectors.

Garanti Bank has achieved this "Vasco Market Vision 2006" award, with its state of the art technology in internet and telephone banking and the user identity protection projects, ahead of many European countries like Greece, Spain and Italy.

Global Finance awarded Garanti Online Branch as "The Best of the World" in investment management services category

The reputable finance magazine Global Finance has awarded the Online Branch of Garanti as "Best Consumer Internet Bank of Turkey" again in 2006. This is the sixth consecutive award given to Garanti by Global Finance since 2000. In the investment management services category, Garanti Bank was also awarded first prize in "World's Best Internet Bank", and in corporate internet banking category, "Europe's Best Website Design" and "Best Investment Management Services".

Garanti Online Branch, with more than 750,000 active users and accounting for 63% of the Bank's total transactions, is evaluated with such criteria as; attracting online customers, quality in service, wide product spectrum, increase in the number of customers, functional website design etc.

Garanti sites receive first prize in "Altın Örümcek" contest

"garanti.com.tr" received first prize in the "Internet Banking" and "Corporate Communications" categories in the 2006 "Altın Örümcek" Web Awards. "evimgaranti.com" took first prize in professional services, and second in

financial services while "paragaranti.com" was awarded first prize in financial services.

Two awards granted to Garanti Bank Call Center from "Istanbul Call Center Awards"

Garanti Bank Call Center was awarded "The Most Praised Call Center" and "The Best Call Center Training" in the "Istanbul Call Center Awards 2006" which is organized by IMI Conferences.

"Istanbul Call Center Awards 2006" was organized for the first time within the framework of the "Second International Istanbul Call Center Conference and Fair". 32 Turkish and Foreign Call Center institutions attended the organization and awards were given in 11 categories.

"Outstanding Innovation" Award to Flexi Card

Flexi Card was granted the "Outstanding Innovation" award of 2006 in General Electric Global Bankcard Forum in New York.

Think Marketing Awards

Flexi Card was chosen "The Most Innovative Product" at Think Marketing Awards that is presented within Marketing1st, which is considered the Davos of marketing.

Garanti is awarded "The Highest Volume Increase in Corporate Cards"

In a ceremony, Visa Turkey announced the most contributing banks to Visa Credit Card, Visa Electron Bank Card and Visa Corporate Card. Visa 2005 success awards were given in five categories. "The Highest Volume Increase in Visa Corporate Cards" award was granted to Garanti.

Visa Europe award "Innovative Approaches in Prepaid Cards" is given to "Efes Club Associate Card"

Garanti was presented with the "Innovative Approaches in Prepaid Cards" award by Visa for the Bank's pioneering application of catalog and gift systems on cards within the framework of commercial channel loyalty management campaigns. This project, which was carried

out for Efes Pilsen and thus named Efes Project, constituted a first in Europe.

Bonus Business Card receives "Highly Commended Award" in "The Most Innovative Retail and Corporate Payments Product Launched During 2005" category

Garanti Bank's Bonus Business Card was chosen "The Most Innovative Retail and Corporate Payments Product" in the "Excellence in Innovative Payment Products Awards", which is organized by EPCA (European Payment System Consultants Association) and The European Card Review magazine. Bonus Business Card was launched during the last month of 2005.

Garanti Pay Pass Card application gets "The Most Innovative Bank" award from EFMA

During the Retail Finance Conference organized by EFMA (The European Financial Management & Marketing Association), Europe's leading Association, Garanti was awarded "The Most Innovative Bank" due to its Pay Pass applications.

Garanti Pension is "The Best Pension Company of 2006"

Capital Magazine announced Garanti Pension as the "Best Individual Pension Company" of 2006.

Garanti Securities is "The Best Adviser"

Turkey's leading finance magazine Capital announced Garanti Securities as "Turkey's Best Adviser" for the fourth time.

"Investor Friendly Company Award"

Turkish Shareholders Association's (BORYAD) "Investor Friendly Company" award, which was organized for the first time in 2006, was presented to Garanti Bank.

Garanti at the peak of "Social Responsibility"

Garanti Bank received a social responsibility award from Platin Magazine with its "Küre Mountains National Park" project.

ISO 10002: 2004 Certificate for the "Customer is Always Right Line"

The "Customer is Always Right Line" verified the high quality of the Bank's complaint management system by receiving ISO 10002:2004 certificate from The British Standards Institution (BSI).

Garanti became the first Turkish bank to certify its complaint management system, which provides the maximum level of customer satisfaction, under international standards.



Scale, corporate governance principles, internal dynamics, unparalleled human resources, advanced technological infrastructure, innovative and ethical business perspective, strong brand value and established relationships in the region make Garanti the frontrunner in the sector.



Dear Shareholders,

I would like to welcome you to the 61st Annual Shareholders' Meeting of Garanti Bank.

Before giving you an overview of the financial statements and operations of the Bank in 2006, I would like to share my thoughts with you on the overall economic environment, the banking sector and Garanti.

The Turkish economy continued to grow during 2006. The accelerated inflow of foreign direct investments (FDI) fueled by the European Union (EU) accession process, the successful struggle against inflation, record levels of exports, and political stability were main drivers behind this development. The volatility of the global markets in May caused distress in emerging markets, including Turkey, but our resilient economy was able to weather the storm with nominal impairments. Increasing real interest rates throughout the year have been the long-lasting result of this volatility, and the positive developments on the export and FDI fronts were offset by the mounting current account deficit which needs to be controlled and lowered in order to maintain the growth trend for the long-term. Another overshadowing factor of

good economic performance in Turkey is the 12% unemployment rate, which does not show any signs of decrease. While there were several warning shots for the Turkish economy in 2006, there were also encouraging indications, such as the adherence to budgetary discipline and achievement of the primary surplus.

The EU negotiations continued to act as an anchor for the economy, albeit with a lower level of influence compared to the previous year. While it is true that partial suspension of negotiations with EU was not a desired outcome, the fact that this road bump had a very muted effect, if any with regards to its impact, speaks for the strong condition of the economy.

The interest of foreign financial institutions in our banking system continued in 2006, during which various bank-related mergers and acquisitions were completed. These developments signal the fact that competition in the sector is going to escalate in 2007 and beyond. Garanti possesses the advantage to succeed in this competitive environment as a result of the synergies created via its local and global partners.

Scale, corporate governance principles, internal dynamics, unparalleled human resources, advanced technological infrastructure, innovative and ethical business perspective, strong brand value and established relationships in the region make Garanti the frontrunner in the sector.

One of the short-term objectives of Garanti is to play a more important role in Europe and neighboring markets.

The Bank aims to be more active in Eastern Europe, Central Asia and the Middle East, via direct operations and/or subsidiaries and plans to establish new profit centers by investing in assets in the region. It is the mission of Garanti to expand its operations into the international markets so as to increase the visibility and awareness of Turkey on a global scale.

Garanti Bank is focused on growth in the domestic and international markets with a priority in maintaining a sustainable growth rate while increasing shareholder value. We are confident that with the support of our shareholders we possess the necessary tools and resources to do so.


As a member of the distinguished Garanti family, I would like to thank you for our success which is equally shared by our employees and shareholders and express my gratitude for your efforts and determination.

Sincerely,



Feri. F. Şahenk
Chairman





Garanti continued its growth journey with firm steps in 2006 despite fluctuations in the economy

The growth that we achieved without compromising on profitability and risk management requirements carried us to new record levels in the year of our 60th anniversary.

The size of our balance sheet grew by 38% to YTL 50.3 billion while our free equity grew by 83% to YTL 2.8 billion and our net income increased by 47.5% to YTL 1,064 million.

Our Bank's performance has been remarkable in a year when the banking sector was negatively impacted by increasing competition, narrowing margins and economic volatility. In this new era where "real banking" is key, having managed to incorporate a customer-focused strategy, efficiency and innovation into its corporate culture, Garanti, with its superior service quality and human resources reflected its difference in the banking sector onto its financial results.

Fluctuations throughout the year and the upcoming elections increased uncertainties...

The positive sentiment in 2005 led to a favorable beginning in 2006. However, the series of events such as the rise in inventory prices - mainly oil and the continued interest rate hikes by central banks due to inflationary concerns in the developed markets resulted in fluctuations in the international markets in May. These global fluctuations influenced our economy, as well as all emerging markets. As a result, exchange rates and interest rates went through volatility. Despite the Central Bank's precautionary actions, inflation rates realized above the targeted range. Concerns regarding the EU negotiation process and upcoming elections led to uncertainties in the second half of 2006 and the year end expectations regressed.

However, these developments had a minimal effect on the banking sector and our economy due to healthier structures achieved through reforms

It is very promising to see that the effect of the negative developments, which could have led to an economic crisis in Turkey had there been no structural reforms, was minimal today on the economy and the banking sector. While inflation was realized above the targeted range, the annual inflation figure came in single digit. Banks were able to sustain profitability even though volume growth was diminished during the period of higher interest and exchange rates. Our economy continues its long-term growth marathon despite fluctuations.

If GDP increase comes in line with expectations in the last quarter of 2006, our economy will have shown uninterrupted growth for the last 20 quarters. Our current account deficit rose to 8% of GDP in 2006 led by live domestic demand and increased inventory prices. However, foreign direct investments in the amount of US\$ 19.8 billion, representing the highest foreign direct investment amount to date, increased the financing quality of our current account deficit.

We, as Garanti, performed very successfully in 2006, despite fluctuations in the economy

Fluctuations in the economy had a negative effect on demand for consumer loans, which was a driving force in the banking sector in previous years. While consumer loans rose by 46% in the first half of 2006, the increase was only 11% in the second half of the year. Similarly, while cash loans and savings grew by 30% and 15%, respectively in the first half of 2006, they grew by 8% and 6% in the second half of the year. Garanti's difference, with its real banking and customer-focused strategy, competitive service quality and highly competent human resources was reflected on 2006 year-end results.

We are now one step closer to being the sector leader by having grown our cash loans by 59%, above the sector average, and increasing our contribution to the real economy to YTL 36.9 billion through cash and non-cash loans. In line with our strategy, we continue to increase the share of loans in our total balance sheet. In 2006, cash loans constituted more

than half (54%) of our total assets.

Retail loans, with high growth potential, and SME loans, representing Turkey's underlying strength, both continue to be the driving forces in our loan growth. In consumer lending, we grew well above sector even though this was the area most negatively affected by fluctuations throughout the year. We achieved sector leadership in credit cards based on per card spending as a result of our distinct innovative products such as Flexi Card and Bonus Trink with Pay Pass features. By achieving a 22% increase in number of SME customers to 770,000, we made significant advancements towards our goal of being "The Bank of SMEs". Due to our superior service quality, long-term genuine customer relationships and the trust in the Garanti brand, we achieved an above sector growth rate in deposits, and thus increased our market share. In demand deposits, which have a favorable contribution to funding costs, we managed to achieve a high growth rate of 22%.

Garanti's strategy has always been to achieve efficient, profitable and sustainable growth. As a result of advanced risk management techniques implemented, we increased our volume without compromising on asset quality. We minimized operational workload in branches thanks to investments made in technology and alternative delivery channels. We managed to increase our profitability consistently and sustainably by focusing our strategy on higher yielding assets and maintaining competitive service quality. As a result of all these developments, our net income rose by 47.5% to YTL 1,064 million and our return on average assets increased to 2.45%

(2.3% in 2005) while our return on average equity increased to 25% (20.7% in 2005). In a year with economic volatility, the fact that we managed to increase our profitability ratios as well as our assets and shareholders' equity at a much higher rate than our competitors portrays our Bank's performance as even more impressive.

Garanti's light will always glow!

Established as a one branch operation on June 21, 1946, in its 60 year history with the continuous and full support of its partners, dedicated employees and the increasing interest of its customers, Garanti became one of the leading banks in our country with 487 branch locations, operations in 10 countries, an asset size of YTL 50.3 billion and a shareholders' equity of YTL 4.7 billion. We celebrated this achievement by organizing an event in Atatürk Olympic Stadium with our 11,906 employees gathering from various cities and countries. In addition, we made a conceptual lighting arrangement for our Corporate Headquarters building as well as historical buildings owned by our Bank in Ankara (Ulus), Eskişehir, Istanbul (Galata and Bahçekapı), Izmir, Mersin and Samsun.

Extending its corporate mission beyond banking services, our Bank continued supporting arts, education, sports, cultural and environmental projects in 2006. Garanti revived the mobile art exhibition named "The Black Sea: A Floating Exhibit of Turkey", that was initiated with Atatürk's suggestion three years after the foundation of the republic for the purposes of introducing Turkish society's modern new identity. Moreover, we

sponsored the "Genghis Khan and His Legacy: The Great Mongol Empire" exhibition in the 800th anniversary of the Mongolian Empire's foundation by Genghis Khan.

In the upcoming period, we will take new steps towards becoming a regional bank while continuing our robust and healthy growth in the local market

Garanti will continue its robust and healthy growth in 2007 and play a bigger role in our country's bright future. In addition to the 50 new branches opened in 2006, we will open more than 70 new branches reaching 560 by year end. With our world-class service quality, extensive product offerings and highly competent bankers, we target to present the Garanti difference to wider masses. It is certain that competition will increase in all customer segments with the entry of foreign banks into the sector. However, I am confident that we will always be ahead of competition as long as we do our job well and continue satisfying our customers.

Garanti with the synergy created by its partners, its technological infrastructure, capital strength, highly competent human resources, competitive advantages, and world-class product and services, will no longer be bound by Turkey's borders. As globalization becomes a prerequisite in attaining long-term sustainable growth, we will be more active in other markets in the region and form new international alliances.

I would like to extend my thanks to our valued shareholders who always demonstrate their full support of our new ventures, our customers who trust their savings and their businesses with us, and my esteemed colleagues who proved their competencies through their dedication in all our social and economic endeavors.

Regards,



Ergun Özen
President and CEO

The needs and expectations of customers are the focal points of Garanti Bank's products, services and business methods. As a result, 'getting to know the customer' constitutes the pillars of marketing activities.

Garanti Bank aims to identify the specific requirements of its customers and provide solutions within this framework. The Bank differentiates itself by observing its constituents, foreseeing change, utilizing its strong technology infrastructure and creating practical applications. In this regard, Garanti possesses a strong culture of research and development.

The Bank carries out market research in order to determine its market position with regards to its products and compare itself with its peers. Market research enables Garanti to analyze customer satisfaction and loyalty in each business segment and capture the perception of its customers regarding group brands. Market research is also used to undertake industry and peer analysis, verify market shares, develop new products and services, measure the effectiveness of commercials and profile customers for whom sufficient data is not readily available.

Garanti participated Kal-Der's trial study of 'Turkey Customer Satisfaction Index' (TCSI), which was embarked on to monitor the development of customer relations, as a corporate member in 2005. The trial study provided valuable insights regarding the relationship between quality, complaints, commendations and loyalty. The market research process has become a core element of Garanti's corporate culture.

The Bank has contacted approximately 20,000 retail and corporate customers since 2003. Moreover, 22,000 customers were approached regarding the 'Commercial Effectiveness' research study since 2001. Nearly 20 market research studies were conducted with more than 10,000 customers in 2006.

The results of the surveys are utilized in the improvement of processes and formulation of new products and services and are shared with field teams for effective applications.

The identification of customers' financial need constitutes the first step of the investigation process. Customer requirements are considered 'opportunities' for creating solutions. New formations within the Bank lead to increased efficiency and productivity. Garanti's continuous investments in technology and human resources since 1990 created a culture that embraces new ideas, facilitating the Bank to create various new products and associated brands. Services, products, processes and channels are designed to make customers' lives easier and provide solutions for all of their banking needs.

In 2006, Garanti developed products with a focus on the consumer loan and investment fund segments. Some of the results are as follows:

- In order to facilitate the trading of funds, 'Immediate Cash for Funds' and 'Investment Basket' products were launched
- Flexible Consumer Loans, Equal Principle Payback Loan and All Inclusive Loan were offered to provide ease of use and payment

Garanti Bank launched new payment system related services and products after analyzing the demands of its customers and the overall market

- Flexi Card, which was launched in 2006, introduced the concept of personalization to the credit card industry

- Bonus Card became a multi-bank credit card platform in 2006
- Garanti acquired the exclusive distribution and membership right of American Express Centurion Line in Turkey
- Garanti Bank's new product PayPass, which was launched under the Bonus Trink name, is a pioneering product that solved the problems of standing in long cashier lines and handling coins
- New application segments were created for pre-paid cards
- Garanti Payment Systems became the first Turkish financial institution to accept invoice payments via POS
- Garanti became the first bank to share a card platform with China Union Pay
- Garanti is the only bank whose POS infrastructure supports Diners Club Cards.

Corporate Banking

Pioneering the banking sector by defining corporate banking as an individual business line in the early '90s, today Garanti is the preferred business partner of major local conglomerates, and multinational corporations in Turkey.

Its customer oriented and innovative business approach, superior technological infrastructure, qualified staff, tailor-made solutions and product engineering capabilities are the main aspects contributing to the Bank's sustainable leadership position in this segment.

Garanti has built its corporate banking strategies on the notion of further deepening its relationships with existing customer base, since new customer acquisition is very limited due to the nature of the business. The Bank attaches utmost importance and priority to maintaining its long-standing relationships with customers, enhanced by commitment through volatile market conditions. This strategy and attitude towards customer relationship management are the fundamentals which make the Bank's performance in corporate banking sustainable.

Garanti serves its corporate customers through four exclusive corporate branches, one in Ankara and three in Istanbul.

2006 Activities

Commencing 2005, in 2006, the Bank experienced yet another record-breaking rise in its corporate banking volumes. Garanti effectively deployed its competitive advantages to reinforce its traditional leadership position in this line of business, imposing a substantial share of the corporate banking market in Turkey.

In 2006, corporate banking activities have grown remarkably;

- 93% in YTL Loans,
- 90% in foreign currency loans,
- 60% YTL deposits and,
- 112% foreign currency deposits.

These numbers are indicative of Garanti's dominating position in the corporate banking arena.

During the same period, the share of corporate banking in total loans and deposits of the Bank has reached 30% and 15%, respectively.

Future Plans

- Looking ahead, the Bank anticipates that rising demand for privatizations, mergers and acquisitions, and public offerings will contribute to the further growth of corporate banking activities.
- With the positive investment environment in Turkey, multinationals entering the Turkish market will certainly provide the Bank with new opportunities. Garanti is the first choice of foreign capital coming Turkey in the banking arena due to its years of experience in working with well-known multinational corporate names.
- Funding instruments such as securitizations and bond issuance, and derivative transactions will grow in number and importance. Garanti has well positioned to address these new market trends.

Garanti is determined to intensify its strong presence and boost its market share in the corporate banking segment building on its vast experience and competitive advantages.

Commercial Banking

Garanti continues to be the leader in commercial banking in 2006. Having increased its customer portfolio by 9%, Garanti provided banking services to 24,200 companies from various industries as of year-end. Commercial banking reached a volume of US\$ 14.8 billion, an increase of 35% over 2005, which accounts for 34.2% of Garanti's business volume.

The primary objective of commercial banking is to strengthen the Bank's relationships with its customers, and to become their primary banking partner by handling a bigger portion of the customers' transactions. Garanti reached the first preferred bank position in commercial banking as a result of its steps towards becoming a primary banking partner for its customers helped by the Bank's market and customer-focused strategies. Garanti, with a 20% market share is by far the sector's market leader, according to an independent research held in the last quarter of 2006. According to the same research, Garanti is the first preferred bank for corporates who work with other banks as their main banking partner.

2006 Activities

Garanti managed to increase its commercial banking assets by 39% in 2006 and is the leader in the commercial banking sector with a 20% market share. Primary factors contributing to the Bank's leadership are: its wide service network and its experienced and specialized workforce. Creating customer loyalty and approval with a high value added product spectrum is an important advantage. The most important features that differentiate Garanti from its commercial banking peers are loyalty enhancement in existing customers and new customer acquisition with the help of superior service quality and effective customer relations.

The business line's efforts in controlling costs and increasing commission income led to a 56% increase in commercial banking profits over 2005.

In 2006, Garanti realized, in commercial banking activities, an increase of;

- 39% in assets,
- 43% in total loans (cash and non-cash),
- 41% in total deposits,
- 9% in customers.

Garanti continuously increased its support for the main sectors of commercial banking in 2006.

Tourism: Garanti is the primary banking partner for the majority of companies in the tourism sector in the Aegean and Mediterranean regions of Turkey, with over 50% market share leadership in 2006.

Ship building: Garanti is the leader in the ship building sector with a 45% market share. To date, the Bank provided a total of US\$ 1.6 billion in financing for the sector, including the US\$ 450 million raised in 2006.

Hazelnuts: Garanti has provided US\$ 250 million in financing and acted as an intermediary for 30% of the US\$ 1.4 billion of total exports in the hazelnut sector.

Construction: Garanti's total credit exposure to the construction sector reached US\$ 850 million in 2006, a 40% increase over of 2005.

Energy: Garanti financed the sector with US\$ 500 million in loans in 2006. It is expected that 2007 figures will be around US\$ 700 million, with new big projects in the sector.

Logistics: Garanti financed the sector with US\$ 350 million in loans in 2006.

Future Plans

The growth in the Turkish economy has activated the commercial sector. Garanti aims to get the utmost share from the existing and potential customers in the growth period.

Garanti will meet this growth target by, increasing its volume in portfolio companies and being active in potential companies by systematic approaches of its widespread and experienced sales force.

Garanti commercial banking is targeting the following for 2007;

- To increase its market share by at least 1% to 21%,
- To increase the number of customers by 10%,
- To grow using the strategy of "becoming the primary banking partner",
- To create the best and the quickest solutions to customer needs,
- To become the "main bank" of existing and potential customers by an integrated approach.

SME Banking

The Bank of SMEs: Garanti

Garanti is the first bank to identify SMEs as a separate segment. The SME business line, having reached a team of 1,250 specialists, offers special product and service packages. SME customers are divided into three groups according to their turnover, credit limits, and working size criteria. These are medium size enterprises, small size enterprises and SME mass segment.

Garanti SME business line's approach to customers is based on finding solutions for SMEs, which includes meeting basic needs for an enterprise such as cash flow,

investment and loan needs, together with the owner's personal needs.

Garanti, in line with its service-focused philosophy, supplies ideas and information to enhance SMEs' vision and management, as well as products and services.

2006 Activities

Garanti's innovative and pioneer approach helped increase the number of customers during 2006. Garanti offered specialized services to each sector in SME banking and improved its products and services regarding the local needs, which resulted in being the 'main bank' of its customers.

- SME business line, with the improvements in 'segmentation criteria', increased its customers from 640,000 to 770,000 at the end of 2006. It has widened its branch network, which played an important role in acquiring new customers.
- SME business line has 19% share in total bank assets, 14% share in balance sheet, and 28% share in TL Loans.
- Garanti SME banking has introduced Women Entrepreneur and Service Support Packages on top of its well known sector packages that offer special solutions in line with seasonal and cash flow needs of SME's. As part of this package, complimentary training programs are offered in partnership with KAGIDER (Women Entrepreneurs Association of Turkey). Transportation and Stationary Sector Packages have been updated and introduced as Logistics and Training Sector Package.
- Under sectoral packages, SME business line has granted YTL 180 million credit limit to 6,000 customers in 2006. The credit limit has reached YTL 305 million with 10,000 customers in total since 2002.

2006 Business Review

- Garanti has established collaborations with Chambers of Commerce, industry and other professional chambers since 2002. As of end of 2006, Garanti has entered into loan agreements with 115 industry, commerce, retailers and pharmacist chambers. Within the framework of these packages, YTL 500 million is allocated as credit limits to 17,350 SMEs.
- Garanti has been organizing meeting sessions named 'Anatolian Meetings' to provide information to SMEs on the way to EU membership and to revise their business visions since 2002. In total 36 meetings have been held in 32 provinces with the attendancy of 13,000 SME members.
- Garanti has been organizing meetings in SME concentrated provinces, to provide information about Basel II - Revised International Capital Framework, which is going to become effective in EU countries. Perpa meeting in 2006 was the 10th, reaching 2,500 attendants altogether.
- Garanti has launched kobigaranti.com SME portal, which gives broad information and opportunities provided by Garanti's portfolio of companies. Users can easily have operational backup and access information about new regulations related to SME through the portal. Users visiting the portal viewed a total of 3 million pages in 2006.
- SMEs can use the 444 KOBİ (5624) hot line and receive information or consultancy services without having to go to the branches. 3,000 telephone conversations were made as of July, and as a result credit limits were established, with a total amount of YTL 1 million.
- The Ekonomist magazine's supplement, KOBİ Girişim is distributed free of charge to around 10,000 customers monthly.

- In co-operation with Microsoft and GSM Operator Avea, an 'Entrepreneur's window' was put into operation. Arena Bilgisayar was added to the project in 2006.
- GANI's (Garanti's Cash Flow Software Program) reached a total of 18,000 users.

Future Plans

- Garanti will continue to supply tailored, practical and speedy products to meet customer requirements, as well as redesign the existing products to adapt to changing needs and conditions in order to continue its leadership in 2007.
- Garanti will give priority to technologic products and launch the second version of GANI in 2007.
- Garanti will organize "Turkey's Woman Entrepreneur" Awards in association with Ekonomist magazine. Applications will be accepted from all over Turkey until March 8th, Women's Day. "Turkey's Woman Entrepreneur" Award Ceremony will be held on April 5th.
- Garanti and Dünya, an SME focused financial newspaper, will offer a special SME insert for nine months in 2007.
- On top of its banking services, Garanti will continue to implement new projects for SMEs in order to help them increase the efficiency of their business management model.

Retail Banking

Garanti entered into the retail banking sector in 1988. Since then Garanti, with its customer-centric approach, innovative products and superior service quality, has been able to distinguish itself as the bank of choice in the eyes of retail banking customers.

Garanti has assumed the principle to be a bank that listens to its customers and works to make life easier for them. To comply with that principle, Garanti develops creative solutions to meet the different needs of its customers, and offers speed, ease and convenience when making banking transactions. Garanti's partnership with GE Consumer Finance, started in 2005, has also brought a new perspective in product innovation and process development, especially with regards to consumer loans.

2006 Activities

Garanti, with its 1,350 retail banking personnel, serves 5.2 million retail banking customers with a total relationship volume of US\$14.5 billion. In 2006, loans issued to retail banking customers amounted to YTL 4.5 billion, or 20% of the Bank's total loan portfolio. Retail deposits were YTL 12.8 billion, constituting 42% of the Bank's total deposits. As of 2006 year-end, retail banking volume comprises 27.2% of the total.

Garanti serves its retail customers, through its nationwide network of 478 branches, 1,500 ATMs, Internet Branch and Call Center.

Core competencies of Garanti's retail banking include:

- Customer-centric approach focused on customer satisfaction
- Advanced segmentation model and CRM tools

- Innovative products and services aligned to customers' needs
- Sales-oriented and dynamic workforce
- Widespread and expanding branch and ATM network
- Advanced alternative delivery channels; leading Internet Branch and 24/7 Call Center
- Superior technological infrastructure

Consumer Loans

Housing Loans

Garanti's retail banking housing loan portfolio grew by 77% and reached YTL 1,981 million in 2006. This growth was fueled by Garanti's partnerships with selective housing project contractors and real estate offices as well as new service and product offerings.

Auto Loans

Garanti's retail banking auto loan portfolio grew by 46% over the last year and reached YTL 943 million. Garanti's strong relations with leading auto distributors and dealers as well as its innovative sales approaches have been instrumental in achieving sustained growth and increasing its market share.

- Throughout the year, Garanti organized many sales campaigns in collaboration with leading distributors and dealers, offering discounted interest rates and flexible payment plans to customers. Such campaigns helped in increasing penetration across the dealer network.
- "Online loan application system", which was launched in July 2005, was expanded across the dealer network in 2006. The system evaluates loan applications submitted to dealers, hence eases and speeds up the operation.

- A "central sales team" is established to offer auto loans and provide point-of-sale assistance to customers at selected auto dealers.

General Purpose Loans

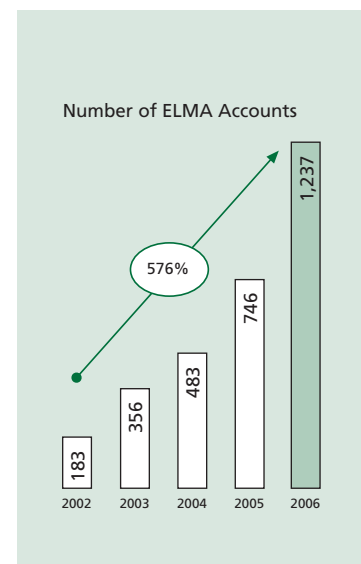
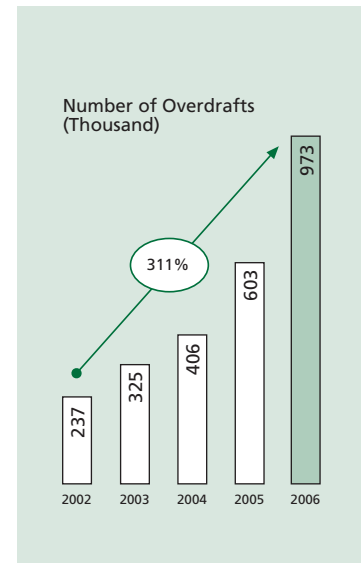
In 2006, Garanti increased its retail banking general purpose loan volume by 106%, to YTL 1,281 million. Many new products, services and campaigns launched throughout the year to meet different customer needs have contributed to that growth:

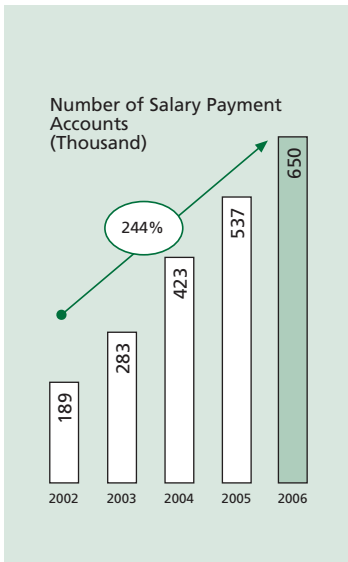
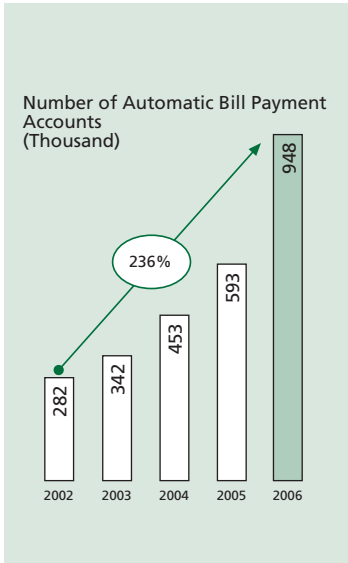
- Loan in 5 minutes enables customers to apply for general purpose loans via SMS, ATMs, Internet and Call Center and receive pre-approval in five minutes,
- Flexiloan enables customers to utilize their loan limit in arrears as they need it,
- Loan with Decreasing Installments decreases the loan installment amount each year, regardless of the course of interest rates, hence reducing the customer's total payback amount,
- Installments from Garanti campaign offers to pay one, two or three installments on behalf of customers, especially on long-term loans.

Seasonal advertising campaigns and multi-channel direct marketing activities also helped in increasing general purpose loan volume.

Retail Deposits and Investments

In 2006, Garanti increased its retail deposits by 40%, to YTL 12.8 billion. Garanti's widespread network, strong relationship focus and high service quality were key factors of this growth. Garanti's brand, synonymous with trustworthiness, also played a significant role. Despite the intense competition in this area, the Bank succeeded with its competitive yet profit-focused pricing policies.





Life-easing Products

Cash management products like ELMA, overdraft and automatic bill-payment services continued to ease customers’ lives. At Garanti, 1.2 million customers have ELMA accounts, while 973,000 have overdrafts and 948,000 use automatic bill-payment services.

Salary Payments

Salary payments is one of the key customer acquisition channels for the Bank. Various products and services, such as credit cards, overdrafts, ELMA and bill payments, are offered to salary payment customers, making them active and loyal bank customers. As of 2006 end, Garanti is providing salary payment services to approximately 650,000 employees of nearly 5,000 companies and institutions.

Life-cycle Banking

Life-cycle banking, an innovative approach assumed by Garanti, offers children and their families the different banking products and services that they need at different stages of their lives. As of 2006, Garanti life-cycle banking serves 110,000 customers with its Mini Bank, g’bank and Unibank programs.

Future Plans

Garanti will continue to be a pioneer in Turkey’s retail banking sector, with its customer-centric approach, high quality workforce, superior alternative distribution channels and advanced technological infrastructure. Garanti will also be implementing the product and service development initiatives started in collaboration with its new partner, GE Consumer Finance.

- Garanti is planning to launch new housing loan products and services as the new mortgage law becomes operational in 2007. Garanti will also pursue leading a strong growth trend in auto and general purpose loans, by conducting multi-channel sales and marketing activities.
- Garanti aims to increase its market share in deposit and investment products, by applying vigorous pricing, introducing new saving and investment products and broadening the customer base.
- The Bank will continue focusing on acquisition of new salary payment customers, as well as further increasing product penetration of its existing salary payment customers. Garanti aims to achieve this increased customer penetration by cross-selling products like ELMA, overdraft and automatic bill-payments.

Housing Finance

Housing Finance department was established as the first of its kind in Turkey at the end of 2005. Besides branches, Garanti is pursuing its housing finance activities via other distribution channels such as construction companies and real estate agencies.

Banks can only supply fixed interest rate loan products as per the current law at end of 2006. Garanti offers a wide spectrum of payment plans and campaign options in order to cater to different needs of the customer spectrum.

The fact that Garanti has a sales force of over 1,000 as well as representing the fourth largest branch network in the country, contributed to the increase in the housing loans portfolio. Customer demand forwarded by construction companies and real estate agencies also had a significant effect on the increase.

2006 Activities

- Garanti is the third largest housing loans lender in Turkey, increasing its market share from 8.32% to 12.22% within the last two years.
- Bank's housing loan portfolio grew by 75%, from YTL 1,547 million, to YTL 2,709 million in 2006. The weight of housing loans in total bank loans increased to 10%.
- Garanti offered several payment options for different customer needs. Product range includes discounted payment, equal principal payment, balloon payment, and graduated payment loans.
- Number of construction companies and real estate agents, with which Garanti works, increased during the year.

- Garanti started working on the Turkish Treasury legislation, allowing the sale of loans to non-residents, and expects to finalize and offer such products within 2007.
- Garanti introduced housing finance portal evimgaranti.com in May. The portal offers information about housing finance, products, payment plans, campaigns, projects and housing loan calculators.
- Garanti became the only Turkish member of European Mortgage Federation, whose members cover about 75% of the European retail and commercial housing loans market.

Future Plans

- Garanti targets to be the leading housing loans lender. With this goal in mind, Garanti plans to improve and shorten the application process for housing loans.
- Housing loan portfolio will be enhanced with distribution channels and product varieties. After the Mortgage Law is in place, variable interest-rate products will be provided to consumers.

Garanti Masters Private Banking

Garanti Masters Private Banking was established to offer personalized investment and financial advisory services to affluent and high net worth customers in addition to brokerage and retail banking services with account/portfolio of US\$ 250,000 or more with the Bank. This is a specialized service presented by expert teams.

Garanti Masters Private Banking customers have access to other products such as structured deposits and specialized funds. Customers, who have a portfolio of YTL 500,000 or more, are given portfolio management services as a part of an agreement with Garanti Asset Management.

The business line has segmented its customers into four categories, based on their risk profiles, in order to provide them with effective financial advisory. These segments are non-risk takers, conservatives, moderates and growth seekers. In order to give better guidance to customers, foreign currency and YTL denominated portfolios are created for each risk group.

There are currently nine private banking branches, which were launched in the last quarter of 2004, with four of them in Istanbul and five of them outside Istanbul.

2006 Activities

- Garanti Masters Private Banking started the year with assets of US\$ 1.5 billion and featured an increase of 14% to reach US\$ 1,787 million at the end of 2006 with a total customer number over 4,200. The share of the private banking assets in the Bank's balance sheet was 4.6% for this period.
- Garanti Masters Private Banking observed the needs of its customers and developed new products according to requirements during 2006. More

varieties of structured deposit products were offered to customers.

- Specific investment funds for each customer category were created, enabling customers to achieve target portfolios easily.
- While the lower limit for customers' portfolios is US\$ 250,000, the Bank was able to reach average assets per customer amount of US\$ 512,000. This value decreased to US\$ 416,000 after the volatility in the markets during May and June.
- In order to realize cross-sell opportunities, Bank customers, who have a portfolio of US\$ 250,000 or more, were targeted and a short-list of 2,718 people was created. The private banking teams visited these customers between March and July to give them information about private banking products.
- Promotional activities and sponsorships were carried out to appeal to existing and potential customers, ranging from informative seminars on financial markets to concerts and sports tournaments.
- 'Masters Retirement Plan', which is a special offering that does not charge entry and management fees in order to meet the expectations of Garanti Masters Private Banking customers, was created. This plan presents seven different pension funds to customers based on their risk perception, enabling them to formulate various retirement strategies.
- Garanti continued to offer personal loans with pre-approved limits to private banking customers in 2006. The loan volume increased 45% in terms of US dollars compared to 2005.
- The Bank continued the Garanti Masters Credit Card and Phi Card

programs, which provide &Club and Quintessentially services free of charge. 2,492 customers were given the Garanti Masters Credit Cards and 452 customers, who have asset volumes of US\$ 1,000,000 or more, were presented with Phi Cards to reach a total card number of 2,944.

Future Plans

- Garanti intends to increase the sector based source volume in 2007 by increasing the volume of existing customers and by acquiring new customers. By the end of 2007, the number of Garanti Masters private banking customers is expected to reach 5,600 while the targeted AUM is US\$ 2.55 billion.
- Fostering customer loyalty is one of the key objectives of the sector. The Bank plans to decrease the ratio of private banking customers who have discontinued working with the Bank for any reason to 5%.
- By doing this, the Bank expects to raise the private banking customer efficiency ratio, which was 4.24 as of the end of December 2006, to a minimum of 5.0 in 2007. Garanti will accomplish this by providing customers existing products, as well as new products through cross sell opportunities.
- Garanti will continue to diversify product offerings in 2007 to maintain its competitive position. Some of the newly structured deposit products planned to be offered to customers in 2007 are: Gold-LONG Masters US Dollars account (6 month term deposit indexed to gold), Precious Metals Index Masters US Dollars account (12 month term deposit indexed to the International Precious Metals Index), Oil-LONG Masters US Dollars account (6 month term deposit indexed to oil) and Commodity Index Masters US Dollars account (12 months term deposit indexed to the International Commodity Index).

- Garanti also expects to offer customers newly structured products under "guaranteed and protected funds" in 2007.

Payment Systems - Credit and Debit Cards

Garanti became a pioneer in the credit cards segment by separating this operation from other banking businesses to form Garanti Payment Systems (GPS), which continued to offer visionary services and products, in 1999.

GPS, a company that is the fastest and most efficient product developer for the credit card industry and 99.99% owned by Garanti, provides card programs (chip based, multi-branded and shared brand platforms), commercial cards, virtual cards, acquiring services, marketing and e-commerce services to the Bank.

Garanti owns the largest portfolio of plastic cards with Bonus, Flexi, Shop&Miles, &Club, &Club Privé, Phi Card, Paracard, Bonus Kontör, commercial cards, virtual cards and American Express, which was launched in December 2006, in Turkey.

Garanti, which shapes the sector with its products, services, projects and customer requirements, aims to cater to each customer segment by carefully analyzing the customers needs with its focused team and advanced infrastructure. In order to reach this objective, Garanti Payment Systems offers the following products:

- Bonus Card, for the customers who like smart shopping;
- Flexi Card, for those who wish to receive personalized service that meets their spending habits through flexible payment alternatives;

- Shop&Miles, for the customers who often travel abroad and who spend a lot on entertainment and restaurants both in the country and abroad;

- &club and &club Privé, which considers the expectations of the Shop&Miles users and provides concierge and travel services for the customers of the upper segment;

- American Express Centurion Line, which provides value-added services for customers who spend a lot on entertainment abroad;

- Paracard and Bonus Kontör for customers who want to use their cards rather than cash when shopping;

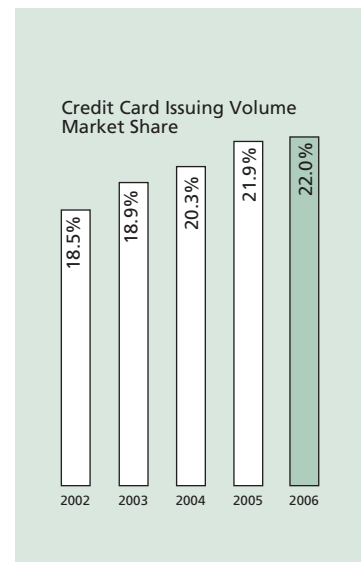
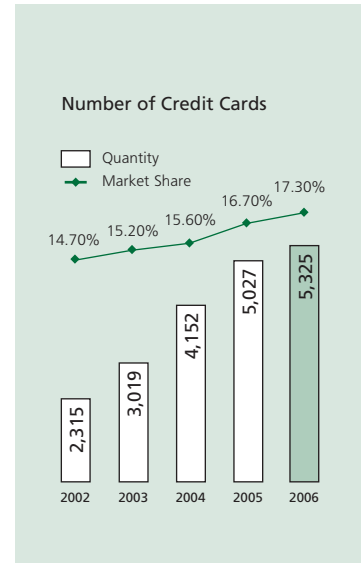
- Commercial Cards, for safe and easy transactions made on behalf of corporations with Bonus Business, Shop&Miles Business, Distribution Card and Corporate Cards;

- Virtual Shop&Miles and Bonus Cards for the customers, who wish to shop via the internet;

- Garanti e-commerce services for both those who want to shop and those who want to open a shop on the internet.

2006 Activities

- In 2006, Garanti became the bank that increased its market share in payment systems most and reached 22%.
- By increasing the number of issued cards from 5,006,663 to 5,625,014 at the end of 2006, Garanti achieved a year over year growth of 12.35% and a six year growth of 367%.



2006 Business Review

- Credit cards, one of the major components of non-interest income, constituted 52% of the Bank's commission income in 2006.
- This year, all of Garanti's payment system products have continued to grow in terms of users, transaction volume, member corporations and POS numbers. Through investments undertaken in 2006, Garanti is providing services with 213,603 POS terminals and 190,901 merchants, increasing its market share in terms of work place turnover from 19.6% to 22.2%.
- In 2006, Bonus Card, the first chip equipped and EMV compatible card of Turkey, achieved transaction volume of YTL 18.3 billion through 4,479,547 users and 131,245 merchants. Moreover, on December 30th, which was the day on which the highest number of transactions were carried out, Bonus Card broke another record and became the card that achieved the highest number of transactions.
- With YTL 24.2 billion, Garanti, which has turned the Bonus brand into an interbank card platform through the agreement made with Denizbank in 2004 and with TEB in the beginning of 2006, has been the bank that has achieved the highest work place turnover in the field of credit cards.
- Although it is in the seventh position in Turkey in terms of the number of cards, through accurate campaigns and innovative projects, Garanti achieved a growth rate of 85% and obtained 21% share of the whole debit cards market in 2007.
- Commercial cards have been among the business units to record the most significant growth in 2006. Starting at 55,269 units, their number reached 78,886 units in one year. In terms of

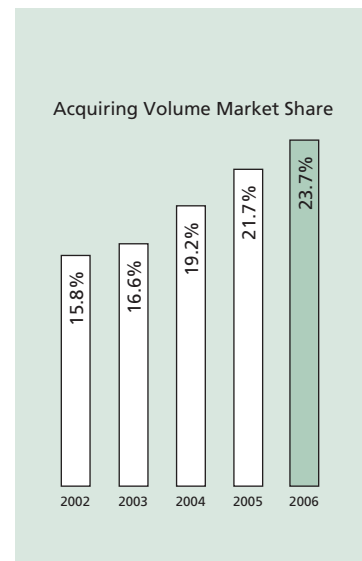
annual turnover, the growth was 83.5%. The number of companies that have adopted the e-commerce application has grown by 12%.

- Garanti Payment Systems, which declared 2006 as the year of innovations, continues to grow with 277 employees.

Future Plans

- The Bonus Card License Agreement, which continues with Denizbank and TEB, shall be contracted with other banks in compliance with the Garanti service provision in order to increase the number of card users.
- Garanti plans to launch Bonus Card in Romania during the first half of 2007. A system enabling the bonuses earned in Romania to be valid in the member network in Turkey shall be implemented, thus creating the first reward system, based on chip technology, which is carried out in two countries simultaneously.
- In the beginning of 2007, Garanti will introduce Fleet Card, enabling its payment cards system to access another industry.
- In 2007, various initiatives will be offered to Turkish tourists and SME representatives who travel to China frequently and use personal and commercial Bonus cards.
- Work will be undertaken to achieve a wider use of Bonus Trink, launched in 2006, and to enlarge the member corporation network.
- In the beginning of 2007, Environmentally Friendly Bonus Card, Turkey's first credit card concerned with the preservation of nature, will be presented to customers.

- Fenerbahçe Bonus Card, joining the features of both the Fenerbahçe Club Card and Bonus Card and enabling customers to make donations to the club with the bonuses earned, will be offered to supporters.



2006 was a year of innovations for Garanti.

Flexi Card

With the introduction of Flexi Card in February 2006, a new category of cards featuring personalization was added to the credit card market. Flexi, which is the most flexible credit card in the world, enabling customers to determine bonuses, installments, campaigns, interests and even card shapes in accordance with their spending and payment habits, reached 221,719 users even before completing its first year.

Interbank Card Platform - Bonus

Through an agreement made with TEB in 2006, Garanti Bank turned the Bonus Card brand into an interbank platform. Garanti, by realizing the first agreement of its kind in Turkey with Denizbank, enabled Bonus Card to be the only credit card issued by three banks.

American Express and American Express Platinum

In December 2006, Garanti announced that it had made an agreement with American Express, becoming the only bank entitled to deliver American Express Centurion Line cards and accept merchants in Turkey. In addition to American Express Cards and American Express Gold Cards offered through special deals and services, Garanti Bank also started to provide its customers with American Express Platinum Cards, another first for Turkey. Through this agreement made between American Express and Garanti, American Express cards now feature the chip&PIN characteristic.

Bonus Trink Card - PayPass

For the first time in Europe, Garanti Bank offered PayPass, named Bonus Trink in Turkey, its worldwide revolutionary new payment system product which eliminated lines at cash desks along with problems associated with making change.

Application of EMV compatible cards in one minute

Garanti Bank, which for the first time in Turkey started to print and deliver EMV compatible Bonus Trink cards, implemented this system to overcome application, preparation and expedition formalities.

Cooperation with China Union Pay (CUP)

Garanti Bank made an agreement with China Union Pay (CUP), China's largest payment system with 190 member banks and 917 million card holders, enabling Chinese travelers in Turkey to carry out their transactions through POS terminals of Garanti and withdraw money from any of the close to 1,500 Garanti ATMs. Within the framework of this agreement, the first of its kind in Turkey, cardholders' slips can be printed in Chinese at the POS terminals and a menu in Chinese has been added to all ATMs. Through this agreement, Garanti Bank has become the first non-Chinese bank entitled to print cards in partnership with CUP.

Prepaid

New application areas have been created for prepaid cards. Through the Efes Pilsen, Coca Cola and Gillette prepaid cards issued in 2006; consumer reward campaigns have been positioned as efficient and practical instruments.

Bill Payments via POS

As a first in the Turkish market, Garanti Payment Systems started to offer payment of bills via its POS.

Diners Club

Garanti and Diners Club, which has 8.6 million users in 130 countries, signed an agreement that enabled Diners to exclusively use Garanti's POS in Turkey.

Banking through Alternative Delivery Channels

In accordance with the changes recorded in Turkey's economy during the past five years, Garanti Bank has managed to perfectly integrate the Alternative Delivery Channels (ADC) and technology with the product and service provision processes, completing important infrastructure and superstructure projects. Within the scope of these projects, contemporary ADC applications gained importance and the primary objectives of the organization focused on increasing customer satisfaction, reducing cost basis and enhancing sale and service efficiency.

Nowadays Garanti Bank customers carry out 82.5% of their comparable banking transactions, including those in cash, through ADC. This ratio is above the sector average and is the main indicator showing the strategic sufficiency reached by Garanti Bank.

2006 Activities

- In 2006, the number of active customers using ADC was 800,000. The number of the customers having used ADC at least once a year was above 1.4 million. The number of customers not using branches approached 574,000.
- The total number of customers having carried out transactions through Garanti Paramatik is above 1.5 million. In 2006, 27% of credit card sales realized by the Bank as well as 32% of utility payments and 45% of personal loan applications were realized through ADC.

- A volume of YTL 17 billion was achieved via more than 14.5 million banking transactions carried out through ADC, resulting in income of over YTL 40 million.
- As a part of the internet strategy, two new portals were inaugurated for SMEs and for those who wish to purchase a new house:

Kobigaranti.com is a special portal for small companies and presents special campaigns oriented to this segment as well as news and special products that Garanti Bank offers to SMEs.

Evimgaranti.com is a micro site for housing loans which enables customers to search for special projects within the real estate companies with which Garanti Bank has an agreement.

- In cooperation with Google, one of the most popular search engines, a project was launched in May 2006 in order to increase the traffic of internet users from global search engines to garanti.com.tr. As a result of the campaign conducted in cooperation with Google, 1,100,000 hits were received between May and December 2006 and a growth of 20% was achieved in the average page viewing of garanti.com.tr.

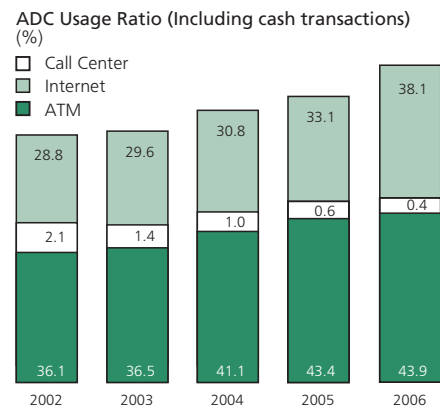
- Through "Five Minute Loan" launched in 2006, anyone, including individuals who are not Garanti customers, can apply for a personal loan through the Online Branch, garanti.com.tr, 444 0 333 Alo Garanti, and through SMS. The result of the application is sent to the mobile telephone of the applicant within five minutes. In 2006, the ratio of the personal loans obtained through the Five Minute Loan application to all individual loans granted by Garanti Bank was 30%.

Future Plans

Garanti's objectives related to delivery channels in 2007 and beyond are as follows:

- To increase the number of active customers of Online Branch to 1 million,
- To maintain the ADC usage ratio at 82.5% and increase the total income obtained from ADC,
- To acquire new customers for cardless transactions,
- To launch the English version of the corporate Online Branch,
- To renew the Online Branch and the Paragaranti.com finance portal
- To increase sales by directing customers to online delivery channels
- To utilize the mobile channels more efficiently

ADC Usage for Basic Products	%
Investment Funds	91
Equity Transactions	99
FC Transactions	75
EFT Transactions	87
Interbank Wires	80
Tax Payments	77



Alternative Delivery Channels in 2006

Internet Banking

In 2006, Garanti's Online Branch was the market leader in Turkey.

In 2006, the number of active customers served through Garanti's Online Branch increased by 40% to reach 800,000. This figure has been calculated on the basis of the customers signing in at least once a month. The product sales through the internet also increased rapidly. While the average number of products sold in 2005 was 96,000, in 2006 it recorded a rapid increase to reach 150,000. The security of the Online Branch has been increased through new applications such as the Java based one time PIN (Cep Şifrematik) and IP and location restrictions.

Garanti Paramatik

ATMs that can count the amount of money and deposit immediately to an account are continued to be added to the Garanti Paramatik network. At the end of 2006, 1,089 of all Paramatiks had this feature and most of them also had coin dispenser units. The cardless menus of the Garanti Paramatiks were also developed in 2006. Paramatiks enable customers to pay university tuitions, utilities, credit cards, and top-up mobile phone accounts even without a card. In 2006, 44.3% of the credit card payments and 27.6% of utility payments were made through Paramatiks.

CepBank

In 2006, CepBank, which is the first of its kind in the world, reached 130,000 customers and 237,000 transactions. CepBank enables users to make money transfers through mobile phones even if they are not customers of Garanti Bank. Other services provided by CepBank are the account statement query, mobile phone top-up and 'bilyoner' payments.

Alo Garanti

Garanti Call Center enables individuals and companies to carry out all banking transactions except money withdrawals in an easy and safe medium and plays a strategic role in the Bank's sales and customer relations activities.

In 2006, the Call Center realized 30 million contacts with customers and within the framework of the service quality, which is the priority criteria, customers were answered in an average of 17 seconds. While the sector average is 70% in terms of service level, which is the most important service quality indicator of call centers, Garanti Call Center provided service with a sustainable success ratio of over 80%. Additionally, in 2006, a total of 805,000 products were sold through the Call Center which has made a major contribution to the Bank's profitability and efficiency.

International Banking

The Financial Institutions department manages global relationships with international financial institutions and banks. The strong and multidimensional network developed in the international markets enables the Bank to call on the resources for the Bank and for its customers. Nourished over many years by close, mutual cooperation, the Bank's well-established international relations number among its most important assets.

Garanti, Turkey's leading bank in trade finance and services, offers the best service to its customers for their international transactions with its customer focused approach, experienced team, relationship managers specialized in their regions, accumulated knowledge and over 2.300 correspondent banks. The esteemed international financial network coupled with operational excellence demonstrated by certified documentary credit specialists strengthens the leading position of the Bank in trade finance business.

Garanti, with its knowledge and experience, is one of the leading banks in the international loan and capital markets. The loans that Garanti raises with the most favorable terms and longest maturities serve as benchmarks for the other major players in the Turkish banking sector.

2006 Activities

- Garanti maintained its leading position in trade finance and services by being involved in 15.3% of Turkey's exports and 14.3% of its imports.
- Garanti continued its structured finance (securitizations) transactions targeting international investors in 2006.
- In May 2006, the Bank secured a Diversified Payment Rights ("DPR") securitization transaction amounting circa US\$ 900 million (€300 million and US\$ 525 million). €300 million tranche of this transaction is the first wrapped DPR issuance denominated in euros. In December 2006, Garanti secured US\$500 million through another DPR securitization transaction. The issue has two tranches; US\$100 million with 8 years maturity and US\$400 million with 10 years maturity. This transaction marks the longest maturity ever achieved by a Turkish bank on an unwrapped basis.
- In May 2006, Garanti signed a 1-year club loan for €600 million with the participation of 35 banks representing 15 countries. In November 2006, Garanti signed a second club loan with a maturity of 2 years. The facility represents the first time that Garanti has extended the maturity to 2 years since 1995. The deal was scaled back to US\$ 700 million after books reaching almost US\$ 930 million.
- In 2006, outstanding international borrowing raised by financial institutions reached US\$5.3 billion.

Future Plans

- Garanti, with the target of strengthening its leader position in trade finance and increasing its market share progressively, aims to pursue its strategic role successfully by creating innovative and customer-focused solutions.
- Garanti will continue to strengthen the developed business relationships in international markets, and will continue to provide services that are effective and high value added to its customers.

- Being the pioneer institution in structured finance products, Garanti will target to undertake money and capital market transactions which will be served as benchmarks.

Project Finance

2006 - The golden year of Project Finance

Garanti offers project finance, acquisition finance and other structured finance products to serve the needs of public and private companies from various sectors. The strong financial structure of Garanti reinforces its ambitions in these fields and enables it to easily generate results for high level financing needs.

The project finance related strategies of Garanti Bank are,

- To continue providing financing for energy projects and especially hydroelectric and wind energy plants after the enactment of the Law on Utilization of Renewable Energy Resources,
- To preserve its leadership in project finance, acquisition transactions, including privatizations, by way of using its experience in transportation, cement, real estate, tourism and health sectors,
- To increase the number of the projects financed and achieve company and industry diversification,
- To focus specifically on large projects and to create added value by cross selling complementary products and other banking services.

2006 Activities

- In terms of project finance, 2006 has been a golden year for Garanti Bank. In line with the increased activity regarding the privatization process, Türk Telekom, Tüpraş and Erdemir have been privatized in 2006.
- Garanti increased the number of projects evaluated by more than 50% from 62 to 99. In 2006, the total investment volume, which was US\$ 13.7 billion, was increased to US\$ 17.5 billion. In 2006, financing requested from the Bank was US\$ 13.8 billion. Credit limits for a total of US\$ 2.2 billion were granted for 23 projects.
- Through the synergy created within the framework of the partnership of GE Consumer Finance and Garanti Bank, common strategies have been developed with those organizations that want to invest in Turkey. Preliminary steps were taken in order to cooperate in certain projects.

Future Plans

Garanti believes that in 2007 the project finance activities and investments will continue to increase and the Bank intends to maintain its leadership of the sector. To this end, some of the transactions that Garanti has authorized or plans to execute in 2007 are as follows:

- Garanti will act as the arranger and agent bank in government guaranteed projects such as Deriner Dam, Malatya-Çat Irrigation Project, Ankara-Pozanti Highway, Sinop-Boyabat Highway, Gerze-Sinop Highway. The projects are expected to be worth around US\$1 billion.

- The Bank anticipates a high number of new projects in the telecom sector during 2007, with fixed-line and mobile operators undertaking local and international M&A deals. Garanti's portion of US\$625 million out of the US\$3 billion unsecured syndication loan to Turkcell, strengthens its leadership in this sector. This facility is the largest unsecured loan provided to a private company in Turkey till that date. Garanti will continue to provide structured products to fixed-line and mobile operators for their domestic and global activities and act as their arranger in 2007.
- With the increasing need of investment in electricity production, the energy sector is expected to grow rapidly in 2007. This industry will attract high levels of investment, create related financing needs and thus generate interesting opportunities for banks.
- The Bank foresees a strong demand for project finance related funding requests as a result of potential new projects in hydroelectric, wind and thermal power plants, natural gas distribution and renewable energy initiatives, which are also encouraged by the new renewable energy law.

With its expertise in the energy sector and project finance activities, Garanti expects to gain a large market share as arranger.

- In 2007, the Turkish market will witness many projects in the transportation sector, with a focus on air and seaports. Most of these projects will involve the purchase of operation rights and/or will be carried out with the 'Build-Operate-Transfer' method. The operation rights transfer of Antalya Airport, Mersin and İzmir Seaports,

the expansion of Sabiha Gökçen Airport, the Bosphorus Underpass and various highway projects carried out jointly by the government and private sector are some examples of the anticipated deal flow. Garanti Bank expects to be the lead financier in these high value tenders. The Bank also intends to cooperate with the appropriate divisions of GE for these projects in order to create synergies.

- Garanti plans to provide large amounts of financing to companies that will participate in the privatization tenders of Vehicle Inspection Centers as the lead financier in 2007.

Projects for which financing was provided in 2006

Driven by ambitious goals, Garanti participated in the largest and the most important projects of the sector in 2006, mainly as the arranging bank, and provided financing for the following projects:

- Garanti took part as the lead arranger in the US\$1.8 billion consortium consisting of six banks for the US\$4.1 billion privatization project of Tüpraş, the largest oil refinery in Turkey. Tüpraş meets 80% of the needs of Turkey and has the largest processing capacity in Eastern Europe and the Balkans. Garanti provided financing of US\$400 million for Tüpraş.
- Garanti participated in the US\$1.4 billion syndication for the sale of Türk Telekom with the largest amount of funding, and extended the letter of credit, which was initially issued last year, with US\$280 million. With a selling price of US\$6.5 billion, the privatization of Türk Telekom is the largest privatization deal in Turkey to date.
- Garanti participated in the US\$2.9 billion privatization project of Erdemir, Turkey's largest producer of flat steel, and provided financing of US\$300 million.
- A multi-tranche credit limit of US\$170 million was granted and used for the refinancing of the existing debts and for general corporate purposes of Digiturk, Turkey's first and the only digital platform broadcaster.
- In 2004, Garanti acted as the lead bank in a consortium of three banks for the purchase of "Alkollü İçkiler Sanayi A.Ş.", a subsidiary of Tekel, by the Nurol-Limak-Özaltın-Tütsab consortium within the scope of the privatization program, and provided financing of US\$75 million to the newly incorporated Mey İçki. Garanti also participated in the US\$900 million transaction related to the purchase of Mey İçki by the Texas Pacific Group, as lead arranger and provided financing of US\$150 million.
- As a sole financier, Garanti provided financing of US\$123 million for the purchase of Biofarma by Citigroup Venture Capital and PILS. This was the largest acquisition deal in the pharmaceuticals industry executed by a private equity firm in Turkey.
- In 2006, negotiations related to three previously tendered highway projects (Gerze-Sinop, Gaziantep-Şanlıurfa and Borçka-Artvin) ongoing within the framework of the government investment program, were concluded with the Undersecretariat for Treasury of the Republic of Turkey and loan contracts were signed. The participation of Garanti was US\$113.5 million out of a total of US\$227 million.
- Garanti single-handedly provided financing of €85 million for Eren Enerji's 160 MW coal fired thermal power plant, which is the largest thermal power plant with fluid bed drier technology in Turkey.
- As a sole financier, Garanti provided financing of US\$100 million for a new cement factory investment in Thrace.
- Within the framework of the privatization of the assets of the Retirement Fund (Emekli Sandığı), Garanti provided financing of €82.5 million as a sole financier for the purchase of the Grand Hotel Efes, one of the oldest and largest hotels in İzmir.
- Garanti provided multi-tranche financing of €48.1 million for the acquisition of Standard Profil, the only rubber profile and sealing profile manufacturer in Turkey.
- Garanti provided a financing of US\$50 million to Hedef Araç Kiralama ve Servis A.Ş., an operational fleet leasing company previously owned by Hedef Alliance Holding A.Ş., in order for restructuring the existing debts and realization of growth targets, just after the company was acquired by a private equity firm "Southeast Europe Equity Fund II (SEEF II)"
- As the sole financier, Garanti provided €36 million project finance loan for the 39.2 MW Mare Manastır Wind Power Plant, which will be the largest wind power plant by the time of being operational in Turkey with a total investment value of €45 million.
- A US\$40 million financing was provided to Global-Çelebi-Antmarin partnership in relation with the acquisition of the operator company of the Port of Antalya, "Orta Doğu Liman İşletmeleri A.Ş."
- As the sole lender, Garanti provided project financing of €28 million for the 30.4 MW İtepe Wind Power Plant, which has a total investment value of €35 million.
- Garanti refinanced the US\$20 million long term credit that was issued to finance the purchase of the operating rights of the Kuşadası Port, the first cruise port to be privatized in Turkey, by the Aegean Harbor Management.

Treasury

Treasury Trading Department

In addition to the management of the foreign currency positions of the Bank and the risks related to the Turkish Lira and foreign currency bonds portfolio, the Treasury Trading department is responsible for providing corporate and commercial customers with competitive pricing through the Treasury Marketing department and the branch network. While increasing the share of the Bank in customer transactions, the department preserves its position of a long-term market maker within the interbank market and carries out customer-based gold transactions as a member of the Istanbul Gold Exchange.

Treasury Marketing Department

Parallel to the customer segmentation of the Bank, the Treasury Marketing department has a partitioned structure in itself in order to provide customers with the most efficient access to the market. The units consist of three sections, which are corporate, commercial and private banking, geared towards specific target groups. The Treasury Marketing department acts as an intermediary between the trading desks, the agencies and direct customers during the pricing of all treasury products, such as foreign currencies, cross rates, forwards, options, swaps, repos, deposits, loans, bonds in Turkish Liras/foreign currencies and Eurobonds.

Asset - Liability Management Department

The Asset - Liability Management department manages balance sheet risks of the Bank; interest rate, sovereign credit, structural FX and liquidity; in accordance with the strategies determined by ALCO (the Assets and Liabilities Committee). In this respect, the department utilizes investment, funding

and hedging strategies regarding the prevailing market conditions and the interest rate / volume trends of the balance sheet items. Consequently, quantitative analyses in financial engineering framework are conducted. The ultimate objective of the department is to maximize the Bank's risk-adjusted-return-on-capital (RAROC).

Derivative Products Department

The department develops the necessary derivative products that will increase profitability and the capital adequacy ratio, hedge current risks and create tax advantages for the Bank. The Derivative Products department also analyzes the document-based risks according to the relevant legislations, laws, and accounting (local and IAS) and tax standards.

The Risk Control department monitors and documents the market risks, profitability and volumes of treasury transactions as well as the portfolio sizes and stop-loss limits of trading desks.

The Middle Office department audits the on and off market pricings, transaction limits and transaction data inputs in order to ensure the accuracy and appropriateness of operations.

Corporate Financial Solutions Department

The Corporate Financial Solutions department provides customers with solutions related to balance sheet and financial risk management and introduces the term 'risk management' to corporate and commercial customers.

2006 Activities

Through its business strategies, customer specific solutions that it has developed, and its efficiency in treasury operations, Garanti preserved its successful profile in money and capital market transactions,

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increased its transaction volumes in real terms and has become the preferred destination for customers. In 2006, Garanti Bank continued to be an active participant in the money and capital markets.

- Through the YTL 54.7 billion volume realized in the Outright Purchase and Sales Market of Bonds and Securities within Istanbul Stock Exchange (ISE), Garanti claimed the number one position.
- The Bank was ranked third due to the YTL 85.0 billion volume realized in outright bond purchase and sales transactions in "over the counter" market plus Istanbul Stock Exchange.
- The YTL 94.2 billion volume realized in foreign currency spot market (against the New Turkish Liras) represented 11.8% of the market.
- Parallel to the developments on the derivative markets, transaction volumes were increased to US\$ 4.1 billion in options and US\$ 50.0 billion in other derivative products, which represents an increase of 150% in comparison to 2005.
- Garanti traded US\$ 7.8 billion in foreign currency based securities.
- With volume of YTL 3.6 billion realized in 2006, Garanti Bank, which is a partner and one of the first members of The Turkish Derivatives Exchange, (VOB), owned 20% of the market and was ranked second, as was the case in 2005.

In 2006, Garanti provided its customers with;

- Spot foreign currency transactions totaling US\$ 56.4 billion which represent an increase of 22% over 2005.
- A total of US\$ 4.9 billion of derivative transactions out of which US\$ 2.5 billion were options and US\$ 2.4 billion were other foreign currency based derivative transactions.

- A total of YTL 6.2 billion in TRL denominated security transactions and US\$ 440 million in foreign currency denominated security transactions.

Future Plans

- In 2007, Garanti expects to maintain its leadership positions and objectives related to every market in which it is active. The Bank's innovative approach and its wide customer base, which has always provided support, will be the most important factors in realizing these objectives.
- It is predicted that in 2007, during which high volatility is expected, the demand in derivative transactions, specifically for risk protection, will increase. As derivative transactions evolve, Garanti is ready to meet the various needs of its customers with its wide product offerings, ranging from hedging transactions to high yielding instruments, and expects the transaction volumes to increase rapidly in 2007 and beyond.
- Parallel to the increase in the proportion of foreign currency based transactions within the Turkish financial system, which has accelerated its integration with the global markets and reached record levels in terms of foreign trade, the volume of foreign currency purchase and sales transactions are expected to increase. Through its competitive pricing, Garanti will make every effort to be the first choice of customers in terms of foreign currency transactions in 2007 and beyond.
- The volume of Turkish Lira fixed income transactions carried out with customers in 2007 is expected to increase in comparison to 2006 as a result of the high yields in these securities and the expected rate cuts throughout the year.

Organization of the Treasury Group

Treasury Trading

- Foreign currency
- Turkish Lira Bonds and Bills
- Foreign Currency Bonds and Bills
- Derivative Products
- International Sales

Treasury Marketing

- Corporate Banking
- Commercial Banking
- Private Banking
- Asset-Liability Management
- Turkish Lira Asset and Liability Management
- Foreign Currency Asset and Liability Management
- Derivative Products
- Structured Products
- Risk Control
- Middle Office
- Corporate Financial Solutions

Custody and Clearing Services

Garanti has been providing custody and clearing services to non-resident institutional investors operating in Turkish capital markets since 1989 (previously through Ottoman Bank). As a local custody bank, Garanti is a major player in the market. Garanti Bank provides international institutional investors with sub-custody and clearing services for their capital market activities in Turkey and was selected as the best custodian bank by its customers thanks to its fast and high quality service, advanced technology, and strong and customised customer relations.

2006 Activities

- In 2006, Garanti safekept 15% of the listed equities under custody at the ISE on behalf of foreign institutional customers. Garanti has acted as the custodian of major public offerings/privatization transactions of the Turkish market.
- With its vast knowledge of the market, extensive product range, and high quality services, Garanti Bank constantly improved its customer satisfaction. Garanti also offers one stop shopping for its securities services and YTL clearing customers. More than eighty European and American Banks have chosen Garanti for custody and Turkish Lira clearing services.

Future Plans

The full and timely execution of custody and clearing services becomes more important for the post-trade environment as the capital markets become more sophisticated. In line with the increasing demand for new products, Garanti will continue to develop new offerings and improve its service quality and infrastructure to preserve its leadership in the market.

ABACUS

With a centralization ratio of 96%, ABACUS, the central operation unit of Garanti, is the leader in Turkey. ABACUS enables the Bank to keep in touch with its millions of customers and provide year round service in terms of cash at more than 1,800 points.

ABACUS has a 757 person team, out of which 37 have a CDC certificate (authorization to make letter of credit transactions everywhere in the world).

ABACUS carries out

- All international trade related transactions,
- All kinds of credit utilizations
- All payments including EFT
- Application form entries
- All card embossing formalities
- All official and central communications
- Follow up of the POS application and installation processes
- Physical and electronic archive operations
- Check and promissory note operations
- Document management
- SWIFT operations
- Cash support services consisting of cash collection and allocation

Main Indicators of ABACUS

	2006	2005	2004
Annual number of transactions	46.9 million	38.7 million	35.5 million
Transactions volume (US\$)	448 billion	348 billion	249 billion
Centralization ratio	96%	95%	95%
Average number of transactions per month	3,910,000	3,225,000	2,958,333
Average number of transactions per day per person	251	209	193
Total personnel	757	753	745
Increase of productivity per person	20%	9%	17%
Increase of number of personnel	1%	1%	2%

Human Resources

As of the end of 2006, Garanti Bank employs 11,181* persons. The number of employees of the Bank increased by 13% compared to 2005.

This year, the "Best Companies for Leaders" survey, the first of which was globally conducted last year by "Hay Group" was staged for the first time in Turkey. In this survey, Garanti Bank was ranked second.

Garanti was sixth in "The Most Appreciated Companies of Turkey" survey conducted in 2006 by Capital Magazine, in which 1,350 middle and senior managers from 546 companies participated. The selection was based on various criteria such as management quality, employee satisfaction and development of employee skills. Garanti was voted "The Most Appreciated Bank" in the sector.

2006 Activities

Recruitment

- Within the recruitment processes of Assistant Inspectors and Management Trainees/Sales Trainees, the Career Days concept was restructured as "Campus Recruitment" on the basis of a survey conducted in 2005 and oriented to seniors and new graduates, their employment related preferences and their job searching methods.
- Diversified promotion work related to the Assistant Inspector recruitment process was carried out in five universities in Istanbul and Ankara and seminars were conducted with the participation of lecturers from various consultancies. Within the framework of promotion activities, managers of

Human Resources and the Inspection Board conducted face to face interviews with 235 students who are expected to graduate from the Assistant Inspector recruitment program.

- In the 2006 Assistant Inspector recruitment process, the participation of key universities, where promotion activities were conducted, in the exam process increased by 40% compared to 2005.
- Promotional activities regarding the Management Trainees/Sales Trainees recruitment process were carried out in 13 universities in Istanbul, Ankara Izmir, Eskişehir and Bursa and seminars were conducted. Within the framework of promotional activities, Human Resources carried out one on one interviews with 180 senior students who fit the profile of the Management Trainee/Sales Trainee recruitment programs.
- In 2006, the number of students who were invited to take qualification exams from 13 universities, where the campus promotions were carried out, increased by 33%.
- Within the framework of the Star Project launched in September 2006, the Campus Recruitment process was reconfigured under two headings: Campus activities and employee branding. Within this scope, a survey was launched in order to understand the perception of university students regarding the banking sector and Garanti Bank and to gauge their expectations from professional life.
- The Assistant Inspector recruitment process was carried out between March and June 2006. 5,693

applications were received through the internet in response to the announcement published on March 12, 2006, and 2,333 candidates were tested on overall aptitude and science in Istanbul and Ankara. Candidates who were successful in the test underwent one on one interviews and language tests. The successful candidates were selected for interviews with the senior management and on July 17th, the 26 candidates who were given job offers started their training as Assistant Inspectors.

- The Management Trainee/Sales Trainee recruitment process was carried out between May and August 2006. 7,040 applications were received through the internet in response to the advertisement published on April 16, 2006 and 3,442 candidates were tested in Istanbul, Ankara and Izmir. Candidates who were successful in the test were interviewed one on one and in groups. On August 7, 132 successful candidates started their training programs as Sales Trainees in branches while 44 successful candidates started their training programs to work in the headquarters and regional divisions.
- Between August and November 2006, the analyst recruitment process was carried out to meet the needs of the headquarters of the Bank, which were not met by the Management Trainee process. 2,593 applications were received through the internet in response to the advertisement published on August 23, 2006 and 611 were selected to take a test in Istanbul. One on one interviews were conducted with successful candidates and 20 candidates were recruited at the end of the process.

*Garanti Bank and Abacus employees

- In 2006, a special training program was implemented with İşkur within the framework of recruitment of the disabled. As a part of this project, disabled candidates received training from the Garanti Training department and the successful ones were recruited. In 2006, two classes were offered for disabled candidates and the ensuing recruitment process was completed.
- In April 2006, the summer intern recruitment program was announced for university students and 2,277 applications were received. In May 2006, group interviews were conducted with all suitable candidates and the selected students were appointed to the appropriate divisions and branches. Between June and August, 1,400 university students received the opportunity to intern at the headquarters for a period of one month.
- A total of 448 high school students were appointed to the headquarters and branches to complete their compulsory training programs.

Career development

- The tradition of appointing the branch managers from a pool of in-house talent continued in 2006. The Assessment and Development Center, which was launched in 2003 and which has processed 400 candidates so far, was continued this year. 80 branch manager candidates were assessed by the Assessment and Development Center to determine their managerial strengths and field of interests.
- In 2006, external business coaching was offered to mid-level managers to support their development.

- A joint project was implemented with General Electric in the field of Human Resources. Meetings, in which HR strategies and applications were mutually shared, were held with the participation of Garanti Bank and GE Money. Garanti managers started to participate in the GE Leadership Programs in Crotonville. In order to develop and improve career opportunities, Garanti employees were offered jobs and were placed at GE Money Europe.

Future Plans

Recruitment

- The recruitment process of Assistant Inspectors for the Inspection Board will be carried out between April and May 2007.
- The promotion for the graduate recruitment programs will be carried out in major university campuses by utilizing the Bank's branding strategies, which will be showcased with diversified activities. Moreover, the first "Talent Camp" will be carried out in March 2007.
- The recruitment process of Management Trainee/Sales Trainee is planned to be carried out and finalized between May and July 2007. In 2007, the Management Trainee positions, which are not covered with Talent Camp and Campus activities, will be filled by this process.
- In the summer of 2007, a structured training program featuring real-life projects within the headquarters of the Bank will be implemented for students selected from key universities.

Career Development

- The application of the Star Talent Management Project, launched in 2006, will start in 2007. A talent pool will be created for key positions throughout the Bank and pilot schemes will be launched via applications such as internal coaching, mentoring and rotation to support the career development of current employees.
- The Assessment and Development Center, which deals with branch manager candidates and the Management Academy will continue to be active in 2007. Joint work with GE Money will continue in human resources through new appointments and Garanti managers being sent to leadership programs.

Star Project

The Star Project, which has gained importance as a result of the increasing competition and the changing business environment, was initiated in September 2006. This project deals with the issues of managing employee motivation and retaining the strong performers. A project group that is made up of 10 full time members from Human Resources, Training, Organization and other support units has been established to run the project.

The main issues to be handled within the project can be summarized as follows:

- New **Recruitment Policies**
Alternative recruitment methods, intern programs, Talent Camp and Management Trainee recruitment issues
- A new **Career Management System**, Scorecards, performance evaluation and career maps
- A new **Development Model**
Certificate programs, rotation and coaching

Corporate Citizenship

Garanti moves forward with the principle of continuously increasing its value-add to society on top of its leading role in the economy. This trait is clearly reflected by the support that the Bank provides to cultural activities, arts, education, sports and environmental issues. Aside from the various sponsorships, Garanti creates its own organizations in order to carry out its philanthropic activities.

Garanti sponsors and actively carries out projects in order to increase the life quality of society and maintain it at a sustainable level. Within this framework, the Bank works with the local authorities on educational, sports and environmental projects while undertaking art and culture related assignments on a global platform to promote Turkey.

Garanti creates its own organizations...

Platform: Garanti Contemporary Arts Center

Platform, which is an exhibition and research center that offers contemporary arts to the Istanbul audience, has been the host to many exhibitions, workshops and conferences since 2001. With its library and artist archive, the center acts as a resource to the international organizations regarding Turkish artists. Eight exhibitions and two international symposiums were staged at Platform in 2006. Moreover, the center was represented in three presentations (England, Finland and South Korea), three coordinated projects (two in Turkey and one in Italy) and nine conferences on a global basis. A total of 80,000 people attended these events.

The Ottoman Bank Museum

The museum, which was opened in the historical Ottoman Bank building in 2002, contains a cafeteria, library, exhibition halls, movie theatres and an archive and hosts exhibitions, meetings, presentations and other activities in order to remind the society of important historical events.

During 2006, there were three exhibitions, followed by 3,259 people, and 120 meetings, attended by 7,228 people. The attendance for the four exhibitions that took place outside of Istanbul was 11,090.

Garanti Gallery

This location, which is in Beyoğlu, Istanbul, houses different concepts and phenomena that are debated all over the world. Examples from different design areas such as city planning, architecture and graphics achieve new meanings at Garanti Gallery. The exhibitions analyze the relations between human beings, buildings, environment and objects, and the architecture of the city and dwells on the design process with respect to esthetics and technical specifications. During 2006, six exhibitions were visited by 48,245 people and six events were attended by 572 people.

Garanti sheds light into the past

Garanti believes that one needs to know about the past in order to comprehend today and plan for tomorrow and as a result, the Bank supports important projects in order to shed light into the past.

Garanti was one of the main sponsors of the "TURKS: A Journey of a Thousand Years, 600-1600" exhibition, which showcased the art and culture of Turks and was staged at the Royal Academy of Arts in London.

In 2006, Garanti provided backing for the "Genghis Khan and His Legacy: The Great Mongol Empire" exhibition that took place at the Sakıp Sabancı Museum on the 800th anniversary of the Mongol Empire's foundation.

Jazz looks good on Garanti

Garanti continued to support the Istanbul International Jazz Festival, of which the Bank has been the main sponsor since 1998, in 2006 with the slogan: Garanti Jazz Green.

Garanti for the environment

Garanti has been working together with WWF-Turkey (World Wide Fund for Nature) on environmentalist projects since 1992 as a part of its corporate culture that is based on the principle of respect for society and nature. In this regard, the Bank aims to help the creation of a clean and inhabitable world.

Garanti continues to support basketball

Garanti realizes that success is achieved through team work and that basketball is one of the best sports to reflect team spirit, and therefore has been supporting Turkish basketball since 2001. The Bank is the sponsor of the national women's and men's teams and is involved with the "12 Giant Men Basketball Camp" project. More than 20,000 students were trained in these camps to date.

Garanti uncovers history

The Lycian Way

The "Lycian Way" project that won the "Four Lights for Tomorrow" competition, which was organized by Garanti to celebrate its 50th year of foundation in 1996, paved the way for the conversion of the historic Lycian Way, which runs for 509 km between Fethiye and Antalya, to a pedestrian walk path. Garanti took this initiative a step further by publishing a guide book for the Lycian Way in 2006 to pay tribute to its 60th anniversary.

Arykanda

Garanti has been sponsoring the dug-out of the ancient city of Arykanda for the past 10 years. This program not only uncovers an archeological treasure for Turkey, but also makes a valuable contribution to the world history.

The Black Sea: A Floating Exhibit of Turkey

Garanti carried out another important project by sponsoring the "The Black Sea: A Floating Exhibit of Turkey" documentary in cooperation with the Netherlands Culture Fund at the Ottoman Bank Museum between December 20, 2006 and March 20, 2007. This documentary portrays Atatürk's portable exhibition project that was launched three years after the foundation of the republic in order to promote Turkey in Europe.

Saving a starfish

The Denizyıldızları (starfish) project, volunteered by the employees, customers and friends of Garanti, was initiated in 1998. The first academic institution of the project was Denizyıldızları 1 Primary School, which was opened in Darıca in 1999. There are currently 1,200 students in this school. Denizyıldızları 2, a project that was developed in 2000, started to function as a high school in 2006.

Garanti believes in the power of knowledge

Garanti Anatolian Meetings

Garanti Anatolian Meetings, a series of meetings that aim to bring together the top local businessmen, managers, economists and bankers in order to find regional solutions, were held in Antalya, Rize, Marmaris, Afyonkarahisar, Uşak, Trabzon and Adıyaman in 2006. Since 2002, when Anatolian Meetings first started, 36 meetings were organized in 32 cities to reach 13,000 professionals.

Basel II criteria and related opportunities

Garanti continued to arrange the Basel II meetings in order to educate SMEs about the Basel II criteria and give them the necessary information that will keep them in tune with the contemporary financial applications in 2006. 11 meetings in nine cities were held to date.

Bonus Academy

Bonus Academy, which was founded on the idea that competitive advantages can be obtained by marketing initiatives in the retail sector, has been offering conferences and trainings to Bonus Card member firms since 2002. So far, 12 successful and well known managers and experts have been featured in these events.

Garanti Foreign Trade Meetings

Garanti began to organize Legislations Seminars within the Foreign Trade Meetings in 2004 to create opportunities for the Turkish corporations in the international markets. The Bank shared current information on the issues of foreign trade legislation, payment methods and letters of credit with its customers via 24 seminars, 12 of which were held in 2006.



GarantiBank International N.V.

GarantiBank International N.V. (GBI), headquartered in Amsterdam, was incorporated in December 1990 and started its activities in April 1991. GarantiBank International N.V. is fully owned by Garanti Bank. In addition to the Netherlands, the Bank also has operations in Romania, Switzerland and Germany.

GBI's regional expertise in trade financing creates high demand for its services. The areas covered by the Bank are the Black Sea, Caspian Sea and Mediterranean regions. GBI specializes in the fields of various metals, raw materials for steel production, agricultural products, coal and chemicals.

Within the framework of private banking, investment banking products and services are offered to high net worth retail and institutional customers. The private banking customer base and product range of the Bank are developed to provide services such as equities, fixed income and derivative products of all major developed and developing countries in addition to the traditional financial instruments of Turkish capital markets.

From 2001 to present, GBI has played an active role in Romania, Russia, Kazakhstan, Ukraine and Azerbaijan serving financial and non-financial institutions via direct and structured transactions. Moreover, the Bank continues to concentrate and look for transaction opportunities in Turkey, its main market, and offer a wide range of financial products.

2006 Activities

- Over the past seven years, GBI has managed to broaden its activities. In 2006, the total volume of its trade financing activities reached US\$ 6 billion. The transaction volume that is not exposed to the Turkish market risks continued to increase for the fifth consecutive year and reached 63% of the total business volume. The increase is mainly caused by the activity in commodity financing and letter of credit related transactions.
- Since 2001, GBI has taken part in trade related syndicated loans of financial institutions and corporate companies in the international markets. The Bank offers its customers funded stand-by letters of credit and other trade related products generating interest and commitment fee income. These activities comprise an increasing part of GBI's earnings. This product portfolio also contributes to the diversification of the country profiles.
- The total assets of the Bank reached US\$ 3.4 billion while the number of employees was 272 at the end of 2006.
- As of October 2006, the asset generating operations of financial institutions were assigned to the trade finance division while other activities were transferred to the treasury division.
- Parallel to GBI's diversification policy, the geographical repartition of customers was continued in 2006 to include new corporations and high net worth individuals from Romania, Russia and CIS countries. The private banking division made a serious contribution to the total income of the Bank.
- GarantiBank International N.V. executed a syndicated term loan of US\$ 250 million in which 25 banks from 15 different countries took part. The Bank of New York was the agent bank for this transaction, in which Natexis and Standard Chartered were the joint leaders. This transaction was oversubscribed and became a milestone for the leading international banks. The facility consisted of two parts: The tranche A amounting to US\$ 166.67 million, had one year tenor, paying an interest rate of Libor + 0.20% pa. The tranche B amounting to US\$ 83.33 million, had two years tenor with an interest rate of Libor + 0.375% pa.
- GBI issued a ten year, five year non-callable, Tier II capital-like subordinated loan in the amount of €30 million in the third quarter of 2006. In this transaction, the participants

Operations of Garanti Financial Services Group Companies

were third party investors rather than shareholders. This is an important indicator showing the Bank's capacity to raise capital independent from its major shareholder.

- Moody's Investor Service upgraded Garanti Bank International N.V.'s Long Term Deposits Rating by two notches from 'Baa2' to 'A3' on February 24, 2007. This upgrade was the result of GBI's success in international trade finance and private banking as well as its strong financial fundamentals and asset quality, reliable funding resources, sustainable and rising profitability, product development capability and increasing volume of emerging market transactions.

'A3' is the highest rating ever received by a bank with a Turkish shareholder to date. With this rating upgrade, in terms of risk level, GBI took its place next to various well-established European banks and became a reference point among its peers. The success was built on to focus on a customer-driven approach in providing products and services in a cost-effective way, maintaining a strong financial discipline and a fortress balance sheet, securing a robust system of internal governance and control and operating with the highest standards of integrity.

Future Plans

As was the case during the previous years, GBI will maintain its objective to grow at a sustainable rate in 2007. The objectives of the Bank are to facilitate trade finance transactions between Turkey and other countries where it has experience and increase transaction volumes and number of customers in private banking. To this end, the Bank plans to enter new markets.

GBI will reach its objectives without compromising its service quality and boutique banking features, and by analyzing all risks and managing them to keep at minimum levels. The Bank will continue its activities by strengthening the reputation already acquired in the international arena.

GarantiBank Moscow

GarantiBank Moscow (GBM), which started its activities in Moscow in 1996, is one of the 50 foreign banks operating in Russia. GBM has a full range banking license granted by the authorized bodies of the Russian Federation and is a member of the Russian Deposits Insurance System, which is a requirement to be able to accept deposits from individual customers. GBM has one branch, two satellite branches and 75 employees.

In addition to the leading Turkish companies operating in the Russian market, the customer base of GBM consists of local companies representing the major sectors of the Russian economy. Moreover, GBM provides banking services to the leading tour operators in Russia and continues to open additional service points in order to enlarge the scope of its operations in this field. GBM also carries out money transfers for small and medium size corporations, creating an international money transfer bridge between Turkey and Russia.

The power behind GBM is its robust reputation and experience in the Russian market, where the Bank has been present for more than ten years, and its strong international position. The synergy created by the international network of Garanti and the confidence of its customers and peers provide GBM with international prestige.

2006 Activities

- In 2006, growth was recorded in all major fields of operations. The loan portfolio of the Bank was increasingly diversified in terms of customers and continuously developed with new participations. The deposit base was enlarged both in terms of number of customer and volume and fee generating transactions recorded a significant increase. As an active participant of Treasury activities, GBM also experienced volume growth in this field.
- As of the end of 2006, GBM has more than 650 customers in the corporate and commercial sector. 80% of them are companies operating in Russia and 20% are

foreign companies. There are 90 large and medium sized credit customers, of which Russian corporations make up 71% in terms of number and 83% in terms of total volume. As the credit portfolio continues to expand, more Russian corporations will join the customer roster of GBM.

- The number of individual customer accounts has nearly reached 6,500. 70% of these customers are individuals residing in the Russian Federation. Nearly 20% of individual customer accounts are deposit accounts. Other accounts are personal accounts used for money transfer transactions.
- As of the end of 2006, the total assets of GBM increased by 77% in comparison to the previous year and reached US\$ 401 million. This growth is mainly due to the expansion of its cash credit portfolio by 118% compared to 2005, reaching US\$ 201 million. The net interest income and the net commission income increased 49% and 21%, respectively.
- In addition to the increase of the confidence in the banking system, the growth and the diversification of the customer base enabled the deposits of the Bank to record a significant growth of 153% at the end of 2006 in comparison to 2005 and reach US\$ 112.8 million. During the same period, the retail deposit base of GBM, which operates with only one branch and does not have any structured retail products, grew 46%, reaching US\$ 15.1 million.
- The funds obtained from Russian banks, Turkish banks and foreign banks (excluding group banks), increased 113% to reach US\$ 167.3 million at the end of 2006 compared to the end of 2005.
- In comparison with the previous year, the securities portfolio of GBM grew 18.6% at the end of 2006 to reach a total of US\$ 72.5 million. The structure of the securities portfolio mainly consists of Russian Treasury Bonds in US\$ and company bonds issued in RUB.
- While high growth was recorded in terms of volume, operational expenses were

maintained at the same level. On the financial statements for 2006, prepared in accordance with RAS principles, the profit before tax was US\$ 8.1 million in the 2006 financials.

Future Plans

- GBM's objectives for the future are to achieve sustainable growth and increase the market shares and transaction volumes of the main business segments. This growth is expected to be driven by corporate and commercial banking activities.

Garanti Securities

Garanti Securities, established in 1991, is one of the leading brokerage and investment banking advisory firms in Turkey, providing services in the fields of corporate finance, research and brokerage. Garanti Securities, a 100% affiliate of Garanti Bank, is one of the major players in the market for mergers and acquisitions, public offerings, privatizations, domestic and international brokerage activities as well as for clearing and custody services.

Corporate Finance

Since its establishment, Garanti Securities has carried out 97 public offerings. The firm completed 38 successful mergers and acquisitions transactions, in which it advised domestic and international customers and concluded 31 privatizations as an advisor. The total volume of corporate finance transactions carried out by Garanti Securities to date exceeds US\$ 7 billion.

Brokerage Services

The other main service provided by Garanti Securities is equity brokerage for customers through its Domestic and International Capital Markets (ICM) divisions. Brokerage services offered to foreign customers are conducted by the ICM department, which was established in 2004. Brokerage activities are supported by the Research department, which boasts a strong reporting capability on the Turkish economy, listed companies and investment recommendations.

Operations of Garanti Financial Services Group Companies

2006 Activities

Corporate Finance

- 2006 was a successful year for Garanti Securities in terms of mergers and acquisitions. 18 transactions were closed, reaching a total volume of US\$ 1.27 billion.
- In 2006, Garanti Securities maintained its strong and productive relationship with the Savings Deposit Insurance Fund ("SDIF"). The firm carried out a series of M&A transactions in the cement sector on behalf of SDIF, worth more than US\$ 1 billion. This transaction was not only one of the biggest acquisitions ever realized in Turkey, but was also the largest cement transaction of the year in the world.
- In 2006, the Corporate Finance department played an active role in the offering of private sector bonds. Garanti Securities was the lead manager for the US\$ 65 million debt offering of Koç Finans, the leading consumer finance company in Turkey. This transaction was significant because it was the first private sector bond issued in Turkey in 12 years.

Brokerage Services

- With the contribution of the Research department and increasing foreign investor interest, the ICM department managed to significantly increase its transaction volume in the ISE in 2006.
- In 2006, Garanti Securities served around 165,000 customers and increased its total transaction volume in terms of brokerage activities by 30.5% to US\$ 21 billion. As a result, Garanti Securities' market share within the ISE reached 4.3%.

Future Plans

- The Corporate Finance department aims to form alliances with international investment banks. The department also plans to focus on the M&A transactions of SMEs and the issue of private sector bonds, which offer significant growth potential. Moreover, it

aims to play an active and leading role in the equity offerings and M&A advisory, privatization tenders related to energy, infrastructure and other major sectors while maintaining its leadership in public offerings. The department is confident that it will be able to increase its business volume by tapping Garanti Bank's vast customer network.

- The ICM department will continue to work with the objective of doubling its market share every year.

Garanti Asset Management

Garanti Asset Management (GAM), established in 1997, is the first asset management company in Turkey that provides mutual fund management, portfolio management, and pension fund management services to its individual and institutional customers. Garanti Asset Management is considered to be one of the best asset management service providers in Turkey. Its corporate investment and management philosophy is based on diligently applied analysis. The company utilizes competent human resources and its technological infrastructure is up to date and perfectly integrated at every stage of the service process.

Mutual Fund Management

The mutual fund market is growing at a healthy pace. While the sector has experienced a slow down in general due to the money markets in 2006, Garanti Asset Management was less affected by this contraction and succeeded in increasing its market share consistently during this period.

Pension Fund Management

Pension funds are one of the fastest growing investment products. This consistent growth potential has increased the importance of pension funds in terms of market share and the share of pension funds in Garanti Asset Management's total funds managed is increasing steadily.

Individual Portfolio Management

For the past five years GAM's market share of discretionary portfolio management services has been growing at an accelerated pace. As of year-end, assets under individual portfolio management reached YTL 53 million offering services to 24 high net-worth individuals.

Institutional Portfolio Management

As of the end of 2006, Garanti Asset Management was managing YTL 182 million in assets for 26 institutional investors. In terms of the number of institutional investors serviced, this is above the sector average. Since its incorporation, Garanti Asset Management, which aims to be a pioneer in setting the standard for the asset management industry in Turkey, has been an efficient and reliable company demonstrating strong ethical values. Its clearly defined objective and unique corporate characteristics are the main forces behind the organic growth that Garanti Asset Management records every year.

2006 Activities

- Garanti Asset Management's market share grew from 11.29% in 2005 to 12.33% in 2006, which corresponds to an increase of 1.04 percentage points.
- Garanti Asset Management manages 15 mutual funds for Garanti Bank, three mutual funds for Garanti Securities, 10 pension funds for Garanti Pension Company and the assets of Garanti Investment Trust. At year-end, total assets under management in mutual and pension funds were YTL 3,153 million.
- During 2006, Garanti Asset Management offered 17 mutual fund courses to 500 Garanti Bank employees and followed up the training by providing a post-training information/support network.
- Garanti Asset Management hosted 14 regional meetings about mutual and pension funds in Istanbul, Ankara, Adana, Izmir, Antalya and Bursa to provide Garanti Bank sales force with updated information. All regional management, branch managers and customer relationship managers were invited

to participate in these meetings. 1,300 employees of Garanti Bank were trained through these meetings, ensuring information support for customers in the field.

- In 2006 visits were made to 50 retail and 60 institutional customers to promote portfolio management products. Existing customers were visited at the end of each performance period in order to inform them about their portfolios and to share future market expectations.
- Visits to branches with below target sales figures were organized in coordination with regional managers and additional information and support on mutual funds were provided.
- In February 2006, Garanti Asset Management signed an agreement with Morgan Stanley Capital International for the copyrights to the MSCI Turkey Index. The index will be used for Exchange Traded Funds ("ETF"), which will be established by Garanti Bank and managed by Garanti Asset Management. The ETFs will enable local and foreign investors to invest in Turkey's largest publicly traded companies.

Future Plans

With its solid performance and efficient distribution channels, Garanti Asset Management will increase its market share and strengthen its position even further in 2007.

Garanti Leasing

Garanti Leasing, a subsidiary of Garanti Bank operating in leasing sector since 1990, has been among the pioneers of the sector. Highest ratings possible for a Turkish company, assigned by rating agencies such as Standard & Poor's and Fitch, played to Garanti Leasing's leadership position in the sector.

Garanti Leasing provides financial solutions to equipment and real estate purchases of its customers such as land vehicles, heavy machinery; agricultural, textile and printing equipments.

Operations of Garanti Financial Services Group Companies

SMEs, which form the basis of the Turkish economy, comprise a significant portion of Garanti Leasing's customer base. As of year-end 2006, Garanti Leasing had over 20,000 customers.

2006 Activities

- Total assets of Garanti Leasing reached YTL 1,383 million in 2006. 8,058 new contracts were signed with a total business volume of US\$ 905 million.
- Garanti Leasing achieved an 18.8% market share in terms of number of contracts, by adding 8,058 contracts (highest number of contracts sold to date) to its portfolio and sustained its leadership. Utilization of efficient sales strategies and distribution channels to serve broad customer base contributed to a business volume of US\$ 905 million. Garanti Leasing attained 30% growth rate by achieving the highest business volume in the sector to date.
- 2006 marked the firsts for Garanti Leasing in many aspects. As an example, the firm has undertaken the largest single leasing project to date by financing the purchase of a management building by a corporation in 2006.
- As per the independently audited IAS tables, Garanti Leasing increased its profit by 70% to YTL 38,749 thousand in 2006 from YTL 22,740 thousand in 2005, realizing a ROAE of 30%.
- Garanti Leasing expanded its distribution channels by cooperating with eminent vendors of heavy-duty equipment, CNC machinery, agricultural equipment and diverse manufacturing machinery; and increased its efficiency in vendor leasing operations. Through the launch of "Kolkola Leasing" project, meaning "Arm to Arm Leasing" project; vendors are authorized to provide pricing quotations to their customers and monitor the leasing process on-line. The share of transactions through vendor leasing

channel in total leasing transactions reached 35% as an outcome of the project.

Broadening the product diversity by extending financial solutions to purchases of new equipments; served to expanding the customer base.

- Garanti Leasing provides services to its customers from 19 points leveraging its distribution channel - the widest in the sector. New representative offices in Izmit and Bodrum were opened to increase national coverage.
- Garanti Leasing, which incorporated corporate governance, transparency, accountability and ethical values as core principals, continued to be the most credible Turkish leasing company in the global markets. In 2006, two syndications were executed, one of which was structured as "murabaha" (cost-plus financing). The Euro 50 million transaction, arranged by West LB in June, marked the highest amount and the lowest cost deal in the Turkish leasing sector. In September, another "murabaha" syndication of US\$ 41.5 million was arranged by Citibank.
- Garanti Leasing is currently rated "BB-/Steady/B" by Standard & Poor's. In 2006, the Long-Term Foreign Currency credit rating of Garanti Leasing was raised one notch to "BB" by Fitch Ratings, while the Long-Term Turkish Lira credit rating was upgraded by two notches to "BB+"; all with "Positive" outlooks.

Future Plans

In order to capitalize on anticipated increases in demand for heavy machinery and land vehicles in 2007, as well as overall growth in the transportation and healthcare sectors, Garanti Leasing's cooperation with vendors in these sectors will continue at an increasing pace. New representative offices in promising markets will be established in 2007.

Garanti Factoring

Established in 1990, Garanti Factoring was one of the first factoring companies in Turkey. It is quoted on the National Market of ISE with a free float of 34.82%.

Garanti Factoring offers its services to corporations with wide dealer or supplier networks, importers, exporters, and SMEs based on a "win-win" principle. Garanti Factoring meets the collections, financing and guarantee needs of its business partners, and contributes significantly to the operational productivity of its customers.

With extensive investments undertaken for restructuring efforts, launched in 2005 and continued in 2006, Garanti Factoring meets the needs of its customers in various segments with innovative, creative, dynamic and customer focused concepts as well as high quality factoring products and services.

2006 Activities

- In addition to traditional services, such as the financing of domestic receivables and export factoring, Garanti Factoring diversified its services in 2006 by concentrating on factoring services structured specifically according to the needs of its customer sectors and businesses.
- Customers served in 2006 were primarily involved in the trade (17%), machinery (15%), textile (10%), automotive (9%), iron and steel (9%) and food (6%) sectors.
- In 2006, the distribution channels of Garanti Bank were effectively utilized to offer factoring services to customers all over Turkey. The utilization of this network increased product diversity and customer outreach while creating efficiency.
- Through the sales and marketing activities executed in 2006, Garanti Factoring brought its market share from 6% in 2005 to 12.1% in 2006. With a factoring volume of US\$ 1.9 billion in 2006, Garanti Factoring ranked second among members of the Factoring Association. The company's objective for 2007 is to achieve a minimum volume of US\$ 2 bn.

- Garanti Factoring increased its profit from YTL 3.5 million in 2005 to YTL 4.6 million in 2006 and total year-end assets from YTL 361 million in 2005 to YTL 673 million at the end of 2006. This success is the result of the importance that Garanti Factoring places on human resources and training.
- Establishing a growth trend in the same period, Garanti Factoring strengthened its position within IFG (International Factoring Group) and FCI (Factors Chain International), which further developed its international network. At the end of 2006, Garanti Factoring received a seat on the IFG Group Marketing Committee.

Future Plans

Garanti Factoring's strategies for 2007 are to:

- Concentrate on the SME segment;
- Increase market share in international factoring transactions through closer contacts with multinational corporations;
- Acquire a market maker identity for both its national and international platforms;
- Increase operational productivity;
- Realize increases in the number of commissions and customers contacted;
- Stress high income products; and
- Develop an infrastructure based on the distribution channels of Garanti Bank.

Through these strategies, Garanti Factoring expects to be even more successful in 2007 and move towards becoming the industry leader.

- Initial steps have already been taken to reach SMEs more effectively during 2007 by organizing marketing activities in conjunction with the Organized Industrial Zones, Chambers of Commerce and Industry Associations.
- Garanti Factoring participated in the fourth annual SME Summit in December 2006, where it developed strong relationships with attending SMEs and has since organized a schedule of participation in similar fairs and events in 2007.

Garanti Factoring's Credit Ratings

As of December 8, 2006, Garanti Factoring held the following ratings from the international rating agency Fitch.

Foreign Currency	
Long term	BB
Short term	B
Local Currency	
Long term	BB+
Short term	B
National	
Long term	AA (tur)
Support rating	3

Garanti Insurance

Garanti Insurance is active in non-life insurance and is the leading provider of banking insurance in Turkey. Garanti Insurance, incorporated in 1989, is 100% owned by Garanti Bank.

Garanti Insurance provides its customers with insurance products and services through a wide network of agencies and brokers as well as through Garanti Bank's distribution channels. Garanti Insurance has a close relationship with its group companies. Garanti Insurance has a long and established relationship with international reinsurance providers and works closely with companies such as Munich Re, Swiss Re, Maphre Re, and Everest Re. Garanti Insurance has a close relationship with Milli Re, the largest reinsurance company in Turkey.

In 2005, Garanti Insurance won a tender to manage the Turkish Catastrophe Insurance Pool (TCIP) for five years. The TCIP was established after the earthquake of 1999 and continues to promote awareness and preparation for earthquakes, which is one of the most significant risks in Turkey.

Garanti Insurance differentiates itself from its competitors through its strategy, innovative approach, accurate perception of risks and related pricing, balanced portfolio structure, high technology and cost conscious approach.

2006 Activities

- Garanti Insurance increased its business volume through the use of alternative distribution channels in 2006 and enhanced customer satisfaction through its "Alo Garanti Sigorta" call center, which is available 24 hours a day, 365 days a year.
- In 2006, Garanti Insurance grew its membership revenue by 21% to YTL 363.6 million. The company achieved a technical profit of YTL 46.1 million, corresponding to a profitability ratio of 13%. Profit before tax increased by 12% over 2005 to YTL 27.7 million.

- Garanti Insurance ended 2006 with a total market share of 4.6%, ranking it ninth overall in its sector. When analyzed on the basis of coverage type, the market share of Garanti Insurance in fire, transportation, accident, individual accident and engineering were above the sector averages. In the credit division, Garanti Insurance is the sector leader. At the end of 2006, Garanti Insurance had 927,221 customers with 1,063,125 policies.
- In addition to new sales and marketing initiatives specially designed for distribution channels, a card-based sales process was developed for Garanti Bank branches in 2006. Customers fill out a short form and obtain their pre-reserved 'Görünmez Kaza Card' (Personal Accident Card) and policy number, which are to be used for unexpected accidents. This application process facilitates quick and effective sales. While Garanti Insurance saves on printing and postage costs, the customers have quick and easy access to their policy numbers and product information.
- 'Görünmez Kaza Card' (Personal Accident Card) sales process was replicated for other products in 2006, with the intention of accelerating sales by utilizing short preliminary forms. Garanti Insurance employees were also placed in Garanti Bank branches in order to increase the effectiveness of this distribution channel.
- In 2006, many IT projects were completed, such as TRAMER transfer through hosts, the geocoding of address data, printing of policies through internet banking, a change of the reporting server and the transmission infrastructure, integration of Doğu Insurance, integration of VDF and the opening of the damage database to the agencies. Other projects are still in progress.

Future Plans

- Work will start in January 2007 to profit from the effects of the free tariff in the Traffic division, which are expected to be implemented by mid 2007. Tariff rebalancing will be carried out to maximize profit and volume, as well.

- In order to increase its market share, while continuing to be the sector leader in banking insurance, Garanti Insurance will focus on providing services through its agency and broker distribution channels. The company expects to have 200 agencies and brokers by the end of 2007.
- Garanti Insurance plans to utilize the potential presented by Doğuş Group and Garanti Bank for motor insurance effectively. One potential method is to increase the penetration on existing credits. More efficient work will be carried out in small and medium cities in order to achieve growth in these locations, which are more profitable.
- By the first quarter of 2007, the company plans to include Compulsory Earthquake Insurance in five insurance policies, which have been offered through internet banking since December 2006. Moreover, by the first quarter of 2007, the company plans to track damage-related transactions via the internet banking arm of Garanti Insurance. Within the first half of 2007, the “Çantam Garantide” (Personal Accident) product will be offered through ATMs. This will be the first and only insurance product sold in Turkey through ATMs.
- The conclusion of the work on the customer monitoring system and the launch of the CRM applications are planned for 2007.
- Some new products planned for 2007 are mortgage related insurance, credit linked long-term housing insurance, leasing linked long-term LAR and Fuel Package Insurance.

Garanti Pension Company

Garanti Life Insurance, established in 1992, changed its name to Garanti Pension and Life Company in 2002, and was restructured to operate in the individual pension sector as well.

Garanti Pension, operating as a leading player in the sector, adopts customer focused business approaches in compliance with ethical rules, continuously strives to realize its full potential and reflects its increasing productivity in its financial results. The company has 423 employees, of whom 294 are employed in the regional offices.

As one of the best bank insurance companies in its sector, Garanti Pension Company operates with high efficiency. The strength of the company comes from high quality human resources and products that are designed according to the needs of various customer segments.

2006 Activities

- Over the past two years, Garanti Pension Company has grown rapidly in the life insurance sector. With 80% growth and a 2.71% increase in market share, Garanti Pension was the fastest growing company in the life insurance sector in 2006. At the end of the year, the company had 1,184,468 life insurance policies and generated a total of YTL 98.6 million in premium production and reached a market share of 7.12%.
- Every fourth individual who signed on for a pension plan in 2006 preferred to work with Garanti Pension and this consequently made the company the market leader with a 24.0% market share in terms of new individual retirement contracts. With 187,437 participants, Garanti Pension Company increased its market share by 3.9% to 17.5%. Although its competitors transferred large funds from savings life insurance policies to individual retirement contracts, Garanti Pension, having started the year with a 9.61% market share, was able to increase its share to 10.65%. As of the end of 2006, the total

Operations of Garanti Financial Services Group Companies

funds under management reached to YTL 300.2 million.

- Through the efficient use of alternative delivery channels, a "Practical Retirement Plan" was launched for sale through "Alo Garanti" at the end of November. On-line applications were accepted via internet banking for individual and corporate plans.
- Every new customer receives a "welcome call" to ensure high level of customer satisfaction. In 2006, Garanti Pension Portfolio Managers had a monthly average of more than 40 pension products sold, reflecting the unrivaled productivity of the company.

Future Plans

- Garanti Pension plans to further increase its market share both in terms of number of participants and total funds under management.
- The company plans to launch a new long-term group life insurance, based on actuarial average age, to secure Garanti Bank's loans that have a maturity of more than one year. Garanti Pension will be the first company to offer such a product.
- Legislation related to "vesting" of foundations and associations is expected to be enacted in 2007. Being the sector leader, Garanti Pension Company plans to take advantage of this development with respect to group plan offerings.

Garanti Payment Systems

Garanti Payment Systems (GPS), which was founded by Garanti Bank in 1999, provides chip-based, multi and shared platform card services, commercial and virtual cards, acquiring services, marketing and e-commerce services to the Bank.

GPS, which is the leading service provider to the credit and debit card markets in Turkey, has been a pioneer in the local and international markets with its creative structure.

Garanti Payment Systems has been able to maintain sustainable growth by developing successful products such as Bonus Card, Shop&Miles and Flexi.

2006 Activities

- Garanti Payment Systems' products, users, transaction volume, corporate members and POS continued to grow in terms of quality and quantity. GPS has grown 11.25% since 2005 and 367% over the last six years.
- Garanti Payment Systems, which owns 22% of the total market, also increased its share to 52% in the bank commission income segment that is a very important source of non-interest income.
- With the new products and services offered to customers in 2006, Garanti Payment Systems was the market leader with respect to innovations.

Future Plans

Garanti continues to enrich its product and service offerings and shape the market with its payment system and credit card projects. The Bank expects to maintain this trend in 2007.

GPS, which aims to increase customer satisfaction by undertaking new projects, plans to expand the usage of payment systems through development of new products and services.

Garanti Technology

Garanti Technology (GT), which is a Doğuş Group company and a subsidiary of Garanti Bank, provides technology infrastructure, software development on various platforms, internet applications, integration, system management, security management, project management, and office application services to companies that are in the banking and financial services, automotive, construction, media and tourism industries. The company also provides consultancy services related to these sectors.

GT serves as an "IT Center", with all of the related functions, and contains a technological architecture that provides real time and uninterrupted system sources, an infrastructure which can execute millions of on-line transactions per day, and a continuous operational control system which ensures that the entire system functions perfectly around the clock. GT manages all hardware and communications software with its strong backbone, infrastructure based video and data communications and design and engineering work that meets international standards. With locations throughout Turkey, GT provides field support services at 1,000 points and for hundreds of thousands of users on an annual basis.

GT develops information strategies for its customers, turns its solutions into value-added services, and creates and manages change and quality. The corporate management of GT is based on the ITIL process model and built over the "Design-Execute-Support" principles. To offer the best solutions that meet the requirements of each customer, every project is prepared in accordance with quality standards such as COBIT and ISO.

Garanti Technology differentiates itself as a pioneer in the sector with a 550-person staff that is proficient in all platforms and value generating strategies and has superior service, reliable infrastructure, and the ability to offer creative technological solutions.

2006 Activities

Software Development

Romania Project

Existing products and solutions were transformed into an international banking package and offered to GBI Romania. Procedures such as infrastructure modifications, relations with government agencies, user training and certifications were implemented. The banking software and expertise were effectively exported overseas with this project.

- Unique 175.000 text was translated, work on 3.000 GUI was completed and the system became ready to be used in Turkish, English and Romanian.
- The system was adapted for use in Romania in four months: Differences in banking legislation were pinpointed, and process, software and test work were carried out.
- Employees of GBI Romania were trained on how to use the system.
- A separate section was created in the Mainframe for the branches in Romania. A system room was created within the headquarters of GBI Romania and 14 new servers were installed. The technical infrastructure of GBI Romania was enhanced to replicate that of Garanti branches. A network line supporting a maximum speed 36 Mbit/sec was implemented between Bucharest and GT, and the Bucharest - Amsterdam line was backed up.
- Approval processes were launched for secured data processing, internet banking and debit and credit card certifications for GBI Romania.

ID Scanning

- An application in which customer IDs and photos are scanned to be easily shared, moved and used in digital medium was introduced. A 'paperless branch' was created as another first in the world of banking.

Operations of Garanti Financial Services Group Companies

Other Projects

- Customer Risk Monitoring
- Flexi Loan
- Instant cash system
- SME Portal and 444 KOBİ (Call Center)
- Online Banking Integration with TFKB
- Internet Security improvements
- Inclusion of TEB in the Bonus network
- China Union Pay Acquiring
- AMEX Acquiring and Issuing
- Debit Cash Back
- Prepaid Debit
- Exchange of old Garanti cards with Flexi
- Card payment system for TMO
- Card printing in branches
- Balance transfer from other banks

System and Operations

- A daily average of 58.2 million transactions, printing of an average of 8.6 million pages per month and 5.6 million envelopings were executed through the Mainframe. A daily average of 490,000 users utilized the Internet Branch. The number of monthly transactions increased by 45% compared to 2005.
- The company migrated to open systems enterprise DS8300 disk systems and the use of Director within the open systems SAN was initiated. The GMD server infrastructure and regional servers were renewed and VMWare, ESX3 and SQL 2005 migrations were executed.

Network and Field Support Services

- 51 new branches were opened and following renovations, set ups were completed at 116 branches. As part of the renovation of appliances, 9,980 PCs, 4,260 scanners, 4,470 passbook printers and 150 switchboards were installed.
- A total of 217 new ATMs were installed, 425 models were changed and 618 coin upgrades were executed.
- New IP LAN POSs were installed in 706 locations and the transition from the existing structure to IP LAN POS was completed in 120 locations.

- The G.HSDSL technology was put in service for back up purposes and by way of ciphering in 133 branches.
- Line speed was increased in branches and regional headquarters.
- New support centers were created in Diyarbakır, Kayseri and Trabzon.
- A shared-platform IP POS project with HSBC, YKB, İşbank, Finansbank and Fortis Bank was put in service.
- 87 IEN PBX node was installed in 71 different locations.
- The number of GPRS POSs increased by 300% to 16,000.
- Keying capacity was increased from 140 Gbps to 720 Gbps.
- A security wall was placed between the mainframes and headquarters and between the mainframes and branches to secure Mainframe IP communications. This project was a finalist for the 2007 Cisco Data Center Innovation award.
- The capacity of the first layer security wall for the Internet Banking was increased from 140 Mbps to 2.46 Gbps. The second layer security wall was put in service for the Internet Branch.
- The video conference system was moved over to IP. Meetingplace was installed as the audio conference system and was integrated to MS Outlook.

Future Plans

In 2007 Garanti Technology will continue to use technology to enable Garanti to:

- Meet the changing needs of customers in a high quality and rapid fashion;
- Strengthen relations with customers;
- Provide uninterrupted and reliable service; and
- Manage cost base.

In the longer term, Garanti Technology will continue to work to enable Garanti to become:

- Mobile (everywhere and always);
- Interactive (fast and easy; seeing, hearing and understanding customers); and
- A personalized (customer specific and flexible) bank with continuous investments in updated technology, uninterrupted transaction ability, and infrastructure safety, showcasing its services in the international arena and maintaining its technological leadership.

Some major projects planned for the near future are as follows:

- Fraud analysis and preventive systems;
- Risk analysis and management technologies;
- Money laundering;
- Banking software for branches abroad and system transitions (Malta, Luxembourg and Holland);
- Transition of GBI to the GB System;
- Customer risk monitoring system and integration of law offices;
- Customer pricing system;
- New billing system;
- Mobile banking, mobile signature and mobile payment; and
- Infrastructure of a new call center.

Overview of the Turkish Economy in 2006

JANUARY

January 1

The Central Bank started the application of inflation targeting. Bank notes and coins in Turkish Liras (TRL) were withdrawn from circulation.

January 23

Standard & Poor's changed the credit related economic outlook of Turkey from 'stable' to 'positive'.

January 26

The Competition Board approved the sale of Telsim to Vodafone, the highest bidder. The payment process related to the sale of 51% of Tüpraş shares was completed.

Annual inflation (CPI) (%)	7.93
YTL/US dollar	1.3199
Overnight interest rate - Simple (%)	13.50
Reference interest rate - Compound (%)	13.65
ISE-100 Index	44,590

FEBRUARY

February 15

The Central Bank intervened in the foreign currency market through direct purchasing.

February 17

The selection process of the advisory firm for the privatization of Halk Bank was launched.

February 27

The contract for the transfer of Erdemir shares, which were 46.12% owned by The Privatization Agency and 3.17% by Türkiye Kalkınma Bankası, to Oyak was signed.

Annual inflation (CPI) (%)	8.14
YTL/US dollar	1.306
Overnight interest rate - Simple (%)	13.50
Reference interest rate - Compound (%)	13.4
ISE-100 Index	47,016

MARCH

Annual inflation (CPI) (%)	8.16
YTL/US dollar	1.3417
Overnight interest rate - Simple (%)	13.50
Reference interest rate - Compound (%)	13.96
ISE-100 Index	42,911

APRIL

April 3

46% of Finansbank was purchased by the National Bank of Greece.

April 7

Tevfik Bilgin was reappointed as the chairman of the Banking Regulation and Supervision Board.

April 13

Parliament approved a law which called for the abolishment of The Retirement Fund (Emekli Sandığı), the Social Insurance Institution (SSK), and the Independents Social Security Corporation (Bağ-Kur) and the creation of The Social Security Institution (Sosyal Güvenlik Kurumu) in their place.

April 14

Texas Pacific Group purchased 90% of Mey İçki, which bought the alcoholic beverages section of Tekel two years ago, for US\$ 810 million.

April 18

Durmuş Yılmaz was appointed as the new governor of the Central Bank.

April 20

The merger process of Yapı Kredi Bank and Koçbank was officially launched.

April 28

President Sezer returned the Social Security Code to the Parliament to have its article 6 renegotiated.

Annual inflation (CPI) (%)	8.83
YTL/US dollar	1.3157
Overnight interest rate - Simple (%)	13.25
Reference interest rate - Compound (%)	13.66
ISE-100 Index	43,880

MAY

May 8

EFG Eurobank, a Greek bank, agreed to purchase 70% of Tekfenbank for US\$ 182 million.

May 10

President Sezer used his veto right on 15 articles of the Social Security and General Health Insurance Code. The majority of the articles were related to retirement issues.

May 11

Money and equity markets were volatile because foreign investors started to sell Turkish bonds and buy foreign currencies with the proceeds.

MAY 15

The Central Bank suspended its daily foreign currency purchase auctions.

MAY 16

The sale of 34% of Petrol Ofisi to OMV was officially completed.

MAY 19

President Sezer approved the Social Security Institution Code.

MAY 25

The acquisition process of the assets of Telsim by Vodafone was officially completed.

Annual inflation (CPI) (%)	9.86
YTL/US dollar	1.5600
Overnight interest rate - Simple (%)	13.25
Reference interest rate - Compound (%)	17.05
ISE-100 Index	38,132

JUNE

June 7

The Monetary Policy Committee of the Central Bank increased the short-term interest rates by 1.75 points. Overnight interest rates rose to 15% from 13.25%.

June 9

The World Bank approved a €150 million loan to be granted to Turkey for the "Access to Financing of Small and Medium Size Corporations" project.

June 13

For the first time in two years, the Central Bank intervened in the foreign currency market by making sales in order to prevent the volatility caused by the global wave.

June 15

President Sezer approved the General Health Insurance Code.

June 20

President Sezer approved the law that lowers the corporate tax from 30% to 20%.

June 21

President Sezer applied to the Constitutional Court in order to have some articles of the Social Security and General Health Insurance Code cancelled.

Macroeconomic Variables

Global Developments

The markets were worried about a liquidity crunch because the U.S. Central Bank (FED) hiked the interest rate over 5% while the European Central Bank and the Japanese Central Bank also increased their borrowing rates. This phenomenon raised concerns about global liquidity and caused serious volatility in the emerging markets including Turkey for approximately two months, starting in May.

EU

The negotiation process progressed, however, as Turkey did not open its seaports and airports to Southern Cyprus, it was decided at the EU summit held in December that eight negotiation chapters would not be opened, slowing the accession process.

IMF

Three reviews of the stand-by agreement signed in May 2005 were completed. Nearly US\$ 3 billion in loans were released.

Growth

Due to the depreciation of the YTL against USD and the increase in interest rates as a result of the fluctuations in the financial markets in May, growth related dynamics, which were active during the first half of the year, slowed down in the third quarter. Despite the slow down, Turkey remained in the longest and fastest growth period of its history for the fifth year.

Inflation

The rigidity of service prices, high levels of food and energy prices and the effects of the depreciation of YTL against USD caused an increase in inflation in 2006 over 2005. The Central Bank of the Republic of Turkey has a strong commitment to reach the inflation target of 4% in 2007.

June 22

The 15% withholding tax applicable to all financial instruments was removed for foreigners and lowered to 10% for those established in Turkey. 33.98% of Şekerbank was purchased by Bank Turan Alem Group from Kazakhstan for YTL 424.73 million.

June 25

For the second time, the Monetary Policy Committee held an extraordinary meeting and increased short-term interest rates by 2.25 points. Overnight interest rates rose to 17.25% from 15%.

June 26

The Central Bank intervened in the foreign currency market by making sales. The Bank declared that it would organize one and two week purchase tenders when liquidity was high.

June 28

Standard & Poor's confirmed Turkey's credit rating and changed its overall outlook from 'positive' to 'stable'.

June 29

The U.S. Central Bank (FED) increased interest rates to 5.25%. The World Bank approved a €403 million Programmed Public Sector Development Policy Loan to Turkey.

Annual inflation (CPI) (%)	10.12
YTL/US dollar	1.5697
Overnight interest rate - Simple (%)	17.25
Reference interest rate - Compound (%)	20.99
ISE-100 Index	35,453

JULY

July 13

The construction of the Baku-Tbilisi-Ceyhan (BTC) Crude Oil Pipeline was completed and an inauguration ceremony was held in Adana to celebrate the arrival of oil to Ceyhan.

July 14

For the first time in six years, the Central Bank of Japan increased interest rates.

July 20

The Monetary Policy Committee of the Central Bank increased short-term interest rates by 0.25 points. Overnight interest rates rose to 17.50%.

JULY 28

The Executive Directors' Board of the IMF considered and approved the 3rd and 4th reviews under the stand-by arrangement, which led to the release of a US\$ 1.9 billion loan to Turkey.

Annual inflation (CPI) (%)	11.69
YTL/US dollar	1.4811
Overnight interest rate - Simple (%)	17.50
Reference interest rate - Compound (%)	19.44
ISE-100 Index	36,038

AUGUST

August 9

The price of Brent crude oil reached the record-breaking level of US\$ 78.46.

August 18

Fitch increased the maximum rating of the corporations and foreign currency transactions in Turkey to "BB". The Banking Regulation and Supervision Board approved the purchase contract between Yapı Kredi Bankası and Koçbank. The transfer of Finansbank to NBBG was completed.

Annual inflation (CPI) (%)	10.26
YTL/US dollar	1.4478
Overnight interest rate - Simple (%)	17.50
Reference interest rate - Compound (%)	19.16
ISE-100 Index	37,286

SEPTEMBER

September 18

At the annual meeting of the IMF-World Bank, the increase of the quota of four countries including Turkey was approved.

Annual inflation (CPI) (%)	10.55
YTL/US dollar	1.4971
Overnight interest rate - Simple (%)	17.50
Reference interest rate - Compound (%)	21.81
ISE-100 Index	36,925

OCTOBER

October 2

The merger process of Yapı Kredi Bankası and Koçbank was completed.

October 17

75% of Denizbank was officially acquired by Dexia, a French-Belgian partnership. The sale agreement for 20% of Akbank to Citigroup was signed.

October 31

The price of Brent crude oil decreased to US\$ 55.18, the lowest level this year.

Annual inflation (CPI) (%)	9.98
YTL/US dollar	1.4540
Overnight interest rate - Simple (%)	17.50
Reference interest rate - Compound (%)	21.55
ISE-100 Index	40,582

NOVEMBER

November 9

The Central Bank resumed foreign currency purchase tenders.

Annual inflation (CPI) (%)	9.86
YTL/US dollar	1.4458
Overnight interest rate - Simple (%)	17.50
Reference interest rate - Compound (%)	21.24
ISE-100 Index	38,169

DECEMBER

December 11

It was announced that a partial agreement was reached on Turkey in the EU General Affairs Council on the Foreign Ministers level, and that in accordance with the proposal of the EU Commission, it was deemed suitable to suspend negotiations on eight out of the 35 accession-related headings.

December 13

The fifth review of the stand-by arrangement with the IMF was approved in its Executive Directors' Board Meeting. A loan of nearly US\$ 1.1 billion was released.

December 15

The Banking Regulation and Supervision Board authorized the acquisition of 20% of Akbank directly by Citibank Overseas Investment Corporation (COIC) and indirectly by Citibank, Citicorp Holdings INC and Citigroup INC. The Constitutional Court cancelled some civil-servant related provisions of the Social Insurance Code.

December 19

Fitch did not change Turkey's rating of 'BB-' and maintained its outlook as 'positive'.

December 22

Social Security reform was delayed for six months.

Annual inflation (CPI) (%)	9.65
YTL/US dollar	1.4056
Overnight interest rate - Simple (%)	17.50
Reference interest rate - Compound (%)	21.15
ISE-100 Index	39,117

Fiscal Balance

There were significant improvements in the central budget performance during 2006. The ratio of budget deficit to GDP came out at the record-low level of 0.7% and the central budget primary surplus exceeded the target.

Foreign Trade Balance

In 2006, exports increased to US\$85.3 billion and imports increased to US\$137.3 billion, the foreign trade deficit was above US\$50 billion. Hampered by the decrease in tourism related income, the current account deficit was approximately US\$31 billion and reached 8% of GDP.

Foreign Direct Investment

Foreign direct investments (FDI), which reached peak levels in 2006, were responsible for the increase in the financing quality of the current account deficit. Net FDI reached US\$18.9 billion in 2006 and most of these funds were channeled into the financial brokerage and communication sectors.

Privatization

Together with the privatizations of Tüpraş and Erdemir, the privatization income for 2006 reached US\$ 8.1 billion.

SECTION II
MANAGEMENT
AND CORPORATE
GOVERNANCE

Board of Directors and Auditors

Ferit Faik Şahenk

Chairman

Mr. Şahenk was born in 1964. He graduated from Boston College's Marketing and Human Resources Department and completed the Owner Management Program at Harvard Business School. He was the founder of Garanti Securities and served as its Vice Chairman. He served as Chief Executive Officer of Doğuř Holding and Chairman of Doğuř Automotive.

He is currently Chairman of Doğuř Group.

Süleyman Sözen

Vice Chairman

Mr. Sözen was born in 1946. He graduated from Ankara University's School of Political Sciences and worked at the Finance Ministry as an account specialist. After 1981, he worked in the private sector, mainly in financial corporations. Since 1997, he served on the Board of Directors of various Doğuř Group and Garanti subsidiary companies. Mr. Sözen holds a Turkish CPA licence.

Ahmet Kamil Esirtgen, PhD

Board Member

Mr. Esirtgen was born in 1945. He has degrees from Istanbul University's School of Economics, Stanford Business School (MBA) and Istanbul University School of Business Administration (PhD). After 1975, he worked for various private sector corporations. He joined Doğuř Group in 1987 as President of the Finance Group. He is a member of the Board of Directors of several subsidiaries of Garanti, as well as some other companies in the private sector.

Dmitri Lysander Stockton

Board Member

Mr. Stockton was born in 1964. He has an Accounting degree from North Carolina A&T State University. He started his professional life at GE and worked in managerial positions at various group companies. Since 2005, he has been the President and Chief Executive Officer of Central and Eastern European Operations for GE Consumer Finance.

Richard Alan Laxer

Board Member

Mr. Laxer was born in 1961. He has a Business Administration degree from Skidmore College. After 21 years of experience with GE Real Estate and GE Commercial Finance, he joined the Group in 2000, as Regional President of GE Commercial Finance, Asia Pacific. Since 2004, he has been Chairman and Chief Executive Officer of GE Commercial Finance, Corporate Finance Services in Europe.

Des O'Shea

Board Member

Mr. O'Shea was born in 1956. He graduated from The Irish University College with both bachelor and doctorate degrees. After his experience at an audit firm, he undertook risk management functions in various banks. In 1998, he joined GE Consumer Finance Europe as Risk Management Director. He is presently Strategy and Business Development Manager at the same company and Chairman of the Risk Management and Auditing Board of GE Money Bank.

Charles Edward Alexander

Board Member

Mr. Alexander was born in 1953. He graduated from Oxford University. Mr. Alexander joined GE in 1999 after a 25-year career in international investment banking. In addition to being Chairman of GE Capital Europe, he was elected as GE's National Executive in the UK in 2001. He is also a board member of GE Capital Corporation and GE Capital Services Inc.

M. Cüneyt Sezgin, PhD

Board Member

Mr. Sezgin was born in 1961. He received a B.A. from the Middle East Technical University, an MBA from Western Michigan University and a doctorate from Istanbul University School of Economics. Mr. Sezgin worked in managerial positions for various banks in the private sector. He is Regional Manager of the Global Association of Risk Professionals (Turkey) and Chairman of Turkish Association of Risk Managers. He is also a board member of Garanti Insurance, Garanti Pension Company, Garanti Factoring and Garanti Leasing.

Ergun Özen

*Board Member,
President and CEO*

Mr. Özen was born in 1960. He graduated from the New York State University School of Economics and the Advanced Management Program at Harvard Business School. He is the Chairman of Garanti Payment Systems, Garanti Leasing and a board member of the Banks Association of Turkey, Garanti Securities, Garanti Asset Management, GarantiBank International, GarantiBank Moscow, Garanti Pension Company, Garanti Insurance, World Wide Fund for Nature, Istanbul Foundation for Culture and Arts, Turkish Education Foundation and the Turkish Industrialists' and Businessmen's Association.

Altan Reha Göksu

Auditor

Mr. Göksu was born in 1936. He graduated from Istanbul University's Law School. He worked as an attorney at law and joined Doğu Group in 1974. He works for Garanti Real Estate Investment Trust as a legal advisor.

Murat İnan

Auditor

Mr. İnan was born in 1959. He graduated from Istanbul University's School of Economics. After holding various positions in the Finance Ministry and the private sector, he joined Doğu Group in 1998.

Senior Management

1

Ergun Özen

President and CEO

For his résumé please see page 73.

2

Tolga Egemen

Executive Vice President - Financial Institutions and Corporate Banking

Mr. Egemen was born in 1969. He graduated from the Mechanical Engineering Department of Middle East Technical University. He worked as a manager for various banks in the private sector. Mr. Egemen joined Garanti in 1996 as the head of Cash Management and was appointed to his current position in 2000. He is also a board member of Garanti Securities.

3

Ali Fuat Erbil

Executive Vice President - Retail Banking and Channel Management

Mr. Erbil was born in 1968. He graduated from the Computer Engineering Department of the Middle East Technical University, received his MBA from Bilkent University and his doctorate degree in Banking and Finance from Istanbul Technical University. After working as a senior manager at various companies and banks in the private sector, he joined Garanti in 1997 as the head of Distribution Channels. Mr. Erbil was appointed to his current position in 1999. He is a board member of Garanti Payment Systems and Garanti Asset Management.

4

Hüsni Erel

Executive Vice President - Technology and Operational Services

Mr. Erel was born in 1952. He graduated from the Electronic and Communication Engineering Department of Istanbul Technical University. He worked as a manager in various companies and banks in the private sector and joined Garanti Technology in 1994 as the CEO. Mr. Erel was appointed to his current position in 1997. He is currently a board member of Garanti Payment Systems and Chief Executive Officer and Board Member of Garanti Technology.

5

Uruz Ersözöglü

Executive Vice President - Treasury

Mr. Ersözöglü was born in 1966. He graduated from the Economics Department of the Middle East Technical University in 1989. After holding senior positions in various banks in the private sector and in the Istanbul offices of foreign banks, he joined Garanti in 2003 as the head of Treasury Marketing, Trading and Assets and Liability Management. He was appointed to his current position in 2006.

6

Gökhan Erün

Executive Vice President - Human Resources

Mr. Erün was born in 1968. He graduated from the Electronics and Communications Department of Istanbul Technical University and earned an MBA from the Business Administration Department of Yeditepe University. He has been at Garanti since 1994 in the Treasury, Commercial Marketing and Sales Departments. After serving as Chief Executive Officer of Garanti Pension Company between 2004 and 2005, he was appointed to his current position. Mr. Erün is a board member of Garanti Insurance and Garanti Pension Company.

7

Turgay Gönensin

Executive Vice President - Commercial Banking

Mr. Gönensin was born in 1962. He graduated from the Business Administration Department of Bosphorus University. He worked at various banks as a senior manager in the private sector. After serving as Chief Executive Officer of Garanti Bank International between 1997 and 2000 and Ottoman Bank between 2000 and 2001, he was appointed to his current position. Mr. Gönensin is a board member of Garanti Technology, Garanti Payment Systems and Garanti Bank International, and Vice Chairman on the board of Garanti Leasing.

8

Nafiz Karadere

Executive Vice President - SME Banking

Mr. Karadere was born in 1957. He graduated from the International Relations Department of Ankara University. He was employed by various banks in the private sector as a senior manager. Mr. Karadere was appointed to his current position in 1999. He is a board member of Garanti Insurance, Garanti Payment Systems and Garanti Pension Company.

9

Adnan Memiş

Executive Vice President - Support Services

Mr. Memiş was born in 1955. He received his bachelor and master degrees from Istanbul University. He joined Garanti in 1978 as an Assistant Inspector. Mr. Memiş was appointed to his current position in 1991. He is Chairman of the Financial Restructuring Study Group of the Banks Association of Turkey as well as Chairman and a board member of various Group companies.

10

Murat Mergin

Head of Board of Strategic Planning

Mr. Mergin was born in 1963. He graduated from the Economics and Finance Department of the City University of New York. He was employed as a manager by various banks in the private sector. He joined the Foreign Trade Unit at Garanti in 1994. Mr. Mergin was appointed to his current position in 2002.

11

Zekeriya Öztürk

Executive Vice President - International Business Development

Mr. Öztürk was born in 1967. He graduated from Istanbul Technical University, earned an M.S. from Edinburgh University and an MBA from Marmara University. After serving in managerial positions at various investment banks, he joined Garanti in 2006.

12

M. Cüneyt Sezgin, PhD

Board Member

For his résumé please see page 73.

13

Mehmet Sezgin

Chief Executive Officer - Garanti Payment Systems

Mr. Sezgin was born in 1962. He graduated from the Business Administration Department of Middle East Technical University and received his MBA from the University of Massachusetts. Mr. Sezgin worked for various banks in the private sector and for MasterCard Europe. Since 1999, he has been Chief Executive Officer of Garanti Payment Systems. He is a board member of Garanti Pension Company and MasterCard Europe.

14

Aydın Şenel

Executive Vice President - General Accounting

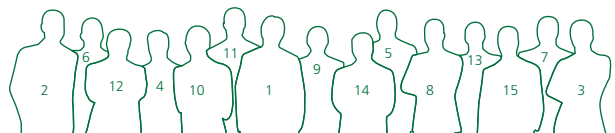
Mr. Şenel was born in 1961. He graduated from the Faculty of Commercial Sciences of Marmara University. He worked as an Internal Controller, Human Resources Group Manager, Credit Cards Manager, Financial Analysis Coordination Manager and Financial Monitoring Manager for Garanti between 1981 and 1984. Mr. Şenel was appointed Head of General Accounting in 1999 and was promoted to his present position in 2006.

15

Ali Temel

Executive Vice President - Loans

Mr. Temel was born in 1968. He graduated from the Electrical-Electronic Engineering Department of Bosphorus University. He worked as a manager in various banks in the private sector. Mr. Temel joined Garanti in 1997 as the head of Cash Management. He was appointed to his current position in 1999. Mr. Temel is a board member of Garanti Leasing and Garanti Factoring.





Credit Committee

In compliance with the provisions of the Banking Act, the Board of Directors of Garanti Bank transferred a certain amount of its credit allocation authority to the Credit Committee, which consists of four board members of the Bank and the Chief Executive Officer.

Members of the Committee

Süleyman Sözen (Vice Chairman)
Ahmet Kamil Esirtgen, PhD (Board Member)
Dmitri Lysander Stockton (Board Member)
Richard Alan Laxer (Board Member)
Ergun Özen (President and CEO, Board Member)

Appropriate credit proposals, which are forwarded to headquarters by the branches, but exceed credit approval limits, are submitted to the Credit Committee that meets once a week. The Credit Committee analyzes the credit proposals, determines which are within its authority and submits the remaining suitable proposals to the Board of Directors for further approval.

Assets and Liabilities Committee

The mission of the Assets and Liabilities Committee, which is in charge of managing the assets and liabilities of the Bank, is to assess market, credit and operational risks, while implementing strategies for the management of the balance sheet. The Chief Executive Officer chairs this committee.

Members of the Committee

Ergun Özen (President and CEO, Board Member)
Halil Hüsnü Erel (Executive Vice President)
Uruz Ersözoğlu (Executive Vice President)
Turgay Gönensin (Executive Vice President)
Faruk Nafiz Karadere (Executive Vice President)
Tolga Egemen (Executive Vice President)
Ali Fuat Erbil (Executive Vice President)
Ali Temel (Executive Vice President)
Gökhan Erün (Executive Vice President)
Aydın Şenel (Executive Vice President)
Zekeriya Öztürk (Executive Vice President)
Cüneyt Sezgin (Board Member)
Mehmet Sezgin (Chief Executive Officer of GÖSAŞ)
Tunç Daşar (Executive Vice President, GÖSAŞ)
Murat Mergin (Head of Board of Strategic Planning)
Aydın Güler (Senior Vice President)
Metin Kılıç (Senior Vice President)
Recep Baştuğ (Coordinator)
Cenk Kaan Gür (Coordinator)
Didem Dinçer Başer (Coordinator)
Fulya Göyenci (Senior Vice President)
Kudret Akgün (Senior Vice President)
Regional Managers

Risk Management Committees

Audit Committee

The Audit Committee consists of two Members of the Board of Directors who do not have any executive functions.

Members of the Committee

M. Cüneyt Sezgin, PhD (Board Member)
Des O'Shea (Board Member)

Activities of the Committee

The Audit Committee, established to assist the Board of Directors in its auditing and supervising activities, is responsible for:

- The supervision of the efficiency and effectiveness of the internal control, risk management and internal audit systems of the Bank, the 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; and
- The maintenance and coordination of the internal audit functions of corporations subject to consolidated internal audits.

Within this scope, the Audit Committee is appointed and authorized to;

- Supervise whether or not the internal audit related arrangements and the Bank's internal policies and application procedures approved by the Board of Directors are complied with and submit proposals to the Board of Directors regarding the necessary measures to be taken;
- Supervise whether or not the internal audit unit meets its obligations as determined by internal policies;
- Check whether or not the internal audit system covers the current and planned activities of the Bank as well as the risks related to such activities and review the internal arrangements related to internal audit that will come into effect with the approval of the Board of Directors;
- Make recommendations to the Board of Directors regarding the appointment of the managers to the units of internal systems, which report to the Audit Committee and submit opinions related to the removal of these managers when required;
- Monitor to see whether or not internal auditors carry out their duties in an independent and objective manner;
- Examine internal audit plans;
- Monitor the measures that are initiated by senior management and related units in consideration of the internal and independent audit findings;
- Evaluate whether or not the methods, tools and application procedures that are necessary to determine, measure, monitor and control risks are in place;
- Review the conclusions of the independent audit firm regarding compliance of the Bank's accounting applications to the legislation and evaluate the results of the independent audit;
- Evaluate the independence of the rating, independent audit and appraisal firms, their managers and employees in regard to their relations with the Bank and the adequacy of the resources allocated to these activities;
- Implement risk evaluation related to the support services that the Bank will receive and monitor the sufficiency of the services provided by the institution; and
- Monitor whether or not the financial statements of the Bank are accurate and include all the required information and whether or not they are issued in accordance with the relevant legislation and have their errors and irregularities corrected.

Liquidity Risk Management Committee

Members of the Committee

Ergun Özen (President and CEO, Board Member)
M. Cüneyt Sezgin, PhD (Board Member)
Uruz Ersözoğlu (Executive Vice President)
Metin Kılıç (Senior Vice President)
Ebru Ogan (Senior Vice President)

Activities of the Committee

- To determine the idle foreign currency liquidity of the Bank;
- Periodically monitor liquidity reports and early warning signals;
- Determine the stress level of the Bank;
- Monitor internal and external data that is likely to affect the liquidity of the Bank during a liquidity crisis;
- Enforce the application of the liquidity crisis plan and the related action plan;
- Determine measures of customer satisfaction, funding costs and liquidity increasing strategies; and
- Ensure communication and coordination within the Bank in order to have the resolutions of the Committee applied.

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.

The market risk committee provides information about changes in positions that are exposed to market risks by monitoring trading risks, maturity mismatch risks, liquidity risks and the risk limits and limit utilizations of trading portfolio.

The Credit Risk Committee monitors the efficiency of the credit risk measurement model and evaluates the results of credit risk measurement and ensures the flow of information related to the changes in the positions exposed to credit risks.

The Operational Risk Committee oversees the control and management of operational risks and administers the actions to be taken.

2006 has been a successful year in which our Bank reached new heights by growing at a fast and healthy pace. Our assets increased by 38% to YTL 50.3 billion, our total shareholders' equity rose by 22% to YTL 4.7 billion and our ROAE came out at a significant high level of 25%.

While the year started with the optimism that was carried over from 2005, our economy was negatively affected by the volatility in the international markets during May and the adverse developments regarding the EU accession process. However, the consequences of these drawbacks on the economy as well as the banking sector were limited because of the structural reforms undertaken by the government recently and the firm commitment to the economic program, and therefore Turkey continued its long lasting and sustainable growth trend in 2006. Even though the current account deficit to GDP ratio increased to 8% as a result of the strong domestic demand and increasing commodity prices, the funding quality of the current account deficit improved and foreign direct investments (FDI) reached an all time high of US\$ 19.8 billion.

The rising real interest rates and uncertainty about the future caused by the volatility negatively affected the volume growth in the banking sector, especially reflected on the demand for consumer loans in the second half of 2006. Exchange rate and interest rate fluctuations had a negative effect on the shareholders' equity and profitability of the banks. In spite of these challenging conditions and growing competition, Garanti was able to increase its cash loans by 59%, considerably above sector average, and contributed to reel economy with an amount of YTL 36.7 billion in cash and non-cash loans allowing the Bank to take a further step towards becoming sector leader. While our Bank boosted its number of customers and transaction volume with its customer focused strategy, proficient human capital, rich and innovative product portfolio and high quality of service, it has not compromised and in contrary improved its asset quality and profitability with its competitive approach and contemporary risk management system. Garanti differentiated itself from its peers with the outstanding performance during the Bank's 60th anniversary and continued its commitment to a swift and sustainable growth trend.

The partnership of GE Consumer Finance, a subsidiary of General Electric Co. sharing the management with Doğuş Group, the other main shareholder of Garanti, created an important synergy for the Bank. GE Consumer Finance's vast experience in consumer finance together with Garanti's in-depth market expertise generated new prospects and a strong competitive advantage for the Bank. With the support of its partners, Garanti is poised to expand geographically and become a regional power while maintaining a healthy and robust growth trend in the domestic market.

In accordance with the year-end 2006 unconsolidated financial statements of Garanti Bank and in accordance with the regulations of the Banking Regulation and Supervision Board;

- The size of its assets reached YTL 50,286,913 thousand.
- Total cash loans increased by 59% compared to year-end 2005 and reached YTL 27.4 billion.
- The share of YTL loans in total cash loans, excluding non-performing loans, increased from 54.7% to 55.7%.
- The share of Turkish Lira deposits in total deposits was 47.3%. The amount of YTL denominated demand deposits increased by 19.1% and the share of demand deposits within total deposits came out to 22.1%.
- While the shareholders' equity reached YTL 4,670,293 thousand, free equity went up from YTL 1,539,282 thousand at the end of 2005 to YTL 2,811,301 thousand at the end of 2006 as a result of the increase in profitability, and sale of some non-financial subsidiaries and real estate.
- The net income of the 2006 period increased by 47% to reach YTL 1,063,663 thousand.
- The return on average assets (ROAA) was 2.5% and the return on average equity (ROAE) was 25%.
- The capital adequacy ratio (CAR) was 14.08%.

Sincerely,
The Board of Directors

The Evaluation of Internal Control, Internal Audit and Risk Management Systems by the Audit Committee

2006 was a positive year for the banking sector and the Turkish economy, in spite of the volatility during May and June. Garanti was able to minimize the effects of the market and credit risks as a result of the precautions taken within the framework of the risk management system and the bank continued its healthy growth trend while preserving profitability.

The effect of market risk, which occurred due to the deterioration in global liquidity that increased the volatility and withdrawal of institutional investors from emerging markets in the first half of 2006 was limited for Garanti due to the balance sheet transactions executed in the previous periods such as interest rate swaps, long term borrowings and floating rate type marketable securities. Moreover, the continuous monitoring of the early warning signals by the Liquidity Risk Committee and the effective management of the daily cash flow helped Garanti avoid to face any problems regarding liquidity. All of the developments regarding market risks are carefully followed by the bank's internal mechanisms at all levels.

Even though the increase in the size of the overall credit portfolio slowed down due to the market volatility and high interest rates in 2006, the volume of retail loan business, especially for housing and auto loans continued to go up at a steady pace. Credit risk exposure of the bank has relatively increased due to the growth in the credit portfolio, but the default rate stayed at a low level. The growth-driven rise in the credit risk exposure is monitored and controlled by the Risk Rating System, effective credit approval process and the Risk Management Department. Risk rating system is reviewed annually and plays an important role in the credit approval process. Credit approval policies and procedures are restructured in order to better determine and manage risks. Credit risk management is performed by portfolio management approach where risk-return balance and Bank's asset quality is considered through a process where risks are quantified, assessed in consistency and monitored. While assessing the risks at the growing credit portfolio, besides monitoring the creditworthiness of the customers with the internal risk rating systems, Garanti's approach also highlights the importance of effective approval processes, limit and collateral management and pricing.

Operational risks are monitored by the Internal Control and Audit Departments and are controlled by proactive methods. The auto control systems, which are embedded in all of the business processes are strengthened and the effectiveness is increased. Various controls are undertaken via different channels in all functional units. Members of the Internal Control Department carry out remote and on-site controls at both head office departments and the branches. Audit plan work, which is prioritized based on the risk profiles of functions, is carried out in the subsidiaries, head office departments, regional offices and branches with a risk-based approach and according to the standards determined within this field. In line with the expanding branch network especially in 2006, the number and volume of transactions increased rapidly, but the operational risks stayed at a low level, which is a positive indicator regarding the effectiveness of the policies and practices.

Garanti believes that the development of risk management standards is vital for the overall performance of the banking sector, which is one of the main drivers of the economy. Given this approach, the bank plays an important role and actively contributes to the committee studies of the banking sector under the guidance of the Turkish Banks Association, to be in compliance with international standards including Basel II regulations.

In order to support and improve risk management activities, the bank has purchased an integrated software system to place better risk management and Basel II applications. This software will facilitate Garanti to organize a platform that measures market, credit and operational risks in line with the international standards, create and maintain a database and enable the bank to manage the risk, return and capital balance effectively within a portfolio structure. Garanti aims to establish the Basel II applications, which will be carried out with the software system and along the Banking Regulation and Supervision Agency's roadmap. Knowing that conformity with Basel II is a process that Bank's customers also have to be prepared for, Garanti organized briefing seminars for the customers regarding "Basel II and its effects" in 2006. These seminars will be continued in 2007.



Des O'Shea

*Board Member
Audit Committee Member*



M. Cüneyt Sezgin, PhD

*Board Member
Audit Committee Member*

Recruitment and Promotion Criteria

The recruitment process of the Bank is based on the evaluation of skills and proficiency required by a specific job. When new graduates and experienced personnel are considered for positions, the general requirements are:

For new graduates

- Having graduated from a two or four year university;
- Not being older than 27 years, and
- Having completed military service or postponed it for at least two years (for male candidates).

For experienced candidates

- Having graduated from a two or four year university;
- Not being older than 32 years; and
- Having completed military service (for male candidates).

During the recruitment process, various combinations of the following tools are used to measure the proficiency of the candidates:

- Talent tests
- Foreign language tests
- Personality inventory
- Group interviews
- Proficiency based interviews

Applications are only accepted via the Internet (www.garanti.com.tr/garantilikariyer) and all the candidates are informed about the outcome, be it positive or negative.

Career Maps

A Career Map Handbook was created and shared with all employees to underline career opportunities, standardize the criteria for promotions and horizontal and vertical transfers and provide career management services to employees.

In the Career Map Handbook, available assignments, types of placements and consideration criteria are defined in a clear and standardized fashion. The reason for establishing these guidelines is not to limit the choices of the employees, but to share the placement trends between positions and guide the employees in accordance with these trends.

Career Opportunities

Garanti Bank fills the vacancies of senior positions by referring to internal human resources. In order to receive promotion to a senior position, Garanti employees are sometimes tested and interviewed in addition to the standard procedure of being evaluated on their performance and experience. Especially in sales related jobs, candidates are required complete certification programs in order to acquire the knowledge and skills required for the respective positions.

The Career Opportunities Program enables employees to manage their own careers. The Career Opportunities Program announces all available positions to Bank staff through the Intranet. Employees who meet the criteria outlined in the Career Maps Handbook may apply to the Career Opportunities Program in order to shape their own careers. Candidates are tested and interviewed on pre-announced subjects. The employees who are successful, but cannot be placed due to the unavailability of open positions are pooled to be considered for future opportunities. In 2006, 813 employees were promoted through the Career Opportunities Program.

Career Opportunities Program	2001	2002	2003	2004	2005	2006
Number of announced openings	7	14	22	36	48	97
Total promotions	22	362	191	244	520	813

Career Consultancy

Every year, the human resources department carries out career management services through one on one interviews, in order to contribute to career development of employees and guide them in the right direction.

Evaluation and Development Center

Evaluation and development activities are performed according to the rate of new branch openings. Branch manager candidates are assessed by the Evaluation and Development Center regarding their proficiency for open positions. Participation in this program is based on the experience, performance and managerial potential of the candidate.

Relationships with the Peer Risk Group

Loans and other receivables YTL thousands

Current Period

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

Previous Period

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

Information on Peer Risk Group Deposits

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

Information on the Bank's Futures and Options Transactions with Peer Risk Group

Bank's Risk Group	Associates, Subsidiaries and Joint Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Previous Period	Current Period	Previous Period	Current Period	Previous Period	Current Period
Transactions for Trading	-	-	-	-	-	680
Opening Balance	-	-	-	-	-	-
Closing Balance	2,790	-	-	-	-	-
Total Profit/Loss	6	-	-	-	-	-
Hedging Transactions	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

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

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

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

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

Other matters not required to be disclosed

None.

Transactions accounted under equity method

Please refer to Notes 5.1.7 and 5.1.8 of the Unconsolidated Financial Report as of and for the year ended 31 December 2006.

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

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

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

Support Service Providers

The Support Service Issues, which are covered under the code that defines the utilization of Bank Support Services and the authorization of service providers, as well as the process of establishing the responsibilities and features of the service providers are topics that continue to develop.

Report on Compliance with Corporate Governance Principles

1. Statement of compliance with corporate governance

During the 2006 fiscal year, Garanti complied with and applied the corporate governance principles published by the Capital Markets Board. During this period and within the framework of complying with corporate governance principles, the Bank improved its annual report and website.

Garanti continued its efforts to enable shareholders to obtain relevant company information faster. As a result of the design and content related work carried out in 2006, shareholders are now able to make better use of Garanti's website. The website also includes activities within the corporate management principles.

Part I - Shareholders

2. Investor Relations Division

Garanti has implemented a Subsidiaries and Shareholders Service within the General Accounting Department. Moreover, Investor Relations services are offered to shareholders within the Corporate Strategy, Business Development and Investor Relations Department.

Subsidiaries and Shareholders Service of the General Accounting Department

Fax no: (0212) 216 6421

Name and Surname	Title	Telephone No	E-mail Address
Mustafa Keleş	VP	(0212) 318 1913	MustafaKeles@garanti.com.tr
Sevgi Demiröz	VP	(0212) 318 1945	SevgiD@garanti.com.tr
Ülkü Singin Toprak	AVP	(0212) 318 1946	UlkuSi@garanti.com.tr

Investor Relations Service

Corporate Strategy, Business Development and Investor Relations Department

Fax no: (0212) 216 5902

Name and Surname	Title	Telephone No	E-mail Address
Handan Saygın	SVP	(0212) 318 2350	HandanSay@garanti.com.tr
Olca Erdost	VP	(0212) 318 2354	OlcaE@garanti.com.tr
Oğuz Aslaner	VP	(0212) 318 2358	OguzA@garanti.com.tr
Gülsevin Tuncay	AVP	(0212) 318 2356	GulsevinT@garanti.com.tr
Ali Anri Kohen	AVP	(0212) 318 2359	AliKoh@garanti.com.tr
Melih Yalçın	AVP	(0212) 318 2357	MelihYa@garanti.com.tr

The main duties of the Subsidiaries and Shareholders Service are:

- To organize the Annual Shareholders' Meetings of the Bank;
- To carry out capital increases;
- To facilitate the use of bonus shares after the capital increase;
- To organize the capital increases of the Bank's subsidiaries and the participations in the Annual Shareholders' Meetings; and
- To answer the questions of shareholders' and branches regarding Garanti shares.

Every month, the Subsidiaries and Shareholders Service responds to an average of 250-300 questions about the shareholders and the subsidiaries of the Bank in a timely manner. Moreover, the service handles the announcements that are required to be sent to the Istanbul Stock Exchange.

The main duties of the Investor Relations Unit are:

- To carry out relations with existing and potentials investors;
- To inform shareholders regularly about the developments and answer their questions; and
- To prepare company presentations and organize road shows and other informational meetings.

Within the framework of its activities, the unit attended 22 local and foreign investors' conferences in 2006 and had nearly 650 one-on-one meetings with local and foreign investors. Questions about the Bank were answered via telephone and e-mail. The aim of this service is to answer all questions in a timely and accurate manner and represent and promote Garanti in the best possible way.

3. Exercise of the Shareholders' Rights to Obtain Information

The Subsidiaries and Shareholders' Service receives an average of 250-300 questions a month. During the periods of capital increases and General Shareholders' Assembly, the number of questions increases significantly.

During the 2006 fiscal year, an average of 110 written questions related to matters such as annual reports, the condition of share certificates and inheritance of share certificates were submitted in writing or through e-mail and answered in writing.

In the Investor Relations Unit, an average of 300 questions are answered by telephone and e-mail per month, while various one-on-one and group meetings are organized with an average of 40 analysts and investors per month.

Garanti has two Investor Relations websites, one in Turkish and the other in English.

- The Investor Relations site in Turkish can be reached at http://www.garanti.com.tr/yatirimci_iliskileri/
- The Investor Relations site in English can be reached at http://www.garantibank.com/investor_relations/

These sites contain:

- Information about shares;
- Corporate information;
- Periodically issued annual reports and financial statements;
- Information on corporate governance;
- Social responsibility projects; and
- Press releases and presentations about Garanti.

Special event announcements (press releases) that contain material information about the Bank are submitted to the Istanbul Stock Exchange. The appointment of a special auditor is not required by the Articles of Association of the Bank and so far no requests regarding the appointment of a special auditor has been submitted to Garanti.

4. Information on the General Shareholders' Assembly

The General Shareholders' Assembly is held in accordance with a resolution adopted by the Board of Directors. Before these events, information about the date, the place of the meeting and the agenda are provided to shareholders through announcements in the Turkish Trade Registry Gazette and national newspapers. The balance sheets, income statements and annual reports are prepared before the General Shareholders' Assembly and made available for the shareholders fifteen days before the meeting on the website of the Bank, at branches and at headquarters.

At the General Shareholders' Assembly, items on the agenda are discussed and submitted for approval. Shareholders are entitled to ask questions and express their opinions. Questions are handled in accordance with the procedures and principles provided by the Turkish Commercial Code. Proposals are submitted to the General Assembly for approval and if approved by the specified majority, they become resolutions. The minutes of the General Shareholders' Assembly are made available to the shareholders on the Bank's websites and the Istanbul Stock Exchange and through the Investor Relations Unit.

In accordance with the provisions of the Bank's Articles of Association, important decisions such as the purchase, sale or rent of properties require a resolution from the Board of Directors.

In accordance with the provisions of the law, 206 share certificates are issued on an anonymous basis, while the rest are registered to their owners. No time limit is specified for the registration of shares in the share book of the Bank.

To facilitate participation in the General Shareholders' Assembly, invitations are issued through announcements in newspapers in accordance with the general provisions. After the meetings, the minutes are disclosed to the public in the form of special event announcements.

5. Voting Rights and Minority Rights

At Garanti, there are no privileged voting rights.

Companies controlled by the majority shareholder of the Bank vote in the General Shareholders' Assembly. Minority shares are not represented in management. Garanti's Articles of Association do not specify regulation on cumulative voting procedures.

6. Dividend Policy and Dividend Distribution Period

Details of dividend distribution are provided in article 45 of the Articles of Association.

As witnessed in past years, the Bank can add its profit to its capital base and distribute bonus shares to its shareholders. In accordance with the provisions of article 45 of Garanti's Articles of Association, the Bank submits a dividend distribution proposal for the approval of the General Assembly upon decision of the Board of Directors. The proposed resolution becomes effective if approved in the General Shareholders' Assembly and the Istanbul Stock Exchange is informed about the resolution on the same day.

7. Transfer of Shares

The Articles of Association of the Bank do not have any provisions that restrict the transfer of shares.

Report on Compliance with Corporate Governance Principles

Part II - Public Disclosure and Transparency

8. Company Information Policy

As stated in Part II. Article 1.2.2 of corporate governance regulations, there are no published rules on the policy of informing the shareholders or public. However, Garanti's Investor Relations Unit shares important information that is expected to play a role in the valuation of the firm with investors and analysts via meetings, press releases and its website.

To ensure a timely and accurate flow of information, a presentation about the financial statements is prepared every quarter. This presentation is shared with investors through the internet and via e-mail. The Investors Relations Unit participates in investor meetings organized by brokerage firms to discuss the developments at Garanti and the sector. Moreover, questions and requests are answered by telephone and e-mail on a daily basis.

9. Special Event Announcements

In 2006, 66 Special Event Announcements were sent to the Istanbul Stock Exchange in accordance with the "Communiqué Related to the Disclosure of Special Events to the Public" of the Capital Market Board. During the year, neither the Istanbul Stock Exchange nor the Capital Market Board asked for any additional information regarding Special Event Announcements or other current events. Garanti filed all the Special Event Statements in a timely manner.

The English translation of some Special Event Announcements are sent to The Bank of New York and The London Stock Exchange in order to provide updated information to foreign investors who follow Garanti DRs.

On the Investors Relations website, a special section is reserved for major announcements. During the period which ended on December 31, 2006, 15 Special Event Announcements that contained important news regarding the DRs trading in London were sent out. These announcements were also distributed in Turkey.

10. Company Website and Its Contents

Garanti has two websites, one in Turkish and the other in English.

- The internet site in Turkish can be accessed at www.garanti.com.tr
- The internet site in English can be accessed at www.garantibank.com

General information about the Bank and detailed information about banking, credit cards, investments, insurance, leasing, factoring, e-commerce and pension products and offered services can be found on the websites. Banking transactions can also be executed through the Internet Branch.

The investor relations section of the website contains:

- Detailed information about shares (Listing and quotation related information, financial data about share performances);
- Capital increases;
- Dividend ratios;
- Analyst reports;
- Credit ratings;
- Quarterly "Stockwatch" bulletins for investors;
- Updated shareholder and management structure;
- Financial statements, reports and presentations prepared in accordance with the Banking Regulation and Supervision Board and international accounting standards;
- Reports and presentations on macro economy;
- Corporate information;
- Annual reports;
- Special event announcements;
- Social responsibility projects;
- Information on corporate governance; and
- Awards.

11. Disclosure of Real Person(s) Holding Ultimate Controlling Shares

No announcements to the public are made regarding real person(s) holding ultimate controlling shares.

There is sufficient public information about real person(s) holding ultimate controlling shares at Garanti and thus the Bank is not required to provide further data.

12. Public Disclosure of People who are in a Position to Acquire Insider Information

As the legal provisions in force require the specification of people who are in a position to acquire insider information on a case by case basis, no separate list is announced to the public.

Part III - Stakeholders

13. Informing Stakeholders

Stakeholders of Garanti receive information about matters that concern them. Information is provided through the special event announcements sent to the Istanbul Stock Exchange, newspaper announcements, meetings and Q&A on the corporate website.

14. Participation of Stakeholders in Management

The principle adopted for the participation of the stakeholders in management is to make arrangements parallel to the related legal provisions.

15. Human Resources Policy

The basis of Garanti's approach to human resources is investing in human capital. Being aware that the human brain is the driving force of progress, the recruitment of young and creative minds, their training and development, creating environments where they can showcase their skills, offering opportunities, acknowledging and rewarding their success constitute the pillars of the entire system.

The human resources policy of Garanti can be summarized as follows:

- Place importance and priority on personnel through continuous investment;
- Provide training resources;
- Prioritize internal promotions in the company and develop and apply programs to this end;
- Facilitate an open communication environment and ensure participation;
- Treat employees fairly and equally; and
- Develop applications that meet international standards.

Within this scope, the mission of the Human Resources Department is "to play a strategic role in application of efficient human resources policies to reach the objectives of the organization."

To this end and within the framework Garanti's ethical values, the Human Resources Department acts in accordance with the principles of:

- Knowing the objectives of the Bank;
- Closely monitoring the business segments and the field work;
- Applying objective measurement and assessment instruments and methods to appoint the right person for the right job;
- Developing human resources applications in compliance with the strategies of the Bank;
- Launching initiatives to increase the motivation of the employees;
- Implementing open communication environments that allow the employees to express themselves;
- Providing "career consultancy" for the employees; and
- Providing the training necessary for personal development.

For the past seven years, a structure managing "Employee Relations and Internal Communications" was implemented to handle the relations with the employees. This function is carried out by Banu Parlar, Vice President and Müge Esmersoy, Assistant Vice President.

Standard criteria (experience, seniority, performance, sufficiency evaluation, tests, interview, etc.) were implemented for all internal promotions and transfers between positions and these criteria were announced throughout the Bank with a transparent approach and within the framework of career maps. In Garanti, employees are directed and supported in line with the career paths they have chosen.

The compensation system of the Bank is based on paying salaries that fit the positions. Employees who are employed in similar jobs receive similar salaries. Points are allocated to jobs according to factors such as required proficiencies, risks and number of managed personnel, and salaries are determined based on these points.

The performance system of Garanti measures the performances of the employees by evaluating their objectives and their success in reaching these objectives. Employees of the Bank receive bonuses based on EVA (Economic Value Added) financial success metrics and the Sell-Earn system. As a result of these and other similar systematic approaches, discrimination related complaints from employees have been minimized.

16. Information on Relations with Customers and Suppliers

On January 1, 2001, the Customer Satisfaction Department was established in order to build a customer satisfaction culture throughout the Bank and keep customer loyalty at the highest level.

The Customer Satisfaction Department provides services to Garanti customers under the "Customer is Always Right Line" brand. Garanti is the first and only bank in Turkey that established an independent unit for customer satisfaction.

Customers of Garanti can forward all their problems and complaints to the Customer is Always Right Line through the following channels:

- Telephone: 444 0 338
- Internet: http://www.garanti.com.tr/hakli_musteri_hatti/
- E-mail: haklimusteri@garanti.com.tr
- Mail: PK 338 AVPIM/ISTANBUL
- Fax: (+90-212) 630 16 68
- Complaint Box: In all branches

Report on Compliance with Corporate Governance Principles

The messages sent by customers are entered in the 3mweb program. The program records the date of the message, method of arrival and return and their group-channel-category-subject. Other domains recorded are: the corresponding codes and names if complaints are related to branches-ATMs-personnel, the result of the complaint, whether the customer was satisfied, the origin of the problem, the amount of compensation if any, gifts sent as apology or gesture if any and the applicability if the issue is a proposal.

Moreover, the demographic and contact information of a customer, his/her productivity and the data related to his/her branch/portfolio can be automatically accessed by entering the customer number. A detailed and on-line report about this information on the 3mweb program can be obtained from the Business Objects program.

The logic in grouping these reports is as follows: the messages received within a month are published by groups-channels-categories-and subjects in order to share the matters on which the complaints are concentrated and the matters for which customers are the most sensitive, with all employees.

Detailed reports are submitted and periodic meetings are held with the relevant divisions to minimize complaints and provide solutions, especially regarding credit cards, the Call Center and the Internet Branch.

Customers complaints regarding branches or personnel are immediately shared with the branch manager in order to handle the issue quickly.

In some cases, customers send their complaints to various consumer websites, government entities or the press rather than contacting the Customer is Always Right Line. We scan websites daily and provide solutions in coordination with the Advertising and Public Relations Department for complaints sent to the press and with the Legal Department for those sent to the government agencies.

If customers are negatively affected by factors that are caused by the fault or negligence of the Bank, then these customers are compensated by the cancellation of charged interest or reimbursement of a certain amount. To this end, Senior Vice Presidents are authorized to pay up to YTL 1.000. Amounts exceeding this sum are subject to approval from the Executive Vice President.

In addition to providing efficient and fast solutions to the problems and complaints of customers in compliance with quality standards, the Customer is Always Right Line also works to establish a customer satisfaction culture throughout the Bank.

To achieve this goal:

- Personnel receiving messages of appreciation from customers are motivated by receiving rewards within the framework of the success program;
- The bank's vision, business methods and expectations are discussed in branch visits; and
- A Garanti Customer Satisfaction Constitution pioneered by the Unit was established with the participation of all the employees. The Customer Satisfaction Department monitors the application of the Customer Satisfaction Constitution.

17. Social Responsibility

In addition to its traditional role within the economy, Garanti does not limit its mission to banking services alone and acts to increase its value-add to society in an evident and continuous fashion. This fact is reflected in its commercial activities and its support of culture, arts, education, sports and the environment. While carrying on various sponsorship activities, the Bank also establishes its own institutions to be more effective and permanent in this field.

In addition to supporting projects, Garanti also plays an active role in increasing the quality of life in society on a permanent basis. To this end, it collaborates with local administrations on education, sports and environment related projects and contributes to the marketing of Turkey through international culture and art projects.

Detailed information related to social sharing projects of the Bank as well as the projects and events undertaken during the 2006 fiscal year are provided on page 52 of the annual report.

Part IV - Board of Directors

18. Structure and Formation of the Board of Directors and Independent Members

Ferit Faik Şahenk, Ergun Özen, Süleyman Sözen, Ahmet Kamil Esirtgen, Charles Edward Alexander, Richard Alan Laxer and Dmitri Lysander Stockton are executive members of the Board, while Muammer Cüneyt Sezgin and Des O'Shea are non-executive members. (Des O'Shea was selected as a Board Member to replace Daniel Noel O'Conner, who resigned from his post on November 2, 2006.)

The Chairman of the Board of Directors is Ferit Faik Şahenk and the Chief Executive Officer is Ergun Özen.

In accordance with the provisions of the Banking Act, there are two non-executive members within the Board of Directors.

Arrangements in compliance with the Turkish Commercial Code and other relevant legislation are adopted on whether the employment of the board members by other corporations is regulated or restricted.

19. Qualifications of the Members of the Board of Directors

At Garanti, the selection of board members is carried out in compliance with the provisions of articles 3.1.1, 3.1.2 and 3.1.5 of Part IV of the Corporate Management Principles of the Capital Markets Board and the relevant provisions of the Banking Act.

20. The Mission, the Vision and Strategic Objectives of the Company

The vision of Garanti is to be the best bank in Europe.

The mission of the Bank is to increase the value it adds to its customers, shareholders, employees, society and the environment dramatically and continuously, through its efficiency, agility and organizational effectiveness.

The vision and the mission of the Bank are presented to the public on the Bank's websites in both English and Turkish. Moreover, the Board of Directors and senior management announce the vision and the mission of the Bank to the public through discussions and interviews with print, visual and electronic media.

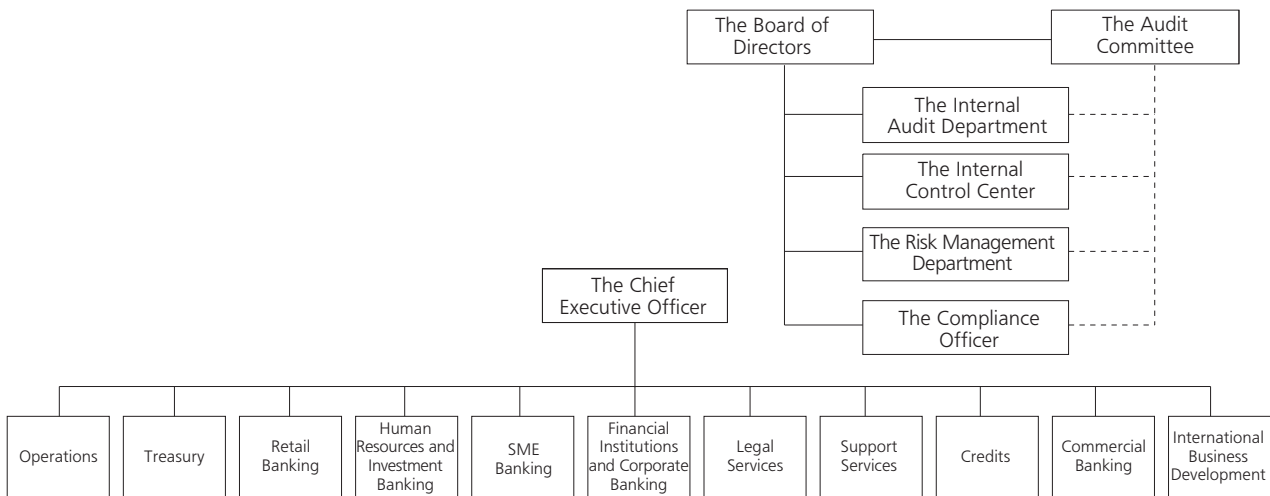
Information regarding Garanti's milestones and its strategy are presented on pages 9 and 12 of the annual report.

Within the framework of this strategy, Garanti's budget and the short, medium and long-term business plans are formed, reports on achieved objectives are analyzed on a weekly basis and senior management of the Bank holds performance review meetings with every branch and regional manager quarterly. Moreover, effective realization of strategic objectives can be monitored real-time through the Garanti management information and reporting infrastructure (MIS).

21. Risk Management and Internal Control Mechanism

Developing internal audit and risk management policies and strategies and controlling these functions are among the responsibilities of the Board of Directors. Consequently, the Internal Audit Board, which carries out the internal audit activities, the Internal Control Department, which carries out the internal control activities and the Risk Management Department, which carries out the risk management activities, report directly to the Board of Directors. Departments that carry out these functions are structured in accordance with the principle of the segregation of powers, they work independently from executive activities and report directly to the Board of Directors.

The current structure within the organization of the Bank is as follows:



The findings of The Internal Audit Department and The Internal Control Center as well as the risk management outputs are reported directly to The Board of Directors. These results are also evaluated by The Audit Committee and appropriate actions are planned.

Audit Committee

The Audit Committee consists of two Members of the Board of Directors who do not have any executive functions.

Members of the Committee

M. Cüneyt Sezgin, PhD (Board Member)
Des O'Shea (Board Member)

Activities of the Committee

The Audit Committee, established to assist the Board of Directors in its auditing and supervising activities, is responsible for:

- The supervision of the efficiency and effectiveness of the internal control, risk management and internal audit systems of the Bank, the 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; and
- The maintenance and coordination of the internal audit functions of corporations subject to consolidated internal audits.

Report on Compliance with Corporate Governance Principles

Within this scope, the Audit Committee is appointed and authorized to;

- Supervise whether or not the internal audit related arrangements and the Bank's internal policies and application procedures approved by the Board of Directors are complied with and submit proposals to the Board of Directors regarding the necessary measures to be taken;
- Supervise whether or not the internal audit unit meets its obligations as determined by internal policies;
- Check whether or not the internal audit system covers the current and planned activities of the Bank as well as the risks related to such activities and review the internal arrangements related to internal audit that will come into effect with the approval of the Board of Directors;
- Make recommendations to the Board of Directors regarding the appointment of the managers to the units of internal systems, which report to the Audit Committee and submit opinions related to the removal of these managers when required;
- Monitor to see whether or not internal auditors carry out their duties in an independent and objective manner;
- Examine internal audit plans;
- Monitor the measures that are initiated by senior management and related units in consideration of the internal and independent audit findings;
- Evaluate whether or not the methods, tools and application procedures that are necessary to determine, measure, monitor and control risks are in place;
- Review the conclusions of the independent audit firm regarding compliance of the Bank's accounting applications to the legislation and evaluate the results of the independent audit;
- Evaluate the independence of the rating, independent audit and appraisal firms, their managers and employees in regard to their relations with the Bank and the adequacy of the resources allocated to these activities;
- Implement risk evaluation related to the support services that the Bank will receive and monitor the sufficiency of the services provided by the institution; and
- Monitor whether or not the financial statements of the Bank are accurate and include all the required information and whether or not they are issued in accordance with the relevant legislation and have their errors and irregularities corrected.

Liquidity Risk Management Committee

Members of the Committee

Ergun Özen (President and CEO, Board Member)
M. Cüneyt Sezgin, PhD (Board Member)
Uruz Ersözoğlu (Executive Vice President)
Metin Kılıç (Senior Vice President)
Ebru Ogan (Senior Vice President)

Activities of the Committee

- To determine the idle foreign currency liquidity of the Bank;
- Periodically monitor liquidity reports and early warning signals;
- Determine the stress level of the Bank;
- Monitor internal and external data that is likely to affect the liquidity of the Bank during a liquidity crisis;
- Enforce the application of the liquidity crisis plan and the related action plan;
- Determine measures of customer satisfaction, funding costs and liquidity increasing strategies; and
- Ensure communication and coordination within the Bank in order to have the resolutions of the Committee applied.

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.

The market risk committee provides information about changes in positions that are exposed to market risks by monitoring trading risks, maturity mismatch risks, liquidity risks and the risk limits and limit utilizations of trading portfolio.

The Credit Risk Committee monitors the efficiency of the credit risk measurement model and evaluates the results of credit risk measurement and ensures the flow of information related to the changes in the positions exposed to credit risks.

The Operational Risk Committee oversees the control and management of operational risks and administers the actions to be taken.

The Internal Control System of the Bank consists of permanent control activities of the Board of Directors and related mechanisms, which provide assurance on the subject that the activities are carried out in accordance with the legislation and internal arrangements; the integrity of the accounting and reporting system; the reliability thereof; the ability to receive information in a timely fashion; and which to be complied by the personnel at every level.

The Internal Audit Department carries out systematic audits on all activities and units of the Bank, including the internal control and risk management systems in particular, in compliance with the Bank's regulations and legal provisions especially the Banking Act and independently from daily activities. Within this scope, it carries out audits in the domestic and international branches of the Bank, at head office departments and at subsidiaries that are subject to consolidation.

The Internal Control Center provides assurance on the establishment of a sound internal control environment within the Bank and the coordination thereof; and the execution of activities of the Bank in accordance with the management strategy and policies, in a regular, productive and efficient fashion with respect to the provisions of the legislations and regulations in force, as well as the integrity and the reliability of the accounting and recording systems. In this scope, infrastructures are established for the functional segregation of duties, the sharing of authorities and responsibilities, the creation of a balancing system, the installation of automated controls and system related controls within the processes, as well as the definition and the monitoring of the risks are implemented.

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 responsibilities of the Risk Management Division include establishing an integrated risk management system that considers all bank-related risks according to regulations and includes the risk of subsidiaries and setting up a structure that will monitor the risk-return-capital balance, in order to maximize the value of Garanti.

22. Duties and Responsibilities of the Members of the Board of Directors and the Managers

Details about the duties and responsibilities of the Board Members and Managers of Garanti are presented in articles 18 and 32 of the "Articles of Association of the Bank", which is available on the Bank's website.

23. Principles Related to the Activities of the Board of Directors

The meeting agenda of the Board of Directors mainly consist of issues that the Chief Executive Officer requested to discuss and any other issues requested by Board Members.

The Board of Directors meets once a month and the meeting schedules are forwarded to all members at the beginning of the year.

A secretariat is established to ensure the communication between the Members of the Board of Directors and the Chief Executive Officer.

During the meetings of the Board of Directors, each Board Member has the right to express different opinions or explanations about issues and make annotations to the resolutions.

In accordance with the legal provisions, the Board of Directors of Garanti does not have any independent members.

24. Non-compete and Non-transaction Rules

334th and 335th Articles of the Turkish Commercial Code are referenced to make decisions regarding the non-compete and non-transaction issues between Garanti and its board members.

25. Ethical Rules

Although there is no definite list of corporate governance principles determined by the Board of Directors, there is a handbook and an associated announcement, which is related to the ethical principles determined by the Human Resources Department, in order to regulate the behavior and professional relations of the employees.

The Ethical Principles Handbook includes ethical principles related to resources of the Bank, relationships, risks, equal opportunity issues, responsibilities and sexual harassment, and determines the responsibilities of the managers in the creation of a working environment in compliance with such ethical principles. The sanctions that the Disciplinary Board of the Bank is entitled to apply in the case of behavior contrary to the principles are also mentioned. Behavior contrary to the ethical principles mentioned in the book include all activities against the law, society and values of Garanti, as well as those violating the rights of employees or customers and those activities which increase operational costs of the Bank and reduce efficiency.

Garanti believes that the total quality concept can only be implemented by the strict application of the human resources policy, working principles and ethical values based on truth, honesty and respect. In addition to the Ethical Principles Handbook, indispensable values are also announced through the Intranet and the website. Moreover, Garanti collected all its principles and customer-focused values in a booklet called the Customer Satisfaction Constitution, which was presented to all employees and customers for information.

26. The Number, Structure and Independence of the Committees Established within the Board of Directors

As a sign of the importance placed on corporate governance principles, Garanti has established an Audit Committee to help the Board of Directors in audit and supervision activities and defend the interests of both the Bank and investors in a more efficient way. This committee was formed during a period when such formations were not required by law.

The Committee has worked actively since 2001, with the final and first-degree of responsibility being undertaken by the Board of Directors. Work related to the full compliance of the duties and responsibilities of the Committee within the Banking Act and relevant regulations have been completed.

Detailed information related to the establishment and the functioning of the Audit Committee is presented in article 21 of the annual report.

27. Remunerations of the Board of Directors

Members of the Board of Directors receive attendance fees. The amount of attendance fees is determined at the General Shareholders' Assembly.

No credits, under the name of loans, borrowings and personal credits, warranty or surety bonds are granted to Members of the Board of Directors or managers.

SECTION III
UNCONSOLIDATED
FINANCIAL STATEMENTS
AND RISK MANAGEMENT



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

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

To the Board of Directors of Türkiye Garanti Bankası AŞ:

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

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Auditors' Opinion:

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

İstanbul,
21 February 2007

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat Alsan

Partner, Certified Public Accountant

Additional paragraph for convenience translation to English:

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

To Annual General Assembly of Türkiye Garanti Bankası A.Ş.

The transactions and accounts of T.Garanti Bankası A.Ş. (the Bank) of 2006 have been examined and audited by us in conformity with the relevant provisions of the Banking Law (Law No, 5411), Turkish Commercial Code, Securities Exchange Act, generally accepted principles of accounting, related legislations and Articles of Association of the Bank. The Balance Sheet and the Profit and Loss Statement of the Bank comply entirely with the provisions of the Banking Law and relevant legislations.

We kindly recommended you to approve the Bank's Balance Sheet and Profit and Loss Statement of the year 2006. Further, we would like to state our agreement with the appropriation of the net income in accordance with the Board of Directors' suggestions.

Sincerely;



Murat İNAN
Auditor



Altan Reha GÖKSU
Auditor

Türkiye Garanti Bankası Anonim Şirketi
Unconsolidated Financial Report
as of and for the Year Ended 31 December 2006

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

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

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



Ferit F. Şahenk
Board of Directors
Chairman



M. Cüneyt Sezgin
Audit Board
Member



Des O'Shea
Audit Board
Member



S. Ergun Özen
General
Manager



Aydın Şenel
Executive Vice
President



Mustafa Keleş
Accounting
Manager (V)

The authorized contact person for questions on this financial report

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

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

Türkiye Garanti Bankası AŞ
Unconsolidated Financial Report as of and
for the year ended 31 December 2006
(Thousands of New Turkish Lira (YTL))

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

1 General Information

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

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

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

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

Doğuş Group

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

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

General Electric Group

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

GE Consumer Finance, GE Commercial Finance, GE Healthcare, GE Industrial, GE Infrastructure and NBC Universal.

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

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

Board of Directors Chairman and Members:

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

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

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

Türkiye Garanti Bankası AŞ
Unconsolidated Financial Report as of and
for the year ended 31 December 2006
(Thousands of New Turkish Lira (YTL))

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

CEO and Executive Vice Presidents:

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

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

1.4 Information on the Bank's qualified shareholders

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

In 2004 and 2005, Doğuş Holding AŞ had two separate agreements with a foreign portfolio investor for issuing options to purchase a portion of the shares of the Bank owned by Doğuş Holding AŞ. In accordance with the related Security's Lending Agreements, the investor exercised the entire call option and took over all the ownership rights including the sale of 24,161,797,524 shares representing 11.50% of the Bank's capital (per 1 New Kuruş) throughout the agreed option period.

The sale of the Bank's shares having a total nominal value of YTL 535,500 thousands representing 25.5% of the Bank's issued share capital; and 182 of the founder shares by Doğuş Holding AŞ to GE Araştırma ve Müşavirlik Limited Şti., an investee company of GE Capital Corporation incorporated in Turkey, was completed on 22 December 2005. A call has been made to the Bank's minority shareholders according to the paragraph 17 of the Article IV no.8 "Principles on Voting by Proxy at General Assembly and Gathering Proxy or Common Stock through Calls for Quoted Companies" of the Turkish Capital Market Board, starting from 27 March 2006 to purchase the shares with a total face value of YTL 1,564,500 at a price of YTL 3.90 per share from the minority shareholders. The call period has ended on 10 April 2006 and the minority shareholders responded to this call by selling 6,249.49 shares with a face value of YTL 1 each. Accordingly, the shares owned by GE Araştırma ve Müşavirlik Limited Şti. increased to YTL 535,506 thousands.

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

1.5 Summary information on the Bank's activities and services

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

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

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

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

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

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

Türkiye Garanti Bankası Anonim Şirketi
Balance Sheet At 31 December 2006

Convenience Translation of Financial
Statements Originally Issued in Turkish

2 Unconsolidated Financial Statements

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

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

Türkiye Garanti Bankası Anonim Şirketi
Balance Sheet At 31 December 2006
Convenience Translation of Financial Statements Originally Issued in Turkish

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

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

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

Türkiye Garanti Bankası Anonim Şirketi
Off-Balance Sheet Items At 31 December 2006

Convenience Translation of Financial
Statements Originally Issued in Turkish

THOUSANDS OF NEW TURKISH LIRA (YTL)

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

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

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

*Convenience Translation of Financial
Statements Originally Issued in Turkish*

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

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

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

THOUSANDS OF NEW TURKISH LIRA (YTL)

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

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

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

Convenience Translation of Financial Statements Originally Issued in Turkish

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

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

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

Türkiye Garanti Bankası Anonim Şirketi
Statement of Profit Distribution At 31 December 2006

Convenience Translation of Financial
Statements Originally Issued in Turkish

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

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

3 Accounting policies

3.1 Basis of presentation

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

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

3.1.1 Additional paragraph for convenience translation to English

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

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

3.2.1 Strategy for the use of financial instruments

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

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

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

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

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

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

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

3.2.2 Foreign currency transactions

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

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

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

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

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

Türkiye Garanti Bankası AŞ
Unconsolidated Financial Report as of and
for the year ended 31 December 2006
(Thousands of New Turkish Lira (YTL))

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

3.3 Forwards, options and other derivative transactions

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

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

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

3.4 Interest income and expenses

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

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

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

3.5 Fees and commissions

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

3.6 Financial assets

3.6.1 Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

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

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

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(Thousands of New Turkish Lira (YTL))

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

3.7 Impairment of financial assets

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

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

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

3.8 Netting of financial instruments

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

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

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

3.9 Repurchase and resale agreements and securities lending

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

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

3.10 Assets held for sale and discontinued operations

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

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

3.11 Goodwill and other intangible assets

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

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

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

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

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

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3.12 Tangible assets

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

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

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

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

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

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

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

Depreciation rates and estimated useful lives are:

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

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

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

3.13 Leasing activities

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

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

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

3.14 Provisions and contingent liabilities

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

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

3.15 Obligations of the Bank concerning employee rights

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

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

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

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

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

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

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

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

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

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

- The technical interest rate to be used for the actuarial calculation is 10.24% calculated as the nominal interest rate at the issue date of the longest-maturity discounted New Turkish Lira-denominated government bonds as of 30 June 2005, as adjusted to real interest rate using the year-end inflation target based on the consumer price index declared in the Medium-Term Program of the Turkish Government.
- Mortality table "CSO 1980 female and male lifetime tables" will be used for death-age assumptions.
- Estimated premium payments (including insurance premiums for illness) made by contributors of the fund after the date of transfer of the fund (i.e. active members and persons making voluntary premium payments) up to the date they are entitled to receive salary or income as per the Law no.506 are taken into account as revenue in the calculation of discounted value of the fund.

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

3.16 Taxation

3.16.1 Corporate tax

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

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

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

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

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

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

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

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

3.16.2 Deferred taxes

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

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

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

3.17 Funds borrowed

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

There are no convertible bonds or any other securities issued.

3.18 Shares and share issuances

None.

3.19 Confirmed bills of exchange and acceptances

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

3.20 Government incentives

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

3.21 Segment reporting

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

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

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

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

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

3.22 Other disclosures

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

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

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

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

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

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

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

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

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

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

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

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4 Financial position and results of operations

4.1 Capital adequacy ratio

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

4.1.1 Risk measurement methods in calculation of capital adequacy ratio

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

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

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

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

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

4.1.2 Capital adequacy ratio

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

4.1.3 Summary information related to capital adequacy ratio

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

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

(**) VaCR: Value at Credit Risk

VaMR: Value at Market Risk

VaOR: Value at Operational Risk

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

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4.1.4 Components of shareholders' equity items

	<i>Current Period</i>
CORE CAPITAL	
Paid-in Capital	2,100,000
Nominal Capital	2,100,000
Capital Commitments (-)	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	772,554
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	92,134
I. Legal Reserve (Turkish Commercial Code 466/1)	84,776
II. Legal Reserve (Turkish Commercial Code 466/2)	7,358
Reserves allocated as per Special Legislations	-
Status Reserves	-
Extraordinary Reserves	500,558
Reserve allocated as per the Decision held by the General Assembly	500,558
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Differences on Foreign Currency Capital	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-
Profit	1,063,663
Current Period Profit	1,063,663
Prior Periods Profit	-
Provision for Possible Losses (upto 25% of Core Capital)	30,000
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	-
Primary Subordinated Debt (upto 15% of Core Capital)	-
Loss excess of Reserves (-)	-
Current Period Loss	-
Prior Periods Loss	-
Leasehold Improvements (-)	57,100
Prepaid Expenses (-)	146,106
Intangible Assets (-)	10,618
Deferred Tax Asset excess of 10% of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
Total Core Capital	4,558,909
SUPPLEMENTARY CAPITAL	
General Provisions	158,466
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	966
Bonus shares of Associates, Subsidiaries and Joint-Ventures	4,698
Hedging Reserves (effective portion)	(27,218)
Primary Subordinated Debt excluding the Portion included in Core Capital	-
Secondary Subordinated Debt	-
45% of Securities Value Increase Fund	73,007
Associates and Subsidiaries	13,562
Investment Securities Available for Sale	59,445
Other Profit Reserves	(481)
Total Supplementary Capital	209,438
TIER III CAPITAL	-
CAPITAL	4,768,347
DEDUCTIONS FROM CAPITAL	295,788
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at 10% or more	418
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained more than Five Years	81,546
Others	-
TOTAL SHAREHOLDERS' EQUITY	4,472,559

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

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4.2 Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

4.2.1 Geographical concentration

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

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

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

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4.2.2 Sectoral distribution of cash loans

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

4.3 Market risk

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

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

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

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

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

4.3.1 Value at market risk

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

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4.3.2 Monthly average values at market risk

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

4.4 Operational risk

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

4.5 Foreign currency exchange rate risk

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

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

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

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

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Currency risk:

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

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

4.6 Interest rate risk

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

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

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

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

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

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

Average interest rates on monetary financial instruments:

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

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

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

Average interest rates on monetary financial instruments:

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

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4.7 Liquidity risk

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

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

Maturity analysis of assets and liabilities according to remaining maturities

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

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

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

4.8 Fair values of financial assets and liabilities

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

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

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

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

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

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

The Bank is not involved in trust activities.

5 Disclosures and footnotes on unconsolidated financial statements

5.1 Assets

5.1.1 Cash and balances with Central Bank

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

Balances with the Central Bank of Turkey:

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

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

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

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

None.

5.1.2.2 Positive differences on trading derivative instruments

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

5.1.3 Banks and other financial institutions

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

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Due from foreign banks:

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

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

5.1.4 Financial assets available-for-sale

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

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

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

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

5.1.4.2 Details of financial assets available-for-sale

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

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

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

5.1.5 Loans

5.1.5.1 Loans and advances to shareholders and employees of the Bank

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

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

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

5.1.5.3 Maturity analysis of cash loans

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

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

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

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5.1.5.5 Installment based commercial loans and corporate credit cards

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

5.1.5.6 Allocation of loan customers

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

5.1.5.7 Allocation of domestic and foreign loans

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

5.1.5.8 Loans to associates and subsidiaries

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

5.1.5.9 Specific provisions for loans

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

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5.1.5.10 Non-performing loans (NPLs) (Net)

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

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

Movements in non-performing loan groups:

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

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

Non-performing loans in foreign currencies:

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

5.1.5.11 Liquidation policy for uncollectible loans and receivables

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

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5.1.6 Investments held-to-maturity (net)

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

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

5.1.6.2 Government securities held-to-maturity

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

5.1.6.3 Investments held-to-maturity

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

5.1.6.4 Movement of investments held-to-maturity

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

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

5.1.7 Investments in associates (Net)

5.1.7.1 Investments in associates

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

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

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5.1.7.2 Movement of investments in associates

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

5.1.7.3 Sectoral distribution of investments and associates

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

5.1.7.4 Quoted associates

None.

5.1.7.5 Valuation methods of investments in associates

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

5.1.7.6 Investments in associates sold during the current period

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

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

5.1.7.7 Investments in associates acquired during the current period

None.

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5.1.8 Investments in subsidiaries (Net)

5.1.8.1 Investments in subsidiaries

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

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

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

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

5.1.8.2 Movement of investments in subsidiaries

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

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

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

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

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5.1.8.3 Sectoral distribution of investments in subsidiaries

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

5.1.8.4 Quoted subsidiaries

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

5.1.8.5 Valuation methods of investments in subsidiaries

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

5.1.8.6 Investments in subsidiaries disposed during the current period

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

5.1.8.7 Investments in subsidiaries disposed during the current period

None.

5.1.9 Investments in Joint-Ventures (Net)

None.

5.1.10 Lease receivables (Net)

None.

5.1.11 Derivative financial instruments held for risk management

5.1.11.1 Positive differences on derivative financial instruments held for risk management

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

5.1.12 Tangible assets (Net)

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

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

Conditions for allocating/releasing any impairment

None.

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

None.

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

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

5.1.13 Intangible assets

5.1.13.1 Useful lives and amortisation rates

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

5.1.13.2 Amortisation methods

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

5.1.13.3 Balances at beginning and end of current period

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

5.1.13.4 Movements of intangible assets for the current period

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

5.1.13.5 Details for any individually material intangible assets

None.

5.1.13.6 Intangible assets capitalised under government incentives at fair values

None.

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

None.

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

None.

5.1.13.9 Commitments to acquire intangible assets

None.

5.1.13.10 Disclosure on revalued intangible assets

None.

5.1.13.11 Research and development costs expensed during current period

None.

5.1.13.12 Goodwill

None.

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5.1.13.13 Movements in goodwill during current period

None.

5.1.14 Deferred tax assets

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

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

5.1.15 Assets held for sale

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

5.1.16 Other assets

5.1.16.1 Receivables from term sale of assets

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

5.1.16.2 Prepaid expenses, taxes and similar items

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

5.1.17 Accrued interest and income

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

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

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5.2 Liabilities

5.2.1 Maturity profile of deposits

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

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

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

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

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

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

None.

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

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

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5.2.2 Derivative financial liabilities held for trading

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

5.2.3 Funds borrowed

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

5.2.3.1 Maturities of funds borrowed

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

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

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

5.2.4 Other liabilities

Funds provided through repurchase transactions:

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

5.2.5 Lease payables

5.2.5.1 Financial lease payables

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

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5.2.5.2 Operational lease agreements

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

5.2.6 Derivative financial liabilities held for risk management

None.

5.2.7 Provisions

5.2.7.1 General provisions

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

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

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

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

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

5.2.7.4 Other provisions

5.2.7.4.1 General reserves for possible losses

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

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

5.2.7.4.2 General reserves for possible losses

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

5.2.8 Taxes and other duties payable

5.2.8.1 Current tax liability

5.2.8.1.1 Tax provision

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

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5.2.8.1.2 Taxes payable

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

5.2.8.1.3 Premiums

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

5.2.8.2 Deferred tax liability

None.

5.2.9 Payables for assets held for sale

None.

5.2.10 Subordinated loans

None.

5.2.11 Shareholders' equity

5.2.11.1 Paid-in capital

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

5.2.11.2 Registered share capital system

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

5.2.11.3 Capital increases in current period

None.

5.2.11.4 Capital increases from capital reserves in current period

None.

5.2.11.5 Capital commitments for current and future financial periods

None.

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

None.

5.2.11.7 Information on privileges given to stocks representing the capital

None.

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5.2.11.8 Securities value increase fund

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

5.2.11.9 Revaluation surplus

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

5.2.11.10 Bonus shares of associates, subsidiaries and joint-ventures

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

5.2.11.11 Legal reserves

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

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

5.2.11.12 Extraordinary reserves

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

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

5.2.12 Accrued interest and expenses

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

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

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5.3 Off-Balance Sheet Items

5.3.1 Off-balance sheet contingencies

5.3.1.1 Irrevocable credit commitments

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

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

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

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

5.3.1.3 Non-cash loans

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

5.3.1.4 Sectoral risk concentration of non-cash loans

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

5.3.1.5 Non-cash loans classified under Group I and II

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

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5.3.2 Financial derivative instruments

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

5.3.3 Contingent liabilities and assets

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

5.3.4 Services rendered on behalf of third parties

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

5.3.5 The Bank's latest international risk ratings

MOODY'S (July 2006*)	
Long Term FC Deposit	B1
Long Term YTL Deposit	A3
Short Term YTL Deposit	Prime-2
Long Term FC Deposit Outlook	Stable
FSR	D+
FSR Outlook	Positive
Long Term National	Aaa.tr
Short Term National	TR-1

FITCH RATINGS (August 2006*)	
Foreign Currency	
Long Term	BB
Short Term	B
Outlook	Positive
Individual	C
Support	3
Turkish Lira	
Long Term	BB+
Short Term	B
Outlook	Positive
National	AA
Outlook	Stable

CAPITAL INTELLIGENCE (June 2006*)	
Long Term FC Obligations	BB-
Short Term FC Obligations	B
Domestic Strength	BBB
Support	2
Outlook	Positive

STANDARD AND POORS (June 2006*)	
Long Term FC Obligations	BB-
Long Term YTL Deposit	BB-
Outlook	Stable

(*) Latest dates in risk ratings or outlooks.

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5.4 Income Statement

5.4.1 Interest Income

5.4.1.1 Interest income from loans

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

5.4.1.2 Interest income from banks

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

5.4.1.3 Interest income from securities portfolio

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

5.4.1.4 Interest income received from associates and subsidiaries

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

5.4.2 Interest Expenses

5.4.2.1 Interest expenses on funds borrowed

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

5.4.2.2 Interest expenses paid to associates and subsidiaries

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

5.4.2.3 Interest expenses on securities issued

None.

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5.4.2.4 Maturity structure of interest expense on deposits

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

5.4.2.5 Interest expense on repurchase agreements

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

5.4.2.6 Financial lease expenses

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

5.4.2.7 Interest expenses on factoring payables

None.

5.4.3 Dividend income

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

5.4.4 Trading income/losses (Net)

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

5.4.5 Other operating income

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

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5.4.6 Provision for losses on loans or other receivables

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

5.4.7 Other operating expenses

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

5.4.8 Profit/loss before taxes

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

5.4.9 Provision for taxes on income

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

Deferred tax income/expense on timing differences

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

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

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

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5.4.10 Operating profit/loss after taxes

None.

5.4.11 Net profit and loss

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

None.

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

None.

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

None.

5.5 Statement of changes in shareholders' equity

5.5.1 Any increases arising from application of accounting for financial instruments

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

None.

5.5.1.2 Increases due to cash flow hedges

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

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

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

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

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

5.5.2 Any decreases arising from application of accounting for financial instruments

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

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

5.5.2.2 Decreases due to cash flow hedges

None.

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5.5.3 Dividends

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

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

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

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

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

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

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

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

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

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

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

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

5.5.4 Transfers to legal reserves

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

5.5.5 Issuance of share certificates

None.

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

Please refer to Note 3.22.

5.5.7 Compensation of prior period losses

None.

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5.6 Statement of Cash Flows

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

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

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

Please refer to Notes 5.1.7.7, 5.1.8.2 and 5.1.8.7.

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

Please refer to Notes 5.1.7.6 and 5.1.8.6.

5.6.4 Cash and cash equivalents at beginning of period

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

5.6.5 Cash and cash equivalents at end of period

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

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

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

5.6.7 Additional information

5.6.7.1 Restrictions on the Bank's potential borrowings:

None.

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

None.

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5.7 Related Party Risks

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

5.7.1.1 Loans and other receivables

Current Period

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

Prior Period

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

5.7.1.2 Other related party balances

Deposits

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

Derivative transactions

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

5.7.2 The Bank's risk group

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

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

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

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

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5.7.2.3 Other matters not required to be disclosed

None.

5.7.2.4 Transactions accounted under equity method

Please refer to Notes 5.1.7 and 5.1.8.

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

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

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

5.8 Significant events and matters arising subsequent to balance sheet date

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

5.9 Domestic, foreign and off-shore branches or investments and foreign representative offices

5.9.1 Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees			
Domestic Branches	478	11,843			
			Country		
Foreign Representative Offices	1	1	1- Germany		
	1	1	2- Russia		
	1	1	3- England		
	1	1	4- China		
				Total Assets	Legal Capital
Foreign Branches	1	17	1- Luxembourg	8,325,280	124,853
	1	12	2- Malta	7,931,183	57
	3	30	3- NCTR	156,544	3,200

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

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

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

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6 Other Disclosures and Footnotes

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

In accordance with the terms of the agreement, the assets that are categorized as the second group representing certain non-financial associates namely Garanti Turizm Yatırım ve İşletmeleri AŞ and Doc Finance SA having a total book value of YTL 29,497 thousands and certain real estates either in use or held for resale (Ankara-Çankaya-building, İstanbul-Esenyurt/B.Çekmece-building, Kocaeli-Gebze-building, İstanbul-Kartal-two pieces of land, İstanbul-Çatalca/B.Çekmece-land) having a total book value of YTL 237,536 thousands were altogether sold to Doğu Holding AŞ on 17 April 2006. YTL 100,000 thousands of the total sale price amounting YTL 273,397 thousands was collected on the date of sale. Subsequently, the first installment of YTL 86,698,500 was collected on 22 December 2006. The remaining balance amounting YTL 86,698,500 is to be collected on 24 December 2007.

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

7 Independent auditor's report

7.1 Disclosure on independent auditor's report

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

Financial Position

The total assets of the bank increased 38.1% to YTL 50,286,913 thousand (US\$ 36 billion) at the end of 2006 compared year end 2005. While share of performing loans within total assets was 46.4% in 2005, the rise in export, project finance, and especially SME and consumer loans increased this portion to 54.0%. Loans continued constitute the largest portion of assets in 2006 as in 2005. As a result of increasing asset quality and write-offs during the year, the ratio of non-performing loans to cash loans decreased from 4.1% in 2005 to 2.3% in 2006. Share of securities, the second largest portion in assets after loans, declined to 28.6% in 2006 from 31.4% in 2005.

In terms of liabilities, the portion of deposits, which grew 32.0% on an annual basis, within total liabilities and shareholders' equity decreased 300 bps to 59.9%. The share of funds borrowed and interbank went up from 20.7% at the end of 2005 to 25.3% at the end of 2006. The amount of funding obtained via syndications and securitizations totaled around US\$ 2.9 billion in 2006. Garanti received syndication loans of €600 million and US\$ 700 million in May and November respectively and completed two securitization transactions comprising of €300 million, US\$ 300 million, US\$ 225 million and US\$ 500 million tranches in May and December with a range of maturity between 5 - 10 year.

Disposal of non-financial assets was continued in 2006. As part of the agreement regarding the sale of Garanti Bank's 25.5% shares (corresponding to 53.550.000.000 shares) from Doğuş Holding A.Ş. to GE Araştırma ve Müşavirlik, the sale of the Bank's non-financial participations and real estates was completed with transactions in December 2005 and April 2006.

Assets	Current Period	%	Previous Period	%	Change	Change %
Cash And Balances With Central Bank	5,276,872	10.49	4,103,895	11.27	1,172,977	28.58
Financial Assets At Fair Value Through Profit Or Loss (Net)	148,459	0.30	206,982	0.57	(58,523)	(28.27)
Banks And Other Financial Institutions	896,442	1.78	1,024,549	2.81	(128,107)	(12.50)
Interbank Money Markets	-	0.00	-	0.00	-	-
Financial Assets Available-For-Sale (Net)	9,627,930	19.15	8,749,449	24.02	878,481	10.04
Loans	27,350,490	54.39	17,155,797	47.10	10,194,693	59.42
Factoring Receivables	-	0.00	-	0.00	-	-
Investments Held-To-Maturity (Net)	4,618,847	9.18	2,475,574	6.80	2,143,273	86.58
Investments In Associates (Net)	1,177	0.00	30,635	0.08	(29,458)	(96.16)
Investments In Subsidiaries (Net)	604,152	1.20	611,151	1.68	(6,999)	(1.15)
Investments In Joint-Ventures (Net)	-	0.00	-	0.00	-	-
Lease Receivables (Net)	-	0.00	-	0.00	-	-
Derivative Financial Assets Held For Risk Management	4,799	0.01	5,300	0.01	(501)	(9.45)
Tangible Assets (Net)	885,446	1.76	942,880	2.59	(57,434)	(6.09)
Intangible Assets (Net)	67,718	0.13	55,485	0.15	12,233	22.05
Tax Asset	38,188	0.08	45,189	0.12	(7,001)	(15.49)
Assets Held For Sale	115,154	0.23	423,853	1.16	(308,699)	(72.83)
Other Assets	651,239	1.30	594,723	1.63	56,516	9.50
Total Assets	50,286,913	100.00	36,425,462	100.00	13,861,451	38.05

Liabilities	Current Period	%	Previous Period	%	Change	Change %
Deposits	30,139,037	59.93	22,833,370	62.69	7,305,667	32.00
Derivative Financial Liabilities Held For Trading	222,902	0.44	31,879	0.09	191,023	599.21
Funds Borrowed	7,890,405	15.69	5,560,155	15.26	2,330,250	41.91
Interbank Money Markets	4,813,893	9.57	1,964,951	5.39	2,848,942	144.99
Securities Issued (Net)	-	0.00	-	0.00	-	-
Funds	-	0.00	-	0.00	-	-
Miscellaneous Payables	1,326,830	2.64	1,020,139	2.80	306,691	30.06
Other External Resources Payable	558,838	1.11	713,584	1.96	(154,746)	(21.69)
Factoring Payables	-	0.00	-	0.00	-	-
Lease Payables (Net)	44,738	0.09	23,335	0.06	21,403	91.72
Derivative Financial Liabilities Held	-	0.00	-	0.00	-	-
Provisions	427,129	0.85	311,918	0.86	115,211	36.94
Tax Liability	192,848	0.38	125,422	0.34	67,426	53.76
Payables For Assets Held For Sale	-	0.00	-	0.00	-	-
Subordinated Debts	-	0.00	-	0.00	-	-
Shareholders' Equity	4,670,293	9.29	3,840,709	10.54	829,584	21.60
Total Liabilities And Shareholders' Equity	50,286,913	100.00	36,425,462	100.00	13,861,451	38.05

Assessment of Financial Position

	Current Period	Previous Period
LIQUID ASSETS	6,173,314	5,128,444
Cash and balances with Central Banks	5,276,872	4,103,895
Loans and Advances to Banks	896,442	1,024,549
INVESTMENTS	41,745,726	28,587,802
FINANCIAL INVESTMENTS	14,395,236	11,432,005
Financial assets at fair value through profit or loss	148,459	206,982
Financial Assets Available-for-Sale (Net)	9,627,930	8,749,449
Investments Held-to-Maturity (Net)	4,618,847	2,475,574
COMMERCIAL INVESTMENTS	27,350,490	17,155,797
Loans	27,165,145	16,918,374
Net Loans Under Follow-Up	185,345	237,423
FIXED ASSETS	1,673,647	2,064,004
Investments in Associates (Net)	1,177	30,635
Investments in Subsidiaries (Net)	604,152	611,151
Tangible Assets, net	885,446	942,880
Intangible Assets, net	67,718	55,485
Assets Held for Sale	115,154	423,853
OTHER ASSETS	694,226	645,212
DEPOSITS	30,139,037	22,833,370
Bank Deposits	1,014,275	580,211
Savings Deposits	9,115,785	6,596,782
Public Sector Deposits	28,387	45,432
Commercial Deposits	4,187,622	4,406,324
Other	377,943	284,492
Foreign Currency Deposits	15,358,069	10,901,308
Precious Metal Account	56,956	18,821
FOREIGN DEBT	12,749,036	7,548,441
MONEY MARKETS	4,813,893	1,964,951
FUNDS BORROWED	7,890,405	5,560,155
LEASE PAYABLES (NET)	44,738	23,335
PROVISIONS	548,779	373,446
General Provisions	158,466	99,400
Reserve for Employee Benefits	128,818	102,243
Current Tax Liability	121,650	61,528
Other Provisions	139,845	110,275
SHAREHOLDERS' EQUITY	4,670,293	3,840,709
Paid-in Capital	2,100,000	2,100,000
Capital Reserves	914,419	969,397
Profit Reserves	592,211	50,026
Profit and Loss	1,063,663	721,286
OTHER LIABILITIES	2,179,768	1,829,496

Profitability

Garanti Bank's net profit increased 47.5% to YTL 1,063,663 thousand in 2006 from YTL 721,286 thousand in 2005. This is the net profit after the provisions for loans and other receivables, which are calculated at YTL 325,261 thousand (YTL 446,657 thousand in 2005) as per legal requirements and international standards, and tax provisions, which are YTL 265,700 thousand (YTL 229,223 thousand in 2005).

As of year end 2006, the ROAA of the bank was 2.5% (2.3% in 2005) and the ROAE was 25% (20.7% in 2005).

Garanti's capital adequacy ratio came out to 14.08% at the end of 2006 due to the increase in risk-weighted assets as a result of Garanti's continued investments in the Turkish real sector.

Garanti's operating expenses increased 12% over 2005. The main reason for this increase is the expansion of the branch network; the number of branches and representations rose from 367 to 487 in 2006 and the number of employees went up from 10,524 to 11,906.

Garanti continued to take precautions such as monitoring assets and liabilities for risk, restructuring of potentially non-performing loans and further collateralization and monitoring of receivables, during the year.

Moreover, the bank recorded significant growth in its sustainable non-interest income in 2006 and increased net fees and commissions 37.5% over 2005. The net fees and commissions coverage of other operating expenses went up 13 points to 69.2%.

INCOME STATEMENT	Current Period	Previous Period	Change	Change %
Interest Income	5,063,150	3,467,476	1,595,674	46.02
Interest Expense	3,161,344	1,792,816	1,368,528	76.33
Net Interest Income	1,901,806	1,674,660	227,146	13.56
Net Fees And Commissions Income	1,014,451	737,637	276,814	37.53
Dividend Income	46,945	3,141	43,804	1.394,59
Net Trading Income/Losses (Net)	(56,272)	116,461	(172,733)	(148.32)
Other Operating Income	212,746	173,606	39,140	22.55
Total Operating Profit	3,119,676	2,705,505	414,171	15.31
Provision For Losses On Loans And Other Receivables	(325,261)	(446,657)	121,396	27.18
Other Operating Expenses	(1,465,052)	(1,308,339)	(156,713)	(11.98)
Profit/Loss Before Taxes	1,329,363	950,509	378,854	39.86
Provision For Taxes	(265,700)	(229,223)	(36,477)	(15.91)
Net Profit/Loss	1,063,663	721,286	342,377	47.47

Assessment of Financial Position

Dividend Distribution

We, as The Board of Directors, propose the following dividend distribution plan for the net income of YTL 1,063,663,391.81 that was earned by Garanti Bank during its 61st year. We also propose to have the board authorized to determine the timing of the dividends and the headquarters sanctioned to distribute dividends to employees based on their performances.

DIVIDEND DISTRIBUTION CHART- 2006 (YTL)	
Net Income	1,063,663,391.81
A- First Legal Reserve (as per TCC* 466/1) (5%)	(53,183,169.59)
Legal Funds That Are Reserved and Invested as per requirements	(23,018,703.90)
B- First Dividend as per Paid-in Capital (5%)	(105,000,000.00)
C- Extraordinary Legal Reserve (5%)	(44,123,075.92)
D -	
- Up to 5% for Board Members	-
- 5% for Department Heads and Employees	(38,106,292.84)
- Dividends for Founding Shares	(76,212,585.67)
E- Extraordinary Legal Reserve	(712,587,676.04)
F- Second Legal Reserve (As per TCC 466/1)	(11,431,887.85)

CASH DIVIDEND ON 2006 PROFIT TO BE PAID TO ORDINARY SHARE HOLDERS

	AMOUNTS TO BE PAID IN CASH			DIVIDEND PAYMENT DATE
	TOTAL AMOUNT OF DIVIDEND	DIVIDEND PER SHARE WITH A FACE VALUE OF YTL 1		
		AMOUNT	RATIO (%)	
GROSS (*)	105,000,000.00	0.05000	5.00000	To be determined after the General Shareholders' Assembly
NET	89,250,000.00	0.04250	4.25000	

CASH DIVIDEND ON 2006 PROFIT TO BE PAID TO FOUNDER SHARE HOLDERS

	AMOUNTS TO BE PAID IN CASH			DIVIDEND PAYMENT DATE
	TOTAL AMOUNT OF DIVIDEND	DIVIDEND PER SHARE		
		NO OF SHARES	AMOUNT	
GROSS (*)	76,212,585.67	370	205,979.96	To be determined after the General Shareholders' Assembly
NET	64,780,697.82	370	175,082.97	

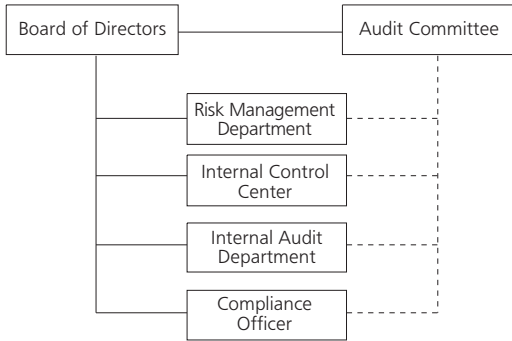
* As per the 15th and 30th articles of The Corporate Tax Law (5520), fully liable real persons and partially liable corporations and persons will not be taxed at 15%.

Sincerely,

Board of Directors

Organization of Risk Management and Internal Audit

At Garanti Bank, the risk management and internal audit activities are carried out in compliance with the relevant legislation and independently from the executive functions, through an organization that reports directly to the Board of Directors. The Board of Directors is ultimately responsible for establishing the risk management and internal audit systems, ensuring effective functioning of these systems, and forming, enforcing and maintaining risk management and internal audit strategies and policies that are in line with the capital structure of the Bank.



In accordance with the importance given to corporate governance principles, the Audit Committee, which became compulsory through the legal arrangements enacted on November 1, 2006, continues its activities in order to enable the Board of Directors to carry out audit and supervision. The Audit Committee receives regular reports from units established within the scope of the internal control, internal audit and risk management systems, assesses the existence and the sufficiency of the methods related to the determination, control and follow-up of the risks incurred by the Bank, and regularly shares these results with the Board of Directors. The Audit Committee also shares its opinions with the Board of Directors on the results of the activities of the responsible units, and the required actions and other issues that are vital for the Bank to continue its activities in a safe mode.

Risk Management Activities

Garanti measures and monitors market and credit risks through analytical methods in compliance with international standards. The Bank purchased an advanced risk management software package to be used throughout the entire risk management system and Basel II applications. The software will be implemented in 2007-08 as per the requirements of the bank.

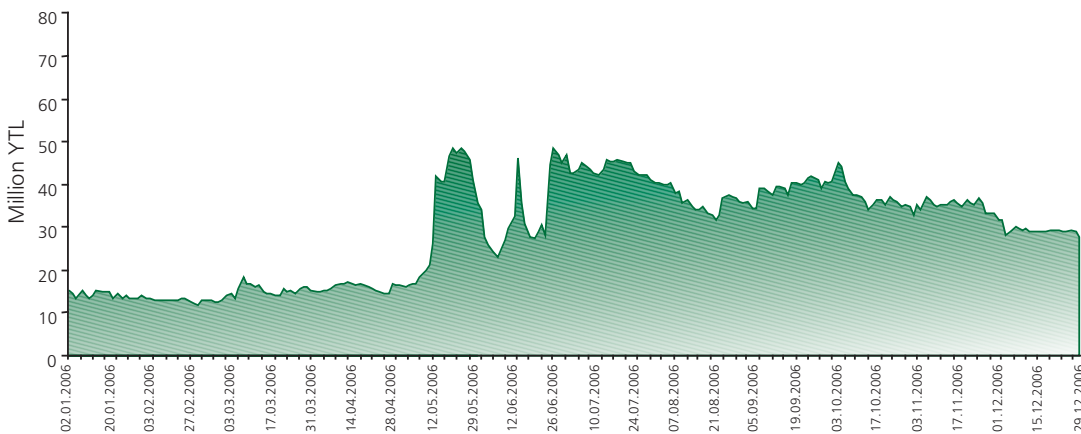
Market Risk

Market risk is measured through methods in compliance with the policies and procedures of the Bank, as well as internationally approved local and international techniques and is efficiently managed and evaluated via a continuously developing structure.

Trading Risk: Risk incurred by the Bank in terms of its on and off balance sheet trading positions as a result of market price fluctuations is calculated on a daily basis with VAR (Value at Risk) model and VAR based economic capital is determined. The value-at-risk model measures the maximum loss that is likely within a specified confidence interval (CI) to be sustained due to fluctuations in market prices in the market value of a portfolio over a specified holding period. The VAR calculated with a 99% confidence level using 260-day historical data by means of parametric method is then subjected to kurtosis and liquidity adjustments to reflect market conditions. VAR calculations are used in the management of Treasury trading transactions. The VAR limits, which are determined in accordance with the capital distribution approved by the Board of Directors and updated at the end of every six months to reflect the change in shareholders' equity (as used for the calculation of the capital adequacy ratio), are monitored and reported by the Risk Management Department on a daily basis.

As of the end of 2006, the VAR calculated for the entire trading portfolio, including available for sale portfolio, was YTL 28.38 million. The average for the entire 2006 was YTL 29.21 million. Considering the current market conditions and the shareholders' equity figure of our Bank, this amount is not a considerable risk. VAR limits were not exceeded.

Liquidity and Kurtosis Adjusted Parametric VAR, 99% GA



Note: The Value at Risk calculated with the internal model is presently used in the internal management of the Bank. In accordance with current regulations, the reporting to the Banking Regulation and Supervision Authority (BRSA) shall be made by utilizing the standardized approach. In accordance with the Basel II road map of the Banking Regulation and Supervision Authority, VAR will be used in the calculation of the capital adequacy at the beginning of 2008. Regular stress tests and scenario analysis are carried out through the VAR model in order to determine the risks that may occur in case of major fluctuations in the market. Regular backtests are also carried out to monitor the reliability of the model.

Risk Management Policies

Structural Interest Rate Risk: Duration/gap and sensitivity analysis reports are generated to determine the interest risk incurred by the Bank due to the maturity mismatch of the Bank's balance sheet structure. The duration/gap reports, which are calculated in TRY and in foreign currency on the basis of the present value of all cash flows on an individual transaction basis, and which cover all the interest sensitive on and off balance sheet items, are used by ALCO and Assets and Liabilities Management Department in the management of balance sheet interest rate risk and liquidity risks. Instruments such as IR swap, futures, and long-term repos are used for the management of Gap and long term resources such as syndications and securitizations are generated.

Liquidity Risk: Liquidity Risk is managed by the Assets and Liabilities Management Department, the Liquidity Risk Management Committee and ALCO to ensure that measures are taken in a timely and accurate manner against an eventual liquidity crisis that may arise from market conditions and the structure of Garanti's balance sheet. The Bank monitors liquidity risk through the following written corporate procedures:

- Early warning signals;
- Stress levels in accordance with the severity of the liquidity risk; and
- Actions to be taken at every stress level.

Liquid assets and liquid liabilities in foreign currency are regularly monitored through liquidity reports. Core deposit analysis is periodically carried out for deposits, which are an important balance sheet item in terms of liquidity management.

Daily liquidity management is carried out by the Assets and Liabilities Management Department, which operates within the limits set forth by the Liquidity Risk Management Committee.

Credit Risk

In January 2003, the internal risk rating model developed for the corporate and commercial loans portfolio was made compatible with the Bank's system, and its use within the loan allocation process was included in the credit policies and procedures. The model was developed through statistical methods on the basis of past data in order to rate customers by using objective criteria. Through the internal risk-rating model, the default probability of each customer is determined. Ratings are used to calculate the expected losses, unexpected losses and economic capital amounts for specific portfolios. A scoring model developed by Experian is used for the application and allocation processes of retail loans and credit cards.

In the case of treasury operations, statistical methods are employed to calculate the credit risk arising from the likelihood of a counterparty defaulting on money market, repo, and derivative transactions as well as the economic capital associated with that risk

Operational Risk

In order to measure and manage operational risk, potential operational risks and the related reasons, results and affected business divisions were grouped according to the BRSA classifications in order to create a sample risk matrix. Necessary actions have been taken to create an internal database for the collection of the operational risk loss data of the Bank in a more systematic way and in a centralized medium in compliance with Basel II standards. After the establishment of the operational risk loss database within the scope of the purchased software, the Bank will be able to make risk and capital calculations using the advanced method within the Basel II framework

The audit process and its effects and probabilities are evaluated by this matrix as a part of the risk control mechanism. The risk matrix is monitored, updated and utilized as the main analysis platform by the Internal Control Center and the Internal Audit Department.

Basel II Compliance Process

Another project initiated in 2003 is the Basel II compliance project. Basel II compliance project is coordinated internally by Risk Management Department. It is targeted by BRSA to have Basel II in effect in 2008. With the Basel II regulatory and economic capital modules that were purchased within the framework of risk management software, the Bank targets to complete the implementation of Basel II compliant database and reports by the end of 2008.

Basel II informational meetings for Garanti customers were held in various cities all over Turkey. The meetings will continue in 2007.

Garanti Bank's risk management staff also play active roles in the committees set up by the Banks Association of Turkey in the areas of Basel II compliance as well as risk management.

Emergency Plan

The emergency plan, which was designed with the assistance of external consultants, was established to ensure business continuity by carrying out vital operations of the Bank under emergency conditions. Within this scope, the responsibilities of emergency and support teams, and action plans and guidelines for each branch, division and region were laid out for the periods of before, during and after the emergencies. This plan also contains information about the update and testing procedures and provides strategies on how to get back to normal conditions.

Activities of the Internal Control Center

The Internal Control Center ensures the creation and coordination of a sound internal control environment within the Bank; the conduct of the Bank's activities in a regular, productive and efficient manner in accordance with management strategies and policies within the framework of legislation and rules; and the integrity as well as reliability of the accounts and records systems. In order to carry out these activities, the Center establishes infrastructures that promote the functional separation of missions, facilitate equal distribution of authorizations and responsibilities, form automated control systems, set up approval structures and identify and monitor risks.

The Internal Control Center carries out its audits and the development of the internal control environment on the basis of the "operational risk matrix". With the application of this matrix, operational risks within the Bank can be monitored by integrating information such as effects, probabilities and current processes in a risk-based approach.

Audit activities are carried out by the Internal Control Center staff via centralized and on site audit methods:

- To ensure the compliance of accounting and MIS records of the entire Bank on a daily basis for centralized auditing; and
- To ensure the compliance of transactions and documentation with the internal and legal arrangements and legislation in a proactive way regarding the on-site audits of selected headquarter divisions and branches.

Moreover, instruments such as risk reporting and self assessment are also used by all branches and units to manage their operational risks.

In accordance with the provisions of article 18 of the "Regulations on the Internal Systems of Banks" issued on November 1, 2006, compliance related controls of new products, operations and planned activities shall be conducted by the Compliance Officer appointed within the ICC organization.

Activities of the Internal Audit Department

The audit activities of the Bank's head office departments, subsidiaries and branches are carried out by the Internal Audit Department.

The Department analyzes and evaluates:

- Compliance of the departments with the laws, regulations, policies and procedures;
- Consistency and reliability of all financial and non financial information;
- Efficiency of the applications related to the safeguarding of the assets;
- Effectiveness and efficiency of operations; and
- Efficiency of internal control systems.

Moreover, investigations of any fraudulent activity against the Bank by its personnel or any third parties are also carried out by the Internal Audit Department.

To carry out all these functions in an efficient way, the Internal Audit Department is structured to enable on-site as well as central audit engagements.

Within the scope of the on-site audit activities, fieldwork is carried out by using various audit techniques in the subsidiaries of the Bank, the head office departments, regional offices and branches through prioritization implemented in accordance with risk evaluations.

In order to utilize existing resources in an efficient way and carry out the business activities as efficiently as possible, the Internal Audit Committee adopted a risk-oriented approach. The annual audit plans for the on-site engagements are prepared and applied in accordance with this concept.

To maintain the continuity of activities of critical departments in emergency situations, alternative work places have been established in different locations and the regular testing of these locations have been conducted to ensure their readiness. Data process center and network structure of the Bank were designed to include back-up system to prevent technical and mechanical hardware problems. For emergencies excluding technical and mechanical problems that affect the services conducted by operational and data processing centers, the disaster recovery site, which maintained by IBM firm and located in Izmir, can be used. The Bank possesses back-up equipment for EFT and SWIFT systems. The machines are readily available to use in an emergency.

The Department also carries out centralized audits by using remote examination techniques in order to determine systematic defects and errors in banking products, applications and processes. In addition to the analysis and investigation of fraudulent activities, the Department also works to determine frauds through early warning systems.

The Internal Audit Department is aware of the fact that information technologies play an increasingly important role in banking processes and internal control mechanisms and create new factors that need to be audited. Therefore, a team was established within the Department to carry out IT audits and work plans were formed.

The work on the structure and methodology of IT audits and plans is continued and it is planned to conduct audit engagements in 2007.

The scope of the Internal Audit Department consists of the whole activities of the Bank and its subsidiaries without exception to ensure the realization of determined goals. The scope and the frequency of the audits are determined in accordance with the risk evaluations made by the Department, the resources and priorities of the Department as well as the objectives and the strategies of the Bank. Within the scope of their activities, members of the Department have unlimited access to all records, documents, accounts, information systems, personnel and physical properties of the Bank.

Risk Management Policies

Compliance Officer

In March 2003, a Compliance Officer was appointed by the Bank as enforced by the "Prevention of Money Laundering" law, and a "Compliance Committee" was created with the participation of the relevant business divisions in order to ensure efficient coordination within the Bank. This Committee is in charge of various functions such as:

- Identity authentication of customers in accordance with the provisions of relevant codes;
- Reporting of doubtful transactions;
- Providing employees with training on money laundering in order to increase awareness; and
- Monitoring of bank transactions with regards to the money laundering legislations.

To carry out these obligations effectively, the Compliance Officer needs to perform the following activities:

- Preparing necessary policies and procedures and revising them when necessary;
- Establishing a common application platform;
- Offering guidance to employees;
- Submitting proposals to Bank management and the compliance committee; and
- Managing relations with private and public institutions.

Managers of the Internal Systems

Names, Terms, Responsibilities, Educational Backgrounds, Job Experiences

Ebru Ogan

Ms. Ogan graduated from the Business Administration Department of the Middle East Technical University. Between 1991 and 2001, she worked as a manager in various banks and other corporations in the private sector. Ogan joined the Garanti Bank Subsidiaries Risk Management Department in 2001 and she has been working as the manager of the Risk Management Department since 2003.

The responsibilities of the division manager are summarized as follows:

- Ensuring that Bank's market and credit risk models are developed in compliance with market standards and based on statistical methods;
- Managing projects as required;
- Ensuring that all new systems and processes are in compliance with Bank's policies;
- Manage studies in establishing an integrated risk management system that covers all types of risks for the Bank; and
- Finding out the risk management requirements of subsidiaries and carrying out the necessary work.

Osman Bahri Turgut

Mr. Turgut graduated from the Economy Department of Marmara University. He has 16 years of experience in banking business and served as the Director of Internal Audit Department since October 4, 2006. Since 1990, he has worked within Garanti as an assistant internal auditor, branch manager, Vice Chairman of the Internal Audit Department, the Commercial Credits Division Manager and the Internal Control Center Manager.

The responsibilities of the Director of Internal Audit Department are summarized below:

- Determination of the policies and application methods related to internal audit activities, and application of these policies after receiving approvals;
- Supervision of the internal audit activities, monitoring and guidance of internal audit policies, programs, processes and applications;
- Evaluation of the qualifications of auditors regarding their authorities and responsibilities; and
- Monitoring the department members to make sure that they carry out their duties in an independent and objective manner.

Erdoğan Yılmaz

Mr. Yılmaz graduated from the International Relations Department of the Faculty of Political Sciences of Ankara University. He joined Garanti in 1994 as an Assistant Inspector and in 2000, became Vice Chairman of the Internal Audit Department. Erdoğan Yılmaz, who has 13 years of experience in banking, has been the Internal Control Center Manager since October 4, 2006.

The responsibilities of the Internal Control Center Manager are summarized as follows:

- Establishing an internal control system in line with legal requirements as well as the Bank's objectives and policies;
- Managing the distribution of internal control responsibilities between internal control employees and other operations-related employees;
- Preparing the yearly business plans for the Internal Control Center and ensuring that operations are executed in line with these plans;
- Evaluating the proficiency of the internal control staff with respect to their authorities and responsibilities; and
- Monitoring internal control employees to make sure that they carry out their duties in an independent and neutral manner.

SECTION IV
CONSOLIDATED
FINANCIAL
STATEMENTS


**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

Yapı Kredi Plaza C Blok Kat 17
Büyükdere Caddesi
Levent 34330 İstanbul

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

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

To the Board of Directors of Türkiye Garanti Bankası AŞ

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

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

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

Disclosure for the Responsibility of the Authorized Audit Firm

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

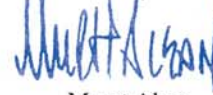
Independent Auditors' Opinion

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

İstanbul,
27 February 2007

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik

Anonim Şirketi



Murat Alsan
Partner

Certified Public Accountant

Additional paragraph for convenience translation to English:

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates
Consolidated Financial Report as of and for the Year Ended 31 December 2006**

Türkiye Garanti Bankası A.Ş.
Levent Nispetiye Mah.Aytar Cad.
No:2 Beşiktaş 34340 İstanbul
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The consolidated year-end financial report prepared in accordance with the communique of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

The consolidated subsidiaries in the scope of this financial report are the followings:

Subsidiaries

1. Garanti Bank International NV
2. Garanti Finansal Kiralama AŞ
3. Garanti Bank Moscow
4. Garanti Sigorta AŞ
5. Garanti Faktoring Hizmetleri AŞ
6. Garanti Gayrimenkul Yatırım Ortaklığı AŞ
7. Garanti Emeklilik ve Hayat AŞ
8. Garanti Yatırım Menkul Kıymetler AŞ
9. Garanti Portföy Yönetimi AŞ
10. Garanti Financial Services Plc
11. Garanti Fund Management Co Ltd

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

Ferit F. Şahenk
Board of Directors
Chairman

M. Cüneyt Sezgin
Audit Board
Member

Des O'Shea
Audit Board
Member

S. Ergun Özen
General
Manager

Aydın Şenel
Executive Vice President
Responsible of
Financial Reporting

Aylin Aktürk
Coordinator

The authorized contact person for questions on this financial report:

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

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Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates Consolidated Financial Report as of and for the Year Ended 31 December 2006

Türkiye Garanti Bankası AŞ and Its Financial Affiliates
Consolidated Financial Report as of and
for the year ended 31 December 2006
(Thousands of New Turkish Lira (YTL))

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

1 General Information

1.1 History of parent bank including its incorporation date, initial legal status, amendments to legal status

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

1.2 Parent bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the year and information on its risk group

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

Doğuş Group

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

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

General Electric Group

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

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

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

Board of Directors Chairman and Members:

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

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

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

**Türkiye Garanti Bankası AŞ and Its Financial Affiliates
Consolidated Financial Report as of and
for the year ended 31 December 2006
(Thousands of New Turkish Lira (YTL))**

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

CEO and Executive Vice Presidents:

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

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

1.4 Information on parent bank's qualified shareholders

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

In 2004 and 2005, Doğuş Holding AŞ had two separate agreements with a foreign portfolio investor for issuing options to purchase a portion of the shares of the Bank owned by Doğuş Holding AŞ. In accordance with the related Security's Lending Agreements, the investor exercised the entire call option and took over all the ownership rights including the sale of 24,161,797,524 shares representing 11.50% of the Bank's capital (per 1 New Kuruş) throughout the agreed option period.

The sale of the Bank's shares having a total nominal value of YTL 535,500 thousands representing 25.5% of the Bank's issued share capital; and 182 of the founder shares by Doğuş Holding AŞ to GE Araştırma ve Müşavirlik Limited Şti., an investee company of GE Capital Corporation incorporated in Turkey, was completed on 22 December 2005. A call has been made to the Bank's minority shareholders according to the paragraph 17 of the Article IV no.8 "Principles on Voting by Proxy at General Assembly and Gathering Proxy or Common Stock through Calls for Quoted Companies" of the Turkish Capital Market Board, starting from 27 March 2006 to purchase the shares with a total face value of YTL 1,564,500 at a price of YTL 3.90 per share from the minority shareholders. The call period has ended on 10 April 2006 and the minority shareholders responded to this call by selling 6,249.49 shares with a face value of YTL 1 each. Accordingly, the shares owned by GE Araştırma ve Müşavirlik Limited Şti. increased to YTL 535,506 thousands.

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

1.5 Summary information on parent bank's activities and services

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

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

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

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

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates Consolidated Financial Report as of and for the Year Ended 31 December 2006

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates
Consolidated Balance Sheet At 31 December 2006

Convenience Translation of Financial
Statements Originally Issued in Turkish

2. Consolidated Financial Statements

ASSETS		Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
			CURRENT PERIOD 31 December 2006			PRIOR PERIOD 31 December 2005		
			YTL	FC	Total	YTL	FC	Total
I.	CASH AND BALANCES WITH CENTRAL BANK	5.1.1	1,885,419	3,399,014	5,284,433	1,110,811	2,999,181	4,109,992
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5.1.2	112,526	940,039	1,052,565	136,893	838,363	975,256
2.1	Financial assets held for trading		96,229	901,214	997,443	136,424	826,595	963,019
2.1.1	Government securities		86,754	128,549	215,303	136,361	164,567	300,928
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Other securities		9,475	772,665	782,140	63	662,028	662,091
2.2	Financial assets valued at fair value through profit or loss		-	-	-	-	-	-
2.2.1	Government securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Other securities		-	-	-	-	-	-
2.3	Trading derivatives		16,297	38,825	55,122	469	11,768	12,237
III.	BANKS AND OTHER FINANCIAL INSTITUTIONS	5.1.3	207,543	2,345,038	2,552,581	475,644	1,881,199	2,356,843
IV.	INTERBANK MONEY MARKETS		-	-	-	-	-	-
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	5.1.4	5,604,552	4,205,447	9,809,999	5,998,275	2,860,829	8,859,104
5.1	Equity securities		27,513	21,668	49,181	19,108	3,005	22,113
5.2	Government securities		5,577,039	3,992,815	9,569,854	5,947,803	2,764,127	8,711,930
5.3	Other securities		-	190,964	190,964	31,364	93,697	125,061
VI.	LOANS	5.1.5	15,721,751	13,513,102	29,234,853	9,641,809	8,657,268	18,299,077
6.1	Performing loans		15,536,406	13,512,605	29,049,011	9,404,386	8,657,268	18,061,654
6.2	Loans under follow-up		636,589	7,645	644,234	714,938	7,777	722,715
6.3	Specific provisions (-)		451,244	7,148	458,392	477,515	7,777	485,292
VII.	FACTORING RECEIVABLES	5.1.6	479,158	102,001	581,159	233,735	34,578	268,313
VIII.	INVESTMENTS HELD-TO-MATURITY (Net)	5.1.7	4,033,978	1,138,623	5,172,601	182,788	2,881,857	3,064,645
8.1	Government securities		4,032,026	1,073,790	5,105,816	181,748	2,772,471	2,954,219
8.2	Other securities		1,952	64,833	66,785	1,040	109,386	110,426
IX.	INVESTMENTS IN ASSOCIATES (Net)	5.1.8	1,535	-	1,535	26,497	4,401	30,898
9.1	Associates consolidated under equity accounting		-	-	-	-	-	-
9.2	Unconsolidated associates		1,535	-	1,535	26,497	4,401	30,898
9.2.1	Financial investments in associates		-	-	-	-	4,401	4,401
9.2.2	Non-financial investments in associates		1,535	-	1,535	26,497	-	26,497
X.	INVESTMENTS IN SUBSIDIARIES (Net)	5.1.9	8,310	585	8,895	8,310	6,163	14,473
10.1	Unconsolidated financial investments in subsidiaries		419	585	1,004	419	6,163	6,582
10.2	Unconsolidated non-financial investments in subsidiaries		7,891	-	7,891	7,891	-	7,891
XI.	INVESTMENTS IN JOINT-VENTURES (Net)	5.1.10	-	-	-	-	-	-
11.1	Joint-ventures consolidated under equity accounting		-	-	-	-	-	-
11.2	Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1	Financial investments in joint-ventures		-	-	-	-	-	-
11.2.2	Non-financial investments in joint-ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	5.1.11	399,486	887,382	1,286,868	232,958	554,192	787,150
12.1	Financial lease receivables		501,017	990,216	1,491,233	285,089	611,831	896,920
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		101,531	102,834	204,365	52,131	57,639	109,770
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	5.1.12	-	4,799	4,799	-	5,300	5,300
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	4,799	4,799	-	5,300	5,300
13.3	Net foreign investment hedges		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	5.1.13	917,332	59,955	977,287	1,058,459	53,601	1,112,060
XV.	INTANGIBLE ASSETS (Net)	5.1.14	83,547	3,725	87,272	69,877	1,712	71,589
15.1	Goodwill		6,388	-	6,388	6,611	-	6,611
15.2	Other intangibles		77,159	3,725	80,884	63,266	1,712	64,978
XVI.	TAX ASSET		43,810	20	43,830	59,152	2	59,154
16.1	Current tax asset		-	-	-	-	-	-
16.2	Deferred tax asset	5.1.15	43,810	20	43,830	59,152	2	59,154
XVII.	ASSETS HELD FOR SALE	5.1.16	115,196	-	115,196	423,893	-	423,893
XVIII.	OTHER ASSETS	5.1.17	919,364	165,149	1,084,513	738,671	125,346	864,017
TOTAL ASSETS			30,533,507	26,764,879	57,298,386	20,397,772	20,903,992	41,301,764

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates
Consolidated Balance Sheet At 31 December 2006

Convenience Translation of Financial
Statements Originally Issued in Turkish

THOUSANDS OF NEW TURKISH LIRA (YTL)

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	CURRENT PERIOD 31 December 2006			PRIOR PERIOD 31 December 2005		
		YTL	FC	Total	YTL	FC	Total
I. DEPOSITS	5.2.1	14,326,846	19,453,359	33,780,205	11,879,907	13,611,319	25,491,226
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	5.2.2	243,904	15,641	259,545	41,441	46,546	87,987
III. FUNDS BORROWED	5.2.3	950,116	8,711,759	9,661,875	381,057	6,307,392	6,688,449
IV. INTERBANK MONEY MARKETS	5.2.4	4,310,794	984,851	5,295,645	1,365,506	974,818	2,340,324
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		4,310,794	984,851	5,295,645	1,365,506	974,818	2,340,324
V. SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		1,599,078	141,420	1,740,498	1,137,240	189,407	1,326,647
VIII. OTHER EXTERNAL RESOURCES PAYABLE		111,242	462,460	573,702	155,336	577,971	733,307
IX. FACTORING PAYABLES	5.2.5	147,722	30,839	178,561	44,835	6,463	51,298
X. LEASE PAYABLES (Net)	5.2.6	-	1,664	1,664	-	3,973	3,973
10.1 Financial lease payables		-	1,815	1,815	-	4,574	4,574
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	151	151	-	601	601
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	5.2.7	-	-	-	-	-	-
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	-	-	-	-	-
11.3 Net foreign investment hedges		-	-	-	-	-	-
XII. PROVISIONS	5.2.8	614,762	22,748	637,510	462,475	9,524	471,999
12.1 General provisions		148,747	9,719	158,466	95,043	5,663	100,706
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		129,930	-	129,930	105,561	-	105,561
12.4 Insurance technical provisions (Net)		198,676	8,068	206,744	154,487	-	154,487
12.5 Other provisions		137,409	4,961	142,370	107,384	3,861	111,245
XIII. TAX LIABILITY	5.2.9	200,135	1,287	201,422	131,706	16,940	148,646
13.1 Current tax liability		199,418	896	200,314	131,683	16,351	148,034
13.2 Deferred tax liability		717	391	1,108	23	589	612
XIV. PAYABLES FOR ASSETS HELD FOR SALE	5.2.10	-	-	-	-	-	-
XV. SUBORDINATED DEBTS	5.2.11	-	143,372	143,372	-	60,206	60,206
XVI. SHAREHOLDERS' EQUITY	5.2.12	4,748,777	75,610	4,824,387	3,840,892	56,810	3,897,702
16.1 Paid-in capital		2,100,000	-	2,100,000	2,100,000	-	2,100,000
16.2 Capital reserves		805,552	73,433	878,985	886,270	55,391	941,661
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		52,419	70,285	122,704	110,684	51,838	162,522
16.2.4 Revaluation surplus on tangible assets		2,147	-	2,147	2,147	-	2,147
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Bonus shares of associates, subsidiaries and joint-ventures		950	-	950	885	-	885
16.2.7 Hedging reserves (effective portion)		(22,518)	3,148	(19,370)	-	3,553	3,553
16.2.8 Revaluation surplus on assets held for sale		-	-	-	-	-	-
16.2.9 Other capital reserves		772,554	-	772,554	772,554	-	772,554
16.3 Profit reserves		670,144	2,177	672,321	68,127	1,419	69,546
16.3.1 Legal reserves		106,476	2,177	108,653	67,990	1,419	69,409
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		526,745	-	526,745	-	-	-
16.3.4 Other profit reserves		36,923	-	36,923	137	-	137
16.4 Profit or loss		1,165,311	-	1,165,311	744,473	-	744,473
16.4.1 Prior periods profit/loss		-	-	-	(4,379)	-	(4,379)
16.4.2 Current period profit/loss		1,165,311	-	1,165,311	748,852	-	748,852
16.5 Minority interest		7,770	-	7,770	42,022	-	42,022
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		27,253,376	30,045,010	57,298,386	19,440,395	21,861,369	41,301,764

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates Consolidated Financial Report as of and for the Year Ended 31 December 2006

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates
Consolidated Off-Balance Sheet Items At 31 December 2006

Convenience Translation of Financial
Statements Originally Issued in Turkish

OFF-BALANCE SHEET ITEMS

THOUSANDS OF NEW TURKISH LIRA (YTL)

	Footnotes	CURRENT PERIOD 31 December 2006			PRIOR PERIOD 31 December 2005		
		YTL	FC	Total	YTL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		17,371,813	19,453,190	36,825,003	11,228,411	15,498,248	26,726,659
I. GUARANTEES AND SURETIES	5.3.1	2,683,457	7,364,141	10,047,598	2,357,735	6,054,181	8,411,916
1.1. Letters of guarantee		2,682,754	4,735,481	7,418,235	2,088,864	3,927,273	6,016,137
1.1.1. Guarantees subject to State Tender Law		268,378	628,922	897,300	227,189	724,043	951,232
1.1.2. Guarantees given for foreign trade operations		255,968	318,112	574,080	242,518	80,539	323,057
1.1.3. Other letters of guarantee		2,158,408	3,788,447	5,946,855	1,619,157	3,122,691	4,741,848
1.2. Bank acceptances		616	142,925	143,541	-	286,255	286,255
1.2.1. Import letter of acceptance		600	141,356	141,956	-	286,255	286,255
1.2.2. Other bank acceptances		16	1,569	1,585	-	-	-
1.3. Letters of credit		87	2,485,735	2,485,822	268,871	1,840,653	2,109,524
1.3.1. Documentary letters of credit		-	377,660	377,660	-	299,978	299,978
1.3.2. Other letters of credit		87	2,108,075	2,108,162	268,871	1,540,675	1,809,546
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Underwriting commitments		-	-	-	-	-	-
1.7. Factoring related guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	-	-	-	-	-
1.9. Other sureties		-	-	-	-	-	-
II. COMMITMENTS		9,807,302	751,790	10,559,092	6,506,699	335,659	6,842,358
2.1. Irrevocable commitments		9,807,302	751,551	10,558,853	6,506,699	335,494	6,842,193
2.1.1. Asset purchase commitments		146,776	158,806	305,582	14,962	226,546	241,508
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		250	-	250	-	-	-
2.1.4. Loan granting commitments		1,825,959	432,198	2,258,157	-	32,384	32,384
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		1,528,984	-	1,528,984	1,175,321	-	1,175,321
2.1.8. Tax and fund obligations on export commitments		19,092	-	19,092	25,639	-	25,639
2.1.9. Commitments for credit card limits		6,134,828	-	6,134,828	5,251,513	-	5,251,513
2.1.10. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.11. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		151,413	160,547	311,960	39,264	76,564	115,828
2.2. Revocable commitments		-	239	239	-	165	165
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	239	239	-	165	165
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.3.2	4,881,054	11,337,259	16,218,313	2,363,977	9,108,408	11,472,385
3.1. Derivative financial instruments held for risk management		-	7,107	7,107	-	6,601	6,601
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	7,107	7,107	-	6,601	6,601
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		4,881,054	11,330,152	16,211,206	2,363,977	9,101,807	11,465,784
3.2.1. Forward foreign currency purchases/sales		447,104	956,435	1,403,539	232,554	505,223	737,777
3.2.1.1. Forward foreign currency purchases		273,493	430,544	704,037	52,326	301,532	353,858
3.2.1.2. Forward foreign currency sales		173,611	525,891	699,502	180,228	203,691	383,919
3.2.2. Currency and interest rate swaps		4,085,925	8,450,168	12,536,093	1,354,627	6,177,171	7,531,798
3.2.2.1. Currency swaps-purchases		93,461	6,018,190	6,111,651	196,422	3,551,537	3,747,959
3.2.2.2. Currency swaps-sales		3,986,341	2,407,821	6,394,162	1,145,146	2,612,768	3,757,914
3.2.2.3. Interest rate swaps-purchases		3,010	12,093	15,103	6,212	6,433	12,645
3.2.2.4. Interest rate swaps-sales		3,113	12,064	15,177	6,847	6,433	13,280
3.2.3. Currency, interest rate and security options		311,087	1,651,250	1,962,337	646,764	1,798,625	2,445,389
3.2.3.1. Currency call options		52,957	855,187	908,144	298,062	885,559	1,183,621
3.2.3.2. Currency put options		258,130	645,348	903,478	348,702	810,989	1,159,691
3.2.3.3. Interest rate call options		-	-	-	-	-	-
3.2.3.4. Interest rate put options		-	-	-	-	-	-
3.2.3.5. Security call options		-	65,742	65,742	-	37,752	37,752
3.2.3.6. Security put options		-	84,973	84,973	-	64,325	64,325
3.2.4. Currency futures		36,938	34,828	71,766	128,042	119,913	247,955
3.2.4.1. Currency futures-purchases		36,938	-	36,938	125,791	316	126,107
3.2.4.2. Currency futures-sales		-	34,828	34,828	2,251	119,597	121,848
3.2.5. Interest rate futures		-	139,536	139,536	1,990	320,014	322,004
3.2.5.1. Interest rate futures-purchases		-	69,768	69,768	1,990	160,007	161,997
3.2.5.2. Interest rate futures-sales		-	69,768	69,768	-	160,007	160,007
3.2.6. Others		-	97,935	97,935	-	180,861	180,861
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		115,037,822	126,754,734	241,792,556	82,517,397	86,863,598	169,380,995
IV. ITEMS HELD IN CUSTODY		28,448,874	12,781,762	41,230,636	29,933,026	6,278,358	36,211,384
4.1. Customers' securities held		3,219,699	4,408,869	7,628,568	8,008,195	3,577,487	11,585,682
4.2. Investment securities held in custody		20,700,068	1,926,185	22,626,253	19,352,636	832,483	20,185,119
4.3. Checks received for collection		3,641,784	378,927	4,020,711	2,048,776	213,908	2,262,684
4.4. Commercial notes received for collection		864,143	1,862,917	2,727,060	509,926	1,559,300	2,069,226
4.5. Other assets received for collection		90	3,861,442	3,861,532	217	1,112	1,329
4.6. Assets received through public offering		-	20,233	20,233	-	8,756	8,756
4.7. Other items under custody		23,090	323,189	346,279	13,276	85,312	98,588
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		86,588,948	113,972,972	200,561,920	52,584,371	80,585,240	133,169,611
5.1. Securities		207,080	10,126	217,206	238,405	7,457	245,862
5.2. Guarantee notes		7,584,926	4,770,191	12,355,117	4,511,386	3,973,482	8,484,868
5.3. Commodities		237	-	237	237	176,019	176,256
5.4. Warranties		-	415,030	415,030	-	-	-
5.5. Real estates		7,935,629	5,948,579	13,884,208	4,586,459	3,441,425	8,027,884
5.6. Other pledged items		70,860,906	102,823,123	173,684,029	43,247,714	72,981,384	116,229,098
5.7. Pledged items-depository		170	5,923	6,093	170	5,473	5,643
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		132,409,635	146,207,924	278,617,559	93,745,808	102,361,846	196,107,654

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates
Consolidated Income Statement For the Year Ended 31 December 2006
Convenience Translation of Financial Statements Originally Issued in Turkish

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)	
			CURRENT PERIOD 2006	PRIOR PERIOD 2005
I.	INTEREST INCOME	5.4.1	5,562,567	3,782,251
1.1	Interest income from loans		2,994,252	2,052,156
1.2	Interest income from reserve deposits		125,849	67,784
1.3	Interest income from banks		241,944	130,246
1.4	Interest income from money market transactions		2,150	947
1.5	Interest income from securities portfolio		1,799,117	1,408,200
1.5.1	Trading financial assets		61,566	65,320
1.5.2	Financial assets valued at fair value through profit or loss		-	-
1.5.3	Financial assets available-for-sale		1,130,437	994,348
1.5.4	Investments held-to-maturity		607,114	348,532
1.6	Financial lease income		129,302	72,638
1.7	Other interest income		269,953	50,280
II.	INTEREST EXPENSE	5.4.2	3,486,684	1,964,857
2.1	Interest on deposits		2,454,736	1,508,337
2.2	Interest on funds borrowed		496,817	218,836
2.3	Interest on money market transactions		472,357	197,848
2.4	Interest on securities issued		712	-
2.5	Other interest expenses		62,062	39,836
III.	NET INTEREST INCOME (I - II)		2,075,883	1,817,394
IV.	NET FEES AND COMMISSIONS INCOME		1,111,284	804,666
4.1	Fees and commissions received		1,471,985	1,114,837
4.1.1	Cash loans		111,034	73,840
4.1.2	Non-cash loans		96,908	65,180
4.1.3	Others		1,264,043	975,817
4.2	Fees and commissions paid		360,701	310,171
4.2.1	Cash loans		35,134	28,968
4.2.2	Non-cash loans		875	242
4.2.3	Others		324,692	280,961
V.	DIVIDEND INCOME	5.4.3	2,767	1,145
VI.	NET TRADING INCOME/LOSSES (Net)	5.4.4	(51,433)	78,247
6.1	Trading account income/losses (Net)		20,420	4,624
6.2	Foreign exchange gains/losses (Net)		(71,853)	73,623
VII.	OTHER OPERATING INCOME	5.4.5	461,767	340,089
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		3,600,268	3,041,541
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	5.4.6	335,996	449,525
X.	OTHER OPERATING EXPENSES (-)	5.4.7	1,799,160	1,587,561
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,465,112	1,004,455
XII.	INCOME RESULTED FROM MERGERS		-	-
XIII.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XV.	PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	5.4.8	1,465,112	1,004,455
XVI.	PROVISION FOR TAXES	5.4.9	298,549	252,725
16.1	Current tax charge		293,524	195,029
16.2	Deferred tax charge/(credit)		5,025	57,696
XVII.	NET OPERATING PROFIT/LOSS AFTER TAXES	5.4.10	-	-
17.1	Discontinued operations		-	-
17.2	Others		-	-
XVIII.	NET PROFIT/LOSS (XV-XVI)	5.4.11	1,166,563	751,730
18.1	Equity holders of the bank		1,165,311	748,852
18.2	Minority interest		1,252	2,878
EARNINGS PER SHARE (full YTL amount per YTL'000 face value each)			555	357

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

THOUSANDS OF NEW TURKISH LIRA (YTL)

Footnotes	Paid-In Capital	Capital Reserves From Inflation Adjustments to Paid-In Capital	Share Premium	Share Cancellation	Share Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Hedging Reserves (Effective Portion) and Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Revaluation Fund	Revaluation Surplus	Securities Value Increase Fund	Shareholders' Equity excluding Minority Interest	Minority Interest	Total Shareholders' Equity
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																	
PRIOR PERIOD - 31 December 2005																	
I.	Balances at beginning of the period	1,200,000	1,222,554	-	-	51,775	-	105,196	5,383 (154)	-	391,691 (40,686)	9,143	1,756	139,592	3,127,090 (40,840)	39,647	3,166,737 (40,840)
2.1.	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	(40,686)	-	-	-	(40,840)	-	(40,840)
2.2.	Effect of changes in accounting policies	-	-	-	-	-	-	-	(154)	-	(40,686)	-	-	-	(40,840)	-	(40,840)
III.	Adjusted balances at beginning of the period (+/-II)	1,200,000	1,222,554	-	-	51,775	-	105,196	5,229	-	351,005	9,143	1,756	139,592	3,086,250	39,647	3,125,897
Changes during the period																	
VI.	Mergers	-	-	-	-	-	-	-	3,759	-	-	-	-	79,934	83,693	-	83,693
VI.	"Available-for-sale" securities	-	-	-	-	-	-	-	3,759	-	-	-	-	79,934	79,934	-	79,934
VI.	Hedges for risk management	-	-	-	-	-	-	-	3,759	-	-	-	-	3,759	3,759	-	3,759
6.1.	Net cash flow hedges	-	-	-	-	-	-	-	3,759	-	-	-	-	3,759	3,759	-	3,759
6.2.	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers																	
VII.	"Available-for-sale" securities	-	-	-	-	-	-	-	(5,435)	-	-	-	-	(57,004)	(62,439)	-	(62,439)
VIII.	Hedges for risk management	-	-	-	-	-	-	-	(5,435)	-	-	-	-	(57,004)	(57,004)	-	(57,004)
8.1.	Net cash flow hedges	-	-	-	-	-	-	-	(5,435)	-	-	-	-	(57,004)	(57,004)	-	(57,004)
8.2.	Net foreign investment hedges	-	-	-	-	-	-	-	(5,435)	-	-	-	-	(57,004)	(57,004)	-	(57,004)
IX.	Current period net profit	-	-	-	-	-	-	-	-	748,852	-	-	-	-	748,852	2,878	751,730
X.	Profit distribution	-	-	-	-	17,663	-	337,721	-	(355,384)	-	-	-	-	-	-	-
10.1.	Dividends	-	-	-	-	17,663	-	337,721	-	(355,384)	-	-	-	-	-	-	-
10.2.	Transferred to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.3.	Others	-	-	-	-	-	-	-	-	-	-	(7,083)	-	-	-	-	-
XI.	Capital increase	900,000	(450,000)	-	-	-	-	(442,917)	-	-	-	-	-	-	-	-	-
11.1.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Revaluation surplus on tangible assets	7,083	-	-	-	-	-	-	-	-	-	(7,083)	-	-	-	-	-
11.3.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.4.	Securities value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.5.	Capital reserves from inflation adjustments to paid-in capital	450,000	(450,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.6.	Issuance of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.7.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.8.	Others	442,917	-	-	-	-	-	(442,917)	-	-	-	-	-	-	-	-	-
XII.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Primary subordinated debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Secondary subordinated debts	-	-	-	-	(29)	-	-	137	-	-	87	(871)	-	(676)	(503)	(1,179)
XVI.	Others	-	-	-	-	69,409	-	-	3,690	748,852	(4,379)	2,147	885	162,522	3,855,680	42,022	3,897,702
Balances at end of the period (III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV)																	
CURRENT PERIOD - 31 December 2006																	
I.	Balances at beginning of the period	2,100,000	772,554	-	-	69,409	-	-	3,690 (22,923)	-	744,473	2,147	885	162,522	3,855,680 (20,166)	42,022	3,897,702 (20,166)
Changes during the period																	
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	"Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1.	Net cash flow hedges	5.5.2.1	-	-	-	-	-	-	(22,923)	-	-	-	65	2,692	2,757	-	2,757
4.2.	Net foreign investment hedges	5.5.2.2	-	-	-	-	-	-	(405)	-	-	-	65	2,692	(22,923)	-	(22,923)
			-	-	-	-	-	-	(22,518)	-	-	-	-	-	(405)	-	(405)
			-	-	-	-	-	-	(22,518)	-	-	-	-	-	(22,518)	-	(22,518)
Transfers																	
V.	"Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1.	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2.	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Current period net profit	-	-	-	-	-	-	-	-	1,165,311	-	-	-	-	1,165,311	1,252	1,166,563
VIII.	Profit distribution	-	-	-	-	40,619	-	540,026	-	(760,074)	-	-	-	-	(179,429)	-	(179,429)
8.1.	Dividends	5.5.3	-	-	-	40,619	-	540,026	-	(760,074)	-	-	-	-	(178,579)	-	(178,579)
8.2.	Transferred to reserves	5.5.4	-	-	-	-	-	-	-	(581,495)	-	-	-	-	(850)	-	(850)
8.3.	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital increase																	
IX.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.1.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.2.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.3.	Securities value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.4.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.5.	Issuance of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.6.	Foreign exchange differences	5.5.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.7.	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.8.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Primary subordinated debts	-	-	-	-	(1,471)	-	(13,281)	-	-	15,601	-	-	-	849	(35,504)	(34,655)
XII.	Secondary subordinated debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Others	-	-	-	-	96	-	-	-	-	-	-	-	-	36,882	-	36,882
XIV.	Balances at end of the period (+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV)	2,100,000	772,554	-	-	108,653	-	526,745	17,553 (36,786)	1,165,311	-	2,147	950	122,704	4,816,617	7,770	4,824,387

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates
Consolidated Statement of Cash Flows For the Year Ended 31 December 2006**
*Convenience Translation of Financial
Statements Originally Issued in Turkish*

		THOUSANDS OF NEW TURKISH LIRA (YTL)	
STATEMENT OF CASH FLOWS		CURRENT PERIOD	PRIOR PERIOD
		31 December 2006	31 December 2005
	Footnotes		
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	1,549,556	1,497,821
1.1.1	Interests received	5,036,660	3,726,239
1.1.2	Interests paid	(3,174,220)	(1,830,405)
1.1.3	Dividend received	2,767	1,145
1.1.4	Fees and commissions received	1,111,284	804,666
1.1.5	Other income	316,980	353,977
1.1.6	Collections from previously written-off loans and other receivables	29,773	35,198
1.1.7	Payments to personnel and service suppliers	(1,575,401)	(1,418,922)
1.1.8	Taxes paid	(198,287)	(174,077)
1.1.9	Others	5.6.1	-
1.2	Changes in operating assets and liabilities	1,756,589	857,789
1.2.1	Net (increase) decrease in financial assets held for trading	(35,194)	(374,730)
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	(926,613)	(19,853)
1.2.4	Net (increase) decrease in loans	(10,786,221)	(6,897,946)
1.2.5	Net (increase) decrease in other assets	(1,035,300)	(1,779,990)
1.2.6	Net increase (decrease) in bank deposits	501,710	118,981
1.2.7	Net increase (decrease) in other deposits	7,757,636	5,563,414
1.2.8	Net increase (decrease) in funds borrowed	5,903,693	3,849,642
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	5.6.1	398,273
I.	Net cash flow from banking operations	3,306,145	2,355,610
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash flow from investing activities	(2,805,659)	(1,285,936)
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures	5.6.2	(95)
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures	5.6.3	35,037
2.3	Purchases of tangible assets	(186,177)	(470,985)
2.4	Sales of tangible assets	448,125	125,097
2.5	Cash paid for purchase of financial assets available-for-sale	(3,808,590)	(3,001,403)
2.6	Cash obtained from sale of financial assets available-for-sale	-	-
2.7	Cash paid for purchase of investments held-to-maturity	(1,112,833)	(169,686)
2.8	Cash obtained from sale of investments held-to-maturity	1,818,874	1,286,899
2.9	Others	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash flow from financing activities	(214,813)	(2,641)
3.1	Cash obtained from funds borrowed and securities issued	-	-
3.2	Cash used for repayment of funds borrowed and securities issued	-	-
3.3	Equity instruments issued	-	-
3.4	Dividends paid	(178,578)	-
3.5	Payments for financial leases	(731)	(2,641)
3.6	Others	5.6.1	(35,504)
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	5.6.1	(71,852)
V.	Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)	213,821	1,272,414
VI.	Cash and cash equivalents at beginning of period	5.6.4	3,935,548
VII.	Cash and cash equivalents at end of period (V+VI)	5.6.5	4,149,369

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates Consolidated Financial Report as of and for the Year Ended 31 December 2006

Türkiye Garanti Bankası AŞ and Its Financial Affiliates
Consolidated Financial Report as of and
for the year ended 31 December 2006
(Thousands of New Turkish Lira (YTL))

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

3 Accounting Policies

3.1 Basis of presentation

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

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

3.1.1 Additional paragraph for convenience translation to English

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

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

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

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

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

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

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

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

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

3.2.2 Foreign currency transactions

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

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

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

**Türkiye Garanti Bankası AŞ and Its Financial Affiliates
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for the year ended 31 December 2006
(Thousands of New Turkish Lira (YTL))**

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

3.3 Information on consolidated subsidiaries

As of 31 December 2006, the following financial affiliates are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Bank Moscow (Garanti Moscow), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Sigorta AŞ (Garanti Sigorta), Garanti Emeklilik AŞ (Garanti Emeklilik), Garanti Faktoring Hizmetleri AŞ (Garanti Faktoring), Garanti Fund Management Co Ltd (GFM) and Garanti Financial Services Plc (GFS).

Garanti Sigorta was established in 1989 to perform insurance activities. In 1992, it was decided to operate life and health branches under a different company and accordingly Garanti Hayat Sigorta was established. Garanti Hayat Sigorta was converted into a private pension company in compliance with the legislation early in 2003 and its name was changed as Garanti Emeklilik ve Hayat AŞ. Both of the insurance companies are almost fully owned by the Bank by direct and indirect stakes. The head offices of these companies are in Istanbul.

Garanti Finansal Kiralama was established in 1990 to perform financial lease activities. The company's head office is in Istanbul. The Bank owns 98.94% of the company's shares through direct and indirect shareholdings.

Garanti Faktoring was established in 1990 to perform import, export and domestic factoring activities. The company's head office is in Istanbul. The Bank and T. İhracat Bankası AŞ own 55.40% and 9.78% of the company's shares, respectively. The remaining 34.82% shares are held by public.

GBI was established in 1990 by the Bank to perform banking activities in abroad. This foreign bank's head office is in Amsterdam. It is wholly owned by the Bank.

Garanti Yatırım was established in 1991 to perform brokerage activities for marketable securities, valuable papers and documents representing financial values or financial commitments of issuing parties other than securities. The company's head office is in Istanbul. It is wholly owned by the Bank.

Garanti Moscow was established in 1996 to perform banking activities in abroad. This foreign bank's head office is in Moscow. The Bank and Garanti Financial Services plc own 75.02% and 24.86% of the company shares, respectively.

Garanti Portföy was established in June 1997 to manage the customer portfolios by using the capital market products in compliance with the principles and rules of the regulations regarding the company's purpose of establishment and the portfolio management agreements signed with the customers. The company's head office is in Istanbul. It is wholly owned by the Bank.

GFS was established in Ireland in December 1997 to perform financial activities. The Bank owns 99.99% of the company's shares.

Liquidation or sale transactions of the associates and subsidiaries subject to consolidation:

The Bank sold its 50.98% shares of Garanti Gayrimenkul Yatırım Ortaklığı AŞ in total 37,622,945 unit shares to Doğu Holding AŞ (A-group shares of 737,705 and B-group shares of 18,066,240 in total 18,803,945 unit shares) and GE Capital Corporation (A-group shares of 737,705 and B-group shares of 18,081,295 in total 18,819,000 unit shares).

Doğu Holding AŞ signed a Share Sales Agreement on 24 August 2005 for the sale of 53.550.000.000 unit shares representing 25.5% of the Bank issued share capital to GE Araştırma ve Müşavirlik Limited Şti which is a GE Group company. According to this agreement, certain non-financial participations and property are to be taken over by Doğu Holding AŞ at a total price of YTL 958 millions calculated based on the financial statements as of 31 March 2005. 50% of the sale price to be collected at the closing date, 25% to be collected one year from the closing date and the remaining to be collected two years from the closing date. Accordingly, following the sale of shares, the Bank's certain non-financial subsidiaries representing the first group were transferred over to Doğu Holding AŞ in December 2005. In accordance with the terms of the agreement, beside an investment in a non-financial associate the investment in Doc Finance SA having a book value of CHF 4,350 thousands categorized in the second group was sold to Doğu Holding AŞ on 17 April 2006. Before this sale, Doc Finance SA used to be consolidated based on "equity method of accounting".

The Bank's two consolidated financial affiliates having in total 76% ownership in Cappadocia Investment Ltd sold their shares in this company before the end of November 2006 to its risk group.

The liquidation processes of Bosphorus Financial Services Plc and Clover Investments Ltd were completed in 2005. GFM's liquidation is expected to be completed in 2007.

3.4 Forwards, options and other derivative transactions

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

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

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

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Türkiye Garanti Bankası AŞ and Its Financial Affiliates
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3.5 Interest income and expenses

General

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

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

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

Insurance business

Earned premiums: The premiums of life and non-life branches comprise the premiums due on contracts, net of cancellations, issued during a financial year. These premiums are recorded in the financial statements by taking the reserve for unearned premiums into consideration.

Unearned premium reserve: Insurance companies are required to allocate reserves for unearned premium for all in-force policies except for earthquake guarantees. In compliance with the Law no.7397, the unearned premium reserve is calculated for all outstanding policies during the balance sheet period after deducting commissions on an accrual basis.

Life assurance provision: Insurance companies operating in life insurance business are required to provide life assurance provision for future guaranteed policy benefits. The life assurance provision is computed by the actuary by taking the mortality assumptions announced officially applicable for Turkish insurance companies. In the calculation of such provision, the net rate of return on investments is also taken into account.

Provision for outstanding claims: Provision is allocated for the outstanding claims incurred and reported but not yet settled as of the reporting period end. Such provisions should be calculated taking into account the results of the appraisal reports or the preliminary assessments of the insured customer and the expert.

Financial lease operations

Total of minimum rental payments including interests and principals are recorded under "financial lease receivables" as gross. The difference, i.e. the interest, between the total of rental payments and the cost of the related tangible asset is recorded under "unearned income". When the rent payment incurs, the rent amount is deducted from "financial lease receivables"; and the interest portion is recorded as interest income in the income statement.

3.6 Fees and commissions

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

3.7 Financial assets

3.7.1 Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

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

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

3.8 Impairment of financial assets

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

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

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

3.9 Netting of financial instruments

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

Specific allowances for non-performing loan and other receivables are provided in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. Such allowances are deducted from loans under follow-up on the asset side.

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

3.10 Repurchase and resale agreements and securities lending

Securities sold under repurchase agreements are recorded on the balance sheet in compliance with the Uniform Chart of Accounts for Banks. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as "Investments Subject to Repurchase Agreements" and valued based on the Bank management's future intentions, either at market prices or using discounting method with internal rate of return. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis.

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

3.11 Assets held for sale and discontinued operations

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

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

3.12 Goodwill and other intangible assets

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

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

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

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Goodwill represents the excess of the total acquisition costs over the shares owned in the net assets of the acquired company at the date of acquisition. The "net goodwill" resulted from the acquisition of the investment and to be included in the consolidated balance sheet, is calculated based on the financial statements of the investee company as adjusted according to the required accounting principles.

If any goodwill is computed at consolidation, it is recorded under intangible assets on the asset side of the consolidated balance sheet as an asset. It is assessed to identify whether there is any indication of impairment. If any such indication exists, the necessary provision is recorded as an expense in the income statement. The goodwill is not amortized.

Estimated useful lives of the intangible assets except for goodwill, are 5-15 years, and amortisation rates are 6.67-20%.

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

3.13 Tangible assets

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

Tangible assets are recorded at cost in accordance with the Turkish Accounting Standard 16 (TAS 16) "Tangible Assets".

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

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

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

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

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

Depreciation rates and estimated useful lives are:

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

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

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

3.14 Leasing activities

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

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

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

3.15 Provisions and contingent liabilities

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

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

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3.16 Obligations concerning employee rights

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

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

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

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

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

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

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

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

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

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

- The technical interest rate to be used for the actuarial calculation is 10.24% calculated as the nominal interest rate at the issue date of the longest-maturity discounted New Turkish Lira-denominated government bonds as of 30 June 2005, as adjusted to real interest rate using the year-end inflation target based on the consumer price index declared in the Medium-Term Program of the Turkish Government.
- Mortality table "CSO 1980 female and male lifetime tables" will be used for death-age assumptions.
- Estimated premium payments (including insurance premiums for illness) made by contributors of the fund after the date of transfer of the fund (i.e. active members and persons making voluntary premium payments) up to the date they are entitled to receive salary or income as per the Law no.506 are taken into account as revenue in the calculation of discounted value of the fund.

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

Except for the employees of the Bank, the retirement-related benefits of the employees of the consolidated subsidiaries and associates are subject to SSF in case of domestic investees and to the legislations of the related countries in case of foreign investee companies. There are no obligations not reflected in the accompanying consolidated financial statements.

3.17 Taxation

3.17.1 Corporate tax

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

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

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

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

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

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

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

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

The corporate tax rates valid for the consolidated foreign associates and subsidiaries of the Bank are 16% to 40% as per the legislations of the related countries in which such investee companies are operating.

3.17.2 Deferred taxes

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

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

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

3.18 Funds borrowed

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

There are no convertible bonds or any other securities issued.

3.19 Shares and share issuances

None.

3.20 Confirmed bills of exchange and acceptances

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

3.21 Government incentives

As of 31 December 2006, the Bank or its financial affiliates do not have any government incentives or aids.

3.22 Segment reporting

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

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

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

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

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

3.23 Other disclosures

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

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

	Prior Periods Profit/Loss (*)	Total Shareholders' Equity (**)
Reported Balances as of 31 December 2004	391,691	3,166,737
Reserve for Employee Severance Indemnities	(9,805)	(9,805)
Provision for Short-Term Employee Benefits	(23,290)	(23,290)
Provision for Promotion Expenses of Credit Cards	(7,745)	(7,745)
Cancellation of Negative Goodwill	154	-
Adjusted Balances as of 1 January 2005	351,005	3,125,897

	Current Period Profit/Loss (*)	Prior Periods Profit/Loss (*)	Total Shareholders' Equity (**)
Reported Balances as of 31 December 2005	767,081	-	3,956,617
Reserve for Employee Severance Indemnities	(8,576)	(9,805)	(18,381)
Provision for Short-Term Employee Benefits	(6,198)	(23,290)	(29,488)
Provision for Promotion Expenses of Credit Cards	(3,301)	(7,745)	(11,046)
Cancellation of Negative Goodwill	(154)	154	-
Reclassification of the Year 2004 Extraordinary Reserves to Prior Periods Profit/Loss	-	36,307	-
Adjusted Balances as of 31 December 2005	748,852	(4,379)	3,897,702

(*) excluding minority interest

(**) including minority interest

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

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3.23.2 Other reclassifications

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

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

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

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

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

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

As of 31 December 2005, the derivative financial assets previously reported as net, are presented as gross. Accordingly, the total assets increased by YTL 4,873 thousands.

As of 31 December 2005, the prepaid taxes of certain consolidated financial affiliates of the Bank in total amounting YTL 8,173 thousands are netted with "current tax liability" on the liability side of the consolidated balance sheet.

4 Consolidated Financial Position and Results of Operations

4.1 Consolidated capital adequacy ratio

The Bank's consolidated capital adequacy ratio is 12.76% (unconsolidated basis: 14.08%) as of 31 December 2006.

4.1.1 Risk measurement methods in calculation of consolidated capital adequacy ratio

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

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

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

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

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

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4.1.2 Details of consolidated capital adequacy ratio

	Risk Weightings							
	Parent Bank Only				Consolidated			
	0%	20%	50%	100%	0%	20%	50%	100%
Value at Credit Risk								
Balance Sheet Items (Net)	20,638,642	1,619,751	5,020,506	22,558,965	21,479,296	3,217,197	5,244,119	25,978,874
Cash on Hand	348,422	1,542	-	-	355,983	1,542	-	-
Securities in Redemption	-	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	2,001,473	-	-	-	2,001,473	-	-	-
Domestic and Foreign Banks, Foreign Headoffices and Branches	-	611,447	-	283,510	66,222	1,772,925	-	705,016
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-	-	-	-	-
Reserve Deposits	2,886,740	-	-	-	2,886,740	-	-	-
Loans	2,121,474	131,122	4,957,623	19,502,040	2,263,471	506,546	4,975,726	20,834,593
Loans under Follow-Up (Net)	-	-	-	185,345	-	-	-	185,842
Lease Receivables	-	-	-	-	56,739	49,991	203,931	963,659
Financial Assets Available-for-Sale	8,018,556	871,875	-	214,011	8,088,741	871,949	-	322,401
Investments Held-to-Maturity	4,349,056	-	-	-	4,844,616	-	-	68,405
Receivables from Term Sale of Assets	-	-	-	265,143	-	-	-	265,143
Miscellaneous Receivables	100	-	-	83,543	100	-	-	499,674
Accrued Interest and Income	865,390	3,765	62,883	365,907	862,138	14,244	64,212	385,829
Investments in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	604,911	-	-	-	9,426
Tangible Assets (Net)	-	-	-	919,054	-	-	-	1,010,937
Other Assets	47,431	-	-	135,501	53,073	-	250	727,949
Off-Balance Sheet Items	307,835	3,614,260	1,062,044	4,818,530	312,364	3,719,538	1,063,019	5,026,080
Non-Cash Loans and Commitments	307,835	3,547,231	1,062,044	4,813,613	312,364	3,619,929	1,063,019	5,014,752
Derivative Financial Instruments	-	67,029	-	4,917	-	99,609	-	11,328
Non-Risk-Weighted Accounts	-	-	-	-	-	-	-	-
Total Risk-Weighted Assets	20,946,477	5,234,011	6,082,550	27,377,495	21,791,660	6,936,735	6,307,138	31,004,954

4.1.3 Summary information related to consolidated capital adequacy ratio

	Parent Bank Only	Consolidated
	Current Period	Current Period
Value at Credit Risk (VaCR)	31,465,572	35,545,870
Value at Market Risk (VaMR)	303,300	1,506,975
Value at Operational Risk (*) (VaOR)	-	-
Shareholders' Equity	4,472,559	4,729,134
Shareholders' Equity/ (VaCR+VaMR+VaOR)*100 (**)	14.08	12.76

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

(**) VaCR: Value at Credit Risk
VaMR: Value at Market Risk
VaOR: Value at Operational Risk

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

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4.1.4 Components of consolidated shareholders' equity

	<i>Current Period</i>
CORE CAPITAL	
Paid-in Capital	2,103,031
Nominal Capital	2,103,031
Capital Commitments (-)	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	773,640
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	110,030
I. Legal Reserve (Turkish Commercial Code 466/1)	96,236
II. Legal Reserve (Turkish Commercial Code 466/2)	13,794
Reserves allocated as per Special Legislations	-
Status Reserves	-
Extraordinary Reserves	527,769
Reserve allocated as per the Decision held by the General Assembly	527,052
Retained Earnings	717
Accumulated Losses	-
Exchange Rate Differences on Foreign Currency Capital	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-
Profit	1,166,563
Current Period Profit	1,166,563
Prior Periods Profit	-
Provision for Possible Losses (upto 25% of Core Capital)	30,000
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	-
Primary Subordinated Debt (upto 15% of Core Capital)	-
Loss excess of Reserves (-)	-
Current Period Loss	-
Prior Periods Loss	-
Leasehold Improvements (-)	61,586
Prepaid Expenses (-)	151,713
Intangible Assets (-)	25,686
Deferred Tax Asset excess of 10% of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
Total Core Capital	4,472,048
SUPPLEMENTARY CAPITAL	
General Provisions	158,466
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	966
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	950
Hedging Reserves (effective portion)	(19,370)
Primary Subordinated Debt excluding the Portion included in Core Capital	-
Secondary Subordinated Debt	106,484
45% of Securities Value Increase Fund	55,217
Associates and Subsidiaries	-
Investment Securities Available for Sale	55,217
Other Profit Reserves	36,923
Total Supplementary Capital	339,636
TIER III CAPITAL	-
CAPITAL	4,811,684

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DEDUCTIONS FROM CAPITAL	82,550
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at 10% or more	1,004
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained more than Five Years	81,546
Others	-
TOTAL SHAREHOLDERS' EQUITY	4,729,134

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

4.2 Consolidated credit risk

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

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

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

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

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

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

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

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

The Bank and its financial affiliates' largest 100 cash loan customers compose 29.31% of the total cash loan portfolio.

The Bank and its financial affiliates' largest 100 non-cash loan customers compose 47.46% of the total non-cash loan portfolio.

The Bank and its financial affiliates' largest 100 cash and non-cash loan customers represent 12.02% of the total "on and off balance sheet" assets.

The general provision for consolidated credit risk amounts to YTL 158,466 thousands.

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4.2.1 Geographical concentration

	Assets	Liabilities	Non-cash Loans	Capital Expenditures	Net Profit/(Loss)
<i>Current Period</i>					
Domestic	47,679,022	39,506,084	8,213,210	162,695	1,000,883
European Union (EU) Countries	1,366,866	3,353,765	629,463	-	18,144
OECD Countries ⁽¹⁾	4,706	1,543,114	143,877	-	-
Off-Shore Banking Regions	60,726	78,822	14,991	-	2,422
USA, Canada	274,833	4,464,822	234,269	-	-
Other Countries	6,646	35,780	283,690	-	1,056
Associates, Subsidiaries and Joint-Ventures	7,905,496	7,470,972	528,098	18,055	144,058
Unallocated Assets/Liabilities ⁽²⁾	91	845,027	-	-	-
Total	57,298,386	57,298,386	10,047,598	180,750	1,166,563
<i>Prior Period</i>					
Domestic	34,519,916	27,819,917	7,230,815	447,376	670,991
EU Countries	758,151	3,716,665	495,776	-	12,374
OECD Countries ⁽¹⁾	37,805	158,208	169,074	-	-
Off-Shore Banking Regions	23,404	30,181	14,043	-	(1,345)
USA, Canada	429,289	3,170,684	69,201	-	-
Other Countries	12,736	41,724	132,265	-	(107)
Associates, Subsidiaries and Joint-Ventures	5,520,184	5,687,170	300,742	23,776	69,817
Unallocated Assets/Liabilities ⁽²⁾	279	677,215	-	-	-
Total	41,301,764	41,301,764	8,411,916	471,152	751,730

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

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

4.2.2 Sectoral distribution of cash loans

	<i>Current Period</i>				<i>Prior Period</i>			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	128,341	0.83	60,001	0.44	51,784	0.55	102,504	1.18
Farming and Stockbreeding	125,090	0.81	58,498	0.43	51,129	0.54	101,713	1.17
Forestry	183	0.00	459	0.00	-	-	-	-
Fishery	3,068	0.02	1,044	0.01	655	0.01	791	0.01
Manufacturing	2,070,440	13.33	4,220,080	31.24	983,279	10.46	2,217,417	25.61
Mining	55,198	0.36	122,612	0.91	42,835	0.46	28,322	0.33
Production	1,694,663	10.91	3,818,377	28.26	939,725	9.99	2,132,690	24.63
Electricity, Gas, Water	320,579	2.06	279,091	2.07	719	0.01	56,405	0.65
Construction	491,238	3.16	579,099	4.29	171,154	1.82	578,463	6.68
Services	2,565,196	16.51	6,282,957	46.49	1,259,008	13.38	4,063,444	46.94
Wholesale and Retail Trade	1,674,727	10.78	2,201,637	16.29	761,351	8.10	1,319,520	15.24
Hotel, Food and Beverage Services	120,827	0.78	551,757	4.08	56,723	0.60	254,092	2.94
Transportation and Telecommunication	239,936	1.54	1,701,174	12.59	116,115	1.23	1,222,864	14.13
Financial Institutions	385,053	2.48	1,436,294	10.63	264,810	2.82	1,184,203	13.68
Real Estate and Renting Services	30,078	0.19	181,552	1.35	7,036	0.07	45,995	0.53
"Self-Employment" Type Services	-	0.00	451	0.00	-	-	-	-
Educational Services	30,371	0.20	25,831	0.19	13,411	0.14	14,061	0.16
Health and Social Services	84,204	0.54	184,261	1.36	39,562	0.42	22,709	0.26
Others	10,281,191	66.17	2,370,468	17.54	6,939,161	73.79	1,695,440	19.59
Total	15,536,406	100.00	13,512,605	100.00	9,404,386	100.00	8,657,268	100.00

4.3 Consolidated market risk

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

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

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

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

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

4.3.1 Value at market risk on a consolidated basis

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	35,425
(II) Capital Obligation against Specific Risks - Standard Method	62,035
(III) Capital Obligation against Currency Risk - Standard Method	19,558
(IV) Capital Obligation against Stocks Risks - Standard Method	-
(V) Capital Obligation against Exchange Risks - Standard Method	-
(VI) Capital Obligation against Market Risks of Options - Standard Method	3,540
(VII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(VIII) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI)	120,558
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	1,506,975

4.3.2 Monthly average values at market risk

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	2,244,681	2,849,322	1,218,229	1,647,412	1,836,558	1,414,948
Common Share Risk	76,394	139,174	25	94,873	110,957	61,115
Currency Risk	226,729	276,194	183,784	125,858	241,358	74,637
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	67,209	182,025	8,191	43,400	62,563	16,988
Total Value at Risk	2,615,013	3,446,715	1,410,229	1,911,543	2,251,436	1,567,688

The consolidated value at market risk as of 31 December 2006 is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and the "Regulation on Equities of Banks" published in Official Gazette no.26333 dated 1 November 2006. For all other periods, the calculations made according to the legislation valid during such periods are used.

4.4 Consolidated operational risk

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

4.5 Consolidated foreign currency exchange rate risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2006, the Bank and its financial affiliates' net 'on balance sheet' foreign currency short position amounts to YTL 3,231,168 thousands, net 'off-balance sheet' foreign currency long position amounts to YTL 3,392,232 thousands, while net foreign currency long position amounts to YTL161,064 thousands.

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

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

	US\$	EURO	YEN (100)	GBP
The Bank's foreign currency purchase rate at balance sheet date	1.3950	1.8377	1.1709	2.7320
Foreign currency rates for the days before balance sheet date;				
Day 1	1.3950	1.8375	1.1720	2.7327
Day 2	1.3950	1.8338	1.1728	2.7334
Day 3	1.4050	1.8448	1.1839	2.7479
Day 4	1.4050	1.8461	1.1810	2.7505
Day 5	1.4180	1.8605	1.1933	2.7982

	US\$	EURO	YEN (100)	GBP
Last 30-day arithmetical average rate	1.4163	1.8697	1.2066	2.7795

The Bank's consolidated currency risk:

Current Period	EURO	US\$	YEN	Other FCs	Total
Assets					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	3,294,622	77,345	339	26,708	3,399,014
Banks and Other Financial Institutions	856,146	1,429,188	4,351	55,353	2,345,038
Financial Assets at Fair Value through Profit/Loss	151,622	759,487	-	27,511	938,620
Interbank Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale	58,407	4,112,820	-	34,220	4,205,447
Loans	4,855,261	8,302,732	12,774	342,335	13,513,102
Investments in Associates, Subsidiaries and Joint-Ventures	585	-	-	-	585
Investments Held-to-Maturity	195,174	943,449	-	-	1,138,623
Derivative Financial Assets Held for Risk Management	-	4,799	-	-	4,799
Tangible Assets	57,850	236	-	1,869	59,955
Intangible Assets	2,726	119	-	880	3,725
Other Assets	730,902	385,070	-	8,752	1,124,724
Total Assets	10,203,295	16,015,245	17,464	497,628	26,733,632
Liabilities					
Bank Deposits	214,815	471,295	22	174,070	860,202
Foreign Currency Deposits	6,697,935	11,295,844	19,474	522,948	18,536,201
Interbank Money Market Takings	105,256	879,595	-	-	984,851
Other Fundings	2,412,131	6,299,190	-	438	8,711,759
Securities Issued	-	-	-	-	-
Miscellaneous Payables	51,764	87,341	-	2,315	141,420
Derivative Financial Liabilities Held for Risk Management	-	-	-	-	-
Other Liabilities (*)	240,950	427,892	398	61,127	730,367
Total Liabilities	9,722,851	19,461,157	19,894	760,898	29,964,800
Net 'On Balance Sheet' Position	480,444	(3,445,912)	(2,430)	(263,270)	(3,231,168)
Net 'Off-Balance Sheet' Position	(377,428)	3,374,281	4,597	390,782	3,392,232
Derivative Assets	1,194,583	5,776,120	12,682	529,508	7,512,893
Derivative Liabilities	(1,572,011)	(2,401,839)	(8,085)	(138,726)	(4,120,661)
Non-Cash Loans	-	-	-	-	-
Prior Period					
Total Assets	6,846,965	13,690,732	21,750	322,017	20,881,464
Total Liabilities	6,601,105	14,703,206	24,419	472,795	21,801,525
Net 'On Balance Sheet' Position	245,860	(1,012,474)	(2,669)	(150,778)	(920,061)
Net 'Off-Balance Sheet' Position	(127,620)	784,951	10,985	212,078	880,394
Derivative Assets	1,329,926	3,372,427	22,703	413,654	5,138,710
Derivative Liabilities	(1,457,546)	(2,587,476)	(11,718)	(201,576)	(4,258,316)
Non-Cash Loans	-	-	-	-	-

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

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4.6 Consolidated interest rate risk

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

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

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

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

4.6.1 Interest rate sensitivity of assets, liabilities and off balance sheet items (based on repricing dates)

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non- Interest Bearing	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	3,425,434	-	-	-	-	1,858,999	5,284,433
Banks and Other Financial Institutions	1,673,808	136,959	230,902	201,399	99,924	209,589	2,552,581
Financial Assets at Fair Value through Profit/Loss	52,106	107,268	80,996	296,216	464,813	51,166	1,052,565
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	1,760,022	3,897,170	1,291,782	209,774	2,588,313	62,938	9,809,999
Loans	8,668,560	5,686,549	2,634,832	5,552,701	6,487,302	204,909	29,234,853
Investments Held-to-Maturity	577,933	2,408,687	92,703	635,345	1,468,147	(10,214)	5,172,601
Other Assets	398,473	391,065	303,936	499,121	723,158	1,875,601	4,191,354
Total Assets	16,556,336	12,627,698	4,635,151	7,394,556	11,831,657	4,252,988	57,298,386
Liabilities							
Bank Deposits	1,078,567	189,799	30,390	27,178	17,306	230,475	1,573,715
Other Deposits	21,874,365	2,787,447	415,708	557,406	87,750	6,483,814	32,206,490
Interbank Money Market Takings	3,708,339	217,703	105,881	179,078	1,071,885	12,759	5,295,645
Miscellaneous Payables	-	-	-	-	-	1,740,498	1,740,498
Securities Issued	-	-	-	-	-	-	-
Other Fundings	548,421	549,672	1,681,633	1,196,711	5,660,176	25,262	9,661,875
Other Liabilities	1,510,872	244,927	147,555	199,575	1,166	4,716,068	6,820,163
Total Liabilities	28,720,564	3,989,548	2,381,167	2,159,948	6,838,283	13,208,876	57,298,386
On Balance Sheet Long Position	-	8,638,150	2,253,984	5,234,608	4,993,374	-	21,120,116
On Balance Sheet Short Position	(12,164,228)	-	-	-	-	(8,955,888)	(21,120,116)
Off-Balance Sheet Long Position	20,773	192	-	508	4,921	-	26,394
Off-Balance Sheet Short Position	(10,521)	(167)	-	(508)	(4,921)	-	(16,117)
Total Position	(12,153,976)	8,638,175	2,253,984	5,234,608	4,993,374	(8,955,888)	10,277

Average interest rates on monetary financial instruments (%)

<i>Current Period</i>	EURO	US\$	Yen	YTL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks and Other Financial Institutions	2.75-4.75	3.25-8.00	-	17.34-21.50
Financial Assets at Fair Value through Profit/Loss	5.63-6.50	7.00-12.38	-	14.08-21.43
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	5.34-10.63	7.08-12.75	-	20.60-21.21
Loans	5.73-9.93	7.00-14.33	2.80	20.00-25.16
Investments Held-to-Maturity	5.75-9.88	6.88-12.38	-	17.53-23.06
Liabilities				
Bank Deposits	3.33-5.67	5.25-7.35	-	15.00-18.56
Other Deposits	2.02-5.00	2.00-6.75	0.68	15.77
Interbank Money Market Takings	3.33	5.26-5.60	-	14.20-17.14
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	3.97-5.08	5.50-6.69	-	14.69-20.31

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4.6.2 Interest rate sensitivity of assets, liabilities and off balance sheet items (based on repricing dates)

Prior Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non- Interest Bearing	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	2,099,456	-	-	-	-	2,010,536	4,109,992
Banks and Other Financial Institutions	1,568,766	311,434	135,404	100,996	59,588	180,655	2,356,843
Financial Assets at Fair Value through Profit/Loss	5,151	42,835	102,378	331,532	477,268	16,092	975,256
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	346,575	5,289,314	663,960	274,113	2,246,637	38,505	8,859,104
Loans	5,897,558	1,587,684	2,090,558	2,051,153	6,397,257	274,867	18,299,077
Investments Held-to-Maturity	1,428	38,817	1,574,583	245,937	1,201,530	2,350	3,064,645
Other Assets	252,058	192,886	123,344	283,756	498,611	2,286,192	3,636,847
Total Assets	10,170,992	7,462,970	4,690,227	3,287,487	10,880,891	4,809,197	41,301,764
Liabilities							
Bank Deposits	514,587	137,771	77,025	27,797	20,294	282,207	1,059,681
Other Deposits	13,848,028	3,099,151	458,471	448,679	211,048	6,366,168	24,431,545
Interbank Money Market Takings	1,542,447	15,976	196,252	250,107	319,350	16,192	2,340,324
Miscellaneous Payables	-	-	-	-	-	1,326,647	1,326,647
Securities Issued	-	-	-	-	-	-	-
Other Fundings	504,154	343,157	549,752	2,496,867	2,735,282	59,237	6,688,449
Other Liabilities	170,327	94,422	197,230	140,182	17,445	4,835,512	5,455,118
Total Liabilities	16,579,543	3,690,477	1,478,730	3,363,632	3,303,419	12,885,963	41,301,764
On Balance Sheet Long Position	-	3,772,493	3,211,497	-	7,577,472	-	14,561,462
On Balance Sheet Short Position	(6,408,551)	-	-	(76,145)	-	(8,076,766)	(14,561,462)
Off-Balance Sheet Long Position	13,235	-	-	737	6,433	-	20,405
Off-Balance Sheet Short Position	(9,403)	-	-	(622)	(6,433)	-	(16,458)
Total Position	(6,404,719)	3,772,493	3,211,497	(76,030)	7,577,472	(8,076,766)	3,947

Average interest rates on monetary financial instruments (%):

Prior Period	EURO	US\$	Yen	YTL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks and Other Financial Institutions	2.29-2.37	4.00-7.00	-	15.02-19.00
Financial Assets at Fair Value through Profit/Loss	6.50-8.52	5.56-12.38	-	12.27-20.91
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4.80-10.63	5.00-12.38	-	14.25-25.02
Loans	5.22-9.14	6.75-13.88	-	20.00-28.53
Investments Held-to-Maturity	5.75-11.63	6.88-12.38	-	20.00
Liabilities				
Bank Deposits	2.39-4.67	4.03-6.64	-	14.58-14.92
Other Deposits	1.49-5.25	2.54-6.75	-	14.05-15.07
Interbank Money Market Takings	2.38	4.00-4.73	-	14.20-15.46
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	3.08-7.20	4.35-7.32	-	14.16-21.63

4.7 Consolidated liquidity risk

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

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

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Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Undistributed (*)	Total
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	1,858,999	3,425,434	-	-	-	-	-	5,284,433
Banks and Other Financial Institutions	239,256	1,612,510	137,476	232,185	202,239	128,915	-	2,552,581
Financial Assets at Fair Value through Profit/Loss	3,356	18,252	22,587	59,564	327,214	621,592	-	1,052,565
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	60,424	19	724,181	492,381	636,142	7,896,852	-	9,809,999
Loans	63,888	7,424,796	4,194,247	2,129,209	3,620,813	11,616,058	185,842	29,234,853
Investments Held-to-Maturity	-	-	13	87,960	630,684	4,453,944	-	5,172,601
Other Assets	196,222	352,057	391,146	303,936	499,121	723,506	1,725,366	4,191,354
Total Assets	2,422,145	12,833,068	5,469,650	3,305,235	5,916,213	25,440,867	1,911,208	57,298,386
Liabilities								
Bank Deposits	311,022	996,560	190,535	30,962	27,330	17,306	-	1,573,715
Other Deposits	7,753,121	20,564,120	2,791,809	417,444	551,178	128,818	-	32,206,490
Other Fundings	-	559,058	441,480	1,691,761	1,204,374	5,765,202	-	9,661,875
Interbank Money Market Takings	-	3,646,319	282,840	90,694	184,800	1,090,992	-	5,295,645
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	170,936	1,244,418	11,619	313,126	-	399	-	1,740,498
Other Liabilities (**)	190,684	202,179	248,643	154,709	208,281	4,462	5,811,205	6,820,163
Total Liabilities	8,425,763	27,212,654	3,966,926	2,698,696	2,175,963	7,007,179	5,811,205	57,298,386
Liquidity Gap	(6,003,618)	(14,379,586)	1,502,724	606,539	3,740,250	18,433,688	(3,899,997)	-
Prior Period								
Total Assets	4,307,133	8,077,571	2,763,415	4,499,213	4,265,929	15,311,314	2,077,189	41,301,764
Total Liabilities	7,804,677	16,717,903	3,742,113	1,629,837	3,382,850	3,340,132	4,684,252	41,301,764
Liquidity Gap	(3,497,544)	(8,640,332)	(978,698)	2,869,376	883,079	11,971,182	(2,607,063)	-

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

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

4.8 Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	46,770,034	32,579,669	46,540,035	32,621,890
Interbank Money Market Placements	-	-	-	-
Banks and Other Financial Institutions	2,552,581	2,356,843	2,552,581	2,356,843
Financial Assets Available-for-Sale	9,809,999	8,859,104	9,809,999	8,859,104
Investments Held-to-Maturity	5,172,601	3,064,645	5,109,516	3,076,235
Loans	29,234,853	18,299,077	29,067,939	18,329,708
Financial Liabilities	50,478,223	35,846,646	50,478,223	35,846,646
Bank Deposits	1,573,715	1,059,681	1,573,715	1,059,681
Other Deposits	32,206,490	24,431,545	32,206,490	24,431,545
Interbank Money Market Takings and Funds Borrowed	14,957,520	9,028,773	14,957,520	9,028,773
Securities Issued	-	-	-	-
Miscellaneous Payables	1,740,498	1,326,647	1,740,498	1,326,647

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

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

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

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

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

There is no involvement in trust activities.

5 Disclosures and Footnotes on Consolidated Financial Statements

5.1 Consolidated assets

5.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Cash in YTL/Foreign Currency	181,253	154,042	107,429	96,326
Central Bank of Turkey	1,700,078	3,226,830	1,000,938	2,888,101
Others	4,088	18,142	2,444	14,754
Total	1,885,419	3,399,014	1,110,811	2,999,181

Balances with the Central Bank of Turkey:

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

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

5.1.2 Financial assets at fair value through profit/loss (net)

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

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Common Shares	-	-	-	-
Bills, Bonds and Similar Securities	8,215	-	152	-
Others	-	133,500	15,264	92,169
Total	8,215	133,500	15,416	92,169

5.1.2.2 Positive differences on trading derivative instruments

Trading Derivatives	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Transactions	7,520	2,582	62	2,037
Swap Transactions	6,138	30,825	196	4,338
Futures	-	-	-	-
Options	2,639	2,057	211	2,832
Others	-	3,361	-	2,561
Total	16,297	38,825	469	11,768

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5.1.3 Banks and other financial institutions

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	207,543	2,345,038	475,644	1,881,199
Domestic banks	138,472	803,673	426,264	915,628
Foreign banks	69,071	1,541,365	49,380	965,571
Foreign headoffices and branches	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	207,543	2,345,038	475,644	1,881,199

Due from foreign banks:

	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	789,300	693,715	154,021	59,012
USA and Canada	135,090	118,973	47,396	32,522
OECD Countries ⁽¹⁾	7,113	31,755	-	-
Off-shore Banking Regions	22,996	20,140	14,119	-
Others	440,401	44,191	-	14,643
Total	1,394,900	908,774	215,536	106,177

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

The consolidated domestic banks include blocked accounts of YTL 40,280 thousands held for insurance activities.

5.1.4 Financial assets available-for-sale (net)

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

Collateralized financial assets available-for-sale in YTL include government bonds. Carrying values of such securities with total face value of YTL 458,133 thousands, is YTL 463,266 thousands. The related accrued interests amount to YTL 51,108 thousands.

Collateralized financial assets available-for-sale in foreign currencies include eurobonds and other foreign currency government securities. Carrying values of such securities with total face value of US\$ 432,650,000 and EUR 3,563,000, are US\$ 429,219,469 and EUR 4,028,624. The related accrued interests amount to US\$ 19,766,624 and EUR 14,195, respectively and the impairment losses to US\$ 28,485.

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Collateralised/Blocked Assets	514,373	634,046	513,673	600,956
Assets subject to Repurchase Agreements	3,883,783	518,935	1,523,653	343,757
Total	4,398,156	1,152,981	2,037,326	944,713

5.1.4.2 Details of financial assets available-for-sale

	Current Period	Prior Period
Debt Securities	9,763,491	8,841,546
Quoted at Stock Exchange	7,201,046	7,583,009
Unquoted at Stock Exchange	2,562,445	1,258,537
Common Shares	22,708	17,849
Quoted at Stock Exchange	5,229	7
Unquoted at Stock Exchange	17,479	17,842
Impairment Losses (-)	23,800	(291)
Total	9,809,999	8,859,104

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

During the current period, the Bank recorded 424,159 shares of MasterCard Incorporated at a total nominal value of US\$ 42.42 and one share of Visa Europe Limited at a nominal value of EUR 10 acquired free of charge for its credit card marketing activities, in its financial assets available-for-sale portfolio. On 27 July 2006, 250,254 shares of MasterCard Incorporated at a total nominal value of US\$ 25.03 are sold for a sale price of US\$ 7,698,964.

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5.1.5 Loans

5.1.5.1 Loans and advances to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	2	9,455	28,443	157,096
Corporates	2	9,455	28,443	157,096
Individuals	-	-	-	-
Indirect Lendings to Shareholders	82,587	41,793	120,226	2,006
Loans to Employees	37,034	-	28,858	-
Total	119,623	51,248	177,527	159,102

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

Cash Loans	Performing Loans and Other Receivables (Group I)		Loans under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Loans	28,936,271	-	-	112,740
Discounted Bills	75,431	-	-	-
Export Loans	2,711,594	-	-	34,354
Import Loans	29,911	-	-	-
Loans to Financial Sector	659,597	-	-	-
Foreign Loans	1,253,086	-	-	-
Consumer Loans	5,653,874	-	-	-
Credit Cards	4,806,310	-	-	-
Precious Metal Loans	104,861	-	-	-
Others	13,641,607	-	-	78,386
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	28,936,271	-	-	112,740

5.1.5.3 Maturity analysis of cash loans

	Performing Loans and Other Receivables (Group I)		Loans under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Short-Term Loans	13,679,638	-	-	105,101
Loans	13,679,638	-	-	105,101
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans	15,256,633	-	-	7,639
Loans	15,256,633	-	-	7,639
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	28,936,271	-	-	112,740

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans - YTL	196,659	4,668,353	4,865,012
Housing Loans	7,540	2,314,543	2,322,083
Automobile Loans	27,946	1,063,975	1,091,921
General Purpose Loans	160,957	1,289,835	1,450,792
Others	216	-	216
Consumer Loans - FC-indexed	16,739	445,314	462,053
Housing Loans	3,094	382,821	385,915
Automobile Loans	2,591	46,195	48,786
General Purpose Loans	11,054	16,298	27,352
Others	-	-	-
Consumer Loans - FC	8,456	30,320	38,776
Housing Loans	-	7,108	7,108
Automobile Loans	46	5,707	5,753
General Purpose Loans	29	15,602	15,631
Others	8,381	1,903	10,284
Retail Credit Cards - YTL	4,649,959	-	4,649,959
With Installment	2,291,353	-	2,291,353
Without Installment	2,358,606	-	2,358,606
Retail Credit Cards - FC	15,395	-	15,395
With Installment	-	-	-
Without Installment	15,395	-	15,395
Personnel Loans - YTL	10,122	9,017	19,139
Housing Loan	-	535	535
Automobile Loans	6	227	233
General Purpose Loans	6,192	8,255	14,447
Others	3,924	-	3,924
Personnel Loans - FC-indexed	-	156	156
Housing Loans	-	41	41
Automobile Loans	-	115	115
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans - FC	8	1,862	1,870
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	8	1,862	1,870
Others	-	-	-
Personnel Credit Cards - YTL	17,700	-	17,700
With Installment	8,340	-	8,340
Without Installment	9,360	-	9,360
Personnel Credit Cards - FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Deposit Accounts- YTL (real persons)	266,440	-	266,440
Deposit Accounts- FC (real persons)	428	-	428
Total	5,181,906	5,155,022	10,336,928

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5.1.5.5 Installment based commercial loans and corporate credit cards

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

5.1.5.6 Allocation of loan customers

	Current Period	Prior Period
Public Sector	913,572	818,840
Private Sector	28,135,439	17,242,814
Total	29,049,011	18,061,654

5.1.5.7 Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	27,795,773	17,147,638
Foreign Loans	1,253,238	914,016
Total	29,049,011	18,061,654

5.1.5.8 Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Lending	-	-
Indirect Lending	112	57
Total	112	57

5.1.5.9 Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	23,281	16,186
Doubtful Loans and Receivables	58,177	53,451
Uncollectible Loans and Receivables	376,934	415,655
Total	458,392	485,292

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5.1.5.10 Non-performing loans (NPLs) (net)

Non-performing loans and other receivables restructured or rescheduled:

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period</i>			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	-	-	32,547
Rescheduled Loans and Receivables	-	-	-
Total	-	-	32,547
<i>Prior Period</i>			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	-	-	37,433
Rescheduled Loans and Receivables	-	-	-
Total	-	-	37,433

Movements in non-performing loan groups:

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Balances at Beginning of Period	99,143	108,153	515,419
Additions (+)	268,812	95,199	15,369
Transfer from Other NPL Categories (+)	-	194,286	199,774
Transfer to Other NPL Categories (-)	194,286	198,051	95,365
Collections during the Period (-)	95,045	81,803	76,501
Write-offs (-)	392	336	110,142
Balances at End of Period	78,232	117,448	448,554
Specific Provisions (-)	23,281	58,177	376,934
Net Balance on Balance Sheet	54,951	59,271	71,620

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

Non-performing loans in foreign currencies:

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period</i>			
Balance at End of Period	161	581	111,307
Specific Provisions (-)	22	154	69,150
Net Balance at Balance Sheet	139	427	42,157
<i>Prior Period</i>			
Balance at End of Period	17,311	650	170,986
Specific Provisions (-)	906	41	110,999
Net Balance at Balance Sheet	16,405	609	59,987

5.1.5.11 Liquidation policy for uncollectible loans and receivables

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

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5.1.6 Factoring receivables

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-Term	479,158	102,001	233,735	34,578
Medium and Long-Term	-	-	-	-
Total	479,158	102,001	233,735	34,578

5.1.7 Investments held-to-maturity (net)

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

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Collateralised/Blocked Investments	229,691	35,481	-	23,735
Investments subject to Repurchase Agreements	1,057,869	606,489	-	720,032
Total	1,287,560	641,970	-	743,767

5.1.7.2 Government securities held-to-maturity

	Current Period	Prior Period
Government Bonds	4,707,081	2,521,044
Treasury Bills	-	-
Other Government Securities	398,735	433,175
Total	5,105,816	2,954,219

5.1.7.3 Investments held-to-maturity

	Current Period	Prior Period
Debt Securities	5,228,073	3,099,376
Quoted at Stock Exchange	3,943,582	220,235
Unquoted at Stock Exchange	1,284,491	2,879,141
Impairment Losses (-)	(55,472)	(34,731)
Total	5,172,601	3,064,645

5.1.7.4 Movement of investments held-to-maturity

	Current Period	Prior Period
Balances at Beginning of Period	3,064,645	4,275,716
Foreign Currency Differences On Monetary Assets	96,002	(68,880)
Purchases during the Period	3,923,995	169,738
Disposals through Sales/Redemptions	(1,818,874)	(1,275,718)
Impairment Losses (-)	20,741	26,452
Change in Redeemed Costs	(72,426)	(9,759)
Balances at End of Period	5,172,601	3,064,645

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

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5.1.8 Investments in associates (net)

5.1.8.1 Unconsolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share - If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Bankalararası Kart Merkezi AŞ	Istanbul/Turkey	10.15	10.15
2	Emeklilik Gözetim Merkezi AŞ	Istanbul/Turkey	-	9.00
3	Tarım Sigortaları Havuz İşletmesi AŞ	Istanbul/Turkey	-	1.56

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss and Extraordinary Reserves	Company's Fair Value (if available)
1	11,265	9,637	3,847	825	-	2,193	873	-
2	4,010	3,350	379	350	115	(7)	303	-
3	3,061	2,127	383	151	-	646	(19)	-

(*) Total fixed assets include tangible and intangible assets.

Emeklilik Gözetim Merkezi AŞ was established by the companies operating in pension business after the private pension system became active. Garanti Emeklilik participated in this company by 9%.

Garanti Sigorta participated by 1.56% in Tarım Sigortaları Havuz İşletmeleri AŞ established as per the Law on Agriculture Insurance.

Unconsolidated investments in associates sold during the current period

Investee Company	Sale Price YTL'000	Market Value at Date of Sale	Payment Type
Garanti Turizm Yatırım ve İşletmeleri A.Ş.	27,056	-	Term Sale

Doğuş Holding AŞ signed a Share Sales Agreement on 24 August 2005 for the sale of 53.550.000.000 shares representing 25.5% of the Bank issued share capital to GE Araştırma ve Müşavirlik Limited Şti which is a GE Group company. According to this agreement, certain non-financial participations and property are to be taken over by Doğuş Holding AŞ at a total price of YTL 958 millions calculated based on the financial statements as of 31 March 2005. 50% of the sale price to be collected at the closing date, 25% to be collected one year from the closing date and the remaining to be collected two years from the closing date. Accordingly, following the sale of shares, the Bank's certain non-financial subsidiaries representing the first group were transferred over to Doğuş Holding AŞ in December 2005. In accordance with the terms of the agreement, the investment in a non-financial associate categorized in the second group, namely Garanti Turizm Yatırım ve İşletmeleri AŞ having a book value of YTL 25,057 thousands was sold to Doğuş Holding AŞ at a price of YTL 27,056 thousands on 17 April 2006. The Bank recorded a gain of YTL 1,999 thousands from this sale in the accompanying consolidated financial statements. YTL 9,896 thousands of the sale price was collected on the date of sale; the half of the remaining balances was collected on 22 December 2006 and the rest is to be collected on 22 December 2007.

Unconsolidated investments in associates acquired during the current period

None.

5.1.8.2 Movement of consolidated investments in associates

	Current Period	Prior Period
Balance at Beginning of Period	4,401	5,024
Movements during the Period	(4,401)	(623)
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations (-)	(4,401)	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	(623)
Impairment Losses (-)	-	-
Balance at End of Period	-	4,401
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

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Valuation methods of consolidated investments in associates

Associates	Current Period	Prior Period
Valued at Cost	-	-
Valued at Fair Value	-	-
Valued by Equity Method of Accounting	-	4,401

Sectoral distribution of consolidated investments and associates

Associates	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	4,401
Other Associates	-	-

Quoted consolidated investments in associates

None.

Other information on consolidated investments in associates

None.

Consolidated investments in associates sold during the current period

Investee Company	Sale Price YTL'000	Market Value at Date of Sale	Payment Type
Doc Finance SA	4,623	-	Term Sale

In accordance with the terms of the Share Sales Agreement mentioned above, beside the investment in Garanti Turizm Yatırım ve İşletmeleri AŞ, the investment in Doc Finance SA having a book value of CHF 4,350 thousands was sold to Doğu Holding AŞ at a price of YTL 4,623 thousands on 17 April 2006. The Bank recorded a gain of YTL 140 thousands from this sale in the accompanying consolidated financial statements. YTL 1,691 thousands of the sale price was collected on the date of sale; the half of the remaining balances was collected on 22 December 2006 and the rest is to be collected on 22 December 2007.

Consolidated investments in associates acquired during the current period

None.

5.1.9 Investments in subsidiaries (net)

5.1.9.1 Unconsolidated investments in subsidiaries

	Subsidiaries	Address (City/ Country)	Parent Bank's Share - If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. AŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.92	100.00
3	Doğu Hiz. Yön. ve Org. Danış AŞ	Istanbul/Turkey	93.40	100.00
4	Galata Araştırma Yayıncılık Tanıtım ve Bilişim Teknoloji Hizmetleri AŞ	Istanbul/Turkey	100.00	100.00
5	Trifoy Real Estate Company	Bucharest/Romania	-	100.00
6	Participation GBI Custody	Amsterdam/Holland	-	100.00
7	Participation United Custodian	Amsterdam/Holland	-	100.00
8	Trifoy Investments	Amsterdam/Holland	-	100.00

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	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss and Extraordinary Reserves	Company's Fair Value (if available)
1	11,773	6,916	600	-	702	(766)	(99,620)	-
2	13,674	4,917	663	33	1,286	1,524	2,814	-
3	941	872	44	59	83	598	-	-
4	266	159	1	-	1	(32)	(147)	-
5	63	34	57	-	-	(4)	(24)	-
6	230	230	-	-	-	-	-	-
7	230	230	-	-	-	-	-	-
8	2	2	-	-	-	(2)	-	-

(*) Total fixed assets include tangible and intangible assets.

Investments in subsidiaries sold during the current period

Investee Company	Sale Price	Market Value at Date of Sale	Payment Type
Cappadocia Investments Ltd	GBP 1,694,000	-	Cash basis

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

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments

As of 31 December 2006, the investments in Trifoy Real Estate Company, Participation GBI Custody, Participation United Custodian and Trifoy Investments classified as financial subsidiaries are not consolidated as their total assets are less than 1% of the Bank's total assets, instead they are valued at cost.

The non-financial investments in Garanti Bilişim Teknolojisi ve Tic. AŞ, Garanti Ödeme Sistemleri AŞ, Doğuş Hiz. Yön. ve Org. Danış. AŞ and Galata Araştırma Yayıncılık Tanıtım ve Bilişim Teknoloji Hizmetleri AŞ are valued by equity method of accounting.

5.1.9.2 Movement of consolidated investments in subsidiaries

	Current Period	Prior Period
Balance at Beginning of Period	612,058	577,536
Movements during the Period	(6,999)	34,522
Acquisitions and Capital Increases	14,685	23,089
Bonus Shares Received	10,723	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	(78,256)	(115)
Reclassifications	-	-
Increase/Decrease in Market Values	7,903	50,539
Currency Differences on Foreign Subsidiaries	37,946	(38,703)
Impairment Losses (-)	-	288
Balance at End of Period	605,059	612,058
Capital Commitments	-	12,000
Share Percentage at the End of Period (%)	-	-

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

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

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

As per the resolution of the Board of Directors of Garanti Faktoring Hiz. AŞ on 14 June 2006, the company's share capital increased from YTL 15,000 thousands to YTL 15,989 thousands fully through appropriation of prior periods profits.

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Valuation methods of consolidated investments in subsidiaries

Subsidiaries	Current Period	Prior Period
Valued at Cost	567,854	505,047
Valued at Fair Value	37,205	107,011
Valued by Equity Method of Accounting	-	-

Sectoral distribution of consolidated investments in subsidiaries

Subsidiaries	Current Period	Prior Period
Banks	287,036	249,251
Insurance Companies	123,095	99,858
Factoring Companies	37,205	28,755
Leasing Companies	85,384	85,385
Finance Companies	72,339	148,809
Other Subsidiaries	-	-

Quoted consolidated investments in subsidiaries

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

Other information on consolidated investments in subsidiaries

	Subsidiaries	Address (City/ Country)	Parent Bank's Share - If Different, Voting Rights (%)	Shares of Other Consolidated Subsidiaries (%)	Method of Consolidation
1	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	94.10	5.86	Full Consolidation
2	Garanti Faktoring Hiz. AŞ	Istanbul/Turkey	55.40	-	Full Consolidation
3	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5	Garanti Sigorta AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
6	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	99.91	0.09	Full Consolidation
7	Garanti Bank International NV	Amsterdam/Holland	100.00	-	Full Consolidation
8	Garanti Bank Moscow	Moscow/Russia	75.02	24.86	Full Consolidation
9	Garanti Financial Services Plc	Dublin/Ireland	99.99	-	Full Consolidation
10	Garanti Fund Management Co Ltd	Valetta/Malta	99.50	-	Full Consolidation

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss and Extraordinary Reserves	Company's Fair Value (if available)
1	1,369,019	156,467	17,414	135,308	-	40,293	32,925	-
2	673,050	28,622	1,394	39,831	39	4,597	2,465	67,152
3	19,782	18,411	2,146	-	1,268	1,279	2,447	-
4	15,715	15,171	1,195	272	1,125	1,827	661	-
5	258,121	93,805	14,099	15,345	857	25,311	3,563	-
6	450,865	50,312	6,432	9,138	3,893	20,003	(37,006)	-
7	4,839,864	340,041	60,576	235,493	81,145	45,857	28,994	-
8	558,972	67,113	1,780	18,738	10,243	7,161	9,056	-
9	10,830	10,392	-	369	-	(144)	6,540	-
10	85	-	-	-	-	-	(267)	-

(*) Total fixed assets include tangible and intangible assets.

Consolidated investments in subsidiaries disposed during the current period

The Bank sold its 50.98% shares of Garanti Gayrimenkul Yatırım Ortaklığı AŞ comprising in total 37,622,945 unit shares at a book value of YTL 44,043 thousands to Doğu Holding AŞ (A-group shares of 737,705 and B-group shares of 18,066,240 in total 18,803,945 unit shares) and GE Capital Corporation (A-group shares of 737,705 and B-group shares of 18,081,295 in total 18,819,000 unit shares) at sale prices of YTL 36,254 thousands and YTL 36,283 thousands, respectively.

Consolidated investments in subsidiaries acquired during the current period

None.

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5.1.10 Investments in joint-ventures (net)
None.

5.1.11 Lease receivables (net)

5.1.11.1 Financial lease receivables according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	706,281	593,655	494,882	427,187
Between 1-4 Years	784,952	693,213	402,038	359,963
Longer than 4 Years	-	-	-	-
Total	1,491,233	1,286,868	896,920	787,150

5.1.11.2 Net financial lease receivables

	Current Period	Prior Period
Gross Financial Lease Receivables	1,491,233	896,920
Unearned Income on Financial Lease Receivables (-)	204,365	109,770
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	1,286,868	787,150

5.1.11.3 Financial lease agreements

The criterias applied for the financial lease agreements are as follows:

The customer applied for a financial lease is evaluated based on the lending policies and criterias taking into account the legal legislation. A "customer analysis report" according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as "customer risk rating" and "equipment rating/scoring" are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

The followings are monitored for the financial lease agreements signed:

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the credit monitoring unit even for the performing customers.

The reports prepared by the credit monitoring unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

5.1.12 Derivative financial instruments held for risk management

5.1.12.1 Positive differences on derivative financial instruments held for risk management

Derivative Financial Assets held for Risk Management	Current Period		Prior Period	
	YTL	FC	YTL	FC
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	4,799	-	5,300
Net Foreign Investment Hedges	-	-	-	-
Total	-	4,799	-	5,300

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5.1.13 Tangible assets (net)

	Real Estates	Vehicles	Other Tangible Assets	Total
Balance at End of Prior Period				
Cost	1,024,429	41,127	928,415	1,993,971
Accumulated Depreciation (-)	182,784	21,161	677,966	881,911
Net Book Value	841,645	19,966	250,449	1,112,060
Balance at End of Current Period				
Net Book Value at Beginning of Current Period	841,645	19,966	250,449	1,112,060
Additions	22,317	9,282	104,912	136,511
Disposals (-)	116,028	1,668	14,208	131,904
Impairment Losses (-)	10,112	-	-	10,112
Depreciation Expense for Current Period (-)	20,568	8,012	109,196	137,776
Currency Translation Differences on Foreign Operations	7,477	89	942	8,508
Cost at End of Current Period	913,328	40,407	983,140	1,936,875
Accumulated Depreciation at End of Current Period (-)	188,597	20,750	750,241	959,588
Net Book Value at End of Current Period	724,731	19,657	232,899	977,287

5.1.13.1 Disclosure for impairment losses or releases individually material for financial statements

Conditions for allocating/releasing any impairment

None.

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

None.

5.1.13.2 Other impairment losses provided or released in current period that are immaterial for the financial statement individually but material for the financial statements aggregately

In 2006, a total provision of YTL 10,112 thousands was made for the impairment in values of certain real estates in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets".

5.1.14 Intangible assets

5.1.14.1 Useful lives and amortisation rates

The consolidation goodwill classified under intangible assets is not amortized. The estimated useful lives of pre-operating expenses, softwares, leasehold improvements and intangible rights vary between 5 and 15 years.

5.1.14.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation. The consolidation goodwill is not amortized, however is subject to impairment testing regularly and if there is any impairment, a provision is made.

5.1.14.3 Balances at beginning and end of current period

	Current Period		Prior Period	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Intangible Assets	258,922	171,650	223,294	151,705

5.1.14.4 Movements of intangible assets for the current period

	Current Period	Prior Period
Net Book Value at Beginning Period	71,589	68,760
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	44,239	29,062
Disposals (-)	4,433	1,079
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	25,195	25,423
Currency Translation Differences on Foreign Operations	1,072	269
Other Movements	-	-
Net Book Value at End of Current Period	87,272	71,589

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5.1.14.5 Details for any individually material intangible assets

None.

5.1.14.6 Intangible assets capitalised under government incentives at fair values

None.

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

None.

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

None.

5.1.14.9 Commitments to acquire intangible assets

None.

5.1.14.10 Disclosure on revalued intangible assets

None.

5.1.14.11 Research and development costs expensed during current period

None.

5.1.14.12 Goodwill

Goodwill	Shares %	Carrying Value
Garanti Yatırım	100.00	2,778
Garanti Finansal Kiralama	98.94	2,119
Garanti Faktoring	55.40	1,491
Total		6,388

5.1.14.13 Movements in goodwill during current period

	Current Period
Net Book Value at Beginning Period	6,611
Movements in Current Period	(223)
Additions	-
Adjustments due to the Changes in Value of Assets and Liabilities	-
Disposals in Current Period due to a Discontinued Operation or Partial or Complete Disposal of an Asset (-)	223
Amortisation Expense for Current Period (-)	-
Impairment Losses (-)	-
Reversal of Impairment Losses (-)	-
Other changes in Book Values	-
Net Book Value at End of Current Period	6,388

As further explained in Note 5.1.9.2, the Bank sold its 50.98% investment in Garanti Gayrimenkul Yatırım Ortaklığı AŞ on 1 December 2006. The movement in the table above is the disposal of net goodwill related with this investment.

5.1.15 Deferred tax assets

As of 31 December 2006, the Bank had a deferred tax asset of YTL 43,830 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

The Bank did not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2006. However, there was a deferred tax asset of YTL 90,062 thousands and deferred tax liability of YTL 46,232 thousands presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where such differences are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

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5.1.16 Assets held for sale

	Current Period	Prior Period
Balance at Beginning of Current Period	423,893	492,860
Additions	5,205	25,552
Disposals (-)	311,787	57,043
Impairment Losses (-)	-	37,476
Depreciation Expense for Current Period (-)	2,115	-
Cost at End of Current Period	117,297	423,893
Accumulated Depreciation at End of Current Period (-)	2,101	-
Net Book Value at End of Current Period	115,196	423,893

5.1.17 Other assets

5.1.17.1 Receivables from term sale of assets

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

5.1.17.2 Prepaid expenses, taxes and similar items

	Current Period	Prior Period
Prepaid Expenses	151,713	104,541
Prepaid Taxes	7,857	5,808

5.2 Consolidated liabilities

5.2.1 Maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
Saving Deposits	858,537	-	2,652,039	5,370,180	173,910	36,990	61,384	-	9,153,040
Foreign Currency Deposits	5,306,362	-	6,259,367	5,003,582	725,110	490,752	684,307	66,739	18,536,229
Residents in Turkey	3,564,397	-	5,107,083	4,486,519	603,335	217,523	432,301	66,058	14,477,216
Residents in Abroad	1,741,975	-	1,152,284	517,063	121,775	273,229	252,006	681	4,059,013
Public Sector Deposits	13,447	-	8,047	6,792	7	46	48	-	28,387
Commercial Deposits	1,363,647	-	1,460,924	1,184,717	23,406	12,262	8,835	-	4,053,791
Others	178,397	-	28,762	170,388	305	19	216	-	378,087
Precious Metal Deposits	32,721	-	24,235	-	-	-	-	-	56,956
Bank Deposits	311,044	-	705,487	355,282	142,898	39,091	19,913	-	1,573,715
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	50,691	-	295,634	4,093	7,045	10,208	17,227	-	384,898
Foreign Banks	194,906	-	409,853	351,189	135,853	28,883	2,686	-	1,123,370
Special Purpose Financial Institutions	65,447	-	-	-	-	-	-	-	65,447
Others	-	-	-	-	-	-	-	-	-
Total	8,064,165	-	11,138,861	12,090,941	1,065,636	579,160	774,703	66,739	33,780,205

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
Saving Deposits	791,438	-	1,659,328	3,784,293	207,894	76,541	102,491	-	6,621,985
Foreign Currency Deposits	4,338,430	-	4,245,457	2,849,098	699,340	417,957	509,824	54,441	13,114,547
Residents in Turkey	2,857,047	-	3,738,240	2,506,741	550,497	166,902	293,209	53,724	10,166,360
Residents in Abroad	1,481,383	-	507,217	342,357	148,843	251,055	216,615	717	2,948,187
Public Sector Deposits	10,827	-	18,315	15,740	465	42	43	-	45,432
Commercial Deposits	1,039,641	-	1,882,338	1,316,063	96,691	6,460	5,075	-	4,346,268
Others	171,089	-	31,490	79,396	939	1,408	170	-	284,492
Precious Metal Deposits	4,490	-	22	1,048	-	13,261	-	-	18,821
Bank Deposits	278,909	-	386,955	237,546	59,489	45,303	51,479	-	1,059,681
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	53,556	-	65,806	73,818	22,572	21,735	20,176	-	257,663
Foreign Banks	159,549	-	321,149	163,728	36,917	23,568	31,303	-	736,214
Special Purpose Financial Institutions	65,804	-	-	-	-	-	-	-	65,804
Others	-	-	-	-	-	-	-	-	-
Total	6,634,824	-	8,223,905	8,283,184	1,064,818	560,972	669,082	54,441	25,491,226

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

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

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	4,553,983	3,580,691	4,529,157	2,901,048
Foreign Currency Saving Deposits	3,015,500	2,594,253	5,151,654	3,836,318
Other Deposits	3,417	605	45,860	16,432
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

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

None.

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

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

5.2.2 Derivative financial liabilities held for trading

Trading Derivatives	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Deals	2,830	1,598	2,132	3,246
Swaps	240,601	10,129	36,250	39,597
Futures	-	-	-	-
Options	473	2,268	368	3,703
Others	-	1,646	2,691	-
Total	243,904	15,641	41,441	46,546

5.2.3 Funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	585,874	401,126	360,556	276,356
Foreign Banks, Institutions and Funds	364,242	8,310,633	20,501	6,031,036
Total	950,116	8,711,759	381,057	6,307,392

5.2.3.1 Maturities of funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-Term	950,116	2,717,581	381,057	3,507,019
Medium and Long-Term	-	5,994,178	-	2,800,373
Total	950,116	8,711,759	381,057	6,307,392

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

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

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5.2.4 Interbank money markets

Funds obtained through repurchase transactions:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Domestic Transactions	3,476,521	-	1,257,469	-
Financial Institutions and Organizations	59,156	-	113,928	-
Other Institutions and Organizations	3,373,115	-	1,118,729	-
Individuals	44,250	-	24,812	-
Foreign Transactions	834,273	984,851	108,037	974,818
Financial Institutions and Organizations	833,600	984,851	107,718	974,818
Other Institutions and Organizations	378	-	233	-
Individuals	295	-	86	-
Total	4,310,794	984,851	1,365,506	974,818

5.2.5 Factoring payables

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Domestic	147,722	30,839	44,835	6,463
Short-Term	147,722	30,839	44,761	6,452
Medium and Long-Term	-	-	74	11
Foreign	-	-	-	-
Short-Term	-	-	-	-
Medium and Long-Term	-	-	-	-
Total	147,722	30,839	44,835	6,463

5.2.6 Lease payables

5.2.6.1 Financial lease payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1,815	1,664	2,790	2,382
Between 1-4 Years	-	-	1,784	1,591
Longer than 4 Years	-	-	-	-
Total	1,815	1,664	4,574	3,973

5.2.6.2 Operational lease agreements

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

5.2.7 Derivative financial liabilities held for risk management

None.

5.2.8 Provisions

5.2.8.1 General provisions

	Current Period	Prior Period
General Provision for	158,466	100,706
Loans and Receivables in Group I	138,632	86,334
Loans and Receivables in Group II	490	227
Non-Cash Loans	19,344	14,145
Others	-	-

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5.2.8.2 Other provisions

5.2.8.2.1 General reserves for possible losses

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

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

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

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

5.2.8.2.3 Other provisions for possible losses

	Current Period	Prior Period
Provision for Promotion Expenses of Credit Cards	46,051	36,954
Other Provisions	64,625	13,349
Total	110,676	50,303

5.2.9 Taxes and other duties payable

5.2.9.1 Current tax liability

As of 31 December 2006, the tax liability amounts to YTL 127,631 thousands. In cases where the differences between the carrying amounts and the taxable amounts of assets subject to tax, are related with certain items in the equity accounts, the current tax assets/liabilities are charged or credited directly to these accounts.

5.2.9.2 Taxes payable

	Current Period	Prior Period
Corporate Taxes Payable	127,631	80,027
Taxation on Securities Income	31,202	22,557
Taxation on Real Estates Income	677	395
Banking Insurance Transaction Tax	23,563	25,983
Foreign Exchange Transaction Tax	3,252	2,030
Value Added Tax Payable	1,249	985
Others	10,685	14,841
Total	198,259	146,818

5.2.9.3 Premiums payable

	Current Period	Prior Period
Social Security Premiums-Employees	278	211
Social Security Premiums-Employer	384	214
Bank Pension Fund Premium-Employees	8	7
Bank Pension Fund Premium-Employer	11	8
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	482	210
Unemployment Insurance-Employer	889	351
Others	3	215
Total	2,055	1,216

5.2.9.4 Deferred tax liability

In the accompanying consolidated financial statements of the Bank had a deferred tax liability of YTL 1,108 thousands (31 December 2005: YTL 612 thousands).

5.2.10 Payables for assets held for sale

None.

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5.2.11 Subordinated loans

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	143,372	-	60,206
Total	-	143,372	-	60,206

5.2.12 Shareholders' equity

5.2.12.1 Paid-in capital

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

5.2.12.2 Registered share capital system

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

5.2.12.3 Capital increases in current period

None.

5.2.12.4 Capital increases from capital reserves in current period

None.

5.2.12.5 Capital commitments for current and future financial periods

None.

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

None.

5.2.12.7 Information on privileges given to stocks representing the capital

None.

5.2.12.8 Securities value increase fund

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Securities Available-for-Sale	52,419	70,285	110,684	51,838
Valuation Difference	52,419	70,285	110,684	51,838
Exchange Rate Difference	-	-	-	-
Total	52,419	70,285	110,684	51,838

5.2.12.9 Revaluation surplus

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

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5.2.12.10 Bonus shares of associates, subsidiaries and joint-ventures

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

5.2.12.11 Legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	94,859	61,111
II. Legal Reserve	13,794	8,298
Special Reserves	-	-

In compliance with the decisions made on the annual general assemblies of the Bank and its financial affiliates operating in Turkey, 5% of prior periods' profit is allocated to legal reserves.

5.2.12.12 Extraordinary reserves

	<i>Current Period</i>	<i>Prior Period</i>
Legal Reserves allocated in compliance with the Decisions made on the Annual General Assembly	526,745	-
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-

In compliance with the decisions made on the annual general assemblies of the Bank and its financial affiliates, remaining prior periods' profit after the appropriation to legal reserves, are allocated to extraordinary reserves

5.2.12.13 Minority interest

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	42,022	39,647
Profit Share of Subsidiaries	1,252	2,878
Prior Period Dividend	-	-
Decrease in Minority Interest due to Sales (-)	35,504	-
Others	-	(503)
Balance at End of Period	7,770	42,022

5.3 Consolidated off-balance sheet items

5.3.1 Off-balance sheet contingencies

5.3.1.1 Irrevocable credit commitments

	<i>Current Period</i>	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	4,735,481	3,927,273
Letters of Guarantee in YTL	2,682,754	2,088,864
Letters of Credit	1,872,234	1,539,010
Bills of Exchange and Acceptances	143,541	286,255
Prefinancings	-	-
Total	9,434,010	7,841,402

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

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

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

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5.3.1.3 *Non-cash loans*

	Current Period	Prior Period
Non-Cash Loans against Cash Risks	293,794	326,860
<i>With Original Maturity of 1 Year or Less</i>	41,294	46,395
<i>With Original Maturity of More Than 1 Year</i>	252,500	280,465
Other Non-Cash Loans	9,753,804	8,085,056
Total	10,047,598	8,411,916

5.3.1.4 *Other information on non-cash loans*

Sectoral risk concentration of non-cash loans:

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	12,136	0.45	13,193	0.18	262,362	11.13	29,874	0.49
Farming and Stockbreeding	11,226	0.42	13,193	0.18	262,113	11.12	29,850	0.49
Forestry	80	0.00	-	-	-	-	-	-
Fishery	830	0.03	-	-	249	0.01	24	0.00
Manufacturing	709,238	26.43	2,841,533	38.59	663,705	28.15	2,170,210	35.84
Mining	66,001	2.46	28,819	0.39	50,024	2.12	82,349	1.36
Production	627,430	23.38	2,521,650	34.24	613,681	26.03	2,087,861	34.48
Electricity, Gas, Water	15,807	0.59	291,064	3.95	-	-	-	-
Construction	438,975	16.36	1,236,261	16.79	317,989	13.48	1,185,846	19.59
Services	1,405,537	52.38	3,078,229	41.80	1,013,025	42.97	1,837,199	30.35
Wholesale and Retail Trade	857,786	31.97	1,021,648	13.87	696,454	29.54	771,461	12.74
Hotel, Food and Beverage Services	68,449	2.55	106,313	1.44	69,952	2.97	92,499	1.53
Transportation and Telecommunication	73,029	2.72	594,951	8.08	52,665	2.23	107,586	1.78
Financial Institutions	365,201	13.61	1,327,960	18.03	154,144	6.54	797,756	13.18
Real Estate and Renting Services	12,032	0.45	11,685	0.16	18,380	0.78	27,810	0.46
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Educational Services	5,750	0.21	4,763	0.06	4,309	0.18	8,891	0.15
Health and Social Services	23,290	0.87	10,909	0.15	17,121	0.73	31,196	0.51
Others	117,571	4.38	194,925	2.64	100,654	4.27	831,052	13.73
Total	2,683,457	100.00	7,364,141	100.00	2,357,735	100.00	6,054,181	100.00

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

	Group I		Group II	
	YTL	FC	YTL	FC
Non-Cash Loan	2,680,531	7,360,681	-	-
Letters of Guarantee	2,679,828	4,734,306	-	-
Bills of Exchange and Bank Acceptances	616	142,925	-	-
Letters of Credit	87	2,483,450	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	-	-	-

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5.3.2 Financial derivative instruments

	Current Period	Prior Period
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	15,890,675	11,015,778
Currency Forwards	1,435,638	809,935
Currency Swaps	12,571,649	7,614,576
Currency Futures	71,766	247,955
Currency Options	1,811,622	2,343,312
Interest Rate Related Derivative Transactions (II)	320,531	450,006
Interest Rate Forwards	-	-
Interest Rate Swaps	30,280	25,925
Interest Rate Futures	150,715	102,077
Interest Rate Options	139,536	322,004
Other Trading Derivatives (III)	-	-
A. Total Trading Derivatives (I+II+III)	16,211,206	11,465,784
Hedging Derivatives		
Fair Value Hedges	-	-
Cash Flow Hedges	7,107	6,601
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	7,107	6,601
Total Derivative Transactions (A+B)	16,218,313	11,472,385

5.3.3 Contingent liabilities and assets

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

5.3.4 Services rendered on behalf of third parties

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

5.3.5 Parent bank's latest international risk ratings

MOODY'S (July 2006*)	
Long Term FC Deposit	B1
Long Term YTL Deposit	A3
Short Term YTL Deposit	Prime-2
Long Term FC Deposit Outlook	Stable
FSR	D+
FSR Outlook	Positive
Long Term National	Aaa.tr
Short Term National	TR-1

FITCH RATINGS (August 2006*)	
Foreign Currency	
Long Term	BB
Short Term	B
Outlook	Positive
Individual	C
Support	3
Turkish Lira	
Long Term	BB+
Short Term	B
Outlook	Positive
National	AA
Outlook	Stable

CAPITAL INTELLIGENCE (June 2006*)	
Long Term FC Obligations	BB-
Short Term FC Obligations	B
Domestic Strength	BBB
Support	2
Outlook	Positive

STANDARD AND POORS (June 2006*)	
Long Term FC Obligations	BB-
Long Term YTL Deposit	BB-
Outlook	Stable

(*) Latest dates in risk ratings or outlooks.

5.3.6 Latest international risk ratings of Garanti Bank International NV, a consolidated subsidiary

MOODY'S (March 2007)*

Long Term FC Deposit	A 3
Short Term FC Deposit	Prime 2
FSR	C
Outlook	Stable

(*) Latest dates in risk ratings or outlooks.

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5.3.7 Latest international risk ratings of Garanti Factoring, a consolidated subsidiary

FITCH RATINGS (December 2006)*

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

(*) Latest dates in risk ratings or outlooks.

5.3.8 Latest international risk ratings of Garanti Leasing, a consolidated subsidiary

FITCH RATINGS (December 2006)*

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

STANDARD AND POORS (January 2007)*

Long Term FC Obligations	BB-
Short Term FC Obligations	B
Outlook	Stable

(*) Latest dates in risk ratings or outlooks.

5.4 Consolidated income statement

5.4.1 Interest income

5.4.1.1 Interest income from loans

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Interest Income from Loans				
Short-term loans	1,597,306	222,630	1,440,847	164,144
Medium and long-term loans	573,183	571,360	158,261	283,424
Loans under follow-up	29,772	1	5,480	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	2,200,261	793,991	1,604,588	447,568

5.4.1.2 Interest income from banks

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	17,962	-	1,459	4,543
Domestic Banks	42,945	33,990	18,164	24,599
Foreign Banks	29,086	117,961	34,864	46,617
Foreign Headoffices and Branches	-	-	-	-
Total	89,993	151,951	54,487	75,759

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5.4.1.3 Interest income from securities portfolio

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Trading Financial Assets	17,451	44,115	41,229	24,091
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	834,951	295,486	722,232	272,116
Investments Held-to-Maturity	441,378	165,736	203,405	145,127
Total	1,293,780	505,337	966,866	441,334

5.4.1.4 Interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Investments in Associates and Subsidiaries	33	2

5.4.2 Interest expenses

5.4.2.1 Interest expenses on funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks				
Central Bank of Turkey	-	-	-	-
Domestic Banks	47,996	32,801	27,935	9,273
Foreign Banks	37,953	361,646	1,723	167,269
Foreign Headoffices and Branches	-	-	-	-
Other Institutions	37	16,384	-	12,636
Total	85,986	410,831	29,658	189,178

5.4.2.2 Interest expenses paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Investments in Associates and Subsidiaries	40	63

5.4.2.3 Interest expenses on securities issued

None.

5.4.2.4 Maturity structure of interest expense on deposits

Account Description	Demand Deposits	Time Deposits						Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over			
Turkish Lira									
Bank Deposits	177	101,209	1,202	277	229	422	-	103,516	
Saving Deposits	2,371	406,727	719,210	22,394	6,537	10,781	-	1,168,020	
Public Sector Deposits	12	510	370	33	6	7	-	938	
Commercial Deposits	6,969	354,865	247,187	18,847	898	1,005	-	629,771	
Others	4,774	6,504	12,522	151	128	25	-	24,104	
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	
Total YTL	14,303	869,815	980,491	41,702	7,798	12,240	-	1,926,349	
Foreign Currency									
Foreign Currency Deposits	73,500	188,973	154,642	27,285	11,220	20,728	2,206	478,554	
Bank Deposits	-	35,777	12,807	267	221	407	-	49,479	
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	
Precious Metal Deposits	-	3	13	25	313	-	-	354	
Total FC	73,500	224,753	167,462	27,577	11,754	21,135	2,206	528,387	
Grand Total	87,803	1,094,568	1,147,953	69,279	19,552	33,375	2,206	2,454,736	

5.4.2.5 Interest expense on repurchase agreements

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Interest Paid on Repurchase Agreements	416,414	55,869	135,864	39,482

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5.4.2.6 *Financial lease expenses*

	<i>Current Period</i>	<i>Prior Period</i>
Financial Lease Expenses	731	107

5.4.2.7 *Interest expenses on factoring payables*

None.

5.4.3 *Dividend income*

	<i>Current Period</i>	<i>Prior Period</i>
Trading Financial Assets	-	-
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	2,145	1,145
Others	622	-
Total	2,767	1,145

5.4.4 *Trading income/losses (net)*

	<i>Current Period</i>	<i>Prior Period</i>
Income	5,202,928	4,936,001
Trading Account Income	1,414,888	2,428,537
Derivative financial instruments	644,396	327,738
Others	770,492	2,100,799
Foreign Exchange Gain	3,788,040	2,507,464
Losses (-)	5,254,361	4,857,754
Trading Account Losses	1,394,468	2,423,913
Derivative financial instruments	677,578	390,944
Others	716,890	2,032,969
Foreign Exchange Losses	3,859,893	2,433,841
Total	(51,433)	78,247

5.4.5 *Other operating income*

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

5.4.6 *Provision for losses on loans or other receivables*

	<i>Current Period</i>	<i>Prior Period</i>
Specific Provisions for Loans and Other Receivables	166,504	320,259
Loans and receivables in Group III	138,398	16,186
Loans and receivables in Group IV	13,091	-
Loans and receivables in Group V	15,015	304,073
General Provisions	59,024	34,100
Provision for Possible Losses	30,000	17,000
Impairment Losses on Securities	5,079	56
Financial assets at fair value through profit or loss	875	56
Financial assets available-for-sale	4,204	-
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	20,477	4,447
Associates	-	4,275
Subsidiaries	-	172
Joint Ventures	-	-
Investments held-to-maturity	20,477	-
Others	54,912	73,663
Total	335,996	449,525

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5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Personnel Costs	645,818	540,862
Reserve for Employee Termination Benefits	6,171	12,850
Deficit Provision for Pension Fund	-	-
Impairment Losses on Tangible Assets	10,112	-
Depreciation Expenses of Tangible Assets	137,776	108,544
Impairment Losses on Intangible Assets	-	-
Amortisation Expenses of Intangible Assets	25,195	25,243
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses of Assets to be Disposed	-	-
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	620,892	523,115
<i>Operational lease related expenses</i>	58,487	47,900
<i>Repair and maintenance expenses</i>	16,098	15,097
<i>Advertisement expenses</i>	83,561	76,552
<i>Other expenses</i>	462,746	383,566
Loss on Sale of Assets	18,051	64,123
Others	335,145	312,824
Total	1,799,160	1,587,561

5.4.8 Profit/loss before taxes

The Bank increased its consolidated profit before taxes to YTL 1,465,112 thousands increasing by 46% comparing to the prior year. YTL 2,075,883 thousands of the profit before taxes is derived from net interest income and YTL 1,111,284 thousands from fees and commissions income. The total operating expenses amount to YTL 1,799,160 thousands.

5.4.9 Provision for taxes on income

As of 31 December 2006, on a consolidated basis, the Bank recorded a tax expense of YTL 293,524 thousands and a deferred tax expense of YTL 5,025 thousands.

Deferred tax income/expense on timing differences :

<i>Deferred tax income/(expense) on timing differences</i>	<i>Current Period</i>
Increase in Tax Deductable Timing Differences	33,971
Decrease in Tax Deductable Timing Differences (-)	38,248
Increase in Taxable Timing Differences (-)	2,984
Decrease in Taxable Timing Differences	2,236
Total	(5,025)

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

<i>Deferred tax income/(expense) arising on timing differences, tax losses and tax deductions and exemptions</i>	<i>Current Period</i>
Increase/(Decrease) in Tax Deductable Timing Differences	(4,277)
(Increase)/Decrease in Taxable Timing Differences	(748)
Increase/(Decrease) in Tax Losses	-
Increase/(Decrease) in Tax Deductions and Exemptions	-
Total	(5,025)

5.4.10 Operating profit/loss after taxes

None.

5.4.11 Net profit and loss

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

None.

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

None.

5.4.11.3 Minority interest's profit/loss

	<i>Current Period</i>	<i>Prior Period</i>
Net Profit/(Loss) of Minority Interest	1,252	2,878

5.4.12 Components of other items in income statement exceeding 10% of total income statement

None.

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5.5 Consolidated statement of changes in shareholders' equity

5.5.1 Any increases arising from application of accounting for financial instruments in current period

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

None.

5.5.1.2 Increases due to cash flow hedges

None.

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

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

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

The effective loss of YTL 22,518 thousands on net foreign investment hedge is recorded under "other profit reserves" in shareholders' equity as of 31 December 2006. The balance sheet leg of this net foreign investment hedge is under "funds borrowed".

5.5.2 Any decreases arising from application of accounting for financial instruments

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

As of 31 December 2006, the revaluation of financial assets available-for-sale at fair value netted with the related deferred tax liability effect has resulted in an increase by YTL 2,692 thousands that is presented as the current period movement in "securities value increase fund" in the statement of changes in shareholders' equity. The amounts transferred to "net profit" from "securities value increase fund" were YTL 57,004 thousands and YTL 42,510 thousands for the year ended 31 December 2005 and 2006, respectively.

5.5.2.2 Decreases due to cash flow hedges

In 2004, the Bank entered into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. A gain of YTL 3,553 thousands on such effective hedging contracts were classified directly under shareholders' equity within "other profit reserves" in the prior period. In the current period, the decrease in such gains is YTL 405 thousands after netting with the related deferred tax effect and deducted from the same equity item.

5.5.3 Dividends

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

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

2005 PROFIT DISTRIBUTION TABLE	
CURRENT YEAR PROFIT	708,394
A - I.Legal Reserve (Turkish Commercial Code 466/1) at 5%	(35,420)
B - The First Dividend at 5% of the Paid Capital	(105,000)
C - Extraordinary Reserves at 5% after Above Deductions	(28,399)
D -	
- to the Members of the Board of Directors upto 5%	-
- to the Bank Personnel at 5%	(24,526)
- to the Owners of the Founder Shares	(49,052)
E - Extraordinary Reserves	(458,639)
F - II.Legal Reserve (Turkish Commercial Code 466/2)	(7,358)

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

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

CASH DIVIDEND ON 2005 PROFIT TO BE PAID TO ORDINARY SHARE HOLDERS				
AMOUNTS TO BE PAID IN CASH				
	Total Dividends	Dividend per Share with a Face Value of YTL 1		Dividend Payment Date
		Amount	Ratio (%)	
Gross	105,000	0.05000	5.00000	12.04.2006
Net (*)	95,022	0.04525	4.52485	

CASH DIVIDEND ON 2005 PROFIT TO BE PAID TO FOUNDER SHARE HOLDERS				
AMOUNTS TO BE PAID IN CASH				
	Total Dividends	Dividend per Share with a Face Value of YTL 1		Dividend Payment Date
		No. of Shares	Amount	
Gross	49,052	370	133	12.04.2006
Net (*)	44,391	370	120	

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

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

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

5.5.4 Transfers to legal and extraordinary reserves

	Current Period	Prior Period
Transfers to Legal Reserves from Prior Year Profits	40,619	17,663
Transfers to Extraordinary Reserves from Prior Year Profits	540,026	337,721

5.5.5 Issuance of share certificates

None.

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

Please refer to Note 3.23.

5.5.7 Compensation of prior period losses

None.

5.6 Consolidated statement of cash flows

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

In 2006, the net cash inflows arising from banking operations amount to YTL 3,306,145 thousands. YTL 1,756,589 thousands of this amount is generated from the change in operating assets and liabilities and YTL 1,549,556 thousands from operating profit. The net cash outflow from investing activities is YTL 2,805,659 thousands. The major item is the cash outflows arising from new investments in securities available-for-sale. Cash and cash equivalents increased to YTL 4,149,369 thousands at the end of the current period in comparison to YTL 3,935,548 thousands at the beginning of the current period.

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

Please refer to Notes 5.1.8.1, 5.1.8.2, 5.1.9.1 and 5.1.9.2.

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

Please refer to Notes 5.1.8.1, 5.1.8.2, 5.1.9.1 and 5.1.9.2.

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5.6.4 Cash and cash equivalents at beginning of period

	Current Period	Prior Period
Cash on Hand	203,755	205,465
Cash in YTL	107,429	62,051
Cash in Foreign Currency	96,326	143,414
Cash Equivalents	3,731,793	2,457,669
Others	3,731,793	2,457,669
Total	3,935,548	2,663,134

5.6.5 Cash and cash equivalents at end of period

	Current Period	Prior Period
Cash on Hand	335,295	203,755
Cash in YTL	181,253	107,429
Cash in Foreign Currency	154,042	96,326
Cash Equivalents	3,814,074	3,731,793
Others	3,814,074	3,731,793
Total	4,149,369	3,935,548

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

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

The consolidated domestic banks include blocked accounts of YTL 40,280 thousands held for insurance activities.

5.6.7 Additional information

5.6.7.1 Restrictions on the Bank's potential borrowings

None.

5.6.7.2 Cash inflows presenting increase in banking activity related capacity

None.

5.7 Related party risks

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

5.7.1.1 Loans and other receivables

Current Period:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	16,641	211	249,521	157,096	153,299	2,006
Balance at end of period	7,142	16,022	224,108	9,455	87,185	41,793
Interest and Commission Income	59	4	939	1,287	4,229	134

Prior Period:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	655,439	716	122,323	197,526	240,898	8,518
Balance at end of period	16,641	211	249,521	157,096	153,299	2,006
Interest and Commission Income	17	17	7,060	1,460	7,812	24

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5.7.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<i>Deposits</i>						
Balance at beginning of period	1,771	16,302	1,304,333	7,197	126,666	148,158
Balance at end of period	2,010	1,771	509,513	1,304,333	132,757	126,666
Interest Expenses	40	62	62,796	2,355	11,162	3,992

5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading:						
Beginning of Period	-	222	4,272	680	-	-
End of Period	2,790	-	-	4,272	-	-
Total Profit/Loss	6	-	(10)	31	-	-
Hedging Transactions:						
Beginning of Period	-	-	-	-	-	-
End of Period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

5.7.2 Parent bank's risk group

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

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

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

The cash loans of the risk group amounting YTL 82,539 thousands compose 0.28% of the Bank's total cash loans and 0.14% of the Bank's total assets. The total loans and similar receivables amounting YTL 318,435 thousands compose 0.56% of the Bank's total assets. The non-cash loans of the risk group amounting YTL 67,270 thousands compose 0.67% of the Bank's total non-cash loans. The deposits of the risk group amounting YTL 644,280 thousands compose 1.91% of the Bank's total deposits. The pricing in transactions with the risk group companies is set in compliance with the market prices.

5.7.2.3 Other matters not required to be disclosed

None.

5.7.2.4 Transactions accounted under equity method

Please refer to Notes 5.1.8 and 5.1.9.

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

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

Purchase of equipments for internal use are partly arranged through financial leasing.

5.8 Significant events and matters arising subsequent to balance sheet date

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates Consolidated Financial Report as of and for the Year Ended 31 December 2006

Türkiye Garanti Bankası AŞ and Its Financial Affiliates
Consolidated Financial Report as of and
for the year ended 31 December 2006
(Thousands of New Turkish Lira (YTL))

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

5.9 Domestic, foreign and off-shore branches or investments and foreign representative offices

5.9.1 Domestic and foreign branches and representative offices

Türkiye Garanti Bankası AŞ			Country	Total Assets	Legal Capital
	Number of Branches	Number of Employees			
Domestic Branches	478	11,843			
Foreign Representative Offices	1	1	1- Germany		
	1	1	2- Russia		
	1	1	3- England		
	1	1	4- China		
Foreign Branches	1	17	1- Luxembourg	8,325,280	US\$ 124,853
	1	12	2- Malta	7,931,183	US\$ 57
	3	30	3- NCTR	156,544	YTL 3,200

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

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

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

5.9.3 Information on consolidated financial subsidiaries

Garanti Bank International NV			Country	Total Assets	Legal Capital
	Number of Branches	Number Of Employees			
Foreign Representative Offices	1	13	1- Turkey		
	1	-	2- Switzerland		
Head office-Holland	1	135	1- Holland	4,137,186	EUR 134,750,000
Foreign Branches	1	100	1- Romania	160,728	ROL 154,731,657
	1	24	2- Germany	541,950	-

Garanti Bank Moscow			Country	Total Assets	Legal Capital
	Number of Branches	Number Of Employees			
Head Office-Moscow	1	75	Russia	558,972	US\$ 32,757,364

Other consolidated foreign financial subsidiaries:

	Number Of Employees	Country	Total Assets	Legal Capital
Garanti Financial Services Plc	1	Ireland	10,830	US\$ 2,638,100
Garanti Fund Management Co Ltd	-	Malta	85	US\$ 200,000

Consolidated domestic financial subsidiaries:

	Number Of Employees	Total Assets	Legal Capital
Garanti Finansal Kiralama AŞ	139	1,369,019	73,000
Garanti Faktoring Hiz. AŞ	55	673,050	15,989
Garanti Sigorta AŞ	368	258,121	60,000
Garanti Emeklilik ve Hayat AŞ	419	450,865	50,000
Garanti Yatırım Menkul Kıymetler AŞ	96	19,782	8,328
Garanti Portföy Yönetimi AŞ	49	15,715	10,000

Türkiye Garanti Bankası AŞ and Its Financial Affiliates
Consolidated Financial Report as of and
for the year ended 31 December 2006
(Thousands of New Turkish Lira (YTL))

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6 Other disclosures and footnotes

6.1 Other disclosures on activities of parent bank

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

In accordance with the terms of the agreement, the assets that are categorized as the second group representing certain non-financial associates namely Garanti Turizm Yatırım ve İşletmeleri AŞ and Doc Finance SA having a total book value of YTL 29,497 thousands and certain real estates either in use or held for resale (Ankara-Çankaya-building, İstanbul-Esenyurt/B.Çekmece-building, Kocaeli- Gebze-building, İstanbul-Kartal-two pieces of land, İstanbul-Çatalca/B.Çekmece-land) having a total book value of YTL 237,536 thousands were altogether sold to Doğuş Holding AŞ on 17 April 2006. YTL 100,000 thousands of the total sale price amounting YTL 273,397 thousands was collected on the date of sale. Subsequently, the first installment of YTL 86,698,500 was collected on 22 December 2006. The remaining balance amounting YTL 86,698.5 thousands is to be collected on 24 December 2007.

- As per the announcements made according to the Article VIII no.39 of the Turkish Capital Market Board, the Bank decided to entrusted Watson Wyatt Limited with the assessment of potential merger, joint venture, share purchase and sale prospects for Garanti Sigorta AŞ and Garanti Emeklilik ve Hayat AŞ, as their parent company, in the insurance sector. As of the reporting date, negotiations with various prospective strategic investor continue.
- The Bank sold a building in Maslak/İstanbul, acquired against its impaired assets to Doğuş Holding AŞ on 15 August 2006. US\$ 20,000,000 of the sale price of US\$ 32,000,000 was collected on the date of sale. The remaining US\$ 12,000,000 will be collected on 31 December 2008.
- The Bank signed a preliminary agreement with the European Investment Bank in March 2006 for a 10-year loan amounting EUR 100 millions to finance its commercial and SME customers. The loan related processes continue.
- On 29 November 2006, the Bank signed an agreement for a club term loan facility of US\$ 700 millions with a maturity of two years and interest rate of $\text{libor}+0.625\%$ per annum.
- On 4 December 2006, the Bank secured US\$ 500 millions through another Diversified Payment Rights securitisation transaction. The borrowing has two tranches; US\$ 100 millions with eight years maturity, and US\$ 400 millions with 10 years maturity.

7 Independent auditors' report

7.1 Disclosure on independent auditors' report

The consolidated financial statements of the Bank and its financial affiliates as of 31 December 2006, have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International) and an unqualified opinion has been issued in their independent auditors' report dated 27 February 2007.

Performance of Garanti Shares

Garanti shares are traded on the Istanbul Stock Exchange (ISE) under the ticker symbol 'GARAN.IS'. The shares are also quoted on the London Stock Exchange (LSE).

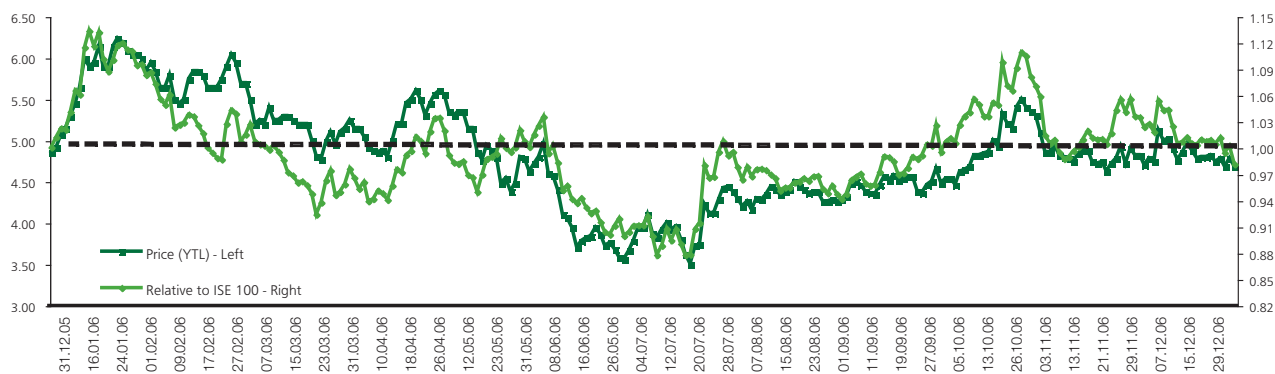
Garanti shares were initially offered to public in 1990. The Bank was the first Turkish company to launch a Depository Receipt (DR) program in 1993 with American Depository Receipts (ADRs) and Global Depository Receipts (GDRs).

The ADRs of Garanti trade on SEAQ (The Stock Exchange Automated Quotations), which is the international market of the LSE. The shareholder structure of the Bank is presented on page 9 of this annual report.

Highest and Lowest Prices of Garanti Shares (as per the closing prices)

Period	YTL		US\$	
	Highest	Lowest	Highest	Lowest
1Q06	6.24	4.77	4.74	3.54
2Q06	5.60	3.56	4.26	2.13
3Q06	4.66	3.50	3.12	2.21
4Q06	5.50	4.46	3.81	2.96

Performance of Garanti Shares Compared to the ISE-100 Index



Garanti shares overperformed the ISE-100 Index in 2005 and the second half of 2006 while the shares underperformed the Index during the first half of 2006.

2002-2006 Summary Financial Data

YTL Millions	2006	2005	2004	2003	2002
Total Assets	50,287	36,425	26,280	25,491	25,376
Deposits	30,139	22,833	17,612	16,394	17,075
Loans	27,350	17,156	10,501	7,822	7,340
Shareholders' Equity	4,670	3,841	3,141	2,790	2,117
Net Income	1,064	721	451	343	160

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