

**Türkiye Garanti Bankası Anonim Şirketi**  
**And Its Financial Affiliates**  
**Consolidated Financial Statements**  
**As of and For the Year Ended**  
**31 December 2008**  
*(Convenience Translation of Financial Statements and Related*  
*Disclosures and Footnotes Originally Issued in Turkish)*  
**With Independent Auditors' Report Thereon**

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ  
12 February 2009

*This report contains "Independent Auditors' Review Report" comprising 2 page and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 96 pages.*



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**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 audited the consolidated balance sheet of Türkiye Garanti Bankası AŞ ("the Bank") and its financial affiliates as of 31 December 2008 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 consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no.26333 dated 1 November 2006 and international standards on auditing. 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 2008 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 and Article 38 of (Turkish) Banking Law No 5411 and the statements and guidances published by the BRSA on accounting and financial reporting principles.

İstanbul,  
12 February 2009

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Murat ALSAN

*Partner, Certified Public Accountant*

**Additional paragraph for convenience translation to English:**

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Financial Report**  
**as of and for the Year Ended 31 December 2008**

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The consolidated interim financial report for the year ended 31 December 2008 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 Parent Bank
2. Consolidated Financial Statements of Parent Bank
3. Accounting Policies
4. Consolidated Financial Position and Results of Operations of Group
5. Disclosures and Footnotes on Consolidated Financial Statements
6. Other Disclosures and Footnotes
7. Independent Auditors' Report

The consolidated subsidiaries and associates in the scope of this consolidated financial report are the followings:

<b>Subsidiaries</b>	<b>Associates</b>
1. Garanti Bank International NV	1. Eureka Sigorta AŞ
2. Garanti Finansal Kiralama AŞ	
3. Garanti Bank Moscow	
4. Garanti Faktoring Hizmetleri AŞ	
5. Garanti Emeklilik ve Hayat AŞ	
6. Garanti Yatırım Menkul Kıymetler AŞ	
7. Garanti Portföy Yönetimi AŞ	
8. Garanti Financial Services Plc	
9. 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).

<b>Ferit F. Şahenk</b>	<b>M. Cüneyt Sezgin</b>	<b>Des O'Shea</b>	<b>S. Ergun Özen</b>	<b>Aydın Şenel</b>	<b>Aylin Aktürk</b>
Board of Directors Chairman	Audit Committee Member	Audit Committee Member	General Manager	Executive Vice President Responsible of Financial Reporting	Coordinator

The authorized contact person for questions on this financial report:

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## **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 721 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 period and information on its risk group**

As of 31 December 2008, group of companies under Doğu Holding AŞ that currently owns 30.52% shares of the Bank, is called as the Doğu Group (the Group). On 22 December 2005, Doğu Holding AŞ had 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. Accordingly, GE acquired a joint control on the Bank’s management. On 27 December 2007, GE Araştırma ve Müşavirlik Limited Şti. has sold 9,765,000,000 shares of the Bank at a nominal value of YTL 97.650 each to Doğu Holding AŞ, representing 4.65% of the issued share capital of Türkiye Garanti Bankası AŞ.

#### **Doğu 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 business consisting of financial services, automotive, media, tourism and service sectors with more than 20,500 employees. The Group operates partnerships and has distribution, management and franchise agreements with internationally recognized brand names, such as Volkswagen, Audi, Bentley, Porsche, Seat, Scania, ITT Sheraton, Hyatt Regency, Jeeves, Armani, Gucci and CNBC. In the construction sector, the Group has an important role in certain ongoing projects such as Araklı-İyidere 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 Emeklilik ve Hayat AŞ, Garanti Faktoring Hizmetleri AŞ, Garanti Ödeme Sistemleri AŞ, Eureka Sigorta AŞ, Doğu GE Gayrimenkul Yatırım Ortaklığı AŞ and Volkswagen Doğu 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	18 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	26 years
Muammer Cüneyt Sezgin	Member of BOD and Audit Committee	30.06.2004	PhD	20 years
Dr. Ahmet Kamil Esirtgen	Member	19.03.1992	PhD	34 years
Denis Arthur Hall	Member	08.10.2008	College	24 years
Des O'Shea	Member of BOD and Audit Committee	02.11.2006	University	31 years
Dmitri Lysander Stockton	Member	22.12.2005	University	17 years
Sait Ergun Özen	Member and CEO	14.05.2003	University	21 years

As of 30 July 2008, Oliver B.R.V. Piani resigned from his board member position, subsequently at the Board of Directors' Meeting held on 8 October 2008, Denis Arthur Hall has been assigned for his vacant position. The board member Charles Edward Alexander resigned as of 26 November 2008.

#### 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	21 years
Adnan Memiş	EVP-Support Services	03.06.1991	Master	30 years
Afzal Mohammed Modak	EVP-Finance & Accounting	20.07.2007	Master	23 years
Ali Fuat Erbil	EVP-Retail Banking	30.04.1999	PhD	16 years
Ali Temel	EVP-Loans	21.10.1999	University	18 years
Gökhan Erun	EVP-Human Resources & Investment Banking	18.08.2005	Master	14 years
Faruk Nafiz Karadere	EVP-SME Banking	01.05.1999	University	26 years
Halil Hüsnü Erel	EVP-Operational Services	16.06.1997	University	23 years
Uruz Ersözöğlü	EVP-Treasury	03.04.2006	University	17 years
Tolga Egemen	EVP-Financial Institutions & Corporate Banking	21.09.2000	University	16 years
Turgay Gönensin	EVP-Commercial Banking	15.12.2001	University	23 years
Aydın Şenel	EVP- General Accounting & Financial Reporting	02.03.2006	University	27 years
Zekeriya Öztürk	EVP- International Business Development	02.03.2006	Master	13 years
Avni Aydın Düren	EVP-Legal Services	15.01.2009	Master	14 years

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

#### **1.4 Information on parent bank’s qualified shareholders**

<b>Company</b>	<b>Shares</b>	<b>Ownership</b>	<b>Paid-in Capital</b>	<b>Unpaid Portion</b>
Doğuş Holding AŞ	1,119,800	26.6619%	1,119,800	-
GE Araştırma ve Müşavirlik Limited Şti	875,712	20.8503%	875,712	-

According to the decision made at the “General Assembly of Founder Shares Owners” and the “Extraordinary General Shareholders” meetings held on 13 June 2008, the Bank repurchased all the 370 founder share-certificates issued in order to redeem and exterminate them, subsequent to the permissions obtained from the related legal authorities, at a value of YTL 3,876 thousands each in accordance with the report prepared by the court expert and approved by the Istanbul 5<sup>th</sup> Commercial Court of First Instance. A total payment of YTL 1,434,233 thousands has been made to the owners of 368 founder share-certificates from “extraordinary reserves”, and the value of remaining 2 founder share-certificates has been blocked in the bank accounts.

Subsequent to these purchases, the clauses 15, 16 and 45 of the Articles of Association of the Bank have been revised accordingly.

#### **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 setforth 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 Turkish government and other official and private institutions,
- Developing economical and financial relations with foreign organizations,
- Dealing with all economic operations in compliance with the Banking Law.

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

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

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

## 2 Consolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

### Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates Consolidated Balance Sheet At 31 December 2008

ASSETS		Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
			CURRENT PERIOD 31 December 2008			PRIOR PERIOD 31 December 2007		
			YTL	FC	Total	YTL	FC	Total
<b>I.</b>	<b>CASH AND BALANCES WITH CENTRAL BANK</b>	5.1.1	<b>2,575,060</b>	<b>2,974,970</b>	<b>5,550,030</b>	<b>3,186,970</b>	<b>4,050,061</b>	<b>7,237,031</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	5.1.2	<b>659,366</b>	<b>614,557</b>	<b>1,273,923</b>	<b>281,010</b>	<b>750,690</b>	<b>1,031,700</b>
2.1	Financial assets held for trading		146,799	383,889	530,688	236,454	690,782	927,236
2.1.1	Government securities		123,957	15,599	139,556	225,090	107,044	332,134
2.1.2	Equity securities		13,642	14	13,656	1,462	-	1,462
2.1.3	Other securities		9,200	368,276	377,476	9,902	583,738	593,640
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	Derivative financial assets held for trading		512,567	230,668	743,235	44,556	59,908	104,464
<b>III.</b>	<b>BANKS</b>	5.1.3	<b>1,713,868</b>	<b>5,336,354</b>	<b>7,050,222</b>	<b>1,058,305</b>	<b>3,497,847</b>	<b>4,556,152</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKETS</b>		<b>40,552</b>	-	<b>40,552</b>	-	-	-
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		40,552	-	40,552	-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)</b>	5.1.4	<b>15,031,030</b>	<b>3,296,591</b>	<b>18,327,621</b>	<b>9,822,740</b>	<b>3,712,231</b>	<b>13,534,971</b>
5.1	Equity securities		17,464	44,989	62,453	20,797	37,674	58,471
5.2	Government securities		14,714,792	1,045,877	15,760,669	9,690,401	2,268,068	11,958,469
5.3	Other securities		298,774	2,205,725	2,504,499	111,542	1,406,489	1,518,031
<b>VI.</b>	<b>LOANS</b>	5.1.5	<b>28,086,979</b>	<b>24,662,721</b>	<b>52,749,700</b>	<b>22,649,101</b>	<b>17,378,545</b>	<b>40,027,646</b>
6.1	Loans		27,636,833	24,662,721	52,299,554	22,342,086	17,378,520	39,720,606
6.1.1	Loans to bank's risk group	5.7	48,308	201,823	250,131	22,720	51,941	74,661
6.1.2	Other		27,588,525	24,460,898	52,049,423	22,319,366	17,326,579	39,645,945
6.2	Loans under follow-up		1,239,739	25,085	1,264,824	846,538	5,776	852,314
6.3	Specific provisions (-)		789,593	25,085	814,678	539,523	5,751	545,274
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>	5.1.6	<b>405,992</b>	<b>245,807</b>	<b>651,799</b>	<b>345,643</b>	<b>148,757</b>	<b>494,400</b>
<b>VIII.</b>	<b>INVESTMENTS HELD-TO-MATURITY (Net)</b>	5.1.7	<b>6,086,566</b>	<b>1,697,815</b>	<b>7,784,381</b>	<b>3,498,885</b>	<b>801,475</b>	<b>4,300,360</b>
8.1	Government securities		6,086,566	1,658,021	7,744,587	3,495,683	777,619	4,273,302
8.2	Other securities		-	39,794	39,794	3,202	23,856	27,058
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	5.1.8	<b>57,074</b>	-	<b>57,074</b>	<b>45,656</b>	-	<b>45,656</b>
9.1	Associates consolidated under equity accounting		40,342	-	40,342	28,997	-	28,997
9.2	Unconsolidated associates		16,732	-	16,732	16,659	-	16,659
9.2.1	Financial investments in associates		14,755	-	14,755	14,682	-	14,682
9.2.2	Non-financial investments in associates		1,977	-	1,977	1,977	-	1,977
<b>X.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	5.1.9	<b>20,780</b>	<b>674</b>	<b>21,454</b>	<b>9,694</b>	<b>540</b>	<b>10,234</b>
10.1	Unconsolidated financial investments in subsidiaries		417	674	1,091	418	540	958
10.2	Unconsolidated non-financial investments in subsidiaries		20,363	-	20,363	9,276	-	9,276
<b>XI.</b>	<b>INVESTMENTS IN JOINT-VENTURES (Net)</b>	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		-	-	-	-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES (Net)</b>	5.1.11	<b>450,766</b>	<b>1,653,231</b>	<b>2,103,997</b>	<b>549,408</b>	<b>1,396,241</b>	<b>1,945,649</b>
12.1	Financial lease receivables		560,173	1,869,013	2,429,186	690,122	1,560,826	2,250,948
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		109,407	215,782	325,189	140,714	164,585	305,299
<b>XIII.</b>	<b>DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT</b>	5.1.12	-	<b>69,161</b>	<b>69,161</b>	-	<b>31,960</b>	<b>31,960</b>
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	69,161	69,161	-	31,960	31,960
13.3	Net foreign investment hedges		-	-	-	-	-	-
<b>XIV.</b>	<b>TANGIBLE ASSETS (Net)</b>	5.1.13	<b>1,108,806</b>	<b>98,218</b>	<b>1,207,024</b>	<b>1,048,771</b>	<b>72,321</b>	<b>1,121,092</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	5.1.14	<b>32,456</b>	<b>5,023</b>	<b>37,479</b>	<b>24,926</b>	<b>3,127</b>	<b>28,053</b>
15.1	Goodwill		6,388	-	6,388	6,388	-	6,388
15.2	Other intangibles		26,068	5,023	31,091	18,538	3,127	21,665
<b>XVI.</b>	<b>INVESTMENT PROPERTY (Net)</b>	5.1.15	-	-	-	-	-	-
<b>XVII.</b>	<b>TAX ASSET</b>		<b>34,877</b>	<b>17,777</b>	<b>52,654</b>	<b>63,263</b>	<b>311</b>	<b>63,574</b>
17.1	Current tax asset		70	63	133	5,222	-	5,222
17.2	Deferred tax asset	5.1.16	34,807	17,714	52,521	58,041	311	58,352
<b>XVIII.</b>	<b>ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.1.17	<b>81,346</b>	-	<b>81,346</b>	<b>112,886</b>	-	<b>112,886</b>
18.1	Asset held for resale		81,346	-	81,346	112,886	-	112,886
18.2	Assets of discontinued operations		-	-	-	-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	5.1.18	<b>1,823,944</b>	<b>156,052</b>	<b>1,979,996</b>	<b>1,484,191</b>	<b>122,938</b>	<b>1,607,129</b>
	<b>TOTAL ASSETS</b>		<b>58,209,462</b>	<b>40,828,951</b>	<b>99,038,413</b>	<b>44,181,449</b>	<b>31,967,044</b>	<b>76,148,493</b>

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Balance Sheet**  
**At 31 December 2008**

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD 31 December 2008			PRIOR PERIOD 31 December 2007		
		YTL	FC	Total	YTL	FC	Total
<b>I. DEPOSITS</b>	5.2.1	<b>29,119,139</b>	<b>28,840,818</b>	<b>57,959,957</b>	<b>20,196,472</b>	<b>23,493,058</b>	<b>43,689,530</b>
1.1 Deposits from bank's risk group	5.7	150,823	350,667	501,490	204,546	135,893	340,439
1.2 Other		28,968,316	28,490,151	57,458,467	19,991,926	23,357,165	43,349,091
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	5.2.2	<b>302,141</b>	<b>298,951</b>	<b>601,092</b>	<b>501,205</b>	<b>37,388</b>	<b>538,593</b>
<b>III. FUNDS BORROWED</b>	5.2.3	<b>2,738,501</b>	<b>10,734,878</b>	<b>13,473,379</b>	<b>1,812,519</b>	<b>9,088,223</b>	<b>10,900,742</b>
<b>IV. INTERBANK MONEY MARKETS</b>	5.2.4	<b>10,452,524</b>	<b>700,656</b>	<b>11,153,180</b>	<b>7,447,905</b>	<b>1,144,051</b>	<b>8,591,956</b>
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		10,452,524	700,656	11,153,180	7,447,905	1,144,051	8,591,956
<b>V. SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>2,795,404</b>	<b>121,233</b>	<b>2,916,637</b>	<b>2,384,138</b>	<b>129,090</b>	<b>2,513,228</b>
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>		<b>633,430</b>	<b>231,590</b>	<b>865,020</b>	<b>863,062</b>	<b>298,408</b>	<b>1,161,470</b>
<b>IX. FACTORING PAYABLES</b>	5.2.5	-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	5.2.6	-	<b>4,845</b>	<b>4,845</b>	-	<b>4,115</b>	<b>4,115</b>
10.1 Financial lease payables		-	4,845	4,845	-	4,115	4,115
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	5.2.7	-	<b>4,871</b>	<b>4,871</b>	-	<b>249</b>	<b>249</b>
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	4,871	4,871	-	249	249
11.3 Net foreign investment hedges		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	5.2.8	<b>944,756</b>	<b>28,510</b>	<b>973,266</b>	<b>651,197</b>	<b>22,225</b>	<b>673,422</b>
12.1 General provisions		409,543	19,256	428,799	265,965	14,695	280,660
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		198,840	-	198,840	143,883	-	143,883
12.4 Insurance technical provisions (Net)		123,603	-	123,603	101,150	-	101,150
12.5 Other provisions		212,770	9,254	222,024	140,199	7,530	147,729
<b>XIII. TAX LIABILITY</b>	5.2.9	<b>390,131</b>	<b>6,746</b>	<b>396,877</b>	<b>217,521</b>	<b>3,219</b>	<b>220,740</b>
13.1 Current tax liability		387,893	6,746	394,639	217,521	3,189	220,710
13.2 Deferred tax liability		2,238	-	2,238	-	30	30
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.2.10	-	-	-	-	-	-
14.1 Asset held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED DEBTS</b>	5.2.11	-	<b>946,709</b>	<b>946,709</b>	-	<b>728,771</b>	<b>728,771</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	5.2.12	<b>9,752,345</b>	<b>(9,765)</b>	<b>9,742,580</b>	<b>6,983,672</b>	<b>142,005</b>	<b>7,125,677</b>
16.1 Paid-in capital		4,200,000	-	4,200,000	2,100,000	-	2,100,000
16.2 Capital reserves		1,576,741	(18,270)	1,558,471	886,218	139,484	1,025,702
16.2.1 Share premium		11,880	-	11,880	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		257,174	(79,268)	177,906	81,517	108,020	189,537
16.2.4 Revaluation surplus on tangible assets		597,090	-	597,090	29,864	-	29,864
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-	-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		1,509	-	1,509	1,509	-	1,509
16.2.8 Hedging reserves (effective portion)		(63,466)	60,998	(2,468)	774	31,464	32,238
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		772,554	-	772,554	772,554	-	772,554
16.3 Profit reserves		2,061,101	8,505	2,069,606	1,560,342	2,521	1,562,863
16.3.1 Legal reserves		280,954	4,097	285,051	165,846	2,521	168,367
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		1,681,758	-	1,681,758	1,388,561	-	1,388,561
16.3.4 Other profit reserves		98,389	4,408	102,797	5,935	-	5,935
16.4 Profit or loss		1,879,378	-	1,879,378	2,413,778	-	2,413,778
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		1,879,378	-	1,879,378	2,413,778	-	2,413,778
16.5 Minority interest		35,125	-	35,125	23,334	-	23,334
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>57,128,371</b>	<b>41,910,042</b>	<b>99,038,413</b>	<b>41,057,691</b>	<b>35,090,802</b>	<b>76,148,493</b>

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

## Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates

### Consolidated Off-Balance Sheet Items

At 31 December 2008

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD 31 December 2008			PRIOR PERIOD 31 December 2007		
		YTL	FC	Total	YTL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>32,184,579</b>	<b>48,697,088</b>	<b>80,881,667</b>	<b>23,960,000</b>	<b>32,425,848</b>	<b>56,385,848</b>
<b>I. GUARANTEES AND SURETIES</b>	5.3.1	<b>4,228,584</b>	<b>10,338,550</b>	<b>14,567,134</b>	<b>3,921,013</b>	<b>8,881,279</b>	<b>12,802,292</b>
1.1. Letters of guarantee		4,118,306	6,894,220	11,012,526	3,920,015	5,849,586	9,769,605
1.1.1. Guarantees subject to State Tender Law		238,990	541,707	780,697	306,986	423,552	730,538
1.1.2. Guarantees given for foreign trade operations		312,563	422,149	734,712	303,752	326,670	630,422
1.1.3. Other letters of guarantee		3,566,753	5,930,364	9,497,117	3,309,281	5,099,364	8,408,645
1.2. Bank acceptances		-	123,807	123,807	600	115,887	116,487
1.2.1. Import letter of acceptance		-	108,097	108,097	600	107,622	108,222
1.2.2. Other bank acceptances		-	15,710	15,710	-	8,265	8,265
1.3. Letters of credit		278	3,320,523	3,320,801	394	2,915,806	2,916,200
1.3.1. Documentary letters of credit		-	82	82	-	1,649	1,649
1.3.2. Other letters of credit		278	3,320,441	3,320,719	394	2,914,157	2,914,551
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		110,000	-	110,000	-	-	-
1.9. Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>14,376,973</b>	<b>4,743,412</b>	<b>19,120,385</b>	<b>13,139,200</b>	<b>3,764,471</b>	<b>16,903,671</b>
2.1. Irrevocable commitments		14,376,973	4,742,758	19,119,731	13,139,200	3,764,081	16,903,281
2.1.1. Asset purchase commitments		153,483	1,418,639	1,572,122	50,554	1,689,412	1,739,966
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		812	-	812	812	-	812
2.1.4. Loan granting commitments		2,787,561	1,853,327	4,640,888	2,327,523	1,013,639	3,341,162
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		1,356,288	-	1,356,288	1,852,451	-	1,852,451
2.1.8. Tax and fund obligations on export commitments		-	25,834	25,834	24,398	-	24,398
2.1.9. Commitments for credit card limits		8,788,785	31,274	8,820,059	7,619,252	-	7,619,252
2.1.10. Commitments for credit cards and banking services related promotions		-	-	-	-	-	-
2.1.11. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		1,264,210	1,439,518	2,703,728	1,264,210	1,061,030	2,325,240
2.2. Revocable commitments		-	654	654	-	390	390
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	654	654	-	390	390
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	5.3.2	<b>13,579,022</b>	<b>33,615,126</b>	<b>47,194,148</b>	<b>6,899,787</b>	<b>19,780,098</b>	<b>26,679,885</b>
3.1. Derivative financial instruments held for risk management		-	110,523	110,523	-	58,282	58,282
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	110,523	110,523	-	58,282	58,282
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivative:		13,579,022	33,504,603	47,083,625	6,899,787	19,721,816	26,621,603
3.2.1. Forward foreign currency purchases/sales		1,937,437	2,904,909	4,842,346	863,438	1,217,606	2,081,044
3.2.1.1. Forward foreign currency purchases		934,191	1,490,485	2,424,676	340,766	665,557	1,006,323
3.2.1.2. Forward foreign currency sales		1,003,246	1,414,424	2,417,670	522,672	552,049	1,074,721
3.2.2. Currency and interest rate swaps		9,923,766	20,708,428	30,632,194	4,840,275	10,157,286	14,997,565
3.2.2.1. Currency swaps-purchases		5,472,200	9,895,595	15,367,795	1,215,757	6,023,664	7,239,421
3.2.2.2. Currency swaps-sales		4,451,566	10,772,760	15,224,326	3,622,066	4,123,014	7,745,080
3.2.2.3. Interest rate swaps-purchases		-	18,612	18,612	417	5,401	5,818
3.2.2.4. Interest rate swaps-sales		-	21,461	21,461	2,039	5,207	7,246
3.2.3. Currency, interest rate and security options		1,683,016	9,017,177	10,700,193	1,077,653	7,711,274	8,788,927
3.2.3.1. Currency call options		658,260	2,816,859	3,475,119	370,616	3,798,693	4,169,309
3.2.3.2. Currency put options		990,950	2,696,475	3,687,425	635,057	3,417,318	4,052,375
3.2.3.3. Interest rate call options		-	1,799,040	1,799,040	-	81,200	81,200
3.2.3.4. Interest rate put options		-	1,692,640	1,692,640	-	-	-
3.2.3.5. Security call options		33,806	10,642	44,448	37,344	113,283	150,627
3.2.3.6. Security put options		-	1,521	1,521	34,636	300,780	335,416
3.2.4. Currency futures		27,209	33,537	60,746	114,417	82,650	197,067
3.2.4.1. Currency futures-purchases		24,833	24,967	49,800	83,070	2,219	85,289
3.2.4.2. Currency futures-sales		2,376	8,570	10,946	31,347	80,431	111,778
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sales		-	-	-	-	-	-
3.2.6. Others		7,594	840,552	848,146	4,000	553,000	557,000
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>149,828,729</b>	<b>108,801,912</b>	<b>258,630,641</b>	<b>129,941,310</b>	<b>67,836,609</b>	<b>197,777,919</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>38,828,829</b>	<b>15,720,224</b>	<b>54,549,053</b>	<b>46,920,619</b>	<b>12,856,015</b>	<b>59,776,634</b>
4.1. Customers' securities held		18,299,861	3,913,486	22,213,347	21,162,115	3,625,534	24,787,653
4.2. Investment securities held in custody		13,804,387	932,508	14,736,895	20,241,857	1,385,719	21,627,576
4.3. Checks received for collection		4,869,700	895,721	5,765,421	4,204,954	494,980	4,699,934
4.4. Commercial notes received for collection		1,822,785	1,776,262	3,599,047	1,281,717	1,631,219	2,912,936
4.5. Other assets received for collection		9,649	7,665,813	7,675,462	7,197	5,402,214	5,409,411
4.6. Assets received through public offering		-	25,454	25,454	-	18,805	18,805
4.7. Other items under custody		22,447	510,980	533,427	22,775	297,544	320,319
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>110,999,900</b>	<b>93,081,688</b>	<b>204,081,588</b>	<b>83,020,691</b>	<b>54,980,594</b>	<b>138,001,285</b>
5.1. Securities		77,210	24,354	101,564	169,805	5,555	175,360
5.2. Guarantee notes		16,424,680	6,927,507	23,352,187	11,971,031	4,942,492	16,913,523
5.3. Commodities		157	-	157	157	-	157
5.4. Warranties		-	335,011	335,011	-	463,776	463,776
5.5. Real estates		19,469,018	20,275,144	39,744,162	13,345,515	7,900,332	21,245,851
5.6. Other pledged items		75,028,665	65,519,224	140,547,889	57,534,000	41,668,096	99,202,105
5.7. Pledged items-depository		170	448	618	170	343	513
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>182,013,308</b>	<b>157,499,000</b>	<b>339,512,308</b>	<b>153,901,310</b>	<b>100,262,457</b>	<b>254,163,767</b>

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 2008**

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)	
			CURRENT PERIOD 1 January 2008- 31 December 2008	PRIOR PERIOD 1 January 2007- 31 December 2007
<b>I.</b>	<b>INTEREST INCOME</b>	5.4.1	<b>10,066,076</b>	<b>7,886,063</b>
1.1	Interest income on loans		5,957,380	4,450,886
1.2	Interest income on reserve deposits		218,100	184,252
1.3	Interest income on banks		393,989	422,091
1.4	Interest income on money market transactions		7,120	5,538
1.5	Interest income on securities portfolio		3,075,798	2,342,324
1.5.1	Trading financial assets		49,756	52,725
1.5.2	Financial assets valued at fair value through profit or loss		-	-
1.5.3	Financial assets available-for-sale		2,171,769	1,593,503
1.5.4	Investments held-to-maturity		854,273	696,096
1.6	Financial lease income		235,025	188,173
1.7	Other interest income		178,664	292,799
<b>II.</b>	<b>INTEREST EXPENSE</b>	5.4.2	<b>6,635,372</b>	<b>4,788,111</b>
2.1	Interest on deposits		4,542,020	3,295,478
2.2	Interest on funds borrowed		908,834	749,030
2.3	Interest on money market transactions		1,180,050	738,564
2.4	Interest on securities issued		2,872	3,035
2.5	Other interest expenses		1,596	2,004
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>3,430,704</b>	<b>3,097,952</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>1,578,335</b>	<b>1,288,569</b>
4.1	Fees and commissions received		2,042,770	1,720,948
4.1.1	Non-cash loans		133,118	107,983
4.1.2	Others		1,909,652	1,612,965
4.2	Fees and commissions paid		464,435	432,379
4.2.1	Non-cash loans		453	322
4.2.2	Others		463,982	432,057
<b>V.</b>	<b>DIVIDEND INCOME</b>	5.4.3	<b>29,472</b>	<b>2,866</b>
<b>VI.</b>	<b>NET TRADING INCOME/LOSSES (Net)</b>	5.4.4	<b>253,585</b>	<b>(218,454)</b>
6.1	Trading account income/losses (Net)		486,852	(435,806)
6.2	Foreign exchange gains/losses (Net)		(233,267)	217,352
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	5.4.5	<b>437,723</b>	<b>1,201,924</b>
<b>VIII.</b>	<b>TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>5,729,819</b>	<b>5,372,857</b>
<b>IX.</b>	<b>PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	5.4.6	<b>617,955</b>	<b>349,695</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	5.4.7	<b>2,775,746</b>	<b>2,108,356</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>2,336,118</b>	<b>2,914,806</b>
<b>XII.</b>	<b>INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII.</b>	<b>INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>10,657</b>	<b>4,098</b>
<b>XIV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV.</b>	<b>PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)</b>	5.4.8	<b>2,346,775</b>	<b>2,918,904</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES (±)</b>	5.4.9	<b>455,597</b>	<b>497,148</b>
16.1	Current tax charge		441,528	507,497
16.2	Deferred tax charge/(credit)		14,069	(10,349)
<b>XVII.</b>	<b>NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)</b>	5.4.10	<b>1,891,178</b>	<b>2,421,756</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Income from assets held for sale		-	-
18.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
18.3	Others		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Expenses on assets held for sale		-	-
19.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
19.3	Others		-	-
<b>XX.</b>	<b>PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)</b>	5.4.8	-	-
<b>XXI.</b>	<b>PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	5.4.9	-	-
21.1	Current tax charge		-	-
21.2	Deferred tax charge/(credit)		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)</b>	5.4.10	-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	5.4.11	<b>1,891,178</b>	<b>2,421,756</b>
23.1	Equity holders of the bank		1,879,378	2,413,778
23.2	Minority interest		11,800	7,978
	<b>EARNINGS PER SHARE (full YTL amount per YTL'000 face value each)</b>		<b>632</b>	<b>1,149</b>

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

*(Convenience Translation of Financial Statements Originally Issued in Turkish)*

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Statement of Income/Expense Items Accounted under Shareholders' Equity**  
**For the Year Ended 31 December 2008**

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF NEW TURKISH LIRA (YTL)	
	CURRENT PERIOD	PRIOR PERIOD
	31 December 2008	31 December 2007
<b>I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"</b>	5,102	94,304
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	-	-
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	-	-
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	110,485	(31,526)
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)</b>	28,649	28,412
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	(80,301)	29,115
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS</b>	-	-
<b>VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	-	22,883
<b>IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES</b>	(15,857)	(23,147)
<b>X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)</b>	48,078	120,041
<b>XI. CURRENT PERIOD PROFIT/LOSSES</b>	1,891,178	2,421,756
1.1 Net changes in fair value of securities (transferred to income statement)	61,271	10,224
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	-	-
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	1,829,907	2,411,532
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)</b>	1,939,256	2,541,797

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**For the Year Ended 31 December 2008**

		THOUSANDS OF NEW TURKISH LIRA (YTL)																		
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	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 Surplus on Tangible and Intangible Assets	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity	Value Increase Fund	Bonus Shares of Equity Participations	Hedging Reserves	
<b>PRIOR PERIOD - 31 December 2007</b>																				
I. Balances at beginning of the period		2,100,000	772,554	-	-	108,653	-	526,745	36,923	-	1,165,311	122,704	2,147	950	(19,370)	-	4,816,617	7,770	4,824,387	
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1. Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted balances at beginning of the period (I+II)		2,100,000	772,554	-	-	108,653	-	526,745	36,923	-	1,165,311	122,704	2,147	950	(19,370)	-	4,816,617	7,770	4,824,387	
<b>Changes during the period</b>																				
IV. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	66,852	-	-	-	-	66,852	-	66,852	
VI. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,608	-	51,608	
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,316	-	28,316	
VII. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,292	-	23,292	
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Translation differences		-	-	-	-	(538)	-	-	(30,988)	-	-	-	-	-	-	-	-	-	-	
XI. Changes resulted from disposal of assets		-	-	-	-	(4,434)	-	(28,876)	-	-	33,310	(19)	-	559	-	-	540	-	540	
XII. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	3,948	-	-	-	-	-	3,948	7,586	11,534	
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIX. Current period net profit/loss		-	-	-	-	-	-	-	-	2,413,778	-	-	-	-	-	-	2,413,778	7,978	2,421,756	
XX. Profit distribution		-	-	-	-	64,686	-	890,692	-	-	(1,202,569)	-	27,717	-	-	-	(219,474)	-	(219,474)	
20.1. Dividends		-	-	-	-	-	-	-	-	(219,474)	-	-	-	-	-	-	(219,474)	-	(219,474)	
20.2. Transfers to reserves		-	-	-	-	64,686	-	890,692	-	(955,378)	-	-	-	-	-	-	-	-	-	
20.3. Others		-	-	-	-	-	-	-	-	(27,717)	-	-	27,717	-	-	-	-	-	-	
Balances at end of the period (III+IV+V+.....+XVIII+XIX+XX)		2,100,000	772,554	-	-	168,367	-	1,388,561	5,935	2,413,778	-	189,537	29,864	1,509	32,238	-	7,102,343	23,334	7,125,677	
<b>CURRENT PERIOD - 31 December 2008</b>																				
I. Balances at beginning of the period	5.5	2,100,000	772,554	-	-	168,367	-	1,388,561	5,935	-	2,413,778	189,537	29,864	1,509	32,238	-	7,102,343	23,334	7,125,677	
<b>Changes during the period</b>																				
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	(11,631)	-	-	-	-	(11,631)	(9)	(11,640)	
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(34,706)	-	(34,706)	-	(34,706)	
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	29,534	-	29,534	-	29,534	
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(64,240)	-	(64,240)	-	(64,240)	
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Translation differences		-	-	-	-	903	-	-	93,521	-	-	-	-	-	-	-	94,424	-	94,424	
IX. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Capital increase		2,100,000	-	11,880	-	-	-	-	-	-	-	-	-	-	-	-	2,111,880	-	2,111,880	
12.1. Cash		2,100,000	-	11,880	-	-	-	-	-	-	-	-	-	-	-	-	2,111,880	-	2,111,880	
12.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Others		-	-	-	-	-	-	(1,434,233)	-	-	-	-	-	-	-	-	(1,434,233)	-	(1,434,233)	
XVII. Current period net profit/loss		-	-	-	-	-	-	-	-	1,879,378	-	-	-	-	-	-	1,879,378	11,800	1,891,178	
XVIII. Profit distribution		-	-	-	-	115,781	-	1,727,430	3,341	-	(2,413,778)	-	567,226	-	-	-	-	-	-	
18.1. Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18.2. Transfers to reserves		-	-	-	-	115,781	-	1,727,430	-	-	(1,843,211)	-	-	-	-	-	-	-	-	
18.3. Others		-	-	-	-	-	-	-	3,341	(570,567)	-	-	567,226	-	-	-	-	-	-	
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	285,051	-	1,681,758	102,797	1,879,378	-	177,906	597,090	1,509	(2,468)	-	9,707,455	35,125	9,742,580	

The accompanying notes are an integral part of these consolidated financial statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended 31 December 2008**

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)	
		CURRENT PERIOD 31 December 2008	PRIOR PERIOD 31 December 2007
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	5.6	<b>2,619,095</b>	<b>2,859,190</b>
1.1.1 Interests received		9,326,315	7,750,069
1.1.2 Interests paid		(6,366,874)	(4,643,883)
1.1.3 Dividend received		29,472	2,866
1.1.4 Fees and commissions received		1,578,335	1,288,569
1.1.5 Other income		909,909	702,454
1.1.6 Collections from previously written-off loans and other receivables		25,323	17,676
1.1.7 Payments to personnel and service suppliers		(2,427,788)	(1,862,078)
1.1.8 Taxes paid		(455,597)	(396,483)
1.1.9 Others		-	-
<b>1.2 Changes in operating assets and liabilities</b>	5.6	<b>7,140,829</b>	<b>313,635</b>
1.2.1 Net (increase) decrease in financial assets held for trading		405,513	62,175
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		1,815,904	(4,855,114)
1.2.4 Net (increase) decrease in loans		(13,744,573)	(9,849,842)
1.2.5 Net (increase) decrease in other assets		(698,201)	(1,292,545)
1.2.6 Net increase (decrease) in bank deposits		(310,214)	860,380
1.2.7 Net increase (decrease) in other deposits		14,432,747	8,995,336
1.2.8 Net increase (decrease) in funds borrowed		5,240,354	5,047,343
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(701)	1,345,902
<b>I. Net cash flow from banking operations</b>	5.6	<b>9,759,924</b>	<b>3,172,825</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>	5.6	<b>(7,352,046)</b>	<b>(3,025,915)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-	(1,187)
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	95
2.3 Purchases of tangible assets		(394,925)	(327,182)
2.4 Sales of tangible assets		166,529	57,808
2.5 Cash paid for purchase of financial assets available-for-sale, net		(12,369,975)	(9,203,982)
2.6 Cash obtained from sale of financial assets available-for-sale, net		4,653,806	5,841,427
2.7 Cash paid for purchase of investments held-to-maturity		-	(71,632)
2.8 Cash obtained from sale of investments held-to-maturity		592,519	678,738
2.9 Others		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>677,559</b>	<b>(219,812)</b>
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		2,111,880	-
3.4 Dividends paid		-	(219,474)
3.5 Payments for financial leases		(88)	(338)
3.6 Others (payments for founder shares repurchased)		(1,434,233)	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>(233,267)</b>	<b>217,352</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>	5.6	<b>2,852,170</b>	<b>144,450</b>
<b>VI. Cash and cash equivalents at beginning of period</b>	5.6	<b>4,293,819</b>	<b>4,149,369</b>
<b>VII. Cash and cash equivalents at end of period (V+VI)</b>	5.6	<b>7,145,989</b>	<b>4,293,819</b>

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

### **3 Accounting Policies**

#### **3.1 Basis of presentation**

As per the Articles 37 and 38 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.

The accounting policies and the valuation principles applied in the preparation of the accompanying consolidated financial statements are explained in Notes 3.2 to 3.24.

##### **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 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 the most 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.

Foreign currency differences arising from the conversion of the net investments in subsidiaries in foreign countries into YTL are classified as "other profit reserves" under the shareholders' equity. The financial liabilities in foreign currencies are designated as hedge of net investment in foreign operations and the Bank recognizes the effective portion of changes in the fair value of the hedging instruments under the shareholders' equity in "hedging reserves".

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.

### **3.3 Information on consolidated subsidiaries**

As of 31 December 2008, Türkiye Garanti Bankası Anonim Şirketi and 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 Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring Hizmetleri AŞ (Garanti Faktoring), Garanti Fund Management Co Ltd (GFM) ve Garanti Financial Services Plc (GFS).

Garanti Sigorta AŞ 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 AŞ was established. Garanti Hayat Sigorta AŞ 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. Following the sale transactions that took place on 21 June 2007, the Bank owns 20% of Garanti Sigorta AŞ that its name has been changed as Eureka Sigorta AŞ at 1 October 2007 and 84.91% of Garanti Emeklilik. Eureka Sigorta AŞ is accounted under equity accounting method in the accompanying consolidated financial statements. 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. The head office of this bank 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 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.

#### Liquidation or sales of the associates and subsidiaries:

The Bank sold 80% and 15% shares of its consolidated subsidiaries, Garanti Sigorta AŞ and Garanti Emeklilik ve Hayat AŞ, respectively to Eureka BV on 21 June 2007.

The liquidation processes of GFM ve GFS continue.

### **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 contacts.

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. Subsequent fair value changes for trading derivatives are recorded under income statement. Whereas, the effective portions of hedging derivatives are recorded under shareholders' equity while their ineffective portions are posted through income statement.

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

### **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.

#### 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 measured at amortized costs using internal rate of return after deducting impairments, if any.

*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.

Government bonds indexed to consumer price index and issued on 21 February 2007 are for five-year maturity and with fixed real coupon rate of 5% semiannually. As per the statement made by the Turkish Treasury on the date of issuance, such securities are valued taking into account the difference between the reference index at the issue date and the reference index at the balance sheet date to reflect the effects of inflation.

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

*Loans 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.

Loans and receivables are recognized at cost and measured at amortized cost using the effective interest method. 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 then 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 and related borrowings**

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, 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.

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:

<b>Tangible assets</b>	<b>Estimated useful lives (years)</b>	<b>Depreciation Rates (%) after 1 January 2005</b>	<b>Depreciation Rates (%) before 1 January 2005</b>
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**

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”.

### **3.16 Contingent assets**

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank or its financial affiliates. If an inflow of economic benefits has become probable, then the contingent asset is disclosed in the footnotes to the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

### **3.17 Liabilities for employee benefits**

#### *Severance Indemnities and Short-Term Employee Benefits*

As per the existing labour law in Turkey, the entities are required to pay certain amounts to the employees retired or fired except for resignations or misbehaviours specified in the Turkish Labour Law.

Accordingly, the Bank and its financial affiliates subject to the labour law, 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” for all its employees who retired or whose employment is terminated, called up for military service or died. The major actuarial assumptions used in the calculation of the total liability are as follows:

	<b>31 December 2008</b>	<b>31 December 2007</b>
Discount rate	6.26%	5.71%
Interest rate	12.00%	11.00%
Expected rate of salary/limit increase	5.40%	5.00%
Estimated employee turnover rate	6.55%	5.81%

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

### *Retirement Benefit Obligations*

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependents will receive on retirement.

The Bank's defined benefit plan (the "Plan") is managed by "Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the Fund) established as per the provisional article 20 of the Social Security Law no.506 and the Bank's employees are the members of this Fund.

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506 and these contributions are as follows:

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

The Plan is composed of a) the contractual benefits of the employees, which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5754 ("the Law"), and b) other social rights and and medical benefits provided by the Bank but not transferable to SSF.

#### a) Benefits transferable to SSF

The first paragraph of the provisional article 23 of Banking Law No.5411, published in the Official Gazette at 1 November 2005, which requires the transfer of the members of the funds subject to the provisional article 20 of the Social Security Law no.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, numbered 2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette numbered 26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members.

Following the publication of the verdict, the Turkish Grand National Assembly ("Turkish Parliament") started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law regulating the principles related with such transfers were accepted and approved by Turkish Parliament at 17 April 2008, and enacted at 8 May 2008 after being published in the Official Gazette no.26870.

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, will be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund, the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds' income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers will take place within three-year period starting from 1 January 2008.

At 19 June 2008, Cumhuriyet Halk Partisi ("CHP") is applied to the Constitutional Court for the cancellation of various articles of the Law including the the first paragraph of the provisional Article 20. As of the issuing date of the financial statements, there is not any published ruling of the Constitutional Court regarding this application.

b) Other benefits not transferable to SSF

Other social rights and payments provided in the existing trust indenture but not covered through the transfer of the funds' members and their right-holders to the SSF, are to be covered by the funds and the institutions that employ the funds' members.

The consolidated affiliates do not have retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated affiliates are subject to the 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.

### **3.18 Taxation**

#### **3.18.1 Corporate tax**

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.

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

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the Turkish tax legislation, the 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 25<sup>th</sup> 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.

*Tax applications for foreign branches*

*NORTHERN CYPRUS*

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next 12 years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October.

*MALTA*

The corporate earnings are subjected to a 35% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The earnings of the foreign corporations' branches in Malta are also subject to the same tax rate that the resident corporations in Malta are subject to. The earnings of such branches that are transferred to their head offices are not subject to an additional tax. The prepaid taxes are paid in April, August and December in the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings. The excess part of the corporate tax that is not covered by such prepayments is paid to the tax office in September.

*LUXEMBOURG*

The corporate earnings are subjected to a 22% corporate tax. Effective from 1 January 1, 2009 this rate will be applied as 21%. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. An additional 4% of the calculated corporate tax is paid as a contribution for unemployment insurance fund. The municipality commerce tax, which is set as 3% of the taxable income, can be increased up to 225% by the authorization of the municipalities. This rate is 6.75% in the municipality where the Bank's Luxembourg branch operates. The tax returns are examined by the authorized bodies and in case of detected mistakes, the amount of the taxes to be paid, is revised. The amounts and the payment dates of prepaid taxes are determined and declared by the tax office at the beginning of the taxation period. The corporations whose head offices are outside Luxembourg, are allowed to transfer the rest of their net income after tax following the allocation of 5% of it for legal reserves, to their head offices.

*Tax applications for foreign financial affiliates*

*HOLLAND*

In Holland, corporate income tax is levied at the rate of 25.5% on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. There is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for nine years. Tax losses can be carried back to the prior year.

Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assesment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax has been calculated using the nominal tax rate of 25.5% over the Dutch taxable income, 30% (31 December 2007: 40%) over the local taxable income of Germany branch and 16% over the local taxable income of Romania branches.

#### *RUSSIA*

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

### **3.18.2 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.

In compliance with TAS 12, the deferred tax assets and liabilities of the consolidated affiliates are presented on the asset and liability sides of financial statements seperately, without any offsetting.

### **3.18.3 Transfer pricing**

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at 18 November 2007, explains the application related issues on this topic.

According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As stated in the "7.1 Annual Documentation" section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

### **3.19 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.

### **3.20 Shares and share issuances**

None.

### **3.21 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.

### **3.22 Government incentives**

As of 31 December 2008, the Bank or its financial affiliates do not have any government incentives or aids.

### **3.23 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, BusinessCard under the brand name of Visa and Mastercard, and also American Express credit cards and Maestro ve Electron Garanti24 cards are available.

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, YTL 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.

Information on the business segments on a consolidated basis is as follows as of 31 December 2008:

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Total Operating Profit	1,372,178	2,277,700	1,252,389	798,080	5,700,347
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>1,372,178</b>	<b>2,277,700</b>	<b>1,252,389</b>	<b>798,080</b>	<b>5,700,347</b>
Net Operating Profit	1,055,989	1,349,029	272,938	(360,653)	2,317,303
Income from Associates, Subsidiaries and Joint-Ventures	-	-	-	29,472	29,472
<b>Net Operating Profit</b>	<b>1,055,989</b>	<b>1,349,029</b>	<b>272,938</b>	<b>(331,181)</b>	<b>2,346,775</b>
Provision for Taxes	-	-	-	455,597	455,597
<b>Net Profit</b>	<b>1,055,989</b>	<b>1,349,029</b>	<b>272,938</b>	<b>(786,778)</b>	<b>1,891,178</b>
Segment Assets	16,457,561	35,697,142	35,401,934	11,403,248	98,959,885
Investments in Associates, Subsidiaries and Joint-Ventures	-	-	-	78,528	78,528
Undistributed Items	-	-	-	-	-
<b>Total Assets</b>	<b>16,457,561</b>	<b>35,697,142</b>	<b>35,401,934</b>	<b>11,481,776</b>	<b>99,038,413</b>
Segment Liabilities	31,339,548	24,001,701	24,473,329	9,481,255	89,295,833
Shareholders' Equity	-	-	-	9,742,580	9,742,580
Undistributed Items	-	-	-	-	-
<b>Total Liabilities and Shareholders' Equity</b>	<b>31,339,548</b>	<b>24,001,701</b>	<b>24,473,329</b>	<b>19,223,835</b>	<b>99,038,413</b>
<b>Other Segment Items</b>					
Capital Expenditure	-	-	-	387,971	387,971
Depreciation Expenses	-	-	-	182,190	182,190
Impairment Losses	-	-	770	617,186	617,956
Other Non-Cash Income/Expenses	125,983	356,562	1,228,051	(130,237)	1,580,359
Restructuring Costs	-	-	-	-	-

### 3.24 Other disclosures

#### 3.24.1 Reclassifications

Loans given to banks amounting YTL 1,025,622 thousands as of 31 December 2007 are classified to "loans" from "banks". Interest income received from loans given to banks amounting YTL 16,915 thousands are classified to "interest income on loans" from "interest income on banks".

Leasehold improvements amounting YTL 91,432 thousands as of 31 December 2007, are classified to "tangible assets" from "intangible assets".

Prepaid taxes amounting YTL 5,222 thousands as of 31 December 2007, in "other assets" are classified to "tax asset".

Due to method change in valuation of derivative instruments, YTL 263,933 thousands is reclassified from "trading account gains/(losses)" to "foreign exchange gains/(losses)" as of 31 December 2007.

Shares amounting YTL 16,396 thousands as of 31 December 2007, are classified to "investments in associates" from "financial assets available-for-sale".

## **4 Consolidated Financial Position and Results of Operations**

### **4.1 Consolidated capital adequacy ratio**

The Bank's consolidated capital adequacy ratio is 14.86% (unconsolidated capital adequacy ratio: 16.14%) as of 31 December 2008.

#### **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, non-cash loans and commitments. 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".

The credit derivative contracts are included in the calculation of the value at credit risk and of the capital requirement for general market risk and specific risk in accordance with the principles in "Regulation on Taking Credit Derivatives into Consideration for Calculation of Capital Adequacy Ratio according to the Standard Method".

#### 4.1.2 Consolidated capital adequacy ratio

	Risk Weightings						
	Parent Bank Only						
	0%	10%	20%	50%	100%	150%	200%
<b>Value at Credit Risk</b>							
<b>Balance Sheet Items (Net)</b>	<b>17,471,752</b>	-	<b>2,678,242</b>	<b>12,501,580</b>	<b>37,243,902</b>	<b>571,759</b>	<b>5,157</b>
Cash on Hand	682,622	-	210	-	-	-	-
Securities in Redemption	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	3,075,428	-	-	-	-	-	-
Domestic and Foreign Banks, Foreign Headoffices and Branches	701,210	-	2,348,691	-	1,683,775	-	-
Interbank Money Market Placements	40,000	-	-	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-	-	-	-
Reserve Deposits	1,713,040	-	-	-	-	-	-
Loans	3,228,763	-	139,506	12,207,365	32,205,769	571,759	5,157
Loans under Follow-Up (Net)	-	-	-	-	450,146	-	-
Lease Receivables	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-
Investments Held-to-Maturity	7,305,103	-	-	-	-	-	-
Receivables from Term Sale of Assets	-	-	-	-	32,848	-	-
Miscellaneous Receivables	19,680	-	-	-	80,709	-	-
Accrued Interest and Income	413,824	-	21,772	294,215	822,863	-	-
Investments in Associates, Subsidiaries and Joint-Ventures (Business Partnership) (Net)	-	-	-	-	826,723	-	-
Tangible Assets (Net)	-	-	-	-	1,103,117	-	-
Other Assets	292,082	-	168,063	-	37,952	-	-
<b>Off-Balance Sheet Items</b>	<b>1,813,210</b>	-	<b>1,382,975</b>	<b>715,942</b>	<b>8,441,075</b>	-	-
Non-Cash Loans and Commitments	1,813,210	-	965,853	715,942	8,395,522	-	-
Derivative Financial Instruments	-	-	417,122	-	45,553	-	-
<b>Non-Risk-Weighted Accounts</b>	-	-	-	-	-	-	-
<b>Total Risk-Weighted Assets</b>	<b>19,284,962</b>	-	<b>4,061,217</b>	<b>13,217,522</b>	<b>45,684,977</b>	<b>571,759</b>	<b>5,157</b>

	Risk Weightings						
	Consolidated						
	0%	10%	20%	50%	100%	150%	200%
<b>Value at Credit Risk</b>							
<b>Balance Sheet Items (Net)</b>	<b>19,564,944</b>	-	<b>3,912,598</b>	<b>12,972,339</b>	<b>41,879,668</b>	<b>571,759</b>	<b>5,157</b>
Cash on Hand	701,078	-	210	-	-	-	-
Securities in Redemption	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	3,075,429	-	-	-	-	-	-
Domestic and Foreign Banks, Foreign Headoffices and Branches	2,345,954	-	3,062,430	-	1,574,631	-	-
Interbank Money Market Placements	40,000	-	-	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-	-	-	-
Reserve Deposits	1,713,040	-	-	-	-	-	-
Loans	3,475,567	-	593,893	12,363,625	34,815,820	571,759	5,157
Loans under Follow-Up (Net)	-	-	-	-	450,146	-	-
Lease Receivables	35,279	-	54,498	310,397	1,683,352	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-
Investments Held-to-Maturity	7,444,007	-	-	-	39,760	-	-
Receivables from Term Sale of Assets	-	-	-	-	32,848	-	-
Miscellaneous Receivables	19,680	-	-	-	989,900	-	-
Accrued Interest and Income	404,429	-	33,504	298,317	851,751	-	-
Investments in Associates, Subsidiaries and Joint-Ventures (Business Partnership) (Net)	-	-	-	-	35,715	-	-
Tangible Assets (Net)	-	-	-	-	1,225,445	-	-
Other Assets	310,481	-	168,063	-	180,300	-	-
<b>Off-Balance Sheet Items</b>	<b>1,835,543</b>	-	<b>1,506,493</b>	<b>739,396</b>	<b>9,000,611</b>	-	-
Non-Cash Loans and Commitments	1,835,543	-	997,817	739,396	8,913,385	-	-
Derivative Financial Instruments	-	-	508,676	-	87,226	-	-
<b>Non-Risk-Weighted Accounts</b>	-	-	-	-	-	-	-
<b>Total Risk-Weighted Assets</b>	<b>21,400,487</b>	-	<b>5,419,091</b>	<b>13,711,735</b>	<b>50,880,279</b>	<b>571,759</b>	<b>5,157</b>

#### 4.1.3 Summary information related to consolidated capital adequacy ratio

	Parent Bank Only	
	Current Period	Prior Period
Value at Credit Risk (VaCR)	53,973,934	41,927,303
Value at Market Risk (VaMR)	2,523,750	579,538
Value at Operational Risk (VaOR)	5,766,996	4,520,072
Shareholders' Equity	10,047,717	7,206,570
Shareholders' Equity / (VaCR+VaMR+VaOR) * 100	16.14%	15.32%

	Consolidated	
	Current Period	Prior Period
Value at Credit Risk (VaCR)	59,687,917	46,859,414
Value at Market Risk (VaMR)	4,120,450	1,550,094
Value at Operational Risk (VaOR)	6,621,287	5,299,036
Shareholders' Equity	10,467,025	7,506,982
Shareholders' Equity / (VaCR+VaMR+VaOR) * 100	14.86%	13.98%

#### 4.1.4 Components of consolidated shareholders' equity

	Current Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	4,200,000	2,100,000
Nominal Capital	4,200,000	2,100,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	772,554	772,554
Share Premium	11,880	-
Share Cancellation Profits	-	-
Legal Reserves	285,051	168,367
I. Legal Reserve (Turkish Commercial Code 466/1)	261,424	144,740
II. Legal Reserve (Turkish Commercial Code 466/2)	23,627	23,627
Reserves allocated as per Special Legislations	-	-
Status Reserves	-	-
Extraordinary Reserves	1,681,758	1,388,561
Reserve Allocated as per the Decision held by the General Assembly	1,681,758	1,388,561
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Differences on Foreign Currency Capital	-	-
Other Capital Reserves and Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-	-
Profit	1,879,378	2,413,778
Current Period Profit	1,879,378	2,413,778
Prior Periods Profit	-	-
Provision for Possible Losses (upto 25% of Core Capital)	52,000	32,000
Income on Sale of Investments in Associates, Subsidiaries and Real Estate	594,943	27,717
Primary Subordinated Debt (upto 15% of Core Capital)	-	-
Minority Interest	35,117	23,334
Loss excess of Reserves (-)	-	-
Current Period Loss	-	-
Prior Periods Loss	-	-
Leasehold Improvements (-)	-	91,432
Prepaid Expenses (-)	318,026	257,923
Intangible Assets (-)	37,479	28,053
Deferred Tax Asset excess of 10% of Core Capital (-)	-	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-	-
Goodwill (Net) (-)	-	-
<b>Total Core Capital</b>	<b>9,512,681</b>	<b>6,926,311</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	428,799	280,660
45% of Revaluation Surplus on Movables	-	-
45% of Revaluation Surplus on Immovables	966	966
Bonus Shares of Associates, Subsidiaries and Joint-Ventures (Business Partnership)	1,509	1,509
Primary Subordinated Debt excluding the Portion included in Core Capital	-	-
Secondary Subordinated Debt	847,545	672,492
45% of Securities Value Increase Fund (*)	36,431	75,299
Associates and Subsidiaries	-	-
Investment Securities Available for Sale	36,431	75,299
Minority Interest	8	20
Other Reserves	100,329	38,173
<b>Total Supplementary Capital</b>	<b>1,415,587</b>	<b>1,069,119</b>
<b>TIER III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>10,928,268</b>	<b>7,995,430</b>

(\*) In cases where the Securities Value Increase Fund gives a positive result then only 45% of the amount is considered in the calculation, whereas if its is negative then the whole amount is considered in the calculation.

<b>DEDUCTIONS FROM CAPITAL</b>	<b>461,243</b>	<b>488,448</b>
Unconsolidated Investments in Banks and Financial Institutions	42,813	29,955
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	-	-
Banks and Financial Institutions' Assets and Liabilities that are not Fully Consolidated but Included Using Equity Accounting	-	-
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	62,925	81,085
Others	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>10,467,025</b>	<b>7,506,982</b>

## 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.

Foreign trade finance and other interbank credit transactions are performed through widespread correspondents network. Accordingly, limits are assigned 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 28.63% of the total cash loan portfolio.

The Bank and its financial affiliates' largest 100 non-cash loan customers compose 52.89% of the total non-cash loan portfolio.

The Bank and its financial affiliates' largest 100 cash and non-cash loan customers represent 10.76% of the total "on and off balance sheet" assets.

The general provision for consolidated credit risk amounts to YTL 428,799 thousands.

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

#### 4.2.1 Customer and regional concentration of credit risks

	Loans to Individuals and Corporates		Balances with Banks and Central Bank of Turkey		Securities*		Other Credits**		Off-Balance Sheet Commitments and Contingencies	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Customer concentration</b>										
Private Sector	33,621,435	24,226,179	-	-	1,200,360	609,365	1,238,854	704,708	32,617,011	29,971,275
Public Sector	1,268,795	1,034,439	-	-	23,644,812	16,434,452	308	458	2,305	75,062
Banks	1,051,787	1,043,422	11,939,516	11,265,670	1,721,409	1,658,817	422,808	643,507	23,971,246	9,212,692
Retail Customers	16,807,683	13,723,606	-	-	-	-	-	533	686,033	3,403,418
Equity Securities	-	-	-	-	76,109	59,933	78,528	55,890	-	-
<b>Total</b>	<b>52,749,700</b>	<b>40,027,646</b>	<b>11,939,516</b>	<b>11,265,670</b>	<b>26,642,690</b>	<b>18,762,567</b>	<b>1,740,498</b>	<b>1,405,096</b>	<b>57,276,595</b>	<b>42,662,447</b>
<b>Regional concentration</b>										
Domestic	49,424,620	36,540,459	6,466,880	7,625,460	24,430,500	16,992,381	1,650,644	1,090,234	31,837,359	31,638,256
European Union (EU) Countries	1,793,948	995,033	4,551,839	3,125,896	1,489,864	1,111,916	89,407	292,394	15,325,937	7,485,289
OECD Countries***	68,701	480,372	15,446	9,654	1,529	-	-	7,413	1,186,448	629,396
Off-Shore Banking Regions	168,768	5,227	57,151	67,502	226,765	13,915	212	964	281,684	24,196
USA, Canada	56,103	35,016	772,922	307,546	77,743	121,055	-	490	7,611,841	2,381,975
Other Countries	1,237,560	1,971,539	75,278	129,612	416,289	523,300	235	13,601	1,033,326	503,335
<b>Total</b>	<b>52,749,700</b>	<b>40,027,646</b>	<b>11,939,516</b>	<b>11,265,670</b>	<b>26,642,690</b>	<b>18,762,567</b>	<b>1,740,498</b>	<b>1,405,096</b>	<b>57,276,595</b>	<b>42,662,447</b>

\* Includes financial assets held for trading, financial assets available-for-sale and investments held-to-maturity

\*\* Includes transactions defined as credit as per the Article 48 of the Turkish Banking Law No 5411 and not covered in the first three columns above

\*\*\* OECD countries other than EU countries, USA and Canada

#### 4.2.2 Geographical concentration

	Assets	Liabilities	Non-cash Loans	Capital Expenditures	Net Profit/(Loss)
<b>Current Period</b>					
Domestic	81,229,595	74,232,393	11,496,866	341,824	1,623,884
European Union (EU) Countries	4,538,227	6,403,313	1,635,450	-	80,336
OECD Countries <sup>(1)</sup>	18,661	836,228	433,287	-	-
Off-Shore Banking Regions	377,949	206,918	30,461	-	2,556
USA, Canada	784,348	6,421,186	314,583	-	-
Other Countries	70,167	121,001	352,258	-	-
Associates, Subsidiaries and Joint- Ventures (Business Partnership)	12,019,466	10,817,374	304,229	46,147	184,402
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-
<b>Total</b>	<b>99,038,413</b>	<b>99,038,413</b>	<b>14,567,134</b>	<b>387,971</b>	<b>1,891,178</b>
<b>Prior Period</b>					
Domestic	61,509,588	54,971,044	10,326,332	272,545	2,209,769
EU Countries	3,994,309	5,404,877	1,227,937	-	16,595
OECD Countries <sup>(1)</sup>	15,782	780,097	232,657	-	-
Off-Shore Banking Regions	86,743	206,279	24,196	-	3,569
USA, Canada	396,446	5,223,800	310,342	-	-
Other Countries	417,736	355,520	214,673	-	-
Associates, Subsidiaries and Joint- Ventures (Business Partnership)	9,727,889	9,206,876	466,155	29,673	191,823
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-
<b>Total</b>	<b>76,148,493</b>	<b>76,148,493</b>	<b>12,802,292</b>	<b>302,218</b>	<b>2,421,756</b>

<sup>(1)</sup> OECD countries other than EU countries, USA and Canada

<sup>(2)</sup> Assets, liabilities and equity items that can not be allocated on a consistent basis

#### 4.2.3 Sectoral distribution of cash loans

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
<b>Agriculture</b>	<b>276,174</b>	<b>1.00</b>	<b>116,724</b>	<b>0.48</b>	<b>194,622</b>	<b>0.87</b>	<b>70,563</b>	<b>0.41</b>
Farming and Stockbreeding	265,942	0.96	105,427	0.43	189,456	0.85	66,493	0.39
Forestry	4,937	0.02	-	-	410	-	424	-
Fishery	5,295	0.02	11,297	0.05	4,756	0.02	3,646	0.02
<b>Manufacturing</b>	<b>3,872,157</b>	<b>14.01</b>	<b>8,426,621</b>	<b>34.17</b>	<b>2,979,505</b>	<b>13.34</b>	<b>5,538,040</b>	<b>31.87</b>
Mining	121,982	0.44	279,441	1.13	109,773	0.49	135,545	0.78
Production	3,538,075	12.80	6,648,336	26.96	2,528,984	11.32	4,527,604	26.06
Electricity, Gas, Water	212,100	0.77	1,498,844	6.08	340,748	1.53	874,891	5.03
<b>Construction</b>	<b>953,983</b>	<b>3.45</b>	<b>1,502,414</b>	<b>6.09</b>	<b>842,137</b>	<b>3.77</b>	<b>1,162,048</b>	<b>6.69</b>
<b>Services</b>	<b>4,624,379</b>	<b>16.73</b>	<b>11,069,921</b>	<b>44.88</b>	<b>4,042,195</b>	<b>18.09</b>	<b>8,796,415</b>	<b>50.62</b>
Wholesale and Retail Trade	3,178,646	11.50	2,573,442	10.43	2,633,025	11.79	2,380,947	13.71
Hotel, Food and Beverage Services	208,057	0.75	980,793	3.98	248,316	1.11	586,109	3.37
Transportation and Telecommunication	575,719	2.08	3,746,786	15.19	536,399	2.40	2,607,109	15.00
Financial Institutions	339,238	1.23	3,006,991	12.19	383,046	1.71	2,802,232	16.12
Real Estate and Renting Services	70,624	0.26	373,717	1.51	69,913	0.31	206,285	1.19
“Self-Employment” Type Services	-	-	-	-	-	-	-	-
Educational Services	72,763	0.26	31,401	0.13	56,473	0.25	28,093	0.16
Health and Social Services	179,332	0.65	356,791	1.45	115,023	0.52	185,640	1.07
<b>Others</b>	<b>17,910,140</b>	<b>64.81</b>	<b>3,547,041</b>	<b>14.38</b>	<b>14,283,627</b>	<b>63.93</b>	<b>1,811,454</b>	<b>10.41</b>
<b>Total</b>	<b>27,636,833</b>	<b>100.00</b>	<b>24,662,721</b>	<b>100.00</b>	<b>22,342,086</b>	<b>100.00</b>	<b>17,378,520</b>	<b>100.00</b>

#### 4.2.4 Credit risk by business segments

Loan Groups	Corporate Loans	Retail Loans	Credit Cards	Others	Total
<b>Performing Loans</b>					
Cash Loans	35,415,171	9,488,331	6,788,998	11,445,769	63,138,269
Non-Cash Loans	14,537,420	4,640,888	8,820,059	5,658,784	33,657,151
<b>Loans under Follow-up</b>					
Cash Loans	102,522	279,280	225,252	-	607,054
Non-Cash Loans	13,813	-	-	-	13,813
<b>Non-Performing Loans</b>					
Cash Loans	459,450	348,151	457,223	-	1,264,824
Non-Cash Loans	15,901	-	-	-	15,901
<b>Non-Cash Loans</b>					
Cash Loans	<b>35,977,143</b>	<b>10,115,762</b>	<b>7,471,473</b>	<b>11,445,769</b>	<b>65,010,147</b>
Non-Cash Loans	<b>14,567,134</b>	<b>4,640,888</b>	<b>8,820,059</b>	<b>5,658,784</b>	<b>33,686,865</b>
<b>Provision Types</b>					
<b>Specific Provision</b>					
Cash Loans	257,567	166,194	390,917	-	814,678
Non-Cash Loans	2,459	-	-	-	2,459
<b>General Provision</b>					
Cash Loans	228,444	68,310	48,007	46,753	391,514
Non-Cash Loans	17,604	3,802	11,474	4,405	37,285

### **4.3 Consolidated market risk**

The Bank that had already started working on risk management area before the regulations on Bank's Internal Control and Risk Management Systems and Measurement and Assessment of Capital Adequacy Ratios of Banks issued by the BRSA in February 2001, restructured its internal systems in accordance with the related regulations under the responsibility of the board of directors and currently works accordingly.

In order to comply with the regulations, the Bank set its activities related with market risk management in accordance 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.

The risk policies defined for the Bank's market risk exposure and the applications are approved and reviewed regularly by the board of directors.

The top management is responsible for applying risk policies, principles and application procedures approved by the board of directors, ensuring timely and reliable reporting to the board of directors about the important risks identified, assessing internal control, internal audit and risk reports prepared for departments and either eliminating risks, deficiencies or defects identified in these departments or taking the necessary precautions to prevent those and participating in determination of risk limits.

The board of directors follows up the effectiveness of risk management systems through audit committee, related other committees and top management, and take decisions in the light of various risk reports and the assessments made by audit committee. The board of directors is responsible of healthy performance of internal systems.

Market risks arising from trading transactions are measured by internal risk measurement model using value at risk (VaR) methodology. In the VaR calculations, trading and available-for-sale portfolios are taken into account. VaR is calculated by three different methods, namely historical simulation, monte carlo simulation and parametric method. The Bank takes the parametric VaR results as the basis for the internal management of market risk and determination of limits. The calculations made according to other two methods are used for comparison and monitoring purposes. In the VaR calculation, one year historical market data set is used, and 99% confidence interval and one-day retention period (10 days for legal capital adequacy calculation) are taken into account. In order to test the reliability of the VaR model, back tests are performed. Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe market fluctuations in the VaR calculations.

In the quantification of market risk arising from maturity mismatches of assets and liabilities, duration and variance analysis are also used. In duration analysis, the present values of interest sensitive asset and liability items are calculated based on their cash flows and yield curves developed from market interest rates. The results are supported by the sensitivity and scenario analysis performed periodically due to the prospective fluctuations in markets.

The capital requirement for general market risk and specific risks is calculated using the standard 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

	<b>Amount</b>
(I) Capital Obligation against General Market Risk - Standard Method	196,221
(II) Capital Obligation against Specific Risks - Standard Method	103,154
(III) Capital Obligation against Currency Risk - Standard Method	18,106
(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	12,155
<b>(VII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models</b>	<b>-</b>
<b>(VIII) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI)</b>	<b>329,636</b>
<b>(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))</b>	<b>4,120,450</b>

#### 4.3.2 Average values at market risk

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	2,949,982	3,672,500	1,197,599	1,457,766	1,708,025	1,197,599
Common Share Risk	135,565	200,888	50,527	13,707	50,527	25
Currency Risk	185,936	226,325	155,075	225,605	323,780	117,662
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	214,980	353,475	122,325	120,536	221,950	44,248
<b>Total Value at Risk</b>	<b>3,486,463</b>	<b>4,453,188</b>	<b>1,525,526</b>	<b>1,817,614</b>	<b>2,304,282</b>	<b>1,359,534</b>

#### 4.4 Consolidated operational risk

The value at operational risk is calculated according to the basic indicator approach as per the Article 14 of “Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks”.

The annual gross income is composed of net interest income plus net non-interest income reduced by realised gains/losses from the sale of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

	<b>31 December 2005</b>	<b>31 December 2006</b>	<b>31 December 2007</b>
(I) Net Interest Income	1,817,392	2,075,884	3,097,952
(II) Net Fees and Commissions Income	804,666	1,111,284	1,288,569
(III) Dividend Income	1,145	2,767	2,866
(IV) Net Trading Income/(Losses)	78,247	(51,433)	(218,454)
(V) Other Operating Expenses	340,089	461,766	1,201,924
(VI) Gain/Loss on Securities Available-for-Sale and Held-to-Maturity	58,854	51,307	50,037
(VII) Extraordinary Income	143,781	196,691	919,933
(VIII) Insurance Claim Collections	-	-	-
<b>(IX) Gross Income (I+II+III+IV+V-VI-VII-VIII)</b>	<b>2,838,904</b>	<b>3,352,270</b>	<b>4,402,887</b>
(X) Capital Obligation (IX * 15%)	425,836	502,841	660,433
(XI) Average Capital Obligation Against Operational Risk		529,703	
<b>(XII) Value at Operational Risk (XI * 12.5)</b>		<b>6,621,287</b>	

#### 4.5 Consolidated currency risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2008, the Bank and its financial affiliates' net 'on balance sheet' foreign currency long position amounts to YTL 1,477,585 thousands (31 December 2007: YTL 1,584,354 thousands, a short position), net 'off-balance sheet' foreign currency short position amounts to YTL 1,692,413 thousands (31 December 2007: YTL 1,633,572 thousands, a long position), while net foreign currency short position amounts to YTL 214,828 thousands (31 December 2007: YTL 49,218 thousands, a net foreign currency long position).

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.

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:

	<b>USD</b>	<b>EUR</b>	<b>Yen (100)</b>	<b>GBP</b>
The Bank's foreign currency purchase rate at balance sheet date	1.5200	2.1158	1.6733	2.2094
<u>Foreign currency rates for the days before balance sheet date:</u>				
Day 1	1.5000	2.1215	1.6607	2.1655
Day 2	1.4950	2.1309	1.6583	2.1812
Day 3	1.4850	2.0865	1.6381	2.1842
Day 4	1.4850	2.0868	1.6383	2.1842
Day 5	1.4950	2.0962	1.6514	2.1902
Last 30-days arithmetical average rate	1.5227	2.0600	1.6711	2.2611

**The Bank's consolidated currency risk:**

	<b>Euro</b>	<b>USD</b>	<b>Yen</b>	<b>Other FCs</b>	<b>Total</b>
<b>Current Period</b>					
<b>Assets</b>					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	157,315	2,771,725	309	45,621	2,974,970
Banks	2,630,883	2,627,583	19,159	58,729	5,336,354
Financial Assets at Fair Value through Profit/Loss	122,747	329,498	25	2,195	454,465
Interbank Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale	312,882	2,931,877	-	51,832	3,296,591
Loans (*)	8,666,445	17,677,581	53,814	774,582	27,172,422
Investments in Associates, Subsidiaries and Joint-Ventures	674	-	-	-	674
Investments Held-to-Maturity	44,094	1,653,721	-	-	1,697,815
Derivative Financial Assets Held for Risk Management	68,537	624	-	-	69,161
Tangible Assets	83,893	1,179	-	13,146	98,218
Intangible Assets	4,475	-	-	548	5,023
Other Assets	1,174,064	841,501	6,766	5,951	2,028,282
<b>Total Assets</b>	<b>13,266,009</b>	<b>28,835,289</b>	<b>80,073</b>	<b>952,604</b>	<b>43,133,975</b>
<b>Liabilities</b>					
Bank Deposits	513,186	934,465	15,546	105,135	1,568,332
Foreign Currency Deposits	12,106,357	14,401,756	40,578	602,241	27,150,932
Interbank Money Market Takings	155,901	497,047	-	47,708	700,656
Other Fundings	4,449,002	7,227,882	1,149	3,554	11,681,587
Securities Issued	-	-	-	-	-
Miscellaneous Payables	56,888	46,873	3,935	13,537	121,233
Derivative Financial Liabilities Held for Risk Management	808	4,062	-	1	4,871
Other Liabilities (**)	90,327	183,285	1,230	153,937	428,779
<b>Total Liabilities</b>	<b>17,372,469</b>	<b>23,295,370</b>	<b>62,438</b>	<b>926,113</b>	<b>41,656,390</b>
<b>Net 'On Balance Sheet' Position</b>	<b>(4,106,460)</b>	<b>5,539,919</b>	<b>17,635</b>	<b>26,491</b>	<b>1,477,585</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>4,080,591</b>	<b>(5,762,984)</b>	<b>(18,450)</b>	<b>8,430</b>	<b>(1,692,413)</b>
Derivative Assets	6,394,180	7,466,360	10,038	629,825	14,500,403
Derivative Liabilities	(2,313,589)	(13,229,344)	(28,488)	(621,395)	(16,192,816)
Non-Cash Loans	-	-	-	-	-
<b>Prior Period</b>					
<b>Total Assets</b>	<b>12,364,285</b>	<b>20,062,782</b>	<b>41,212</b>	<b>858,003</b>	<b>33,326,282</b>
<b>Total Liabilities</b>	<b>12,535,259</b>	<b>21,379,824</b>	<b>73,076</b>	<b>922,477</b>	<b>34,910,636</b>
<b>Net 'On Balance Sheet' Position</b>	<b>(170,974)</b>	<b>(1,317,042)</b>	<b>(31,864)</b>	<b>(64,474)</b>	<b>(1,584,354)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>334,335</b>	<b>1,056,302</b>	<b>31,247</b>	<b>211,688</b>	<b>1,633,572</b>
Derivative Assets	2,161,009	8,443,840	168,964	686,720	11,460,533
Derivative Liabilities	(1,826,674)	(7,387,538)	(137,717)	(475,032)	(9,826,961)
Non-Cash Loans	-	-	-	-	-

(\*) The foreign currency-indexed loans amounting YTL 2,509,701 thousands included under YTL loans in the accompanying balance sheet are presented above under the related foreign currency code.

(\*\*) Other liabilities also include gold deposits of YTL 121,554 thousands.

#### 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 run 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)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	1,788,512	-	-	-	-	3,761,518	5,550,030
Banks	3,863,217	829,511	1,279,190	17,137	-	1,061,167	7,050,222
Financial Assets at Fair Value through Profit/Loss	57,281	8,626	164,468	267,560	9,169	766,819	1,273,923
Interbank Money Market Placements	40,552	-	-	-	-	-	40,552
Financial Assets Available-for-Sale	978,092	5,575,301	5,219,482	4,649,683	414,690	1,490,373	18,327,621
Loans	22,053,274	5,632,696	8,582,984	10,106,943	4,785,939	1,587,864	52,749,700
Investments Held-to-Maturity	483,310	2,218,437	191,121	3,254,554	1,336,345	300,614	7,784,381
Other Assets	192,315	466,035	889,850	1,057,657	75,856	3,580,271	6,261,984
<b>Total Assets</b>	<b>29,456,553</b>	<b>14,730,606</b>	<b>16,327,095</b>	<b>19,353,534</b>	<b>6,621,999</b>	<b>12,548,626</b>	<b>99,038,413</b>
<b>Liabilities</b>							
Bank Deposits	1,043,341	37,982	53,825	226,536	-	757,592	2,119,276
Other Deposits	39,614,404	4,366,690	2,833,958	785,966	2,560	8,237,103	55,840,681
Interbank Money Market Takings	10,135,486	189,213	217,010	549,999	-	61,472	11,153,180
Miscellaneous Payables	-	-	-	-	-	2,916,637	2,916,637
Securities Issued	-	-	-	-	-	-	-
Other Fundings	7,608,866	4,029,879	1,938,078	528,977	3,924	310,364	14,420,088
Other Liabilities	-	-	-	-	-	12,588,551	12,588,551
<b>Total Liabilities</b>	<b>58,402,097</b>	<b>8,623,764</b>	<b>5,042,871</b>	<b>2,091,478</b>	<b>6,484</b>	<b>24,871,719</b>	<b>99,038,413</b>
<b>On Balance Sheet Long Position</b>	<b>-</b>	<b>6,106,842</b>	<b>11,284,224</b>	<b>17,262,056</b>	<b>6,615,515</b>	<b>-</b>	<b>41,268,637</b>
<b>On Balance Sheet Short Position</b>	<b>(28,945,544)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,323,093)</b>	<b>(41,268,637)</b>
<b>Off-Balance Sheet Long Position</b>	<b>3,116</b>	<b>2,155</b>	<b>6,644</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,915</b>
<b>Off-Balance Sheet Short Position</b>	<b>(50)</b>	<b>(16,701)</b>	<b>(44,773)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(61,524)</b>
<b>Total Position</b>	<b>(28,942,478)</b>	<b>6,092,296</b>	<b>11,246,095</b>	<b>17,262,056</b>	<b>6,615,515</b>	<b>(12,323,093)</b>	<b>(49,609)</b>

**Average interest rates on monetary financial instruments (%):**

<b>Current Period</b>	<b>Euro</b>	<b>USD</b>	<b>Yen</b>	<b>YTL</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	12.00
Banks (*)	1.00-7.60	0.03-6.70	-	2.07-22.85
Financial Assets at Fair Value through Profit/Loss	4.43-6.98	1.78-6.76	-	11.58-20.13
Interbank Money Market Placements	-	-	-	18.88
Financial Assets Available-for-Sale	3.53-9.50	3.03-12.38	-	14.00-21.16
Loans	4.73-17.50	6.83-18.00	5.51	22.58-24.53
Investments Held-to-Maturity	9.25-9.50	6.13-12.38	-	18.48-21.16
<b>Liabilities</b>				
Bank Deposits	1.95-6.94	1.50-6.85	-	15.00-18.11
Other Deposits	2.00-7.50	1.00-6.50	0.35	17.55
Interbank Money Market Takings	3.70-6.75	3.03-4.90	-	15.26
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	5.05-6.85	4.85-7.97	2.33	14.50-21.42

(\*) The interest rates for USD and YTL placements at banks are 2.01% and 19.17%, respectively, when the placements with range accrual agreements are excluded.

**4.6.2 Interest rate sensitivity of assets, liabilities and off balance sheet items (based on repricing dates)**

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	4,907,841	-	-	-	-	2,329,190	<b>7,237,031</b>
Banks	2,263,363	565,195	1,305,376	51,219	-	370,999	<b>4,556,152</b>
Financial Assets at Fair Value through Profit/Loss	35,839	23,475	266,192	397,928	40,640	267,626	<b>1,031,700</b>
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	1,260,214	3,607,494	1,620,136	4,570,102	1,558,148	918,877	<b>13,534,971</b>
Loans	10,164,665	7,289,839	8,597,971	10,332,523	2,803,572	839,076	<b>40,027,646</b>
Investments Held-to-Maturity	668,982	2,362,014	300,105	781,710	6,573	180,976	<b>4,300,360</b>
Other Assets	265,230	285,149	786,132	1,090,802	25,818	3,007,502	<b>5,460,633</b>
<b>Total Assets</b>	<b>19,566,134</b>	<b>14,133,166</b>	<b>12,875,912</b>	<b>17,224,284</b>	<b>4,434,751</b>	<b>7,914,246</b>	<b>76,148,493</b>
<b>Liabilities</b>							
Bank Deposits	1,508,297	91,135	382,871	129,177	-	324,614	<b>2,436,094</b>
Other Deposits	27,359,379	4,138,411	1,764,896	275,143	-	7,715,607	<b>41,253,436</b>
Interbank Money Market Takings	7,017,196	432,944	520,865	550,003	-	70,948	<b>8,591,956</b>
Miscellaneous Payables	-	-	-	-	-	2,513,228	<b>2,513,228</b>
Securities Issued	-	-	-	-	-	-	-
Other Fundings	5,805,039	2,040,156	2,889,414	701,682	6,654	186,568	<b>11,629,513</b>
Other Liabilities	-	-	-	-	-	9,724,266	<b>9,724,266</b>
<b>Total Liabilities</b>	<b>41,689,911</b>	<b>6,702,646</b>	<b>5,558,046</b>	<b>1,656,005</b>	<b>6,654</b>	<b>20,535,231</b>	<b>76,148,493</b>
<b>On Balance Sheet Long Position</b>	-	<b>7,430,520</b>	<b>7,317,866</b>	<b>15,568,279</b>	<b>4,428,097</b>	-	<b>34,744,762</b>
<b>On Balance Sheet Short Position</b>	<b>(22,123,777)</b>	-	-	-	-	<b>(12,620,985)</b>	<b>(34,744,762)</b>
<b>Off-Balance Sheet Long Position</b>	<b>2,596</b>	<b>82</b>	<b>731</b>	-	-	-	<b>3,409</b>
<b>Off-Balance Sheet Short Position</b>	<b>(72)</b>	<b>(20,686)</b>	<b>(3,777)</b>	-	-	-	<b>(24,535)</b>
<b>Total Position</b>	<b>(22,121,253)</b>	<b>7,409,916</b>	<b>7,314,820</b>	<b>15,568,279</b>	<b>4,428,097</b>	<b>(12,620,985)</b>	<b>(21,126)</b>

**Average interest rates on monetary financial instruments (%):**

Prior Period	Euro	USD	Yen	YTL
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	1.80	-	-	11.81
Banks (*)	3.70-4.50	4.25-6.60	-	17.50-22.65
Financial Assets at Fair Value through Profit/Loss	6.49-6.50	7.00-12.38	-	10.00-18.94
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	5.13-10.63	6.61-16.54	-	17.37-20.78
Loans	1.05-10.79	7.00-13.90	2.31	22.95-23.71
Investments Held-to-Maturity	9.11-9.88	6.88-12.38	-	17.33-20.78
<b>Liabilities</b>				
Bank Deposits	3.50-7.08	3.75-6.72	-	13.00-16.65
Other Deposits	1.50-5.00	1.00-6.50	0.48	14.73
Interbank Money Market Takings	4.11	5.06-5.20	-	15.44
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	4.91-5.85	5.52-6.54	1.85	13.66-18.38

(\*) The interest rates for USD and YTL placements at banks are 4.97% and 15.96%, respectively, when the placements with range accrual agreements are excluded.

#### 4.7 Consolidated liquidity risk

In order to avoid the liquidity risk, the Bank diversifies 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.

As per the BRSA Communiqué published on the Official Gazette no.26333 dated 1 November 2006 and became effective starting from 1 June 2007, "Measurement and Assessment of the Adequacy of Banks' Liquidity", the weekly and monthly liquidity ratios on a bank-only basis for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. The Bank's liquidity ratios for the years 2008 and 2007 are as follows:

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + YTL	FC	FC + YTL
Average (%)	168.14	149.56	110.42	108.99
Maximum (%)	215.04	179.94	126.94	119.49
Minimum (%)	137.44	126.82	95.14	100.70

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

**Maturity analysis of assets and liabilities according to remaining maturities:**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	3,761,518	1,788,512	-	-	-	-	-	5,550,030
Banks	1,177,221	3,410,549	118,057	386,862	1,181,114	776,419	-	7,050,222
Financial Assets at Fair Value through Profit/Loss	13,957	119,411	80,873	653,514	391,278	14,890	-	1,273,923
Interbank Money Market Placements	-	40,552	-	-	-	-	-	40,552
Financial Assets Available-for-Sale	62,453	71,488	1,131,359	2,332,615	12,676,157	2,053,549	-	18,327,621
Loans	134,381	10,210,559	6,010,004	8,930,471	15,339,386	11,674,753	450,146	52,749,700
Investments Held-to-Maturity	-	-	-	182,420	6,250,110	1,351,851	-	7,784,381
Other Assets	413,570	414,949	1,389,273	842,499	1,106,266	76,083	2,019,344	6,261,984
<b>Total Assets</b>	<b>5,563,100</b>	<b>16,056,020</b>	<b>8,729,566</b>	<b>13,328,381</b>	<b>36,944,311</b>	<b>15,947,545</b>	<b>2,469,490</b>	<b>99,038,413</b>
<b>Liabilities</b>								
Bank Deposits	942,562	719,419	79,842	353,054	24,399	-	-	2,119,276
Other Deposits	9,644,259	38,657,604	4,272,401	2,061,050	1,086,827	118,540	-	55,840,681
Other Fundings	-	781,254	627,958	4,512,666	4,445,400	4,052,810	-	14,420,088
Interbank Money Market Takings	-	10,166,280	193,202	221,987	571,711	-	-	11,153,180
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	159,945	1,826,464	12,650	917,578	-	-	-	2,916,637
Other Liabilities (**)	502,729	339,672	152,447	308,348	122,315	23,970	11,139,070	12,588,551
<b>Total Liabilities</b>	<b>11,249,495</b>	<b>52,490,693</b>	<b>5,338,500</b>	<b>8,374,683</b>	<b>6,250,652</b>	<b>4,195,320</b>	<b>11,139,070</b>	<b>99,038,413</b>
<b>Liquidity Gap</b>	<b>(5,686,395)</b>	<b>(36,434,673)</b>	<b>3,391,066</b>	<b>4,953,698</b>	<b>30,693,659</b>	<b>11,752,225</b>	<b>(8,669,580)</b>	<b>-</b>
<b>Prior Period</b>								
<b>Total Assets</b>	<b>3,931,532</b>	<b>15,890,981</b>	<b>6,313,375</b>	<b>11,053,642</b>	<b>26,939,197</b>	<b>10,078,871</b>	<b>1,940,895</b>	<b>76,148,493</b>
<b>Total Liabilities</b>	<b>9,904,690</b>	<b>37,619,255</b>	<b>5,099,240</b>	<b>7,887,774</b>	<b>2,872,504</b>	<b>4,680,502</b>	<b>8,084,528</b>	<b>76,148,493</b>
<b>Liquidity Gap</b>	<b>(5,973,158)</b>	<b>(21,728,274)</b>	<b>1,214,135</b>	<b>3,165,868</b>	<b>24,066,693</b>	<b>5,398,369</b>	<b>(6,143,633)</b>	<b>-</b>

(\*) 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
<b>Financial Assets</b>	<b>90,801,218</b>	<b>69,128,647</b>	<b>90,810,777</b>	<b>69,417,735</b>
Interbank Money Market Placements	40,552	-	40,552	-
Banks (*)	11,898,964	11,265,670	11,898,964	11,265,670
Financial Assets Available-for-Sale	18,327,621	13,534,971	18,327,621	13,534,971
Investments Held-to-Maturity	7,784,381	4,300,360	7,789,674	4,296,848
Loans	52,749,700	40,027,646	52,753,966	40,320,246
<b>Financial Liabilities</b>	<b>85,503,153</b>	<b>65,695,456</b>	<b>85,503,153</b>	<b>65,695,456</b>
Bank Deposits	2,119,276	2,436,094	2,119,276	2,436,094
Other Deposits	55,840,681	41,253,436	55,840,681	41,253,436
Interbank Money Market Takings and Funds Borrowed	24,626,559	19,492,698	24,626,559	19,492,698
Securities Issued	-	-	-	-
Miscellaneous Payables	2,916,637	2,513,228	2,916,637	2,513,228

(\*) including the balances at the Central Bank of Turkey

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

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

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

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

The Bank 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	312,476	359,882	244,778	209,416
Central Bank of Turkey	2,258,831	2,589,911	2,939,012	3,770,506
Others	3,753	25,177	3,180	70,139
<b>Total</b>	<b>2,575,060</b>	<b>2,974,970</b>	<b>3,186,970</b>	<b>4,050,061</b>

#### *Balances with the Central Bank of Turkey:*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Unrestricted Demand Deposits	2,258,831	853,027	2,939,012	1,798,900
Unrestricted Time Deposits	-	15,200	-	-
Restricted Time Deposits	-	1,721,684	-	1,971,606
<b>Total</b>	<b>2,258,831</b>	<b>2,589,911</b>	<b>2,939,012</b>	<b>3,770,506</b>

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 9%, respectively as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey. The interest rate applied by the Central Bank of Turkey for YTL reserves is 12%. The FC reserves do not earn any interests.

#### 5.1.2 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*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Common Shares	-	-	-	-
Bills, Bonds and Similar Securities	89	-	1,915	-
Others	-	-	-	129,071
<b>Total</b>	<b>89</b>	<b>-</b>	<b>1,915</b>	<b>129,071</b>

##### 5.1.2.2 *Positive differences on trading derivative instruments*

Trading Derivatives	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Transactions	59,507	5,604	8,606	7,643
Swap Transactions	441,829	178,418	13,456	40,734
Futures	-	14	-	-
Options	11,231	46,447	22,494	11,456
Others	-	185	-	75
<b>Total</b>	<b>512,567</b>	<b>230,668</b>	<b>44,556</b>	<b>59,908</b>

### 5.1.3 Banks

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks				
Domestic banks	371,140	1,206,441	266,652	662,002
Foreign banks	1,342,728	4,129,913	791,653	2,835,845
Foreign headoffices and branches	-	-	-	-
<b>Total</b>	<b>1,713,868</b>	<b>5,336,354</b>	<b>1,058,305</b>	<b>3,497,847</b>

The placements at foreign banks include blocked accounts amounting YTL 1,887,608 thousands of which YTL 235,507 thousands, YTL 154,263 thousands and YTL 15,953 thousands are kept at the central banks of Luxembourg, Malta and NCTR, respectively as reserve deposits and YTL 1,481,885 thousands as collateral against funds borrowed. Furthermore, there are restricted deposits at various domestic banks amounting YTL 51,690 thousands as required by insurance activities.

#### *Due from foreign banks:*

	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	2,988,551	2,035,263	1,563,287	1,090,632
USA and Canada	464,554	216,511	308,368	91,035
OECD Countries (1)	15,446	9,654	-	-
Off-shore Banking Regions	41,198	50,850	15,953	16,652
Others	75,284	116,901	-	-
<b>Total</b>	<b>3,585,033</b>	<b>2,429,179</b>	<b>1,887,608</b>	<b>1,198,319</b>

(1) 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 consist of government bonds. Carrying values of such securities with total face value of YTL 2,421,747 thousands (31 December 2007: YTL 671,758 thousands) is YTL 2,364,979 thousands (31 December 2007: YTL 673,136 thousands). The related accrued interests and impairment losses amount to YTL 125,357 thousands (31 December 2007: YTL 54,535 thousands) and YTL 1,743 thousands (31 December 2007: YTL 50 thousands). Collateralized financial assets available-for-sale in foreign currencies consist of eurobonds and other foreign currency government securities. Carrying values of such securities with total face value of USD 272,345,000 and EUR 3,884,000 (31 December 2007: USD 428,330,000 and EUR 3,563,000), are USD 273,641,122 and EUR 4,070,650 (31 December 2007: USD 428,126,767 and EUR 3,886,376). The related accrued interest income amount to USD 9,915,654 and EUR 30,507 respectively (31 December 2007: USD 18,296,092 and EUR 81,874), and the impairment losses to USD 1,375,890 and EUR 242,566 respectively (31 December 2007: USD 619,275 and EUR 70,211).

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Collateralised/Blocked Assets	2,488,593	437,003	727,621	523,916
Assets subject to Repurchase Agreements	6,491,961	540,370	5,867,904	704,884
<b>Total</b>	<b>8,980,554</b>	<b>977,373</b>	<b>6,595,525</b>	<b>1,228,800</b>

**5.1.4.2 Details of financial assets available-for-sale**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Debt Securities</b>	<b>16,881,667</b>	<b>12,622,834</b>
Quoted at Stock Exchange	15,062,032	11,210,244
Unquoted at Stock Exchange	1,819,635	1,412,590
<b>Common Shares</b>	<b>25,682</b>	<b>15,213</b>
Quoted at Stock Exchange	13,213	12,744
Unquoted at Stock Exchange	12,469	2,469
<b>Value Increase/Impairment Losses (-)</b>	<b>1,420,272</b>	<b>896,924</b>
<b>Total</b>	<b>18,327,621</b>	<b>13,534,971</b>

As of 31 December 2008, the Bank’s “financial assets available-for-sale” portfolio includes private sector bonds with “credit linked notes” at a total face value of USD 875,000,000 (31 December 2007: USD 875,000,000) and a total carrying value of YTL 1,355,529 thousands (31 December 2007: YTL 1,039,423 thousands). Garanti Faktoring’s “financial assets available-for-sale” portfolio also includes private sector bonds with “credit linked notes” at a total face value of USD 20,500,000 and EUR 1,175,000 (31 December 2007: USD 35,850,000 and EUR 2,500,000) and a total carrying value of YTL 33,863 thousands (31 December 2007: YTL 30,633 thousands).

A consolidated financial affiliate of the Bank, reclassified certain security investments, previously classified in its financial assets held for trading amounting EUR 65,782,732 with a total face value of USD 93,155,000 to its financial assets available-for-sale as per the legislation of the Turkish Accounting Standards Board published on the Official Gazette no.27040 dated 31 October 2008 for “the Amendments to the Legislation for the Turkish Accounting Standard 39 (TAS 39), Financial Instruments: Recognition and Measurement”.

**5.1.5 Loans**

**5.1.5.1 Loans and advances to shareholders and employees of the Bank**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Cash Loans</b>	<b>Non-Cash Loans</b>	<b>Cash Loans</b>	<b>Non-Cash Loans</b>
<b>Direct Lendings to Shareholders</b>	<b>25</b>	<b>1,661</b>	<b>1</b>	<b>1,090</b>
Corporates	25	1,661	1	1,090
Individuals	-	-	-	-
<b>Indirect Lendings to Shareholders</b>	<b>243,152</b>	<b>184,251</b>	<b>74,459</b>	<b>168,482</b>
<b>Loans to Employees</b>	<b>48,381</b>	<b>-</b>	<b>58,807</b>	<b>-</b>
<b>Total</b>	<b>291,558</b>	<b>185,912</b>	<b>133,267</b>	<b>169,572</b>

**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
<b>Loans</b>	<b>51,636,933</b>	-	<b>607,054</b>	<b>55,567</b>
Discounted Bills	131,464	-	12	-
Export Loans	3,541,569	-	1,295	4,567
Import Loans	3,191	-	-	-
Loans to Financial Sector	1,846,607	-	-	-
Foreign Loans	2,164,985	-	-	-
Consumer Loans	9,488,172	-	279,280	-
Credit Cards	6,788,999	-	225,252	-
Precious Metal Loans	236,175	-	-	-
Others	27,435,771	-	101,215	51,000
<b>Specialization Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>51,636,933</b>	-	<b>607,054</b>	<b>55,567</b>

*Collaterals received for loans under follow-up*

	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	928	1,988	-	2,916
Loans Collateralized by Mortgages	60,738	113,698	-	174,436
Loans Collateralized by Pledged Assets	39,165	47,237	-	86,402
Loans Collateralized by Cheques and Notes	17,740	65,921	-	83,661
Loans Collateralized by Other Collaterals	17,244	10,091	-	27,335
Unsecured Loans	22,274	40,345	225,252	287,871
<b>Total</b>	<b>158,089</b>	<b>279,280</b>	<b>225,252</b>	<b>662,621</b>

*Delinquency periods of loans under follow-up*

	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
30-60 days	72,740	211,764	150,864	435,368
60-90 days	29,782	67,516	74,388	171,686
<b>Total</b>	<b>102,522</b>	<b>279,280</b>	<b>225,252</b>	<b>607,054</b>

**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
<b>Short-Term Loans</b>	<b>18,983,390</b>	-	<b>276,189</b>	<b>53,167</b>
Loans	18,983,390	-	276,189	53,167
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans</b>	<b>32,653,543</b>	-	<b>330,865</b>	<b>2,400</b>
Loans	32,653,543	-	330,865	2,400
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>51,636,933</b>	-	<b>607,054</b>	<b>55,567</b>

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans – YTL</b>	<b>394,752</b>	<b>7,549,107</b>	<b>7,943,859</b>
Housing Loans	15,452	4,290,040	4,305,492
Automobile Loans	19,718	770,641	790,359
General Purpose Loans	359,582	2,488,426	2,848,008
Others	-	-	-
<b>Consumer Loans – FC-indexed</b>	<b>14,961</b>	<b>1,011,616</b>	<b>1,026,577</b>
Housing Loans	2,793	891,132	893,925
Automobile Loans	2,104	46,769	48,873
General Purpose Loans	10,064	73,715	83,779
Others	-	-	-
<b>Consumer Loans – FC</b>	<b>20,646</b>	<b>269,748</b>	<b>290,394</b>
Housing Loans	2,201	6,764	8,965
Automobile Loans	1	16,635	16,636
General Purpose Loans	3,274	1,083	4,357
Others	15,170	245,266	260,436
<b>Retail Credit Cards – YTL</b>	<b>6,752,629</b>	<b>37,793</b>	<b>6,790,422</b>
With Installment	2,891,182	37,784	2,928,966
Without Installment	3,861,447	9	3,861,456
<b>Retail Credit Cards – FC</b>	<b>16,704</b>	<b>19,181</b>	<b>35,885</b>
With Installment	10,674	2	10,676
Without Installment	6,030	19,179	25,209
<b>Personnel Loans – YTL</b>	<b>14,256</b>	<b>8,855</b>	<b>23,111</b>
Housing Loan	-	1,715	1,715
Automobile Loans	20	296	316
General Purpose Loans	14,236	6,844	21,080
Others	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>512</b>	<b>512</b>
Housing Loans	-	289	289
Automobile Loans	-	223	223
General Purpose Loans	-	-	-
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>38</b>	<b>1,247</b>	<b>1,285</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	38	62	100
Others	-	1,185	1,185
<b>Personnel Credit Cards – YTL</b>	<b>23,042</b>	<b>177</b>	<b>23,219</b>
With Installment	17,818	177	17,995
Without Installment	5,224	-	5,224
<b>Personnel Credit Cards – FC</b>	<b>213</b>	<b>-</b>	<b>213</b>
With Installment	132	-	132
Without Installment	81	-	81
<b>Deposit Accounts– YTL (real persons)</b>	<b>481,715</b>	<b>-</b>	<b>481,715</b>
<b>Deposit Accounts– FC (real persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,718,956</b>	<b>8,898,236</b>	<b>16,617,192</b>

**5.1.5.5 Installment based commercial loans and corporate credit cards**

	Short-Term	Medium and Long-Term	Total
<b>Installment-based Commercial Loans – YTL</b>	<b>515,754</b>	<b>2,814,371</b>	<b>3,330,125</b>
Real Estate Loans	5,434	370,842	376,276
Automobile Loans	52,499	1,011,108	1,063,607
General Purpose Loans	457,821	1,432,421	1,890,242
Others	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>90,753</b>	<b>563,747</b>	<b>654,500</b>
Real Estate Loans	562	66,119	66,681
Automobile Loans	5,699	223,685	229,384
General Purpose Loans	84,492	273,943	358,435
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>13</b>	<b>11,077</b>	<b>11,090</b>
Real Estate Loans	-	344	344
Automobile Loans	3	3,920	3,923
General Purpose Loans	10	6,813	6,823
Others	-	-	-
<b>Corporate Credit Cards – YTL</b>	<b>162,729</b>	<b>152</b>	<b>162,881</b>
With Installment	62,982	152	63,134
Without Installment	99,747	-	99,747
<b>Corporate Credit Cards – FC</b>	<b>1,630</b>	<b>-</b>	<b>1,630</b>
With Installment	1	-	1
Without Installment	1,629	-	1,629
<b>Deposit Accounts– YTL (corporate)</b>	<b>556,510</b>	<b>-</b>	<b>556,510</b>
<b>Deposit Accounts– FC (corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,327,389</b>	<b>3,389,347</b>	<b>4,716,736</b>

**5.1.5.6 Allocation of loans by customers**

	Current Period	Prior Period
Public Sector	3,085,831	1,034,439
Private Sector	49,213,723	38,686,167
<b>Total</b>	<b>52,299,554</b>	<b>39,720,606</b>

**5.1.5.7 Allocation of domestic and foreign loans**

	Current Period	Prior Period
Domestic Loans	50,134,508	36,461,121
Foreign Loans	2,165,046	3,259,485
<b>Total</b>	<b>52,299,554</b>	<b>39,720,606</b>

**5.1.5.8 Loans to associates and subsidiaries**

	Current Period	Prior Period
Direct Lending	6,954	201
Indirect Lending	-	-
<b>Total</b>	<b>6,954</b>	<b>201</b>

**5.1.5.9 Specific provisions for loans**

<b>Specific Provisions</b>	<b>Current Period</b>	<b>Prior Period</b>
Substandard Loans and Receivables - Limited Collectibility	62,160	23,734
Doubtful Loans and Receivables	179,505	90,827
Uncollectible Loans and Receivables	573,013	430,713
<b>Total</b>	<b>814,678</b>	<b>545,274</b>

**5.1.5.10 Non-performing loans(NPLs) (net)**

*Non-performing loans and other receivables restructured or rescheduled:*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<b>Current Period</b>			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	-	-	54,285
Rescheduled Loans and Receivables	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>54,285</b>
<b>Prior Period</b>			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	-	-	54,424
Rescheduled Loans and Receivables	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>54,424</b>

*Movements in non-performing loan groups:*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<b>Balances at Beginning of Period</b>	<b>148,942</b>	<b>200,640</b>	<b>502,732</b>
Additions (+)	848,224	50,721	82,148
Transfer from Other NPL Categories (+)	-	588,381	401,250
Transfer to Other NPL Categories (-)	588,381	401,250	-
Collections during the Period (-)	170,595	143,858	121,997
Write-offs (-)	2	20	132,111
Corporate and Commercial Loans	2	-	14,305
Retail Loans	-	3	15,712
Credit Cards	-	17	102,094
Other	-	-	-
<b>Balances at End of Period</b>	<b>238,188</b>	<b>294,614</b>	<b>732,022</b>
Specific Provisions (-)	62,160	179,505	573,013
<b>Net Balance on Balance Sheet</b>	<b>176,028</b>	<b>115,109</b>	<b>159,009</b>

**Movements in specific loan provisions**

	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
<b>Balances at End of Prior Period</b>	<b>178,138</b>	<b>105,471</b>	<b>261,665</b>	<b>545,274</b>
Additions during the Period (+)	126,283	137,273	347,185	610,741
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	32,673	60,934	115,830	209,437
Write-Offs (-)	14,181	15,616	102,103	131,900
<b>Balances at End of Period</b>	<b>257,567</b>	<b>166,194</b>	<b>390,917</b>	<b>814,678</b>

**Non-performing loans in foreign currencies**

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
<b>Current Period</b>			
<b>Balance at End of Period</b>	<b>7,071</b>	<b>3,594</b>	<b>151,143</b>
Specific Provisions (-)	467	526	120,486
<b>Net Balance at Balance Sheet</b>	<b>6,604</b>	<b>3,068</b>	<b>30,657</b>
<b>Prior Period</b>			
<b>Balance at End of Period</b>	<b>3,103</b>	<b>2,892</b>	<b>95,892</b>
Specific Provisions (-)	142	298	72,755
<b>Net Balance at Balance Sheet</b>	<b>2,961</b>	<b>2,594</b>	<b>23,137</b>

**Gross and net non-performing loans and receivables as per customer categories**

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
<b>Current Period (Net)</b>	<b>176,028</b>	<b>115,109</b>	<b>159,009</b>
Loans to Individuals and Corporates (Gross)	238,188	294,614	724,039
Specific Provision (-)	62,160	179,505	565,030
Loans to Individuals and Corporates (Net)	176,028	115,109	159,009
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	7,672
Specific Provision (-)	-	-	7,672
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>125,208</b>	<b>109,813</b>	<b>72,019</b>
Loans to Individuals and Corporates (Gross)	148,942	200,640	490,742
Specific Provision (-)	23,734	90,827	418,723
Loans to Individuals and Corporates (Net)	125,208	109,813	72,019
Banks (Gross)	-	-	4,322
Specific Provision (-)	-	-	4,322
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	7,668
Specific Provision (-)	-	-	7,668
Other Loans and Receivables (Net)	-	-	-

***Collaterals received for non-performing loans***

	<b>Corporate/Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
Loans Collateralized by Cash	163	209	-	372
Loans Collateralized by Mortgages	234,777	65,644	-	300,421
Loans Collateralized by Pledged Assets	64,664	77,877	-	142,541
Loans Collateralized by Cheques and Notes	68,215	139,849	-	208,064
Loans Collateralized by Other Collaterals	24,364	10,526	-	34,890
Unsecured Loans	67,267	54,046	457,223	578,536
<b>Total</b>	<b>459,450</b>	<b>348,151</b>	<b>457,223</b>	<b>1,264,824</b>

**5.1.5.11 *Liquidation policy for uncollectible loans and receivables***

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

**5.1.5.12 *Write-off policy***

Please refer to Note 5.1.5.11 above.

**5.1.6 *Factoring receivables***

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>YTL</b>	<b>FC</b>	<b>YTL</b>	<b>FC</b>
Short-Term	405,992	245,807	345,643	148,757
Medium and Long-Term	-	-	-	-
<b>Total</b>	<b>405,992</b>	<b>245,807</b>	<b>345,643</b>	<b>148,757</b>

**5.1.7 *Investments held-to-maturity***

**5.1.7.1 *Investment subject to repurchase agreements and provided as collateral/blocked***

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>YTL</b>	<b>FC</b>	<b>YTL</b>	<b>FC</b>
Collateralised/Blocked Investments	1,508,226	65,263	283,506	27,897
Investments subject to Repurchase Agreements	4,354,254	254,746	2,645,615	500,243
<b>Total</b>	<b>5,862,480</b>	<b>320,009</b>	<b>2,929,121</b>	<b>528,140</b>

**5.1.7.2 *Government securities held-to-maturity***

	<b>Current Period</b>	<b>Prior Period</b>
Government Bonds	6,086,566	4,027,893
Treasury Bills	-	-
Other Government Securities	1,658,021	245,409
<b>Total</b>	<b>7,744,587</b>	<b>4,273,302</b>

### 5.1.7.3 Investments held-to-maturity

	Current Period	Prior Period
<b>Debt Securities</b>	<b>7,516,860</b>	<b>4,166,659</b>
Quoted at Stock Exchange	7,476,079	4,139,172
Unquoted at Stock Exchange	40,781	27,487
<b>Impairment Losses (-)</b>	<b>267,521</b>	<b>133,701</b>
<b>Total</b>	<b>7,784,381</b>	<b>4,300,360</b>

### 5.1.7.4 Movement of investments held-to-maturity

	Current Period	Prior Period
<b>Balances at Beginning of Period</b>	<b>4,300,360</b>	<b>5,172,601</b>
Foreign Currency Differences on Monetary Assets	90,970	(174,812)
Purchases during the Period	3,974,502	71,632
Disposals through Sales/Redemptions	(729,947)	(678,737)
Value Increase/Impairment Losses (-)	11,068	(13,032)
Change in Redeemed Costs	137,428	(77,292)
<b>Balances at End of Period</b>	<b>7,784,381</b>	<b>4,300,360</b>

The Bank reclassified certain security investments, previously classified in its securities available-for-sale portfolio in its financial statements, with total face values of YTL 2,831,667 thousands and USD 843,847,999 to its securities held-to-maturity portfolio as a result of change in its intention to hold such securities in compliance with the TAS. Such securities are included in the securities held-to-maturity portfolio at their fair values of YTL 2,685,106 thousands and USD 852,772,307 as of their reclassification date and presented in the above movement table of investments held-to-maturity under the “purchases during the period” line. The negative valuation differences amounting YTL 99,085 thousands and USD 6,729,440 of these securities, are recorded under the shareholders’ equity and amortized through the income statement throughout their maturities. As of the balance sheet date, the negative valuation differences under the shareholders’ equity are YTL 92,998 thousands and USD 6,744,934.

### 5.1.8 Investments in associates

#### 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	Emeklilik Gözetim Merkezi AŞ	Istanbul/Turkey	-	9.00
2	Bankalararası Kart Merkezi AŞ	Istanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ <sup>(1)</sup>	Istanbul/Turkey	0.77	0.77
4	İMKB Takas ve Saklama Bankası AŞ <sup>(1)</sup>	Istanbul/Turkey	5.83	5.83
5	Vadeli İşlem ve Opsiyon Borsası AŞ	Istanbul/Turkey	6.00	6.00
6	KKB Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	Istanbul/Turkey	9.09	9.09
7	Gelişen İşletmeler Piyasaları AŞ	Istanbul/Turkey	5.00	5.00

	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	5,545	3,479	398	581	65	215	584	-
2	15,271	12,004	4,544	1,665	-	1,139	2,075	-
3	146,400	53,593	1,417	-	-	(1,962)	3,725	-
4	1,721,903	262,251	11,064	34,336	12,982	34,664	53,253	-
5	31,706	29,816	2,333	3,615	64	15,988	2,854	-
6	22,347	17,068	1,821	2,420	1	4,361	-	-
7	7,338	7,325	2	1,320	2	1,030	-	-

(1) Financial information is as of 30 September 2008.

(\*) Total fixed assets include tangible and intangible assets.

***Unconsolidated investments in associates sold during the current period***

None.

***Unconsolidated investments in associates acquired during the current period***

None.

**5.1.8.2 Consolidated investments in associates**

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Eureko Sigorta AŞ	Istanbul/Turkey	20.00	20.00

	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	491,110	201,711	20,811	29,495	7,919	59,947	37,735	-

(\*) Total fixed assets include tangible and intangible assets.

**5.1.8.3 Movement of consolidated investments in associates**

	Current Period	Prior Period
<b>Balance at Beginning of Period</b>	<b>28,997</b>	-
<b>Movements during the Period</b>	<b>11,345</b>	<b>28,997</b>
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations (-)	-	-
Reclassifications	-	28,997
Increase/Decrease in Fair Values	11,345	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
<b>Balance at End of Period</b>	<b>40,342</b>	<b>28,997</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of Period (%)</b>	-	-

*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	40,342	28,997

*Sectoral distribution of consolidated investments and associates*

Associates	Current Period	Prior Period
Banks	-	-
Insurance Companies	40,342	28,997
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	-	-

*Quoted consolidated investments in associates*

None.

*Investments in associates sold during the current period*

None.

*Investments in associates acquired during the current period*

None.

## 5.1.9 Investments in subsidiaries

### 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	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	93.40	96.40
4	Garanti Kültür AŞ (**)	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoy Real Estate Company	Bucharest/Romani	-	100.00
7	Participation GBI Custody	Amsterdam/Holland	-	100.00
8	Participation United Custodian	Amsterdam/Holland	-	100.00
9	Trifoy Investments	Amsterdam/Holland	-	100.00
10	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	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	16,412	9,885	514	-	8	2,040	(99,458)	-
2	16,243	8,908	996	35	1,853	2,413	5,917	-
3	641	486	15	-	96	121	-	-
4	531	219	44	-	2	46	(171)	-
5	395	329	-	-	18	133	8	-
6	132	81	124	-	-	-	(37)	-
7	267	264	-	-	-	-	-	-
8	264	264	-	-	-	-	-	-
9	2	2	-	-	-	-	-	-
10	103,566	5,739	82,194	-	-	(5,154)	893	-

(\*) Total fixed assets include tangible and intangible assets.

(\*\*) The legal name of Galata Araştırma Yayıncılık Tanıtım ve Bilişim Teknoloji Hizmetleri AŞ has been changed as Garanti Kültür AŞ on 8 February 2008.

### ***Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments***

As of 31 December 2008, 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, Garanti Hizmet Yönetimi AŞ, Garanti Kültür AŞ, Garanti Filo Yönetim Hizmetleri AŞ and Garanti Konut Finansmanı Danışmanlık Hizmetleri AŞ are accounted under equity method of accounting.

### 5.1.9.2 Movement of consolidated investments in subsidiaries

	Current Period	Prior Period
<b>Balance at Beginning of Period</b>	<b>577,928</b>	<b>605,059</b>
<b>Movements during the Period</b>	<b>232,634</b>	<b>(27,131)</b>
Acquisitions and Capital Increases	-	-
Bonus Shares Received (*)	71,668	45,605
Dividends from Current Year Profit	910	-
Sales/Liquidations	-	66,551
Reclassifications	-	-
Increase/Decrease in Market Values	(23,275)	1,898
Currency Differences on Foreign Subsidiaries	86,926	(29,069)
Impairment Losses (-)	96,405	20,986
<b>Balance at End of Period</b>	<b>810,562</b>	<b>577,928</b>
<b>Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>	<b>-</b>

(\*) Garanti Factoring Hizmetleri AŞ increased its share capital from YTL 16,849 thousands to YTL 17,960 thousands through appropriation from the dividends allocated from its retained earnings of the year 2007 at 10 September 2008.

As per the decision made at the general assembly of Garanti Bank International NV at 14 April 2008, the bank's share capital has been increased from EUR 159,470,000 to EUR 196,567,000. The appropriation of capital increase is from the retained earnings amounting EUR 35,011,000 and the share premium amounting EUR 2,086,000.

In prior period, Garanti Bank International increased its share capital from EUR 134,750,000 to EUR 159,470,000 through appropriation from its retained earnings at 17 April 2007. Garanti Faktoring Hizmetleri AŞ increased its share capital from YTL 15,989 thousands to YTL 16,849 thousands through appropriation from its retained earnings at 8 August 2007.

### Valuation methods of consolidated investments in subsidiaries

	Current Period	Prior Period
Valued at Cost	210,587	210,587
Valued at Fair Value	599,975	367,341
Valued by Equity Method of Accounting	-	-

### Sectoral distribution of consolidated investments in subsidiaries

	Current Period	Prior Period
Banks	555,439	310,612
Insurance Companies	56,545	56,545
Factoring Companies	17,215	39,580
Leasing Companies	85,381	85,381
Finance Companies	95,982	85,810
Other Subsidiaries	-	-

### Quoted consolidated investments in subsidiaries

	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	17,215	39,580
Quoted at International Stock Exchanges	-	-

**Other information on consolidated investments in subsidiaries**

	<b>Subsidiaries</b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Shares of Other Consolidated Subsidiaries (%)</b>	<b>Method of Consolidation</b>
1	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	94.10	5.86	Full Consolidation
2	Garanti Faktoring Hizmetleri 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 Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6	Garanti Bank International NV	Amsterdam/Holland	100.00	-	Full Consolidation
7	Garanti Bank Moscow	Moscow/Russia	75.02	24.86	Full Consolidation
8	Garanti Financial Services Plc	Dublin/Ireland	99.99	-	Full Consolidation
9	Garanti Fund Management Co Ltd	Valetta/Malta	99.50	-	Full Consolidation

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets (*)</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss and Extraordinary Reserves</b>	<b>Company's Fair Value (if available)</b>
1	2,228,841	285,640	18,230	246,920	-	74,357	128,035	-
2	750,337	41,428	1,975	96,276	1,702	7,082	14,264	31,071
3	27,568	24,939	3,043	2,052	1,338	110	10,140	-
4	17,513	14,194	1,194	2,063	241	966	440	-
5	1,204,852	156,862	11,187	29,042	5,014	64,565	25,078	-
6	7,690,641	483,610	100,827	357,629	103,357	65,953	13,606	487,273
7	477,206	87,342	1,235	35,968	8,621	13,511	29,545	90,864
8	10,618	10,228	-	85	-	(725)	6,188	27,324
9	93	-	-	-	-	-	(267)	-

(\*) Total fixed assets include tangible and intangible assets.

**Consolidated investments in subsidiaries disposed during the current period**

None.

**Consolidated investments in subsidiaries acquired during the current period**

None.

**5.1.10 Investments in joint-ventures**

None.

## 5.1.11 Lease receivables

### 5.1.11.1 Financial lease receivables according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1,098,119	927,694	1,010,935	850,232
Between 1-5 Years	1,270,738	1,121,576	1,240,013	1,095,417
Longer than 5 Years	60,329	54,727	-	-
<b>Total</b>	<b>2,429,186</b>	<b>2,103,997</b>	<b>2,250,948</b>	<b>1,945,649</b>

### 5.1.11.2 Net financial lease receivables

	Current Period	Prior Period
Gross Financial Lease Receivables	2,429,186	2,250,948
Unearned Income on Financial Lease Receivables (-)	(325,189)	(305,299)
Terminated Lease Contracts (-)	-	-
<b>Net Financial Lease Receivables</b>	<b>2,103,997</b>	<b>1,945,649</b>

### 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 assets 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	-	69,161	-	31,960
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	-	<b>69,161</b>	-	<b>31,960</b>

The four interest rate swap transactions classified under derivative financial assets held for cash flow risk management in the financial statements of prior period are exercised before their due dates at 9 January 2008 and 16 January 2008. The Bank recognized USD 38,670,000 (equivalent of YTL 45,002 thousands) that was collected on the date of these transactions as per the related agreements, under “trading account income” in the accompanying consolidated financial statements.

### 5.1.13 Tangible assets

	Real Estates	Finansal Kiralama ile Edinilen MD	Vehicles	Other Tangible Assets	Total
<b>Balance at End of Prior Period</b>					
Cost	958,575	357,163	41,740	782,824	2,140,302
Accumulated Depreciation	(206,128)	(235,742)	(24,307)	(553,033)	(1,019,210)
<b>Net Book Value</b>	<b>752,447</b>	<b>121,421</b>	<b>17,433</b>	<b>229,791</b>	<b>1,121,092</b>
<b>Balance at End of Current Period</b>					
<b>Net Book Value at Beginning of Current Period</b>	752,447	121,421	17,433	229,791	1,121,092
Additions	55,945	77,147	3,339	234,572	371,003
Disposals (Cost)	(54,548)	(45,221)	(3,367)	(215,973)	(319,109)
Disposals (Accumulated Depreciation)	1,755	46,572	2,340	139,960	190,627
Reversal of/Impairment Losses (-)	6,774	-	-	-	6,774
Depreciation Expense for Current Period	(22,521)	(63,066)	(6,914)	(88,687)	(181,188)
Currency Translation Differences on Foreign Operations, net	11,534	-	376	5,915	17,825
Cost at End of Current Period	979,770	389,089	42,140	809,010	2,220,009
Accumulated Depreciation at End of Current Period	(228,384)	(252,236)	(28,933)	(503,432)	(1,012,985)
<b>Net Book Value at End of Current Period</b>	<b>751,386</b>	<b>136,853</b>	<b>13,207</b>	<b>305,578</b>	<b>1,207,024</b>

#### 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**

A total provision of YTL 6,774 thousands made for the impairment in values of certain real estates in prior periods in accordance with the Turkish Accounting Standard 36 (TAS 36) “Impairment of Assets”, is reserved in 2008.

**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 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	99,470	61,991	81,784	53,731

**5.1.14.4 Movements of intangible assets for the current period**

	Current Period	Prior Period
<b>Net Book Value at Beginning Period</b>	<b>28,053</b>	<b>23,483</b>
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	16,968	13,434
Disposals (-)	(40)	(5)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(8,239)	(8,693)
Currency Translation Differences on Foreign Operations	737	(166)
Other Movements	-	-
<b>Net Book Value at End of Current Period</b>	<b>37,479</b>	<b>28,053</b>

**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**

	Shares %	Carrying Value
<b>Goodwill</b>		
Garanti Yatırım	100.00	2,778
Garanti Finansal Kiralama	98.94	2,119
Garanti Faktoring	55.40	1,491
<b>Total</b>		<b>6,388</b>

**5.1.14.13 Movements in goodwill during current period**

	Current Period
<b>Net Book Value at Beginning Period</b>	<b>6,388</b>
Movements in Current Period	-
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 (-)	-
Amortisation Expense for Current Period (-)	-
Impairment Losses (-)	-
Reversal of Impairment Losses (-)	-
Other changes in Book Values	-
<b>Net Book Value at End of Current Period</b>	<b>6,388</b>

**5.1.15 Investment property**

None.

#### 5.1.16 Deferred tax asset

As of 31 December 2008, on a consolidated basis the Bank has a deferred tax asset of YTL 52,521 thousands (31 December 2007: YTL 58,352 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

There is no deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2008. However, there is a deferred tax asset of YTL 133,715 thousands (31 December 2007: YTL 112,882 thousands) and deferred tax liability of YTL 81,194 thousands (31 December 2007: YTL 54,530 thousands) presented as net in the accompanying consolidated 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.

#### 5.1.17 Assets held for sale and assets of discontinued operations

	<i>Current Period</i>	<i>Prior Period</i>
<b>End of Prior Period</b>		
<b>Cost</b>	<b>115,635</b>	<b>117,297</b>
<b>Accumulated Depreciation (-)</b>	<b>(2,749)</b>	<b>(2,101)</b>
<b>Net Book Value</b>	<b>112,886</b>	<b>115,196</b>
<b>End of Current Period</b>		
Additions	6,923	24,962
Disposals (Cost)	(39,867)	(26,624)
Disposals (Accumulated Depreciation)	1,780	746
Reversal of Impairment / Impairment Losses (-)	487	-
Depreciation Expense for Current Period (-)	(863)	(1,394)
Currency Translation Differences on Foreign	-	-
<b>Cost</b>	<b>83,178</b>	<b>115,635</b>
<b>Accumulated Depreciation (-)</b>	<b>(1,832)</b>	<b>(2,749)</b>
<b>Net Book Value</b>	<b>81,346</b>	<b>112,886</b>

As of balance sheet date, the rights of repurchase on various assets held for sale amount to YTL 13,714 thousands (31 December 2007: YTL 29,850 thousands).

## **5.1.18 Other Assets**

### **5.1.18.1 Receivables from term sale of assets**

	<i>Current Period</i>	<i>Prior Period</i>
Sale of Investments in Associates, Subsidiaries and Joint – Ventures	29,530	31,412
Sale of Real Estates	455	1,427
Sale of Other Assets	2,863	2,843
<b>Total</b>	<b>32,848</b>	<b>35,682</b>

### **5.1.18.2 Prepaid expenses**

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	318,026	257,923

## 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
<b>Saving Deposits</b>	<b>1,288,447</b>	-	<b>6,734,053</b>	<b>10,090,399</b>	<b>115,387</b>	<b>87,261</b>	<b>77,063</b>	-	<b>18,392,610</b>
<b>Foreign Currency</b>	<b>5,956,954</b>	-	<b>9,665,986</b>	<b>7,104,105</b>	<b>519,367</b>	<b>2,000,870</b>	<b>1,812,773</b>	<b>90,877</b>	<b>27,150,932</b>
Residents in Turkey	3,957,213	-	9,039,186	6,699,350	407,667	530,296	569,274	89,588	21,292,574
Residents in Abroad	1,999,741	-	626,800	404,755	111,700	1,470,574	1,243,499	1,289	5,858,358
<b>Public Sector Deposits</b>	<b>426,693</b>	-	<b>283,600</b>	<b>516,009</b>	<b>25</b>	<b>272</b>	<b>63</b>	-	<b>1,226,662</b>
<b>Commercial Deposits</b>	<b>1,718,894</b>	-	<b>3,085,788</b>	<b>3,647,112</b>	<b>74,494</b>	<b>31,679</b>	<b>97,490</b>	-	<b>8,655,457</b>
<b>Others</b>	<b>159,815</b>	-	<b>54,414</b>	<b>77,756</b>	<b>705</b>	<b>569</b>	<b>207</b>	-	<b>293,466</b>
<b>Precious Metal Deposits</b>	<b>93,443</b>	-	<b>1</b>	<b>2,002</b>	-	<b>24,020</b>	<b>2,088</b>	-	<b>121,554</b>
<b>Bank Deposits</b>	<b>942,592</b>	-	<b>359,785</b>	<b>232,964</b>	<b>170,693</b>	<b>212,939</b>	<b>200,303</b>	-	<b>2,119,276</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	115,582	-	54,077	29,344	77,386	117,008	79,385	-	472,782
Foreign Banks	381,703	-	305,708	203,620	93,307	95,931	120,918	-	1,201,187
Special Purpose Financial Institutions	445,307	-	-	-	-	-	-	-	445,307
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>10,586,838</b>	-	<b>20,183,627</b>	<b>21,670,347</b>	<b>880,671</b>	<b>2,357,610</b>	<b>2,189,987</b>	<b>90,877</b>	<b>57,959,957</b>

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
<b>Saving Deposits</b>	<b>1,072,314</b>	-	<b>3,570,588</b>	<b>7,477,039</b>	<b>189,474</b>	<b>99,403</b>	<b>244,273</b>	-	<b>12,653,091</b>
<b>Foreign Currency</b>	<b>5,276,925</b>	-	<b>7,283,743</b>	<b>6,878,331</b>	<b>669,115</b>	<b>999,861</b>	<b>716,865</b>	<b>66,946</b>	<b>21,891,786</b>
Residents in Turkey	3,563,993	-	6,025,233	6,254,723	434,700	341,056	371,478	66,119	17,057,302
Residents in Abroad	1,712,932	-	1,258,510	623,608	234,415	658,805	345,387	827	4,834,484
<b>Public Sector Deposits</b>	<b>384,378</b>	-	<b>82,765</b>	<b>6,044</b>	<b>31</b>	<b>1,412</b>	<b>55</b>	-	<b>474,685</b>
<b>Commercial Deposits</b>	<b>1,644,869</b>	-	<b>2,293,188</b>	<b>1,741,392</b>	<b>130,100</b>	<b>93,931</b>	<b>17,467</b>	-	<b>5,920,947</b>
<b>Others</b>	<b>65,314</b>	-	<b>68,840</b>	<b>114,700</b>	<b>1,547</b>	<b>227</b>	<b>258</b>	-	<b>250,886</b>
<b>Precious Metal Deposits</b>	<b>35,438</b>	-	<b>1,465</b>	<b>1,488</b>	<b>3,112</b>	<b>3,424</b>	<b>17,114</b>	-	<b>62,041</b>
<b>Bank Deposits</b>	<b>376,893</b>	-	<b>1,265,127</b>	<b>261,125</b>	<b>111,829</b>	<b>288,505</b>	<b>132,615</b>	-	<b>2,436,094</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	3,687	-	421,821	235	-	4,797	11,670	-	442,210
Foreign Banks	239,259	-	843,306	260,890	111,829	283,708	120,945	-	1,859,937
Special Purpose Financial Institutions	133,947	-	-	-	-	-	-	-	133,947
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>8,856,131</b>	-	<b>14,565,716</b>	<b>16,480,119</b>	<b>1,105,208</b>	<b>1,486,763</b>	<b>1,128,647</b>	<b>66,946</b>	<b>43,689,530</b>

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

**5.2.1.1.1 Deposits exceeding insurance limit**

***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	8,456,294	6,033,763	9,677,592	6,492,904
Foreign Currency Saving Deposits	6,040,437	4,840,141	8,138,054	7,561,664
Other Saving Deposits	20,544	1,969	83,909	48,387
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 not covered by insurance limits**

**5.2.1.3.1 Saving deposits of individuals not covered by insurance limits:**

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	543,248	380,627
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	244,985	196,751
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

**5.2.2 Negative differences on derivative financial liabilities held for trading**

Trading Derivatives	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Deals	57,798	14,580	28,533	4,891
Swaps	181,869	237,941	454,943	21,673
Futures	-	996	-	482
Options	62,474	45,208	17,729	10,230
Others	-	226	-	112
<b>Total</b>	<b>302,141</b>	<b>298,951</b>	<b>501,205</b>	<b>37,388</b>

### 5.2.3 Funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	870,554	793,014	641,587	785,988
Foreign Banks, Institutions and Funds	1,867,947	9,941,864	1,170,932	8,302,235
<b>Total</b>	<b>2,738,501</b>	<b>10,734,878</b>	<b>1,812,519</b>	<b>9,088,223</b>

#### 5.2.3.1 Maturities of funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-Term	1,221,919	4,352,644	733,136	3,064,237
Medium and Long-Term	1,516,582	6,382,234	1,079,383	6,023,986
<b>Total</b>	<b>2,738,501</b>	<b>10,734,878</b>	<b>1,812,519</b>	<b>9,088,223</b>

#### 5.2.3.2 Disclosures for concentration areas of bank's liabilities

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 from abroad and YTL funds obtained through repurchase transactions.

### 5.2.4 Interbank money markets

#### *Funds obtained through repurchase transactions:*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
<b>Domestic Transactions</b>	<b>9,878,528</b>	-	<b>6,667,163</b>	-
Financial Institutions and Organizations	9,810,615	-	6,591,635	-
Other Institutions and Organizations	19,774	-	32,920	-
Individuals	48,139	-	42,608	-
<b>Foreign Transactions</b>	<b>573,996</b>	<b>700,656</b>	<b>780,742</b>	<b>1,144,051</b>
Financial Institutions and Organizations	571,711	700,656	780,157	1,144,051
Other Institutions and Organizations	1,749	-	125	-
Individuals	536	-	460	-
<b>Total</b>	<b>10,452,524</b>	<b>700,656</b>	<b>7,447,905</b>	<b>1,144,051</b>

### 5.2.5 Factoring payables

None.

### 5.2.6 Lease payables

#### 5.2.6.1 Financial lease payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	4,845	4,845	4,115	4,115
Between 1-5 Years	-	-	-	-
Longer than 5 Years	-	-	-	-
<b>Total</b>	<b>4,845</b>	<b>4,845</b>	<b>4,115</b>	<b>4,115</b>

### 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

Derivative Financial Liabilities Held for Risk Management	Current Period		Prior Period	
	YTL	FC	YTL	FC
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	4,871	-	249
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	-	<b>4,871</b>	-	<b>249</b>

### 5.2.8 Provisions

#### 5.2.8.1 General provisions

	Current Period	Prior Period
<b>General Provision for</b>	<b>428,799</b>	<b>280,660</b>
Loans and Receivables in Group I	378,581	250,216
Loans and Receivables in Group II	12,934	65
Non-Cash Loans	37,284	30,379
Others	-	-

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

	Current Period	Prior Period
Short-Term Loans	9,441	22,284
Medium and Long Term Loans	1,855	94,562
<b>Total</b>	<b>11,296</b>	<b>116,846</b>

Foreign exchange differences on foreign currency indexed loans are netted with loans on the asset side.

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

	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	244	35
Doubtful Loans and Receivables	55	94
Uncollectible Loans and Receivables	2,160	1,634
<b>Total</b>	<b>2,459</b>	<b>1,763</b>

#### 5.2.8.4 Other provisions

##### 5.2.8.4.1 General reserves for possible losses

	Current Period	Prior Period
General Reserves for Possible Losses	52,000	32,000

**5.2.8.4.2 Other provisions for possible losses**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for Employee Benefits	198,840	143,883
Recognized Liability for Defined Benefit Obligations	102,601	-
Insurance Technical Provisions, Net	123,603	101,150
Provision for Promotion Expenses of Credit Cards <sup>(*)</sup>	36,206	49,219
Other Provisions	28,758	64,747
<b>Total</b>	<b>490,008</b>	<b>358,999</b>

(\*) The Bank provides full allowance for the committed promotion expenses of credit cards as of the balance sheet date.

*Recognized liability for defined benefit plan obligations*

The Bank obtained an actuarial report dated 5 February 2009 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are sufficient to meet the amount that will be required to be paid to transfer the obligation at 31 December 2008.

The asset surplus of the Fund after deducting the net present value of the transferable liabilities as of 31 December 2008 is as follows:

	<b>Current Period</b>
Net present value of pension benefits transferable to SSF	(296,328)
Net present value of medical benefits and health premiums transferable to SSF	135,400
General administrative expenses	(15,488)
<b>Present value of pension and medical benefits transferable to SSF</b>	<b>(176,416)</b>
<b>Fair value of plan assets</b>	<b>621,594</b>
<b>Asset surplus</b>	<b>445,178</b>

Furthermore, an actuarial report was prepared as of 31 December 2008 as per the requirements of the Law explained in Note 3.17, the accounting policies related with “employee benefits” for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary’s 5 February 2009 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of YTL 32,799 thousands remains.

	<b>Current Period</b>
Pension benefits	(162,356)
Medical benefits	(250,023)
	<b>(412,379)</b>
<b>Fair value of plan assets after deducting transferable benefits</b>	<b>445,178</b>
<b>Asset surplus over present value of defined benefit obligation</b>	<b>32,799</b>

The Bank's management, acting prudently, did not consider the health premium surplus amounting YTL 135,400 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF and accordingly, recognized a provision amounting YTL 102,601 thousands for its liability and charged fully as expense in the accompanying financial statements.

	Current Period
<b>Asset surplus over present value of defined benefit obligation</b>	<b>32,799</b>
Net present value of medical benefits and health premiums transferable to SSF	(135,400)
<b>Present value of defined benefit obligation</b>	<b>(102,601)</b>

The major actuarial assumptions used in the calculation of other benefits not transferable to SSF are as follows:

	31 December 2008
	%
Discount Rate	17.41-10.51
Inflation Rate	9.50-5.73
Future Real Salary Increase Rate	1.5
Medical Cost Trend Rate	17.80-11.77
Future Pension Increase Rates	9.50-5.73

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

## 5.2.9 Tax liability

### 5.2.9.1 Current tax liability

#### 5.2.9.1.1 Tax liability

As of 31 December 2008, the tax liability amounts to YTL 126,911 thousands (31 December 2007: YTL 109,524 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.

#### 5.2.9.1.2 Taxes payable

	Current Period	Prior Period
Corporate Taxes Payable	126,911	109,524
Taxation on Securities Income	191,148	56,827
Taxation on Real Estates Income	1,137	980
Banking Insurance Transaction Tax	37,291	27,097
Foreign Exchange Transaction Tax	12	2,991
Value Added Tax Payable	2,485	1,864
Others	33,892	19,878
<b>Total</b>	<b>392,876</b>	<b>219,161</b>

**5.2.9.1.3 Premiums payable**

	Current Period	Prior Period
Social Security Premiums-Employees	273	259
Social Security Premiums-Employer	211	256
Bank Pension Fund Premium-Employees	5	16
Bank Pension Fund Premium-Employer	27	29
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	441	355
Unemployment Insurance-Employer	806	633
Others	-	1
<b>Total</b>	<b>1,763</b>	<b>1,549</b>

**5.2.9.2 Deferred tax liability**

In the accompanying consolidated financial statements, the Bank had a deferred tax liability of YTL 2,238 thousands as of 31 December 2008 (31 December 2007: YTL 30 thousands).

**5.2.10 Liabilities for assets held for sale and assets of discontinued operations**

None.

**5.2.11 Subordinated debts**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	946,709	-	728,771
<b>Total</b>	<b>-</b>	<b>946,709</b>	<b>-</b>	<b>728,771</b>

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.

**5.2.12 Shareholders' equity**

**5.2.12.1 Paid-in capital**

	Current Period	Prior Period
Common Shares	4,200,000	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	4,200,000	7,000,000
Preference Shares	-	-

**5.2.12.3 Capital increases in current period**

Date of Increase	Amount of Increase	Cash Injection	Appropriation from Profit Reserves	Appropriation from Capital Reserves
31 July.2008	2,100,000	2,100,000	-	-

The pre-emptive rights on 210,000,000,000 shares with a total nominal value of YTL 2,100,000 thousands have been used during the period between 9 and 23 June 2008. The remaining shares with a total nominal value of YTL 5,525 thousands have been sold for the amount of YTL 17,405 thousands during the public offering on the ISE primary market and YTL 11,880 thousands is transferred to “share premium” account.

**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
<b>Investments in Associates, Subsidiaries and Joint-Ventures</b>	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
<b>Securities Available-for-Sale</b>	<b>257,174</b>	<b>(79,268)</b>	<b>81,517</b>	<b>108,020</b>
Valuation Difference	257,174	(79,268)	81,517	108,020
Exchange Rate Difference	-	-	-	-
<b>Total</b>	<b>257,174</b>	<b>(79,268)</b>	<b>81,517</b>	<b>108,020</b>

**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	594,943	-	27,717	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-
<b>Total</b>	<b>597,090</b>	<b>-</b>	<b>29,864</b>	<b>-</b>

**5.2.12.10 Bonus shares of associates, subsidiaries and joint-ventures**

It includes the bonus shares received from the following investee companies; Doğu GE Gayrimenkul Yatırım Ortaklığı AŞ by YTL 23 thousands, Eureka Sigorta AŞ by YTL 559 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**

	<b>Current Period</b>	<b>Prior Period</b>
I. Legal Reserve	261,424	144,740
II. Legal Reserve	23,627	23,627
Special Reserves	-	-
<b>Total</b>	<b>285,051</b>	<b>168,367</b>

**5.2.12.12 Extraordinary reserves**

	<b>Current Period</b>	<b>Prior Period</b>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	1,681,758	1,388,561
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
<b>Total</b>	<b>1,681,758</b>	<b>1,388,561</b>

**5.2.12.13 Minority interest**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at Beginning of Period</b>	<b>23,334</b>	<b>7,770</b>
Profit Share of Subsidiaries Net Profits	11,800	7,978
Prior Period Dividend	-	-
Increase / (Decrease) in Minority Interest due to Sales <sup>(*)</sup>	-	7,586
Others	(9)	-
<b>Balance at End of Period</b>	<b>35,125</b>	<b>23,334</b>

<sup>(\*)</sup> The increase in minority interest in prior period, is resulted from the sale of 15% shares of previously 100% owned consolidated subsidiary; Garanti Emeklilik ve Hayat AŞ.

### 5.3 Consolidated 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	6,894,220	5,849,586
Letters of Guarantee in YTL	4,118,306	3,920,019
Letters of Credit	2,511,344	2,271,110
Bills of Exchange and Acceptances	123,807	116,487
Prefinancings	-	-
<b>Total</b>	<b>13,647,677</b>	<b>12,157,202</b>

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

A specific provision of YTL 2,459 thousands (31 December 2007: YTL 1,763 thousands) is made for unliquidated non-cash loans of YTL 15,901 thousands (31 December 2007: YTL 5,832 thousands) recorded under the off-balance sheet items as of 31 December 2008.

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

As of 31 December 2008, in the Bank’s “other irrevocable commitments”, there are commitments for “credit linked notes” with a total face value of USD 925,000,000 (31 December 2007: USD 875,000,000). Also, in “other irrevocable commitments” of Garanti Faktoring, there are commitments for “credit linked notes” with a total face value of USD 20,500,000 and EUR 1,175,000 (31 December 2007: USD 35,850,000 and EUR 2,500,000).

##### 5.3.1.3 Non-cash loans

	Current Period	Prior Period
Non-Cash Loans against Cash Risks	225,228	268,951
<i>With Original Maturity of 1 Year or Less</i>	15,067	77,737
<i>With Original Maturity of More Than 1 Year</i>	210,161	191,214
Other Non-Cash Loans	14,341,906	12,533,341
<b>Total</b>	<b>14,567,134</b>	<b>12,802,292</b>

**5.3.1.4 Other information on non-cash loans**

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
<b>Agriculture</b>	<b>20,699</b>	<b>0.49</b>	<b>25,549</b>	<b>0.25</b>	<b>17,690</b>	<b>0.45</b>	<b>8,884</b>	<b>0.10</b>
Farming and Stockbreeding	19,224	0.45	25,549	0.25	16,681	0.43	8,884	0.10
Forestry	461	0.01	-	-	95	-	-	-
Fishery	1,014	0.03	-	-	914	0.02	-	-
<b>Manufacturing</b>	<b>1,444,368</b>	<b>34.15</b>	<b>3,076,326</b>	<b>29.76</b>	<b>1,448,464</b>	<b>36.94</b>	<b>2,896,436</b>	<b>32.61</b>
Mining	329,968	7.80	37,368	0.36	333,357	8.50	12,660	0.14
Production	896,224	21.19	2,466,059	23.86	937,944	23.92	2,439,922	27.47
Electricity, Gas, Water	218,176	5.16	572,899	5.54	177,163	4.52	443,854	5.00
<b>Construction</b>	<b>616,200</b>	<b>14.57</b>	<b>2,169,453</b>	<b>20.98</b>	<b>569,081</b>	<b>14.51</b>	<b>1,774,171</b>	<b>19.98</b>
<b>Services</b>	<b>1,817,234</b>	<b>42.98</b>	<b>4,696,044</b>	<b>45.42</b>	<b>1,659,550</b>	<b>42.33</b>	<b>3,615,873</b>	<b>40.71</b>
Wholesale and Retail Trade	1,137,920	26.92	1,586,755	15.35	1,086,892	27.72	1,276,619	14.38
Hotel, Food and Beverage Services	60,126	1.42	152,716	1.46	72,771	1.86	99,706	1.12
Transportation and Telecommunication	127,545	3.02	890,972	8.62	92,621	2.36	544,350	6.13
Financial Institutions	449,517	10.63	2,032,222	19.66	362,635	9.25	1,665,569	18.75
Real Estate and Renting Services	8,179	0.19	6,126	0.06	14,327	0.37	7,344	0.08
“Self-Employment” Type Services	-	-	-	-	-	-	-	-
Educational Services	8,677	0.20	3,766	0.04	5,694	0.14	1,656	0.02
Health and Social Services	25,270	0.60	23,487	0.23	24,610	0.63	20,629	0.23
<b>Others</b>	<b>330,083</b>	<b>7.81</b>	<b>371,178</b>	<b>3.59</b>	<b>226,228</b>	<b>5.77</b>	<b>585,915</b>	<b>6.60</b>
<b>Total</b>	<b>4,228,584</b>	<b>100.00</b>	<b>10,338,550</b>	<b>100.00</b>	<b>3,921,013</b>	<b>100.00</b>	<b>8,881,279</b>	<b>100.00</b>

**5.3.1.5 Non-cash loans classified under Group I and II:**

	Group I		Group II	
	YTL	FC	YTL	FC
<b>Current Period</b>				
<b>Non-Cash Loans</b>	<b>4,216,824</b>	<b>10,320,596</b>	<b>4,120</b>	<b>9,693</b>
Letters of Guarantee	4,106,546	6,888,327	4,120	334
Bills of Exchange and Bank Acceptances	-	113,162	-	9,359
Letters of Credit	278	3,319,107	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	110,000	-	-	-

	Group I		Group II	
	YTL	FC	YTL	FC
<b>Prior Period</b>				
<b>Non-Cash Loans</b>	<b>3,916,138</b>	<b>8,878,812</b>	<b>1,017</b>	<b>492</b>
Letters of Guarantee	3,915,144	5,848,074	1,017	492
Bills of Exchange and Bank Acceptances	600	115,887	-	-
Letters of Credit	394	2,914,851	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	-	-	-

### 5.3.2 Financial derivative instruments

Current Period	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Total
	<b>Derivative Financial Instrument Held for Risk Management</b>					
<b>A. Total Derivative Financial Instrument Held for Risk Management</b>	<b>5,406</b>	<b>27,520</b>	<b>77,597</b>	-	-	<b>110,523</b>
Fair Value Hedges	-	-	-	-	-	-
Cash Flow Hedges	5,406	27,520	77,597	-	-	110,523
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>	-	-	-	-	-	-
<b>Foreign Currency Related Derivative Transaction (I)</b>	<b>18,335,693</b>	<b>7,537,955</b>	<b>14,967,608</b>	<b>949,501</b>	<b>867,000</b>	<b>42,657,757</b>
Currency Forwards – Purchases	1,090,855	459,765	686,302	187,754	-	2,424,676
Currency Forwards – Sales	1,091,096	471,628	669,026	185,920	-	2,417,670
Currency Swaps – Purchases	6,821,987	2,532,476	5,444,552	264,780	304,000	15,367,795
Currency Swaps – Sales	6,652,317	2,462,451	5,287,059	259,499	563,000	15,224,326
Currency Options – Purchases	1,308,142	754,459	1,388,565	23,953	-	3,475,119
Currency Options – Sales	1,371,296	805,525	1,483,009	27,595	-	3,687,425
Currency Futures – Purchases	-	40,705	9,095	-	-	49,800
Currency Futures – Sales	-	10,946	-	-	-	10,946
<b>Interest Rate Related Derivative Transaction (II)</b>	<b>242</b>	<b>9,680</b>	<b>180,850</b>	<b>3,386,950</b>	-	<b>3,577,722</b>
Interest Rate Swaps – Purchases	122	4,881	12,987	622	-	18,612
Interest Rate Swaps – Sales	120	4,799	15,494	1,048	-	21,461
Interest Rate Options – Purchases	-	-	106,400	1,692,640	-	1,799,040
Interest Rate Options – Sales	-	-	-	1,692,640	-	1,692,640
Securities Options – Purchases	-	-	44,448	-	-	44,448
Securities Options – Sales	-	-	1,521	-	-	1,521
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	-	-	-	-	-
<b>Other Trading Derivatives (III)</b>	<b>128,010</b>	<b>20,683</b>	<b>669,053</b>	<b>30,400</b>	-	<b>848,146</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>18,463,945</b>	<b>7,568,318</b>	<b>15,817,511</b>	<b>4,366,851</b>	<b>867,000</b>	<b>47,083,625</b>
<b>Total Derivative Transactions (A+B)</b>	<b>18,469,351</b>	<b>7,595,838</b>	<b>15,895,108</b>	<b>4,366,851</b>	<b>867,000</b>	<b>47,194,148</b>

Prior Period	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Total
<b>Derivative Financial Instrument Held for Risk Management</b>						
<b>A. Total Derivative Financial Instrument Held for Risk Management</b>	<b>3,764</b>	<b>41,230</b>	<b>13,288</b>	<b>-</b>	<b>-</b>	<b>58,282</b>
Fair Value Hedges	-	-	-	-	-	-
Cash Flow Hedges	3,764	41,230	13,288	-	-	58,282
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Foreign Currency Related Derivative Transaction (I)</b>	<b>9,731,488</b>	<b>7,574,778</b>	<b>7,218,209</b>	<b>164,821</b>	<b>795,000</b>	<b>25,484,296</b>
Currency Forwards – Purchases	636,314	115,616	244,296	10,097	-	1,006,323
Currency Forwards – Sales	670,327	117,048	275,875	11,471	-	1,074,721
Currency Swaps – Purchases	3,177,065	1,842,778	1,928,763	58,815	232,000	7,239,421
Currency Swaps – Sales	3,097,325	1,850,379	2,152,648	81,728	563,000	7,745,080
Currency Options – Purchases	1,164,445	1,715,768	1,287,823	1,273	-	4,169,309
Currency Options – Sales	986,012	1,740,685	1,324,241	1,437	-	4,052,375
Currency Futures – Purchases	-	83,070	2,219	-	-	85,289
Currency Futures – Sales	-	109,434	2,344	-	-	111,778
<b>Interest Rate Related Derivative Transaction (II)</b>	<b>367,234</b>	<b>108,994</b>	<b>99,389</b>	<b>4,690</b>	<b>-</b>	<b>580,307</b>
Interest Rate Swaps – Purchases	554	153	2,761	2,350	-	5,818
Interest Rate Swaps – Sales	2,175	151	2,580	2,340	-	7,246
Interest Rate Options – Purchases	-	-	81,200	-	-	81,200
Interest Rate Options – Sales	-	-	-	-	-	-
Securities Options – Purchases	89,105	55,098	6,424	-	-	150,627
Securities Options – Sales	275,400	53,592	6,424	-	-	335,416
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	-	-	-	-	-
<b>Other Trading Derivatives (III)</b>	<b>483,422</b>	<b>73,578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>557,000</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>10,582,144</b>	<b>7,757,350</b>	<b>7,317,598</b>	<b>169,511</b>	<b>795,000</b>	<b>26,621,603</b>
<b>Total Derivative Transactions (A+B)</b>	<b>10,585,908</b>	<b>7,798,580</b>	<b>7,330,886</b>	<b>169,511</b>	<b>795,000</b>	<b>26,679,885</b>

**5.3.3 Contingent liabilities and assets**

None.

**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.

## 5.4 Consolidated income statement

### 5.4.1 Interest income

#### 5.4.1.1 Interest income (\*) from loans

	Current Period		Prior Period	
	YTL	FC	YTL	FC
<b>Interest Income from Loans</b>				
Short-term loans	2,534,906	334,378	2,357,732	238,937
Medium and long-term loans	1,951,009	1,111,763	1,046,534	789,410
Loans under follow-up	25,324	-	18,273	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>4,511,239</b>	<b>1,446,141</b>	<b>3,422,539</b>	<b>1,028,347</b>

(\*) Includes also fees and commissions income on cash loans

#### 5.4.1.2 Interest income from banks

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	10,624	775	28,520	-
Domestic Banks	30,417	8,485	13,136	64,188
Foreign Banks	216,057	127,631	179,678	136,569
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>257,098</b>	<b>136,891</b>	<b>221,334</b>	<b>200,757</b>

#### 5.4.1.3 Interest income from securities portfolio

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Trading Financial Assets	33,061	16,695	29,358	23,367
Financial Assets Valued at Fair Value Through Profit	-	-	-	-
Financial Assets Available-for-Sale	1,933,458	238,311	1,258,835	334,668
Investments Held-to-Maturity	794,055	60,218	631,268	64,828
<b>Total</b>	<b>2,760,574</b>	<b>315,224</b>	<b>1,919,461</b>	<b>422,863</b>

#### 5.4.1.4 Interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Investments in Associates and Subsidiaries	2,987	24

### 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	-	-	-	1
Domestic Banks	90,640	60,296	62,356	38,555
Foreign Banks	269,537	462,794	135,672	468,979
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	25,567	-	43,467
<b>Total</b>	<b>360,177</b>	<b>548,657</b>	<b>198,028</b>	<b>551,002</b>

(\*) Includes also fees and commissions expenses on borrowings

**5.4.2.2 Interest expenses paid to associates and subsidiaries**

	Current Period	Prior Period
Interest Paid to Investments in Associates and Subsidiaries	1	9,124

**5.4.2.3 Interest expenses on securities issued**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Interest Expenses on Securities Issued	-	2,872	-	3,035

**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		
<b>Turkish Lira</b>								
Bank Deposits	8,107	84,897	254	396	319	251	-	94,224
Saving Deposits	1,827	1,129,106	1,192,723	23,786	17,019	15,717	-	2,380,178
Public Sector Deposits	31	16,860	53,012	22	260	9	-	70,194
Commercial Deposits	21,847	564,920	340,351	47,732	16,466	7,349	-	998,665
Others	5,745	8,937	19,630	231	48	28	-	34,619
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
<b>Total YTL</b>	<b>37,557</b>	<b>1,804,720</b>	<b>1,605,970</b>	<b>72,167</b>	<b>34,112</b>	<b>23,354</b>	-	<b>3,577,880</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	23,651	376,232	325,680	51,881	66,143	40,094	2,614	886,295
Bank Deposits	2,018	42,248	4,006	10,472	9,252	9,495	-	77,491
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	2	-	352	-	-	354
<b>Total FC</b>	<b>25,669</b>	<b>418,480</b>	<b>329,688</b>	<b>62,353</b>	<b>75,747</b>	<b>49,589</b>	<b>2,614</b>	<b>964,140</b>
<b>Grand Total</b>	<b>63,226</b>	<b>2,223,200</b>	<b>1,935,658</b>	<b>134,520</b>	<b>109,859</b>	<b>72,943</b>	<b>2,614</b>	<b>4,542,020</b>

**5.4.2.5 Interest expense on repurchase agreements**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Interest Paid on Repurchase Agreements	1,139,018	41,004	689,615	48,898

**5.4.2.6 Financial lease expenses**

	Current Period	Prior Period
Financial Lease Expenses	130	338

**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	-	-
Financial Assets Available-for-Sale	27,203	208
Others	2,269	2,658
<b>Total</b>	<b>29,472</b>	<b>2,866</b>

#### 5.4.4 Trading income/losses (net)

	Current Period	Prior Period
<b>Income</b>	<b>35,243,545</b>	<b>4,274,199</b>
Trading Account Income	3,026,174	1,633,182
Derivative financial instruments	2,775,256	1,411,059
Others	250,918	222,123
Foreign Exchange Gain	32,217,371	2,641,017
<b>Losses (-)</b>	<b>34,989,960</b>	<b>4,492,653</b>
Trading Account Losses	2,539,322	2,068,988
Derivative financial instruments	2,349,580	1,902,379
Others	189,742	166,609
Foreign Exchange Losses	32,450,638	2,423,665
<b>Total</b>	<b>253,585</b>	<b>(218,454)</b>

#### 5.4.5 Other operating income

The items under “other operating income” generally consists of collection or reversals of prior year provisions, banking services related costs charged to customers and income in custody services.

Furthermore, the Bank had called off its existing legal cases against Boğaziçi Corporations Tax Office related with the final and interim corporate tax returns of the years from 2001 to 2005 and settled up with the related tax authority as per the article 3 of the Law No.5736 “Collection of Certain Public Sector Receivables through Conciliation” published in the Official Gazette No.26800 dated 27 February 2008. Accordingly, following the adjustments made to the corporate tax returns of the period from 2001 to 2005, the tax refund that the Bank will collect through conciliation from the tax office, due to the prepaid taxes in 2005 is agreed to be YTL 131,178 thousands. In line with this conciliation and including a tax refund on an existing unused investment incentive certificate amounting YTL 6,078 thousands, a total amount of YTL 137,256 thousands is recorded as current period income in the accompanying financial statements under “other operating income”.

A part of the Bank’s non-performing loan portfolio amounting YTL 98,221 thousands has been sold to a local asset management company at a sale price of YTL 28,898 thousands. The sale price is fully recognized as income in the accompanying financial statements under “other operating income”, as the sold receivables had been fully provisioned in the Bank’s financial statements in prior periods.

#### 5.4.6 Provision for losses on loans or other receivables

	Current Period	Prior Period
<b>Specific Provisions for Loans and Other Receivables</b>	<b>436,902</b>	<b>197,406</b>
<i>Loans and receivables in Group III</i>	241,587	113,312
<i>Loans and receivables in Group IV</i>	44,938	37,398
<i>Loans and receivables in Group V</i>	150,377	46,696
<b>General Provisions</b>	<b>143,578</b>	<b>125,113</b>
<b>Provision for Possible Losses</b>	<b>30,000</b>	<b>17,000</b>
<b>Impairment Losses on Securities</b>	<b>770</b>	<b>310</b>
<i>Financial assets at fair value through profit or loss</i>	683	310
<i>Financial assets available-for-sale</i>	87	-
<b>Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity</b>	<b>3,157</b>	<b>2,979</b>
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	9
<i>Joint Ventures (Business Partnership)</i>	-	-
<i>Investments held-to-maturity</i>	3,157	2,970
<b>Others</b>	<b>3,548</b>	<b>6,887</b>
<b>Total</b>	<b>617,955</b>	<b>349,695</b>

#### 5.4.7 Other operating expenses

	Current Period	Prior Period
Personnel Costs	1,088,687	815,966
Reserve for Employee Termination Benefits	742	7,178
Defined Benefit Obligation	102,601	-
Impairment Losses on Tangible Assets	1	62
Depreciation Expenses of Tangible Assets	173,088	172,211
Impairment Losses on Intangible Assets	-	-
Goodwill Impairment Losses	-	-
Amortisation Expenses of Intangible Assets	8,239	8,693
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses of Assets to be Disposed	863	1,394
Impairment Losses on Assets Held for Sale and Discontinued Assets	-	-
Other Operating Expenses	1,012,555	771,124
<i>Operational lease related expenses</i>	111,244	79,109
<i>Repair and maintenance expenses</i>	30,653	23,010
<i>Advertisement expenses</i>	110,862	107,884
<i>Other expenses</i>	759,796	561,121
Loss on Sale of Assets	8,279	9,043
Others	380,691	322,685
<b>Total</b>	<b>2,775,746</b>	<b>2,108,356</b>

**5.4.8 Profit/loss before taxes including profit/loss from discontinued operations**

YTL 3,430,704 thousands of the profit before taxes is derived from net interest income and YTL 1,578,335 thousands from fees and commissions income. The total operating expenses amounted to YTL 2,775,746 thousands. In prior period income, there were a gain of YTL 706,874 thousands from the sale of certain shares in insurance subsidiaries and a gain of YTL 140,386 thousands from the sale of custody services rendered for foreign institutions. The consolidated profit before taxes amounted to YTL 2,346,775 thousands increasing approximately by 13% comparing to the prior year results excluding the effects of these sales.

**5.4.9 Provision for taxes including taxes for discontinued operations**

As of 31 December 2008, on a consolidated basis, the Bank recorded a tax expense of YTL 441,528 thousands (31 December 2007: YTL 507,497 thousands) and a deferred tax expense of YTL 14,069 thousands (31 December 2007: YTL 10,349 thousands).

**Deferred tax income/expense on timing differences :**

Deferred tax income/(expense) on timing differences	Current Period
Increase in Tax Deductable Timing Differences (+)	54,418
Decrease in Tax Deductable Timing Differences (-)	(42,839)
Increase in Taxable Timing Differences (-)	(27,319)
Decrease in Taxable Timing Differences (+)	1,671
<b>Total</b>	<b>(14,069)</b>

**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 Deductable Timing Differences (net)	11,579
(Increase)/Decrease in Taxable Timing Differences (net)	(25,648)
Increase/(Decrease) in Tax Losses (net)	-
Increase/(Decrease) in Tax Deductions and Exemptions (net)	-
<b>Total</b>	<b>(14,069)</b>

**5.4.10 Net operating profit/loss after taxes including net profit/loss from discontinued operations**

None.

**5.4.11 Net profit/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**

	Current Period	Prior Period
Net Profit/(Loss) of Minority Interest	11,800	7,978

**5.4.12 Components of other items in income statement**

Other items do not exceed 10% of the total of income statement.

## **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***

As of 31 December 2008, the revaluation of financial assets available-for-sale at fair value netted with the related deferred tax liability effect has resulted in a decrease by YTL 11,631 thousands that is presented as the current period movement in "securities value increase fund" in the statement of changes in shareholders' equity. The gains transferred to "income statement" from "securities value increase fund" amounted to YTL 10,224 thousands in the prior period and to YTL 61,271 thousands in 2008.

#### **5.5.1.2 *Increases due to cash flow hedges***

The Bank entered into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. The increase in such gains amounted to YTL 28,316 thousands after netting with the related deferred tax effect and added to the shareholders' equity in the prior period. In the current period, the increase in such gains is YTL 29,534 thousands after netting with the related deferred tax effect and added to the shareholders' equity.

#### **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 80,300 thousands on net foreign investment hedge after netting with the related tax effect of YTL 16,060 thousands as net YTL 64,240 thousands is recorded under "other profit reserves" in shareholders' equity. 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***

None.

#### **5.5.2.2 *Decreases due to cash flow hedges***

None.

### **5.5.3 Transfers to legal and extraordinary reserves**

	<b>Current Period</b>	<b>Prior Period</b>
Transfers to Legal Reserves from Prior Year Profits	115,781	64,686
Transfers to Extraordinary Reserves from Prior Year Profits	1,727,430	890,692

**5.5.4 Issuance of share certificates**

Please refer to Note 5.2.12.3.

**5.5.5 Effects of prior years' corrections to beginning balances of current period**

Please refer to Note 3.24.

**5.5.6 Compensation of prior period losses**

None.

## 5.6 Consolidated statement of cash flows

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

In 2008, the net cash inflows arising from banking operations amount to YTL 9,759,924 thousands. YTL 7,140,829 thousands of this amount is generated from the change in operating assets and liabilities and YTL 2,619,095 thousands from operating gains. The “net decrease in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to YTL 701 thousands for the year 2008.

The net cash inflow from financing activities for the year 2008, is YTL 677,559 thousands. The “others” item amounting YTL 1,434,233 thousands under net cash flow from financing activities includes the payments for founder shares repurchased as explained in Note 1.4

The effect of change in foreign exchange rate on cash and cash equivalents item includes net foreign exchange losses of YTL 233,267 thousands for the year 2008.

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

None.

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

None.

### 5.6.4 Cash and cash equivalents at beginning of period

	Current Period	Prior Period
Cash on Hand	454,194	335,295
<i>Cash in YTL</i>	244,778	181,253
<i>Cash in Foreign Currency</i>	209,416	154,042
Cash Equivalents	3,839,625	3,814,074
<i>Others</i>	3,839,625	3,814,074
<b>Total</b>	<b>4,293,819</b>	<b>4,149,369</b>

### 5.6.5 Cash and cash equivalents at end of period

	Current Period	Prior Period
Cash on Hand	672,358	454,194
<i>Cash in YTL</i>	312,476	244,778
<i>Cash in Foreign Currency</i>	359,882	209,416
Cash Equivalents	6,473,631	3,839,625
<i>Others</i>	6,473,631	3,839,625
<b>Total</b>	<b>7,145,989</b>	<b>4,293,819</b>

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

The placements at foreign banks include blocked accounts with a total principal balance of YTL 1,865,816 thousands of which YTL 235,164 thousands, YTL 153,894 thousands and YTL 15,953 thousands are kept at the central banks of Luxembourg, Malta and NCTR, respectively as reserve deposits, and YTL 1,460,805 thousands as collateral against funds borrowed. The consolidated domestic banks include blocked accounts of YTL 51,368 thousands held for insurance activities.

The blocked account at the Central Bank of Turkey with a principal balance of YTL 1,713,040 thousands is for the reserve deposits against foreign currency liabilities.

**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	9,033	244	1	1,090	158,515	168,482
Balance at end of period	23,597	3,157	25	1,661	274,415	184,251
Interest and Commission Income	2,987	1	632	15	10,873	1,114

##### 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	7,142	1,222	224,108	9,455	87,185	41,793
Balance at end of period	9,033	244	1	1,090	158,515	168,482
Interest and Commission Income	24	2	767	284	6,186	693

#### 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
Deposits						
Balance at beginning of period	8,448	2,010	91,590	509,513	240,401	132,777
Balance at end of period	1,752	8,448	313,475	91,590	186,263	240,401
Interest Expenses	1	9,124	25,785	45,532	21,081	10,001

#### 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 at Fair Value Through Profit or Loss:						
Beginning of Period	-	2,790	-	-	-	-
End of Period	13,500	-	-	-	-	-
Total Profit/(Loss)	203	2	-	-	-	-
Transactions for Hedging:						
Beginning of Period	-	-	-	-	-	-
End of Period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

## **5.7.2 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 250,131 thousands (31 December 2007 YTL 74,661 thousands) compose 0.48% (31 December 2007: 0.19%) of the Bank's total cash loans and 0.25% (31 December 2007: 0.10%) of the Bank's total assets. The total loans and similar receivables amounting YTL 298,037 thousands (31 December 2007: YTL 167,549 thousands) compose 0.30% (31 December 2007: 0.22%) of the Bank's total assets. The non-cash loans of the risk group amounting YTL 189,069 thousands (31 December 2007: YTL 169,816 thousands) compose 1.30% (31 December 2007: 1.33%) of the Bank's total non-cash loans. The deposits of the risk group amounting YTL 501,490 thousands (31 December 2007: YTL 340,439 thousands) compose 0.87% (31 December 2007: 0.78%) of the Bank's total deposits. The pricing in transactions with the risk group companies is set on an arms-length basis.

There is a credit card (POS) payable amounting YTL 5,223 thousands (31 December 2007: YTL 5,626 thousands) to related parties.

Operating expenses of YTL 16,885 thousands (31 December 2007: YTL 17,139 thousands) for IT services rendered by related parties and rent income of YTL 318 thousands (31 December 2007: YTL 352 thousands) for the real estates rented to related parties, are recorded.

The Bank and its consolidated financial affiliates made a total payment of YTL 87,157 thousands (2007: YTL 50,738 thousands) for the year 2008 to its top management considered as the key management.

### **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, Eureka 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 on behalf of customers are rendered by the Bank's specialised branches (Investment Centers).

Purchase of equipments for internal use are partly arranged through financial leasing.

At 11 March 2008, the Bank sold a real estate with a net book value of YTL 40,581 thousands to Doğuş Holding AŞ at a sale price of USD 35,000,000 (equivalent of YTL 42,693 thousands). The sale price, of which USD 15 millions was collected immediately at the date of sale, was fully collected. A gain of YTL 2,112 thousands was recognized as income on this transaction.

## 5.8 Domestic, foreign and off-shore branches or investments and foreign representative offices

### 5.8.1 Domestic and foreign branches and representative offices

Türkiye Garanti Bankası AŞ					
	Number of Branches	Number Of Employees	Country		
Domestic Branches	721	16,272			
Foreign Representative Offices	1	1	1- Germany		
	1	1	2- Russia		
	1	1	3- England		
	1	1	4- China		
				<b>Total Assets</b>	<b>Legal Capital</b>
Foreign Branches	1	20	1- Luxembourg	13,298,011	136,040
	1	14	2- Malta	15,522,054	-
	3	40	3- NCTR	183,829	3,520

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

During the year 2008, 141 new domestic branches were opened and 3 branches were closed.

### 5.8.3 Information on consolidated financial subsidiaries

Garanti Bank International NV					
	Number of Branches	Number Of Employees	Country		
Foreign Representative Offices	1	15	1- Turkey		
	1	-	2- Switzerland		
	1	2	3- Ukrain		
	1	3	4- Kazakhstan		
				<b>Total Assets</b>	<b>Legal Capital</b>
Head office-Holland	1	172	1- Holland	6,366,138	EUR 196,567,000
Foreign Branches	45	644	1- Romania	490,441	ROL 154,731,657
	1	25	2- Germany	834,062	-

Garanti Bank Moscow					
	Number of Branches	Number Of Employees	Country	Total Assets	Legal Capital
Head Office-Moscow	1	80	Russia	477,206	US\$ 32,757,364

#### Other consolidated foreign financial subsidiaries:

	Number Of Employees	Country	Total Assets	Legal Capital
Garanti Financial Services Plc	1	Ireland	10,618	US\$ 2,638,100
Garanti Fund Management Co Ltd	-	Malta	93	US\$ 200,000

***Consolidated domestic financial subsidiaries:***

	<b>Number Of Employees</b>	<b>Total Assets</b>	<b>Legal Capital</b>
<b>Garanti Finansal Kiralama AŞ</b>	149	2,228,841	73,000
<b>Garanti Faktoring Hizmetleri AŞ</b>	120	818,811	17,960
<b>Garanti Emeklilik ve Hayat AŞ</b>	585	1,204,852	50,000
<b>Garanti Yatırım Menkul Kıymetler AŞ</b>	101	27,568	8,328
<b>Garanti Portföy Yönetimi AŞ</b>	72	17,513	10,000

## **5.9 Significant events and matters arising subsequent to the balance sheet date**

- By the decision of the Council of Ministers no.2007/11963 at 4 April 2007, the “new” expression in the New Turkish Lira (YTL), the currency of the Turkish Republic, is cancelled effective from 1 January 2009. The currency of the Turkish Republic is the Turkish Lira (TL).
- The financial reporting currency of the Bank’s Luxembourg branch is changed from USD to EUR effective from 1 January 2009. The capital of USD 89,500,000 allocated to the branch is converted into EUR 64,309,837.

Besides, the capital allocated to the Luxembourg branch increased by EUR 335,690,163 to EUR 400,000,000 at 13 January 2009 by the decision of the board of directors no.2226 at 4 December 2008 that gives the authorization to the head office to be able to increase the amount of the capital allocated to the Luxembourg branch upto EUR 400,000,000.

## 6 Other Disclosures on Activities of the Bank

### 6.1 Other

None.

### 6.2 Parent bank's latest international risk ratings

#### MOODY'S (January 2009)\*

Long Term FC Deposit	B1
Long Term YTL Deposit	A3
Short Term YTL Deposit	Prime-2
Short Term FC Deposit	NP
Long Term FC Deposit Outlook	Stable
Financial Strength Rate (FSR)	C-
FSR Outlook	Stable
Long Term National	Aaa.tr
Short Term National	TR-1

#### STANDARD AND POORS (January 2009)\*

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

#### FITCH RATINGS (June 2008)\*

<b>Foreign Currency</b>	
Long Term	BB
Short Term	B
Outlook	Stable
Individual	C
Support	4
<b>Turkish Lira</b>	
Long Term	BBB-
Short Term	F3
Outlook	Stable
<b>National</b>	
Outlook	Stable

#### CAPITAL INTELLIGENCE (December 2008)\*

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

#### JCR EURASIA RATINGS (August 2008)\*

Long Term International FC	BB+ (Stable)
Long Term International YTL	BBB (Stable)
Long Term International	AAA (Trk) (Stable)
Short Term International FC	B (Stable)
Short Term International YTL	A-3 (Stable)
Short Term National	A-1 (Trk) (Stable)
Support	1
Independency from Shareholders	A

(\*). Latest dates in risk ratings or outlooks

**6.2.1 Latest international risk ratings of Garanti Bank International NV, a consolidated subsidiary****MOODY'S (October 2008)\***

Long Term FC Deposit	A3
Short Term FC Deposit	Prime 2
Subordinate-Dom Curr	Baa1
FSR	C
Outlook	Stable

(\*) Latest date in risk ratings or outlooks.

**6.2.2 Latest international risk ratings of Garanti Faktoring, a consolidated subsidiary****FITCH RATINGS (February 2009)\***

<b>Foreign Currency</b>	
Long Term	BB
Short Term	B
Outlook	Stable
Support	3
<b>Turkish Lira</b>	
Long Term	BBB-
Short Term	F3
Outlook	Stable
<b>National</b>	
Outlook	Stable

(\*) Latest date in risk ratings or outlooks.

**6.2.3 Latest international risk ratings of Garanti Finansal Kiralama, a consolidated subsidiary****FITCH RATINGS (January 2008)\***

<b>Foreign Currency</b>	
Long Term	BB
Short Term	B
Outlook	Stable
Support	3
<b>Turkish Lira</b>	
Long Term	BBB-
Short Term	F3
Outlook	Stable
<b>National</b>	
Outlook	Stable

**STANDARD AND POORS (August 2008)\***

FC Obligations	BB-
YTL Obligations	BB-
Outlook	Negative

(\*) Latest dates in risk ratings or outlooks.

#### 6.2.4 Dividends

At the annual general assembly of the Bank dated 3 April 2008, it was decided to distribute the profit of 2007 as follows:

<b>2007 PROFIT DISTRIBUTION TABLE</b>	
2007 Net Profit	2,315,616
A- I. Legal reserve (Turkish Commercial Code 466/1) at 5%	(115,781)
Undistributable funds	(570,567)
B – The first dividend at 5% of the paid capital	-
C – Extraordinary reserves at 5% after above deductions	-
D - Founder shares	-
E – Extraordinary reserves	(1,629,268)
F – II. Legal reserve (Turkish Commercial Code 466/2)	-

## **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 2008, 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 12 February 2009.

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