

June 13, 2008



Division of International Corporate Finance  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549  
United States of America

GES Mali  
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AUG 16 2008

Washington, DC  
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TÜRKİYE GARANTI BANKASI A.Ş.  
Levent Nispetiye Mah. Aytar Cad. 2,  
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**SUPPL**

12g3-2 (b) filing number: 82-3636

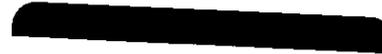
We kindly inform you that pursuant to the Board resolution dated June 13, 2008, no. 2220, purchasing the founder share-certificates issued by the Bank will start as from June 19, 2008 at a value of YTL 3,876,307 per share in accordance with the value assessed by the Istanbul 5th Commercial Court of First Instance by covering the total consideration from the extraordinary reserves of the Bank, in order to redeem and destroy such founder share-certificates, and (ii) the Head Office be authorized to conduct any and all acts with regard to the purchase and destruction of the founder share-certificates.

We hereby declare that our above statements conform with the principles included in the Board's Communiqué, Serial VIII Nr.39., that it reflects the information we received exactly; that the information complies with our records, books and documents; that we did our best to obtain the correct and complete information relative to this subject and that we are responsible for the declarations made in this regard.

Regards,

Garanti Bank

Sinem Güçhan  
Vice President  
Investor Relations



08004549

Handan Saygın  
Senior Vice President  
Investor Relations

**PROCESSED**

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June 13, 2008



Division of International Corporate Finance  
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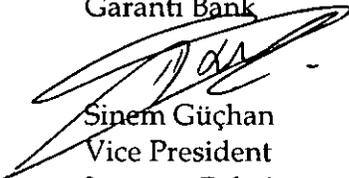
We kindly inform you that the Founder Shareholders General Assembly Meeting and Extraordinary General Shareholders Meeting of the Bank have been held on June 13, 2008.

- I) At the Founder Shareholders General Assembly Meeting, it has been resolved that the founder share-certificates be sold to T. Garanti Bankası A.Ş. at a value of YTL 3,876,307 per share in accordance with the report prepared by the court expert and approved by the Istanbul 5th Commercial Court of First Instances regarding the value assessment of the founder shares issued by the Bank,
- II) At the Extraordinary General Shareholders Meeting, it has been resolved that;  
(i) all founder share-certificates issued by the Bank be purchased at a value of YTL 3,876,307 per share in accordance with the report prepared by the court expert and approved by the Istanbul 5th Commercial Court of First Instance by covering the total consideration from the extraordinary reserves of the Bank, in order to redeem and destroy such founder share-certificates, (ii) the Board of Directors be authorized to conduct any and all acts with regard to the purchase of the founder share-certificates, and (iii) the Articles 15, 16 and 45 of the Articles of Association of the Bank regarding the founder shares be amended.

We hereby declare that our above statements conform with the principles included in the Board's Communiqué, Serial VIII Nr.39., that it reflects the information we received exactly; that the information complies with our records, books and documents; that we did our best to obtain the correct and complete information relative to this subject and that we are responsible for the declarations made in this regard.

Regards,

Garanti Bank

  
Sinem Güçhan  
Vice President  
Investor Relations



Handan Saygın  
Senior Vice President  
Investor Relations

June 23, 2008



Division of International Corporate Finance  
Securities and Exchange Commission  
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TÜRKİYE GARANTİ BANKASI A.Ş.  
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According to the Special Conditions Announcements, dated June 13, 2008, we have announced that; (i) at the Extraordinary General Shareholders Meeting of the Bank which was held on June 13, 2008, it has been resolved that all founder share-certificates issued by the Bank be purchased at a value of YTL 3,876,307 per share by covering the total consideration from the extraordinary reserves of the Bank and the purchasing the founder share-certificates will start as from June 19, 2008, and (ii) at the Founder Shareholders General Assembly Meeting which was held on June 13, 2008, it has been resolved that the founder share-certificates be sold to T. Garanti Bankası A.Ş. at a value of YTL 3,876,307 per share.

In accordance with the above mentioned resolutions, the payments of the founder share-certificates for a consideration of YTL 3,876,307 per share against the delivery of the founder share-certificates to our Bank, has started as from June 19, 2008 and the consideration of 365 founder share-certificates in the amount of YTL 1,414,852,055 has been paid as of June 23, 2008. The amount of YTL 19,381,535 as the total consideration of the 5 founder share-certificates which have not been presented to our Bank yet, has been blocked in the "other liabilities account" to be paid against the demands of the founder share-certificate holders.

We hereby declare that our above statements conform with the principles included in the Board's Communiqué, Serial VIII Nr.39., that it reflects the information we received exactly; that the information complies with our records, books and documents; that we did our best to obtain the correct and complete information relative to this subject and that we are responsible for the declarations made in this regard.

Regards,

Garanti Bank

Sinem Güçhan  
Vice President  
Investor Relations

Handan Saygın  
Senior Vice President  
Investor Relations

June 24, 2008



Division of International Corporate Finance  
Securities and Exchange Commission  
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We kindly inform you that Garanti Bank has received the approvals from the Capital Markets Board and the Banking Regulation and Supervision Agency regarding the issued capital of the Bank be increased by YTL 2,100,000,000 (100%) and accordingly from YTL 2,100,000,000 to YTL 4,200,000,000 within the registered capital stock ceiling of the Bank in the amount of YTL 7,000,000,000.

The capital increase through coupon no. 20 has been exercised between June 9th and June 23rd, 2008 and 99.74 percent of the new shares has been subscribed for.

The remaining shares from unsubscribed rights, amounting to nominal YTL 5.5 million, will be sold in the primary market of the Istanbul Stock Exchange on June 26th and 27th, 2008.

We hereby declare that our above statements conform with the principles included in the Board's Communiqué, Serial VIII Nr.39., that it reflects the information we received exactly; that the information complies with our records, books and documents; that we did our best to obtain the correct and complete information relative to this subject and that we are responsible for the declarations made in this regard.

Regards,

Garanti Bank

Sinem Güçhan  
Vice President  
Investor Relations

Handan Saygın  
Senior Vice President  
Investor Relations

June 26, 2008



Division of International Corporate Finance  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
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TÜRKİYE GARANTİ BANKASI A.Ş.  
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We kindly inform you that, regarding the issued capital of the Bank being increased by YTL 2,100,000,000 and accordingly from YTL 2,100,000,000 to YTL 4,200,000,000 within the registered capital stock ceiling of the Bank in the amount of YTL 7,000,000,000, the offering of the unsubscribed rights amounting to nominal YTL 5.5 million has been completed in the ISE primary market and the total remaining shares has been sold.

We hereby declare that our above statements conform with the principles included in the Board's Communiqué, Serial VIII Nr.39., that it reflects the information we received exactly; that the information complies with our records, books and documents; that we did our best to obtain the correct and complete information relative to this subject and that we are responsible for the declarations made in this regard.

Regards,

Garanti Bank

A handwritten signature in black ink, appearing to be "Sinem Güçhan", written in a cursive style.

Sinem Güçhan  
Vice President  
Investor Relations

A handwritten signature in black ink, appearing to be "Handan Saygın", written in a cursive style.

Handan Saygın  
Senior Vice President  
Investor Relations

July 03, 2008



Division of International Corporate Finance  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549  
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TÜRKİYE GARANTİ BANKASI A.Ş.  
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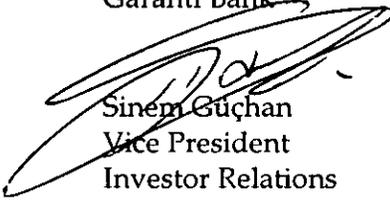
We kindly inform you that regarding the issued capital of the Bank being increased by YTL 2,100,000,000 and accordingly from YTL 2,100,000,000 to YTL 4,200,000,000 within the registered capital stock ceiling of the Bank which amounts to YTL 7,000,000,000, the shares in the amount of YTL 2,094,475,071.18 of the total shares representing the increased nominal amount of YTL 2,100,000,000 have been sold for the amount of YTL 2,094,475,201.02 within the framework of terms stated in the Prospectus as a result of shareholders' use of preemptive rights and the remaining shares in the nominal amount of YTL 5,524,928.82 have been sold for the amount of YTL 17,405,276.51 following the public offering on the ISE primary market, and consequently the capital increase has been completed.

Pursuant to the Board Resolution dated July 3rd, 2008, numbered 2221, it is resolved that the Capital Markets Board be notified that the capital increase transactions have been duly completed in accordance with the Capital Markets Law, relevant communiqués and the procedures and principals mentioned in the Prospectus following the examination of Banking Regulation and Supervision Agency regarding the capital increase and completion of the credit of the increased capital amount of YTL 2,100,000,000 to the capital account, transfer of YTL 129.84 arising from the fractional differences of shareholders' use of preemptive rights, to other capital reserves account and the transfer of the issue premium in the amount of YTL 11,880,347.68 to the share premium account, and the Head Office be authorized to undertake the registration operations following the receipt of the certificate of registry from the Capital Markets Board.

We hereby declare that our above statements conform with the principles included in the Board's Communiqué, Serial VIII Nr.39., that it reflects the information we received exactly; that the information complies with our records, books and documents; that we did our best to obtain the correct and complete information relative to this subject and that we are responsible for the declarations made in this regard.

Regards,

Garanti Bank

  
Sinem Guçhan  
Vice President  
Investor Relations



Handan Saygin  
Senior Vice President  
Investor Relations

August 07, 2008



Division of International Corporate Finance  
Securities and Exchange Commission  
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The operations concerning the increase in the issued paid-in capital of our Bank by YTL 2,100,000,000 (100%) and accordingly from YTL 2,100,000,000 to YTL 4,200,000,000 have been completed. The new issued capital of our Bank has been registered by Istanbul Trade Registry Office on July 31st, 2008 and published in the Turkish Trade Registry Gazette dated August 5, 2008 and numbered 7120. An amendment in this regard has also been published in such gazette dated August 6, 2008 and numbered 7121.

We hereby declare that our above statements conform with the principles included in the Board's Communiqué, Serial VIII Nr.39., that it reflects the information we received exactly; that the information complies with our records, books and documents; that we did our best to obtain the correct and complete information relative to this subject and that we are responsible for the declarations made in this regard.

Regards,

Garanti Bank

Sinem Güçhan  
Vice President  
Investor Relations

Handan Saygın  
Senior Vice President  
Investor Relations

August 14, 2008

Document Disclosure Team  
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Dear Document Disclosure Team,

Please find enclosed Garanti Bank's consolidated financial statements for the period ended June 30, 2008 prepared in line with the IAS directives.

Regards,

Garanti Bank



Sinem Güçhan  
Vice President  
Investor Relations



Handan Saygın  
Senior Vice President  
Investor Relations

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Washington, DC  
106

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**Türkiye Garanti Bankası Anonim Şirketi  
And Its Affiliates**

Consolidated Financial Statements

30 June 2008

With Report on Review of Interim  
Financial Information Thereon

5 August 2008

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

**Türkiye Garanti Bankası Anonim Şirketi**  
**And Its Affiliates**

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**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
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## Report on Review of Interim Financial Information

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

### Introduction

We have reviewed the accompanying consolidated balance sheet of Türkiye Garanti Bankası Anonim Şirketi (the Bank) and its affiliates as of 30 June 2008 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not give a true and fair view of the financial position of the Bank and its affiliates as at 30 June 2008, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34.

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

İstanbul,  
5 August 2008

# Türkiye Garanti Bankası AŞ And Its Affiliates

## Consolidated Balance Sheet

At 30 June 2008

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

	<u>Notes</u>	<u>30 June 2008</u>	<u>31 December 2007</u>
<b>Assets</b>			
Cash and balances with central banks	4	2,012,508	2,874,979
Financial assets at fair value through profit or loss	5	857,718	1,004,018
Loans and advances to banks	6	5,688,680	5,049,041
Loans and advances to customers	7	49,035,462	41,042,495
Other assets	9	4,739,211	6,168,558
Security investments	10,21	18,955,353	17,835,310
Investments in equity participations	11	54,626	49,776
Tangible assets, net	12	1,139,248	1,162,901
Goodwill, net	13	33,170	33,170
Deferred tax asset	19	126,776	104,472
<b>Total assets</b>		<b><u>82,642,752</u></b>	<b><u>75,324,720</u></b>
<b>Liabilities</b>			
Deposits from banks	14	2,427,259	2,436,093
Deposits from customers	15	46,149,589	41,334,747
Obligations under repurchase agreements	16	8,325,553	8,591,954
Loans and advances from banks	17	12,746,807	11,440,372
Bonds payable	18	56,998	50,912
Current tax liability	19	76,307	5,301
Deferred tax liability	19	-	30
Other liabilities and accrued expenses	20	4,477,712	4,213,543
<b>Total liabilities</b>		<b><u>74,260,225</u></b>	<b><u>68,072,952</u></b>
<b>Shareholders' equity and minority interest</b>			
Share capital	21	3,046,371	3,046,371
Capital reserves	21,30	2,111,880	-
Minority interest	21	28,650	23,410
Unrealised (losses)/gains on available-for-sale assets	10,21	(390,516)	189,382
Hedging reserve	21	(1,574)	31,464
Translation reserve	21	24,967	6,709
Legal reserves	21	288,609	172,678
Retained earnings	21	3,274,140	3,781,754
<b>Total shareholders' equity and minority interest</b>		<b><u>8,382,527</u></b>	<b><u>7,251,768</u></b>
<b>Total liabilities, shareholders' equity and minority interest</b>		<b><u>82,642,752</u></b>	<b><u>75,324,720</u></b>
<b>Commitments and contingencies</b>	23		

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

# Türkiye Garanti Bankası AŞ And Its Affiliates

## Consolidated Income Statement For The Six-Month Period Ended 30 June 2008

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

	<u>Notes</u>	<u>Six-month period ended 30 June 2008</u>	<u>Three-month period ended 30 June 2008</u>	<u>Six-month period ended 30 June 2007</u>	<u>Three-month period ended 30 June 2007</u>
<b>Interest income:-</b>					
<i>Interest on loans</i>		2,752,896	1,418,257	2,094,309	1,117,075
<i>Interest on securities</i>		1,318,070	674,943	1,192,282	566,861
<i>Interest on deposits at banks</i>		314,938	149,061	276,741	138,521
<i>Interest on lease business</i>		116,720	57,394	83,441	43,717
<i>Others</i>		50,712	24,772	40,793	17,516
		<u>4,553,336</u>	<u>2,324,427</u>	<u>3,687,566</u>	<u>1,883,690</u>
<b>Interest expense:-</b>					
<i>Interest on saving, commercial and public deposits</i>		(1,856,971)	(956,228)	(1,460,206)	(744,990)
<i>Interest on borrowings and obligations under repurchase agreements</i>		(868,618)	(429,547)	(696,621)	(355,082)
<i>Interest on bank deposits</i>		(81,583)	(40,138)	(68,592)	(29,230)
<i>Others</i>		(2,517)	(951)	(7,403)	(4,442)
		<u>(2,809,689)</u>	<u>(1,426,864)</u>	<u>(2,232,822)</u>	<u>(1,133,744)</u>
<b>Net interest income</b>		<b>1,743,647</b>	<b>897,563</b>	<b>1,454,744</b>	<b>749,946</b>
Fee and commission income		994,709	500,704	828,593	424,801
Fee and commission expense		(198,367)	(110,311)	(203,227)	(110,131)
<b>Net fee and commission income</b>	26	<b>796,342</b>	<b>390,393</b>	<b>625,366</b>	<b>314,670</b>
<i>Foreign exchange gains, net</i>		119,164	73,125	204,028	140,070
<i>Premium income from insurance business</i>		60,589	29,207	159,276	90,211
<i>Income on sale of shares in consolidated affiliates</i>		-	-	703,803	703,803
<i>Other operating income</i>		64,852	46,544	43,861	22,627
<b>Other operating income</b>		<b>244,605</b>	<b>148,876</b>	<b>1,110,968</b>	<b>956,711</b>
<b>Total operating Income</b>		<b>2,784,594</b>	<b>1,436,832</b>	<b>3,191,078</b>	<b>2,021,327</b>
<i>Salaries and wages</i>		(461,076)	(202,021)	(302,990)	(147,420)
<i>Impairment losses</i>	7,8,9,11,12,13,20	(232,012)	(113,533)	(140,100)	(64,806)
<i>Employee benefits</i>	20	(111,727)	(54,943)	(84,887)	(46,232)
<i>Depreciation and amortization</i>	12	(86,065)	(43,237)	(86,799)	(45,535)
<i>Communication expenses</i>		(65,307)	(33,311)	(53,538)	(30,098)
<i>Rent expenses</i>		(51,059)	(27,453)	(37,789)	(18,844)
<i>Claim loss from insurance business</i>		(12,530)	(3,491)	(56,490)	(28,170)
<i>Trading losses, net</i>	5	(3,733)	(33,700)	(283,007)	(183,758)
<i>Other operating expenses</i>	27	(482,572)	(264,618)	(361,468)	(199,832)
<b>Total operating expenses</b>		<b>(1,506,081)</b>	<b>(776,307)</b>	<b>(1,407,068)</b>	<b>(764,695)</b>
Taxation charge	19	(230,821)	(101,775)	(244,473)	(141,864)
<b>Net income for the period</b>		<b>1,047,692</b>	<b>558,750</b>	<b>1,539,537</b>	<b>1,114,767</b>
<b>Net income for the period attributable to:</b>					
<i>Equity holders of the Bank</i>		1,042,452	556,238	1,535,234	1,110,795
<i>Minority interest</i>		5,240	2,512	4,303	3,972
		<u>1,047,692</u>	<u>558,750</u>	<u>1,539,537</u>	<u>1,114,767</u>
<b>Weighted average number of shares with a face value of YTL 1,000 each</b>					
	21	<u>2,100 billion</u>	<u>2,100 billion</u>	<u>2,100 billion</u>	<u>2,100 billion</u>
<b>Earnings per share</b>					
<b>(full YTL amount per YTL'000 face value each)</b>					
		<u>496.4</u>	<u>264.9</u>	<u>731.1</u>	<u>529.0</u>

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

**Türkiye Garanti Bankası AŞ And Its Affiliates**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**For The Six-Month Period Ended 30 June 2008**

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

	Notes	Share Capital	Capital Reserve	Minority Interest	Unrealised (Losses)/Gains on Available-for-Sale Assets	Hedging Reserve	Translation Reserve	Legal Reserves	Retained Earnings	Total Shareholders' Equity and Minority Interest
<b>Balances at 31 December 2006</b>		3,046,371	-	7,845	122,562	3,148	14,405	113,053	1,633,020	4,940,404
Transfer to unappropriated earnings		-	-	-	-	-	-	64,541	(64,541)	-
Dividends paid		-	-	-	-	-	-	-	(219,319)	(219,319)
Net unrealised market value gains from available-for-sale portfolio		-	-	-	9,560	-	-	-	-	9,560
Net gains on available-for-sale assets transferred to the income statement on disposal		-	-	-	(2,751)	-	-	-	-	(2,751)
Foreign currency translation differences for foreign operations		-	-	-	-	(4,765)	-	-	-	(4,765)
Net fair value losses from cash flow hedges		-	-	-	-	(5,744)	-	-	-	(5,744)
Release of reserves due to sale of a consolidated affiliate		-	-	7,588	-	-	-	(4,591)	4,591	-
Reclassification to minority interest due to partial sale of a consolidated affiliate		-	-	4,303	(19)	-	-	-	440	8,009
Net income for the six-month period		-	-	4,303	-	-	-	-	1,535,234	1,539,537
<b>Balances at 30 June 2007</b>		3,046,371	-	19,736	129,352	(2,596)	9,640	173,003	2,889,425	6,264,931
Transfer to unappropriated earnings		-	-	-	-	-	-	(325)	325	-
Dividends paid		-	-	-	-	-	-	-	(155)	(155)
Net unrealised market value gains from available-for-sale portfolio		-	-	-	67,484	-	-	-	-	67,484
Net gains on available-for-sale assets transferred to the income statement on disposal		-	-	-	(7,454)	-	-	-	-	(7,454)
Foreign currency translation differences for foreign operations		-	-	-	-	-	(2,931)	-	-	(2,931)
Net fair value gains from cash flow hedges		-	-	-	-	34,060	-	-	-	34,060
Net income for the six-month period		-	-	3,674	-	-	-	-	892,159	895,833
<b>Balances at 31 December 2007</b>		3,046,371	-	23,410	189,382	31,464	6,709	172,678	3,781,754	7,251,768
Collections from shareholders for capital increase	21,30	-	2,111,880	-	-	-	-	-	-	2,111,880
Payment for founder shares repurchased	21	-	-	-	-	-	-	-	(1,434,233)	(1,434,233)
Transfer to unappropriated earnings	21	-	-	-	-	-	-	115,833	(115,833)	-
Foreign exchange difference on foreign currency/legal reserves		-	-	-	-	-	-	98	-	98
Net unrealised market value losses from available-for-sale portfolio	21	-	-	-	(575,394)	-	-	-	-	(575,394)
Net gains on available-for-sale assets transferred to the income statement on disposal		-	-	-	(4,504)	-	-	-	-	(4,504)
Foreign currency translation differences for foreign operations	21	-	-	-	-	-	18,258	-	-	18,258
Net fair value gains from cash flow hedges	21	-	-	-	-	2,964	-	-	-	2,964
Net fair value gains from cash flow hedges transferred to the income statement on disposal	21	-	-	-	-	(36,002)	-	-	-	(36,002)
Net income for the six-month period		-	-	5,240	-	-	-	-	1,042,452	1,047,692
<b>Balances at 30 June 2008</b>		3,046,371	2,111,880	28,650	(390,516)	(1,574)	24,967	288,609	3,274,140	8,382,527

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

# Türkiye Garanti Bankası AŞ And Its Affiliates

## Consolidated Statement of Cash Flows For The Six-Month Period Ended 30 June 2008

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

	<u>Notes</u>	<u>30 June 2008</u>	<u>30 June 2007</u>
<b>Cash flows from operating activities:-</b>			
Interests and commissions received		3,303,920	3,054,216
Interest expenses paid		(2,812,935)	(1,818,286)
Other operating activities, net		122,578	837,471
Cash payments to employees and suppliers		<u>(1,164,742)</u>	<u>(863,854)</u>
		(551,179)	1,209,547
<b>(Increase)/decrease in operating assets:-</b>			
Loans and advances to banks		58,569	(1,918,343)
Balances with central banks		1,845,777	(665,705)
Financial assets at fair value through profit or loss		138,343	(188,539)
Loans and advances to customers		(5,801,668)	(3,903,498)
Consumer loans		(2,117,389)	(1,497,325)
Other assets		(305,316)	(170,398)
<b>Increase/(decrease) in operating liabilities:-</b>			
Deposits from banks		(11,959)	617,691
Deposits from customers		4,748,531	3,116,502
Obligations under repurchase agreements		(284,291)	715,372
Other liabilities		420,546	106,600
<b>Net cash used in operating activities before income taxes paid</b>		<u>(1,860,036)</u>	<u>(2,578,096)</u>
<b>Income taxes paid</b>	19	<u>(42,528)</u>	<u>(221,598)</u>
<b>Net cash used in operating activities</b>		<u>(1,902,564)</u>	<u>(2,799,694)</u>
<b>Cash flows from investing activities:-</b>			
Net increase in security investments		(1,802,978)	(721,905)
Interest received		1,508,441	1,079,184
Increase in investments in equity participations, net		-	(157)
Dividends received		2,044	1,849
Proceeds from sale of tangible assets		122,209	33,560
Purchase of tangible assets		(146,948)	(120,972)
<b>Net cash (used in)/from investing activities</b>		<u>(317,232)</u>	<u>271,559</u>
<b>Cash flows from financing activities:-</b>			
Increase in loans and advances from banks, net		1,289,875	1,181,388
Equity instruments issued	21.30	2,111,880	-
Payment for founder shares repurchased	21	(1,434,233)	-
Dividends paid		-	(219,319)
<b>Net cash from financing activities</b>		<u>1,967,522</u>	<u>962,069</u>
<b>Effect of exchange rate changes</b>		119,164	(6,284)
<b>Net decrease in cash and cash equivalents</b>		<u>(133,110)</u>	<u>(1,572,350)</u>
Cash and cash equivalents at the beginning of the period		<u>4,315,192</u>	<u>4,204,216</u>
<b>Cash and cash equivalents at the end of the period</b>	2	<u><u>4,182,082</u></u>	<u><u>2,631,866</u></u>

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

## **Overview of the Bank**

Türkiye Garanti Bankası AŞ (the Bank) is a bank domiciled in Turkey. The consolidated financial statements of the Bank as of and for the six-month period ended 30 June 2008 comprise the Bank and its affiliates (the Affiliates) and their interest in associates.

### **(a) Brief History**

The foundation of the Bank was approved by the decree of the Council of Ministers numbered 3/4010 dated 11 April 1946 and “Articles of Association” was published in the official gazette dated 25 April 1946. The Bank provides corporate, commercial and retail banking services through a network of 558 domestic branches, five foreign branches, four representative offices abroad and 113 offices. In addition to its branches, the Bank has 100% ownership in two banks each of which is located in Amsterdam and Moscow. The Bank and its affiliates in total have 17,832 employees. The Bank’s head office is located at Levent Nispetiye Mahallesi Aytar Caddesi 2 Beşiktaş 34340 İstanbul.

### **(b) Ownership**

The Companies owned by Doğu Holding AŞ, called as Doğu Group, currently holds 30.52% and “GE Araştırma ve Müşavirlik Limited Şti.” of the General Electric (GE) Group holds 20.85% of the issued capital.

## **Significant accounting policies**

### **(a) Statement of compliance**

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

The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standard (“IFRS”) IAS 34 Interim Financial Reporting. The accompanying consolidated financial statements are authorized for issue by the directors on 5 August 2008.

### **(b) Basis of preparation**

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

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

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

## **Significant accounting policies (continued)**

### **(c) Use of estimates and judgements**

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

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

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

### **(d) Basis of consolidation**

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

#### *Affiliates*

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

#### *Associates*

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

#### *Special purpose entities*

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

## **Significant accounting policies (continued)**

### *Transactions eliminated on consolidation*

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

### **(e) Foreign currency**

#### *Foreign currency transactions*

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

#### *Financial statements of foreign operations*

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

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

### **(f) Tangible assets and related depreciation**

#### *Owned assets*

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

## Significant accounting policies (continued)

### *Leased assets*

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

### *Subsequent Expenditure*

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

### *Depreciation*

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

The estimated useful lives are as follows:

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

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

### (g) *Goodwill*

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

## Significant accounting policies (continued)

### (h) Financial instruments

#### *Classification*

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

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

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

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

#### *Recognition*

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

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

#### *Measurement*

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

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

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

## **Significant accounting policies (continued)**

### *Fair value measurement principles*

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

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

### *Gains and losses on subsequent measurement*

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

### *Specific instruments*

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

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

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

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

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

## **Significant accounting policies (continued)**

### *Derecognition*

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

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

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

### **(i) Derivatives held for risk management purposes**

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

#### *Cash flow hedge*

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

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

#### *Net investment hedge*

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

## Significant accounting policies (continued)

### *Embedded derivatives*

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

### *(j) Securities borrowing and lending business*

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

### *(k) Repurchase and resale agreements over investments*

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

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

### *(l) Items held in trust*

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

### *(m) Financial guarantees*

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

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

## Significant accounting policies (continued)

### (n) Employee benefits

#### (i) Defined benefit plan

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

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

	<i>30 June 2008</i>	
	<i>Employer</i>	<i>Employee</i>
	<u>%</u>	<u>%</u>
Pension contributions	15.5	10.0
Medical benefit contributions	6.0	5.0

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

#### *a) Pension and medical benefits transferable to SSF*

As discussed in Note 20, the Bank expects to transfer a portion of the obligation of the Fund to SSF. This transfer will be a settlement of that portion of the Fund’s obligation. Final legislation establishing the terms for this transfer was enacted on 8 May 2008. Although the settlement will not be recognized until the transfer is made, the Bank believes that it is more appropriate to measure the obligation at 30 June 2008 as the value of the payment that would need to be made to SSF to settle the obligation at the balance sheet date in accordance with the Temporary Article 20 of the Law No.5754: “Law regarding the changes in Social Insurance and General Health Insurance Law and other laws and regulations” (“New Law”). The pension disclosures set out in Note 20, therefore reflect the actuarial assumptions and mortality tables specified in the New Law, including a discount rate of 9.80%.

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

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

#### *b) Excess benefits not transferable to SSF*

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

### **Significant accounting policies (continued)**

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

#### *(ii) Reserve for employee severance indemnity*

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Bank and its affiliates calculated in accordance with the Turkish Labor Law. In accordance with Turkish Labor Law, the Bank and its affiliates are required to make lump-sum payments to each employee whose employment is terminated due to retirement or before the retirement date for reasons other than resignation or misconduct and has completed at least one year of service.

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

#### *(iii) Short-term employee benefits*

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

#### *(o) Taxes on income*

Taxes on income for the year comprise current tax and deferred taxes. Current taxes on income comprises tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and; any adjustment in taxes payable for previous years.

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

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

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

## Significant accounting policies (continued)

### (p) *Offsetting*

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

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

### (q) *Earnings per share*

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

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

### (r) *Impairment*

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

#### *Loans and receivables and held-to-maturity instruments*

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

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

## **Significant accounting policies (continued)**

### *Financial assets remeasured to fair value*

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

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

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

### **(s) Income and expense recognition**

#### *Interest income and expense*

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

#### *Fee and commission*

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

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

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

#### *Net trading income*

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

#### *Dividend income*

Dividend income is recognized in the income statement when received.

#### *Insurance business*

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

### **Significant accounting policies (continued)**

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

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

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

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

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

**(t) Non-current assets held for sale**

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

**(u) Segment reporting**

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

**Index for the notes to the consolidated financial statements:**

***Note description***

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## 1 Segment reporting

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

### 1.1 Geographical segments

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

	30 June 2008				
	<u>Loans</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Non-Cash Loans</u>	<u>Capital Expenditure</u>
Turkey	46,616,884	73,517,226	54,640,764	11,358,184	124,071
England	88,455	1,935,222	4,698,370	484,350	-
Germany	225,295	1,431,470	2,532,061	86,370	38
Holland	153,556	1,372,367	2,190,499	862,493	4,401
Russia	732,068	1,305,308	213,393	145,781	32
Romania	497,199	847,828	459,467	90,713	11,048
USA	65,540	445,072	4,836,259	337,271	-
France	23,406	25,535	7,535	348,899	-
Others	633,059	1,762,724	4,681,877	1,307,734	-
	<u>49,035,462</u>	<u>82,642,752</u>	<u>74,260,225</u>	<u>15,021,795</u>	<u>139,590</u>

	31 December 2007				
	<u>Loans</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Non-Cash Loans</u>	<u>Capital Expenditure</u>
Turkey	38,984,518	67,127,417	51,061,766	10,562,526	284,270
Holland	471,332	1,675,657	1,971,262	319,790	-
England	119,600	1,599,043	3,855,098	302,471	-
Germany	31,374	1,362,560	1,668,080	77,527	-
Russia	523,224	1,116,366	211,330	62,263	517
USA	37,275	471,726	5,132,038	318,572	-
Romania	256,544	385,859	265,807	56,552	21,341
France	14,259	23,845	135,062	229,914	-
Others	604,369	1,562,247	3,772,509	872,618	-
	<u>41,042,495</u>	<u>75,324,720</u>	<u>68,072,952</u>	<u>12,802,233</u>	<u>306,128</u>

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

	<u>Six-month period ended 30 June 2008</u>	<u>Three-month period ended 30 June 2008</u>	<u>Six-month period ended 30 June 2007</u>	<u>Three-month period ended 30 June 2007</u>
Turkey	929,084	477,160	1,467,049	1,095,057
Luxembourg	48,776	29,277	2,223	(2,956)
Holland	45,786	39,211	23,938	11,268
Malta	10,050	9,067	39,134	7,155
Others	13,996	4,035	7,193	4,243
	<u>1,047,692</u>	<u>558,750</u>	<u>1,539,537</u>	<u>1,114,767</u>

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**1 Segment reporting (continued)**

**1.2 Business segments**

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

	<b>30 June 2008</b>												
	<b>Retail Banking</b>	<b>Commercial, Corporate &amp; SME Banking</b>	<b>Other Operations</b>	<b>Eliminations</b>	<b>Total Banking</b>	<b>Leasing</b>	<b>Insurance</b>	<b>Factoring</b>	<b>Other Financial</b>	<b>Other Non-Financial</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Total</b>
Operating income	1,017,507	806,488	787,833	-	2,611,828	54,277	73,446	13,383	18,954	12,645	2,784,533	61	2,784,533
Operating expenses	(467,367)	(256,444)	(669,142)	-	(1,392,953)	(19,727)	(37,961)	(8,872)	(16,410)	(11,684)	(1,487,607)	(18,474)	(1,506,081)
Income from operations	550,140	550,044	118,691	-	1,218,875	34,550	35,485	4,511	2,544	961	1,296,926	(18,413)	1,278,513
Taxation credit/(charge)	-	-	(221,950)	-	(221,950)	9	(7,182)	(1,124)	(456)	(268)	(230,971)	150	(230,821)
<b>Net income for the period</b>	<b>550,140</b>	<b>550,044</b>	<b>(103,259)</b>	<b>=</b>	<b>996,925</b>	<b>34,559</b>	<b>28,303</b>	<b>3,387</b>	<b>2,088</b>	<b>693</b>	<b>1,065,955</b>	<b>(18,263)</b>	<b>1,047,692</b>
Segment assets	15,770,632	31,745,711	30,827,704	(310,244)	78,033,803	2,193,598	946,228	908,961	43,630	11,812	82,138,032	(849,100)	81,288,932
Investments in equity participations	-	-	298,152	-	298,152	1,000	275	9,635	4,688	1,159	314,909	(260,283)	54,626
Unallocated assets	-	-	1,233,133	-	1,233,133	17,860	8,552	1,875	4,753	1,040	1,267,220	(31,974)	1,235,246
<b>Total assets</b>	<b>15,770,632</b>	<b>31,745,711</b>	<b>32,358,989</b>	<b>(310,244)</b>	<b>79,565,088</b>	<b>2,212,458</b>	<b>955,062</b>	<b>920,471</b>	<b>53,071</b>	<b>14,011</b>	<b>83,720,161</b>	<b>(1,077,409)</b>	<b>82,642,752</b>
Segment liabilities	26,591,242	18,753,378	26,349,146	(310,244)	71,383,522	1,966,616	834,485	877,278	4,159	5,301	75,071,361	(811,136)	74,260,225
Shareholders' equity and minority interest	-	-	8,181,566	-	8,181,566	245,842	120,577	43,193	48,912	8,710	8,648,800	(266,273)	8,382,527
<b>Total liabilities, shareholders' equity and minority interest</b>	<b>26,591,242</b>	<b>18,753,378</b>	<b>34,530,712</b>	<b>(310,244)</b>	<b>79,565,088</b>	<b>2,212,458</b>	<b>955,062</b>	<b>920,471</b>	<b>53,071</b>	<b>14,011</b>	<b>83,720,161</b>	<b>(1,077,409)</b>	<b>82,642,752</b>

**Türkiye Garanti Bankası AŞ and Its Affiliates**  
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**1 Segment reporting (continued)**

	<u>30 June 2007</u>	<u>Commercial, Corporate &amp; SME Banking</u>	<u>Retail Banking</u>	<u>Other Operations</u>	<u>Eliminations</u>	<u>Total Banking</u>	<u>Leasing</u>	<u>Insurance</u>	<u>Factoring</u>	<u>Other Financial</u>	<u>Other Non- Financial</u>	<u>Combined</u>	<u>Eliminations</u>	<u>Total</u>
Operating income	871,171	692,052	1,429,833	-	2,993,056	49,242	170,259	10,657	20,281	11,933	(64,350)	3,255,428	(64,350)	3,191,078
Operating expenses	(351,510)	(215,981)	(688,617)	-	(1,256,108)	(24,699)	(106,989)	(7,438)	(14,452)	(11,414)	14,032	(1,421,100)	14,032	(1,407,068)
<b>Income from operations</b>	<b>519,661</b>	<b>476,071</b>	<b>741,216</b>	-	<b>1,736,948</b>	<b>24,543</b>	<b>63,270</b>	<b>3,219</b>	<b>5,829</b>	<b>519</b>	<b>(50,318)</b>	<b>1,834,328</b>	<b>(50,318)</b>	<b>1,784,010</b>
Taxation charge	-	-	(233,363)	-	(233,363)	(26)	(8,865)	(641)	(1,422)	(156)	-	(244,473)	-	(244,473)
<b>Net income for the period</b>	<b>519,661</b>	<b>476,071</b>	<b>507,853</b>	-	<b>1,503,585</b>	<b>24,517</b>	<b>54,405</b>	<b>2,578</b>	<b>4,407</b>	<b>363</b>	<b>(50,318)</b>	<b>1,589,855</b>	<b>(50,318)</b>	<b>1,539,537</b>
<b>31 December 2007</b>														
Segment assets	13,682,475	25,979,466	31,400,256	(89,625)	70,972,572	2,132,203	768,686	638,241	46,792	10,814	(594,907)	74,569,308	(594,907)	73,974,401
Investments in equity participations	-	-	324,336	-	324,336	1,000	275	9,635	4,554	1,121	(291,145)	340,921	(291,145)	49,776
Unallocated assets	-	-	1,230,114	-	1,230,114	18,323	7,791	1,413	4,525	969	37,408	1,263,135	37,408	1,300,543
<b>Total assets</b>	<b>13,682,475</b>	<b>25,979,466</b>	<b>32,954,706</b>	<b>(89,625)</b>	<b>72,527,022</b>	<b>2,151,526</b>	<b>776,752</b>	<b>649,289</b>	<b>55,871</b>	<b>12,904</b>	<b>(848,644)</b>	<b>76,173,364</b>	<b>(848,644)</b>	<b>75,324,720</b>
Segment liabilities	23,946,399	16,521,575	25,030,059	(89,625)	65,408,408	1,940,243	684,365	609,483	8,952	4,887	(583,386)	68,656,338	(583,386)	68,072,952
Shareholders' equity and minority interest	-	-	7,118,614	-	7,118,614	211,283	92,387	39,806	46,919	8,017	(265,258)	7,517,026	(265,258)	7,251,768
<b>Total liabilities, shareholders' equity and minority interest</b>	<b>23,946,399</b>	<b>16,521,575</b>	<b>32,148,673</b>	<b>(89,625)</b>	<b>72,527,022</b>	<b>2,151,526</b>	<b>776,752</b>	<b>649,289</b>	<b>55,871</b>	<b>12,904</b>	<b>(848,644)</b>	<b>76,173,364</b>	<b>(848,644)</b>	<b>75,324,720</b>

## 2 Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, due from banks with original maturity periods of less than three months and other cash items. Cash and cash equivalents as at 30 June 2008 and 2007, included in the accompanying consolidated statements of cash flows are as follows:

	<u>30 June</u> <u>2008</u>	<u>30 June</u> <u>2007</u>
Cash at branches	431,466	292,322
Loans and advances to banks with original maturity periods of less than three months	<u>3,750,616</u>	<u>2,339,544</u>
	<u>4,182,082</u>	<u>2,631,866</u>

## 3 Related party disclosures

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

### 3.1 Outstanding balances

	<u>30 June</u> <u>2008</u>	<u>31 December</u> <u>2007</u>
<i>Balance sheet</i>		
Loans and advances to customers	<u>191,052</u>	<u>157,832</u>
Loans granted in YTL	76,933	97,612
Loans granted in foreign currencies:	US\$ 36,399,480	US\$ 22,547,863
	EUR 36,985,496	EUR 20,075,886
Miscellaneous receivables	13,854	5,411
Deposits received	829,090	292,387
<i>Commitments and contingencies</i>		
Non-cash loans	181,258	169,696

### 3.2 Transactions

	<u>Six-month</u> <u>period ended</u> <u>30 June 2008</u>	<u>Three-month</u> <u>period ended</u> <u>30 June 2008</u>	<u>Six-month</u> <u>period ended</u> <u>30 June 2007</u>	<u>Three-month</u> <u>period ended</u> <u>30 June 2007</u>
Interest income	4,876	2,334	3,268	1,267
Interest expense	17,969	8,692	22,435	10,845

In the first half of 2008, interest rates applied to foreign currency receivables from and payables to related parties vary within the ranges of 3.9%-8.5% and 2.2%-6.1% (31 December 2007: 3.1%-7.4% and 3.8%-6.6%), respectively. The interest rates applied to YTL receivables from and payables to related parties vary within the ranges of 16.5%-21.0% and 14.6%-19.3%, respectively (31 December 2007: 16.3%-21.6% and 15.2%-19.0%). Various commission rates are applied to transactions involving guarantees and commitments.

### 3 Related party disclosures (continued)

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

The Bank sold a real estate, a building in Maslak to Doğuş Holding AŞ on 11 March 2008 at a sale price of US\$ 35 millions. US\$ 15 millions of the sale price was collected on the date of sale, the Bank's net receivable from Doğuş Holding AŞ on this sale to be collected in one-year term is YTL 20,620 thousands, classified under "miscellaneous receivables" (Note 9), in the accompanying consolidated financial statements. Accordingly, a gain of YTL 267 thousands on this sale is recorded as of 30 June 2008.

Key management personnel compensation for the six-month period ended 30 June 2008 amounted YTL 56,762 thousands (30 June 2007: YTL 41,642 thousands) on a consolidated basis. Within this total, individual key management expenses of the Bank amounted YTL 42,369 thousands (30 June 2007: YTL 27,472 thousands) and of its financial affiliates amounted YTL 14,393 thousands (30 June 2007: YTL 14,170 thousands).

### 4 Cash and balances with central banks

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Cash at branches	431,466	454,195
Balances with central banks excluding reserve deposits	<u>1,581,042</u>	<u>2,420,784</u>
	<u>2,012,508</u>	<u>2,874,979</u>

### 5 Financial assets at fair value through profit or loss

	<i>30 June</i>				<i>31 December</i>
	<u>2008</u>				<u>2007</u>
	<u>Face</u>	<u>Carrying</u>	<u>Interest rate</u>	<u>Latest</u>	<u>Carrying</u>
	<u>value</u>	<u>value</u>	<u>range %</u>	<u>maturity</u>	<u>value</u>
<i>Debt and other instruments held at fair value:</i>					
Government bonds in YTL	214,994	191,051	10-24	2014	205,146
Bonds issued by foreign institutions	78,092	80,092	7-9	2010	94,112
Discounted government bonds in YTL	92,596	77,931	9-22	2010	18,659
Eurobonds	59,898	70,425	5-12	2034	96,528
Gold	-	23,129	-	-	69,444
Government bonds in foreign currency	14,316	14,642	4-7	2010	10,516
Bonds issued by corporations	11,926	12,675	7-21	2010	24,467
Government bonds at floating rates	6,840	7,209	17-20	2014	4,527
Others		<u>42,880</u>			<u>52,643</u>
		520,034			576,042
<i>Equity and other non-fixed income instruments:</i>					
Forfeiting receivables		337,540			427,836
Listed shares		<u>144</u>			<u>140</u>
		<u>337,684</u>			<u>427,976</u>
Total financial assets at fair value through profit or loss		<u>857,718</u>			<u>1,004,018</u>

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

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

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

	<i>Six-month period ended 30 June 2008</i>	<i>Three-month period ended 30 June 2008</i>	<i>Six-month period ended 30 June 2007</i>	<i>Three-month period ended 30 June 2007</i>
Fixed / floating securities	24,772	6,667	52,697	7,863
Foreign exchange transactions	16,773	7,715	(3,507)	(4,072)
Derivate transactions	(45,278)	(48,082)	(332,197)	(187,549)
Trading income/(loss), net	(3,733)	(33,700)	(283,007)	(183,758)

Due to method change in valuation of derivative instruments, YTL 210,312 thousands and YTL 140,257 thousands are reclassified from "trading account gains/(losses)" to "foreign exchange gains/(losses)" for the six-month and three-month periods ended 30 June 2007, respectively.

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to YTL 86,287 thousands (31 December 2007: YTL 129,071 thousands).

As at 30 June 2008, financial assets at fair value through profit or loss amounting to YTL 98 thousands are blocked against asset management operation and insurance business related transactions (31 December 2007: YTL 1,915 thousands).

## 6 Loans and advances to banks

	<i>30 June 2008</i>			<i>31 December 2007</i>		
	<i>YTL</i>	<i>Foreign Currency</i>	<i>Total</i>	<i>YTL</i>	<i>Foreign Currency</i>	<i>Total</i>
<i>Loans and advances-demand</i>						
Domestic banks	2,740	3,128	5,868	1,429	3,901	5,330
Foreign banks	<u>85,175</u>	<u>304,616</u>	<u>389,791</u>	<u>35,180</u>	<u>218,824</u>	<u>254,004</u>
	<u>87,915</u>	<u>307,744</u>	<u>395,659</u>	<u>36,609</u>	<u>222,725</u>	<u>259,334</u>
<i>Loans and advances-time</i>						
Domestic banks	775,123	912,942	1,688,065	261,942	1,001,617	1,263,559
Foreign banks	<u>1,163,497</u>	<u>2,363,118</u>	<u>3,526,615</u>	<u>731,231</u>	<u>2,685,421</u>	<u>3,416,652</u>
	<u>1,938,620</u>	<u>3,276,060</u>	<u>5,214,680</u>	<u>993,173</u>	<u>3,687,038</u>	<u>4,680,211</u>
Accrued interest on loans and advances	<u>49,894</u>	<u>28,447</u>	<u>78,341</u>	<u>64,155</u>	<u>45,341</u>	<u>109,496</u>
Total loans and advances to banks	2,076,429	3,612,251	5,688,680	1,093,937	3,955,104	5,049,041
Less: allowance for uncollectibility	-	-	-	-	-	-
Net loans and advances to banks	<u>2,076,429</u>	<u>3,612,251</u>	<u>5,688,680</u>	<u>1,093,937</u>	<u>3,955,104</u>	<u>5,049,041</u>

As at 30 June 2008, majority of loans and advances-time are short-term with interest rates ranging between 2%-10% per annum for foreign currency time placements and 15%-26% per annum for YTL time placements (31 December 2007: 2%-7% and 16%-21%, respectively).

As at 30 June 2008, loans and advances at domestic and foreign banks include blocked accounts of YTL 1,214,629 thousands (31 December 2007: YTL 1,095,412 thousands) held against "Diversified Payment Rights" securitizations, fundings, legal legislations for the branches operating in foreign countries, and insurance business.

## 7 Loans and advances to customers

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

	<i>30 June 2008</i>	<i>31 December 2007</i>
Consumer loans	15,555,579	13,438,190
<i>Credit cards</i>	6,359,135	5,430,110
<i>Mortgage loans</i>	4,855,021	4,156,756
<i>General purpose loans</i>	2,940,405	2,314,226
<i>Auto loans</i>	1,006,897	1,131,629
<i>Other consumer loans</i>	394,121	405,469
Service sector	3,520,719	2,575,186
Energy	2,641,947	1,987,433
Construction	2,526,469	2,217,345
Transportation and logistics	2,286,806	1,653,543
Transportation vehicles and sub-industry	2,106,235	1,556,786
Financial institutions	2,093,026	1,949,021
Textile	1,867,886	1,526,818
Food	1,816,977	1,886,326
Metal and metal products	1,753,407	1,291,787
Tourism	1,298,349	999,291
Data processing	1,083,309	1,251,934
Durable consumption	901,182	818,559
Chemistry and chemical product	825,546	444,381
Agriculture and stockbreeding	670,726	710,237
Stone, rock and related products	587,072	437,162
Machinery and equipments	549,199	534,142
Electronic, optical and medical equipment	548,719	457,263
Plastic products	328,793	240,011
Mining	313,385	280,611
Paper and paper products	284,501	253,936
Others	<u>1,778,133</u>	<u>1,487,989</u>
Total performing loans	45,337,965	37,997,951
Non-performing loans and lease receivables	<u>993,727</u>	<u>869,567</u>
Total gross loans	46,331,692	38,867,518
Financial lease receivables, net of unearned income (Note 8)	2,079,538	1,923,040
Factoring receivables	822,768	494,400
Accrued interest income on loans and lease receivables	704,964	543,392
Allowance for possible losses from loans and lease receivables	<u>(903,500)</u>	<u>(785,855)</u>
Loans and advances to customers	<u>49,035,462</u>	<u>41,042,495</u>

As at 30 June 2008, interest rates on loans granted to customers range between 3%-16% (31 December 2007: 2%-16%) per annum for the foreign currency loans and 14%-32% (31 December 2007: 16%-31%) per annum for the YTL loans.

**7 Loans and advances to customers (continued)**

The provision for possible losses is comprised of amounts for specifically identified as being impaired and non-performing loans and advances and a further portfolio-basis amount considered adequate to cover the residual inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers. The amount of the portfolio basis allowance is YTL 156,600 thousands (31 December 2007: YTL 153,805 thousands).

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

	<i>30 June</i> <u>2008</u>	<i>31 December</i> <u>2007</u>
Balance at the beginning of the period	785,855	595,024
Write-offs	(79,481)	(83,513)
Recoveries and reversals	(19,634)	(41,780)
Provision for the period	<u>216,760</u>	<u>316,124</u>
Balance at the end of the period	<u>903,500</u>	<u>785,855</u>

Movement in the portfolio basis allowance are as follows:

	<i>30 June</i> <u>2008</u>	<i>31 December</i> <u>2007</u>
Balance at the beginning of the period	153,805	85,178
Net change in provision for the period, net	<u>2,795</u>	<u>68,627</u>
Balance at the end of the period	<u>156,600</u>	<u>153,805</u>

**8 Financial lease receivables**

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

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

	<i>30 June</i> <u>2008</u>	<i>31 December</i> <u>2007</u>
Financial lease receivables, net of unearned income (Note 7)	2,079,538	1,923,040
Add: non-performing lease receivables	21,790	16,181
Less: allowance for possible losses on lease receivable	<u>(21,790)</u>	<u>(16,819)</u>
	<u>2,079,538</u>	<u>1,922,402</u>
Accrued interest on lease receivables	<u>25,237</u>	<u>23,246</u>

*Analysis of net financial lease receivables*

Due within 1 year	1,063,530	987,689
Due after 1 year	<u>1,351,886</u>	<u>1,240,013</u>
Financial lease receivables, gross	2,415,416	2,227,702
Unearned income	<u>(335,878)</u>	<u>(305,300)</u>
Financial lease receivables, net	<u>2,079,538</u>	<u>1,922,402</u>

*Analysis of net financial lease receivables, net*

Due within 1 year	885,846	826,985
Due after 1 year	<u>1,193,692</u>	<u>1,095,417</u>
Financial lease receivables, net	<u>2,079,538</u>	<u>1,922,402</u>

**9 Other assets**

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Reserve deposits at the Central Bank of Turkey	3,058,169	4,907,841
Insurance premium receivables	731,141	580,695
Accrued exchange gain on derivatives	300,563	136,424
Prepaid expenses, insurance claims and similar items	270,084	202,262
Miscellaneous receivables (Note 3)	161,308	133,292
Tangible assets held for sale	81,677	112,886
Advances for tangible assets	46,807	19,085
Prepaid taxes and taxes and funds to be refunded	39,849	52,399
Others	<u>49,613</u>	<u>23,674</u>
	<u><b>4,739,211</b></u>	<u><b>6,168,558</b></u>

At 30 June 2008, reserve deposits at the Central Bank of Turkey are kept as minimum reserve requirement. These funds are not available for the daily business of the Bank and its affiliates. As required by the Turkish Banking Law, these reserve deposits are calculated on the basis of YTL and foreign currency liabilities taken at the rates determined by the Central Bank of Turkey. In accordance with the current legislation, the reserve deposit rates for YTL and foreign currency liabilities are 9% and 11%, respectively. Interest rates applied for reserve requirements are 12.18% (31 December 2007: 11.81%) for YTL deposits and 1.00% and 1.80% (31 December 2007: 1.95% and 1.80%) for foreign currency deposits in US\$ and Euro.

YTL 74,535 thousands (31 December 2007: YTL 100,582 thousands) of the tangible assets held for sale is comprised of foreclosed real estate acquired by the Bank against its impaired receivables. Such assets are required to be disposed of within three years following their acquisitions per the Turkish Banking Law. This three year period can be extended by a legal permission from the regulators. In case of real estates held for sale, this requirement is valid only if the legal limit on the size of the real estate portfolio that a bank can maintain is exceeded. Currently, as the Bank is within this legal limit, it is not subject to the above requirement.

Impairment losses provided on real estates held for sale were determined based on the appraisals of independent appraisal firms. As of 30 June 2008, real estates held for sale amounting YTL 79,795 thousands (31 December 2007: YTL 117,055 thousands) have been impaired by YTL 4,688 thousands (31 December 2007: YTL 6,924 thousands).

As of 30 June 2008, the rights of repurchase on various tangible assets held for sale amounted to YTL 15,043 thousands (31 December 2007 : YTL 29,850 thousands).

## 10 Security investments

	30 June 2008				31 December 2007
	<u>Face value</u>	<u>Carrying value</u>	<u>Interest rate range %</u>	<u>Latest maturity</u>	<u>Carrying value</u>
<i>Debt and other instruments available-for-sale:</i>					
Government bonds at floating rates	4,505,256	4,855,554	18-21	2014	3,977,839
Discounted government bonds in YTL	3,814,376	3,314,038	19-22	2010	2,931,781
Government bonds in YTL	3,517,308	3,147,447	14-19	2012	2,649,515
Bonds issued by corporations (a)	1,552,747	1,537,577	3-18	2017	1,367,802
Eurobonds	1,412,587	1,375,874	5-12	2036	1,726,716
Bonds issued by financial institutions	317,174	319,998	5-12	2014	150,229
Government bonds in foreign currency	302,575	305,734	2-4	2010	509,559
Bonds issued by foreign governments	113,750	122,109	6-13	2028	42,735
Government bonds indexed to consumer price index	105,481	120,112	10	2012	120,324
Others (b)		<u>72,836</u>			<u>58,455</u>
Total securities available-for-sale		<u>15,171,279</u>			<u>13,534,955</u>
<i>Debt and other instruments held-to-maturity:</i>					
Government bonds at floating rates	2,650,963	2,789,427	17-20 (c)	2011	2,837,628
Government bonds in YTL	487,075	468,483	14-17	2011	468,740
Eurobonds	323,456	352,091	9-12	2030	669,120
Bonds issued by corporations	1,808	1,796	8	2014	1,718
Bonds issued by foreign governments		-			116,617
Discounted government bonds in YTL		-			2,994
Others		<u>23,592</u>			<u>22,561</u>
		3,635,389			4,119,378
Accrued interest on held-to-maturity portfolio		<u>148,685</u>			<u>180,977</u>
Total securities held-to-maturity		<u>3,784,074</u>			<u>4,300,355</u>
Total security investments		<u>18,955,353</u>			<u>17,835,310</u>

(a) Bonds issued by corporations include credit linked notes with face value amounting to US\$ 875,000,000 (31 December 2007: US\$ 875,000,000) and carrying value amounting to YTL 1,054,375 thousands (31 December 2007: YTL 1,039,423 thousands) that are linked to the default risk of the Turkish Government. All bonds issued by corporations are valued at amortized cost since these financial assets are not quoted in an active market. The consolidated factoring affiliate's "financial assets available-for-sale" portfolio also includes private sector bonds with "credit linked notes" at a total face value of US\$ 28,850,000 and EUR 2,000,000 (31 December 2007: US\$ 35,850,000 and EUR 2,500,000) and a total carrying value of YTL 26,873 thousands (31 December 2007: YTL 30,633 thousands).

(b) In 2006, the Bank recorded 424,159 shares of MasterCard Incorporated at a total nominal value of US\$ 42.42 acquired free of charge for its credit card marketing activities on MasterCard. As of 27 July 2006, the Bank sold 250,254 shares of MasterCard Incorporated at a total nominal value of US\$ 25.03 amounting to US\$ 7,698,964.21. As of 30 June 2008, the Bank has 173,905 shares of MasterCard Incorporated at a nominal value of US\$ 17.39 and one share of Visa Europe Limited at a nominal value of EUR 10 acquired free of charge for its credit card marketing activities, in its investment securities available-for-sale portfolio.

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

## 10 Security investments (continued)

As of 30 June 2008 and 31 December 2007, the Bank has no allowance for the security investments.

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

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to YTL 8,882,232 thousands (31 December 2007: YTL 9,718,647 thousands).

The following table summarizes securities that were deposited as collaterals with respect to various banking, insurance and asset management transactions:

	<u>30 June 2008</u>		<u>31 December 2007</u>	
	<u>Face Value</u>	<u>Carrying value</u>	<u>Face Value</u>	<u>Carrying value</u>
Collateralized to foreign banks	7,023,882	6,986,399	2,556,803	2,765,952
Deposited at Istanbul Stock Exchange	3,678,693	3,748,736	7,434,431	7,654,013
Deposited at central banks for repurchase transactions	1,192,147	1,147,336	79,412	76,429
Deposited at CBT for interbank transactions	520,430	540,210	516,600	537,225
Deposited at CBT for foreign currency money market transactions	192,000	210,670	192,400	212,552
Deposited at Clearing Bank (Takasbank)	133,610	128,959	97,325	98,888
Others		<u>36,708</u>		<u>35,691</u>
		<u>12,799,018</u>		<u>11,380,750</u>

## 11 Investments in equity participations

	<u>30 June 2008</u>		<u>31 December 2007</u>	
	<u>Carrying Value</u>	<u>Ownership %</u>	<u>Carrying Value</u>	<u>Ownership %</u>
Eureko Sigorta AŞ	33,674	20.00	28,997	20.00
IMKB Takasbank AŞ	11,962	5.83	11,992	5.83
Others	<u>8,990</u>		<u>8,787</u>	
	<u>54,626</u>		<u>49,776</u>	

Garanti Konut Finansmanı Danışmanlık Hizmetleri AŞ is established as per the decision made during the board of directors meeting of the Bank on 15 September 2007 to provide consultancy and outsourcing services to banks, housing finance and mortgage finance companies. Its legal registration process has been completed on 3 October 2007. The Bank owns 99.99% of the company shares. 1/4 of the share capital of the company amounting YTL 750 in total, is paid. This company is not consolidated in the accompanying consolidated financial statements as currently it does not have material operations comparing to the consolidated performance of the Bank and its affiliates, instead it is recorded under investments in equity participations in "others" above and valued at cost.

## 11 Investments in equity participations (continued)

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

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

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

There is not any impairment losses as of 30 June 2008 and 2007 for the decreases in the value of certain investments in equity participations. Accordingly, the cumulative provisions for such impairment losses amounted to YTL 3,902 thousands as of 30 June 2008 (31 December 2007 : YTL 3,902 thousands).

## 12 Tangible assets

Movement in tangible assets from 1 January to 30 June 2008 is as follows:

	<u>1 January</u>	<u>Additions</u>	<u>Adjustment for Currency Translation</u>	<u>Disposals</u>	<u>30 June</u>
<i>Costs</i>					
Land and buildings	1,096,919	26,817	7,147	(80,015)	1,050,868
Furniture, fixture and equipments	1,086,273	67,588	2,654	(54,854)	1,101,661
Leasehold improvements	<u>198,274</u>	<u>45,185</u>	<u>1,358</u>	<u>(3,350)</u>	<u>241,467</u>
	2,381,466	139,590	11,159	(138,219)	2,393,996
<i>Less: Accumulated depreciation</i>					
Buildings	229,497	11,445	753	(25,213)	216,482
Furniture, fixture and equipments	809,741	60,293	899	(37,318)	833,615
Leasehold improvements	<u>87,894</u>	<u>16,916</u>	<u>194</u>	<u>(2,801)</u>	<u>102,203</u>
	1,127,132	88,654	1,846	(65,332)	1,152,300
<i>Construction in progress</i>	<u>17,794</u>			(9,479) (a)	<u>8,315</u>
	1,272,128				1,250,011
<i>Impairment in value of tangible assets</i>	<u>(109,227)</u>				<u>(110,763)</u>
	<u>1,162,901</u>				<u>1,139,248</u>

## 12 Tangible assets (continued)

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

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

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

A portion of the disposals during the year 2007 amounting to YTL 14,099 thousands represented the tangible assets of the consolidated affiliate that is recorded under equity method of accounting in the accompanying consolidated financial statements as of 31 December 2007 following the sale of 80% ownership in this company by the Bank in June 2007.

Depreciation expense for the six-month period ended and the three-month period ended 30 June 2008 amounts to YTL 86,065 thousands and YTL 43,237 thousands respectively (the six-month period ended 30 June 2007: YTL 86,799 thousands and the three-month period ended 30 June 2007: YTL 45,535 thousands).

Assessment of the independent appraiser firms have been taken into consideration in the determination of the impairment losses provided for land and buildings. As of 30 June 2008, land and buildings at a total net book value before impairment of YTL 394,263 thousands (31 December 2007: YTL 407,411 thousands) have been impaired by YTL 110,763 thousands (31 December 2007: YTL 109,227 thousands).

### 13 Goodwill

As of 30 June 2008, goodwill arises from the direct acquisitions of 100.00% ownership in Garanti Yatırım Menkul Kıymetler AŞ, 98.94% ownership in Garanti Finansal Kiralama AŞ, 84.91% ownership in Garanti Emeklilik ve Hayat AŞ, 81.84% ownership in Garanti Faktoring Hizmetleri AŞ and 20.00% ownership in Eureko Sigorta AŞ consisting of the excesses of the total acquisition costs over net assets of these consolidated entities at the dates of their acquisition as follows:

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Garanti Yatırım Menkul Kıymetler AŞ	20,984	20,984
Garanti Faktoring Hizmetleri AŞ	6,697	6,697
Garanti Finansal Kiralama AŞ	5,233	5,233
Eureko Sigorta AŞ	222	222
Garanti Emeklilik ve Hayat AŞ	<u>34</u>	<u>34</u>
	33,170	33,170
Impairment of goodwill	<u>-</u>	<u>-</u>
	<u>33,170</u>	<u>33,170</u>

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

### 14 Deposits from banks

Deposits from banks comprise the following:

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Payable on demand	427,554	376,914
Term deposits	<u>1,982,257</u>	<u>2,044,855</u>
	2,409,811	2,421,769
Accrued interest on deposits from banks	<u>17,448</u>	<u>14,324</u>
	<u>2,427,259</u>	<u>2,436,093</u>

Deposits from banks include both YTL accounts amounting YTL 668,501 thousands (31 December 2007: YTL 894,291 thousands) and foreign currency accounts amounting YTL 1,741,310 thousands (31 December 2007: YTL 1,527,478 thousands) in total. As at 30 June 2008, interest rates applicable to YTL bank deposits and foreign currency bank deposits vary within ranges of 13%-19% and 3%-7% (31 December 2007: 16%-21% and 4%-11%), respectively.

## 15 Deposits from customers

Deposits from customers comprise the following:

	<i>30 June 2008</i>			<i>31 December 2007</i>
	<i><u>Demand</u></i>	<i><u>Time</u></i>	<i><u>Total</u></i>	<i><u>Total</u></i>
Foreign currency	6,012,859	19,110,188	25,123,047	21,905,297
Saving	1,209,706	12,767,223	13,976,929	12,536,696
Commercial	1,779,951	3,384,713	5,164,664	5,886,583
Public and other	<u>1,444,544</u>	<u>153,022</u>	<u>1,597,566</u>	<u>785,098</u>
	10,447,060	35,415,146	45,862,206	41,113,674
Accrued interest expense				
on deposits from customers	<u>20,062</u>	<u>267,321</u>	<u>287,383</u>	<u>221,073</u>
	<u>10,467,122</u>	<u>35,682,467</u>	<u>46,149,589</u>	<u>41,334,747</u>

As at 30 June 2008, interest rates applicable to YTL deposits and foreign currency deposits vary within ranges of 13%-19% and 1%-9% (31 December 2007: 16%-21% and 1%-9%), respectively.

As at 30 June 2008, subordinated deposits obtained by the consolidated banking affiliate in Holland amounting EUR 48 millions (equivalent of YTL 91,194 thousands) are included in foreign currency time deposits (31 December 2007: EUR 48 millions, equivalent of YTL 81,458 thousands).

## 16 Obligations under repurchase agreements

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

Assets sold under repurchase agreements comprise the following:

	<i><u>Carrying value</u></i>	<i><u>Fair value of underlying assets</u></i>	<i><u>Carrying amount of corresponding liabilities</u></i>	<i><u>Range of repurchase dates</u></i>	<i><u>Repurchase price</u></i>
<b><u>30 June 2008</u></b>					
Financial assets at fair value					
through profit or loss	86,287	86,287	74,394	Jul'08-Feb'09	75,516
Security investments	<u>8,882,232</u>	<u>8,888,134</u>	<u>8,251,159</u>	Jul'08-Feb'11	<u>8,420,959</u>
	<u>8,968,519</u>	<u>8,974,421</u>	<u>8,325,553</u>		<u>8,496,475</u>
<b><u>31 December 2007</u></b>					
Financial assets at fair value					
through profit or loss	129,071	129,071	116,469	Jan'08-Dec'08	117,551
Security investments	<u>9,718,647</u>	<u>9,720,363</u>	<u>8,475,485</u>	Jan'08-Feb'11	<u>8,686,021</u>
	<u>9,847,718</u>	<u>9,849,434</u>	<u>8,591,954</u>		<u>8,803,572</u>

Accrued interest on obligations under repurchase agreements amounting to YTL 88,838 thousands (31 December 2007: YTL 70,948 thousands) is included in the carrying amount of corresponding liabilities.

## 16 Obligations under repurchase agreements (continued)

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

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As at 30 June 2008, the maturities of the obligations varied from one day to two years and eight months and interest rates varied between 3%-18% (31 December 2007: 4%-18%).

## 17 Loans and advances from banks

Loans and advances from banks comprise the following:

	<i>30 June</i> <u>2008</u>	<i>31 December</i> <u>2007</u>
<u>Short-term borrowings</u>		
Domestic banks	812,820	683,481
Foreign banks	<u>2,316,888</u>	<u>1,997,630</u>
	3,129,708	2,681,111
<u>Long-term debts</u>		
Short-term portion	3,333,304	2,788,538
Medium and long-term portion	<u>6,080,674</u>	<u>5,784,163</u>
	9,413,978	8,572,701
Accrued interest on loans and advances from banks	<u>203,121</u>	<u>186,560</u>
	<u>12,746,807</u>	<u>11,440,372</u>

As at 30 June 2008, loans and advances from banks included various promissory notes amounting to YTL 1,194,085 thousands in total with latest maturity of 2009 (31 December 2007: YTL 1,084,457 thousands with latest maturity of 2009), of which YTL 100,016 thousands (31 December 2007: YTL 270,623 thousands) are classified under long-term debts.

As at 30 June 2008, short-term borrowings included one-year syndicated facility to finance pre-export contracts of the Bank's corporate customers with a total amount of EUR 600 millions (equivalent of YTL 1,139,760 thousands) with a rate of Euribor+0.675% per annum as signed with 31 banks.

## 17 Loans and advances from banks (continued)

Long-term debts comprise the following:

	30 June 2008				31 December 2007	
	Interest rate%	Latest Maturity	Amount in original currency	Short term portion	Medium and long term portion	Medium and long term debts
Deutsche Bank AG	11.3-12.9	2017	YTL 701 mio	-	701,210	701,210
DPR Securitisation-IV	3.1-3.7	2013	US\$ 575 mio	76,714	614,316	693,993
DPR Securitisation-V	2.9-3.7	2013	US\$ 515 mio	77,566	541,268	583,534
Subordinated debt	6.9	2017	US\$ 500 mio	-	600,759	578,016
DPR Securitisation-VI	4.9	2011	EUR 259.8 mio	31,297	461,575	508,376
DPR Securitisation-VII	3.6	2016	US\$ 400 mio	14,444	467,431	463,543
DPR Securitisation-VIII	2.9	2017	US\$ 350 mio	-	421,336	405,486
DPR Securitisation-III	3	2013	US\$ 274.3 mio	66,094	264,400	312,470
DPR Securitisation-VI	3.5	2013	US\$ 255 mio	54,085	252,508	243,035
DPR Securitisation-VI	2.9	2016	US\$ 225 mio	-	270,544	260,381
DPR Securitisation-VII	3.6	2014	US\$ 100 mio	9,968	110,065	115,876
DPR Securitisation-VIII	2.9	2017	US\$ 100 mio	-	120,382	115,853
DPR Securitisation-VIII	2.9	2017	US\$ 100 mio	-	120,382	115,853
DPR Securitisation-VIII	3.6	2015	US\$ 50 mio	-	60,191	57,937
Syndicated club-term loan facility	2.9	2008	US\$ 700 mio	842,649	-	-
Others				2,160,487	1,074,307	628,600
				<u>3,333,304</u>	<u>6,080,674</u>	<u>5,784,163</u>

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

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

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

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

**17 Loans and advances from banks (continued)**

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

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

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

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

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

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

**18 Bonds payable**

Bonds payable comprise of the following:

	<u>30 June 2008</u>			<u>31 December 2007</u>	
	<u>Amount in original currency in millions</u>	<u>Maturity</u>	<u>Interest rates %</u>	<u>Carrying value</u>	<u>Carrying value</u>
Subordinated debt	EUR	2016	Euribor+1.57	56,988	50,903
Accrued interest on bonds payable				10	9
				<u>56,998</u>	<u>50,912</u>

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

## **19 Taxation**

In Turkey, corporate income tax is levied at the rate of 20% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the years 2008 and 2007.

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

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

In Holland, corporate income tax is levied at the rate of 25.5% on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. There is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments. Under the Dutch taxation system, tax losses can be carried forward for nine years to offset against future taxable income. Tax losses can be carried back to one prior year. Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax has been calculated using the nominal tax rate of 25.5% over the Dutch taxable income, 30% (31 December 2007: 40%) over the local taxable income of Germany branch and 16% over the local taxable income of Romania branches.

## 19 Taxation (continued)

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

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

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

	<i>30 June</i>	<i>%</i>	<i>30 June</i>	<i>%</i>
	<u>2008</u>		<u>2007</u>	
Taxes on income per statutory tax rate	255,703	20.00	356,802	20.00
Defined benefit obligations	(32,920)	(2.57)	-	-
Disallowable expenses	20,444	1.60	5,420	0.30
Income items exempt from tax	(17,210)	(1.35)	(125,107)	(7.01)
Others	<u>4,804</u>	<u>0.37</u>	<u>7,358</u>	<u>0.41</u>
Taxation charge	<u>230,821</u>	<u>18.05</u>	<u>244,473</u>	<u>13.70</u>

The taxation charge is comprised of the following:

	<i>For the six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<u>2008</u>	<u>2007</u>
Current taxes	256,091	276,558
Deferred taxes	<u>(25,270)</u>	<u>(32,085)</u>
Taxation charge	<u>230,821</u>	<u>244,473</u>

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

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Provision for current taxes payable on income	230,821	340,414
Less: Prepaid corporate taxes	(179,784)	(363,809)
Add/(less): Deferred taxes	<u>25,270</u>	<u>28,696</u>
Current tax liability	<u>76,307</u>	<u>5,301</u>

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

## 19 Taxation (continued)

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

	<i>30 June</i> <u>2008</u>	<i>31 December</i> <u>2007</u>
Unrealised (losses)/gains on available-for-sale assets	68,938	(33,574)
Hedging reserve	<u>461</u>	<u>(7,866)</u>
	<u>69,399</u>	<u>(41,440)</u>

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

	<i>30 June</i> <u>2008</u>	<i>31 December</i> <u>2007</u>
<i>Deferred tax asset</i>		
Impairment losses on loans	65,221	47,675
Defined benefit obligations	32,920	-
Short-term employee benefits	28,934	20,088
Impairment of equity participations and tangible assets	23,680	26,668
Reserve for employee severance indemnity	8,857	9,125
Accruals on credit card rewards	8,326	9,844
Discount on miscellaneous receivables	7,092	2,278
Valuation difference on financial assets and liabilities	5,891	24,649
Value increase fund for equity participations	(9,848)	(8,378)
Pro-rata basis depreciation expenses	(11,596)	(10,992)
Prepaid expenses and promotions	(32,664)	(21,203)
Others, net	<u>(37)</u>	<u>4,718</u>
Total deferred tax asset	<u>126,776</u>	<u>104,472</u>
<i>Deferred tax liability</i>		
Total deferred tax liability	<u>-</u>	<u>30</u>

As of 30 June 2008, there are not any deferred tax assets and liabilities that have not been recognized in the accompanying consolidated financial statements.

## 19 Taxation (continued)

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

	<i>Opening Balance</i>	<i>Recognized in Income statement</i>	<i>Recognized in equity</i>	<i>Closing balance</i>
<i>30 June 2008</i>				
Impairment losses on loans	47,675	17,546	-	65,221
Defined benefit obligations	-	32,920	-	32,920
Short-term employee benefits	20,088	8,846	-	28,934
Impairment of equity participations and tangible assets	26,668	(2,988)	-	23,680
Reserve for employee severance indemnity	9,125	(268)	-	8,857
Accruals on credit card rewards	9,844	(1,518)	-	8,326
Discount on miscellaneous receivables	2,278	4,814	-	7,092
Valuation difference on financial assets and liabilities	24,649	(15,822)	(2,936)	5,891
Value increase fund for equity participations	(8,378)	(1,470)	-	(9,848)
Pro-rata basis depreciation expenses	(10,992)	(604)	-	(11,596)
Prepaid expenses and promotions	(21,203)	(11,461)	-	(32,664)
Others, net	4,688	(4,725)	-	(37)
Net deferred tax asset	<u>104,442</u>	<u>25,270</u>	<u>(2,936)</u>	<u>126,776</u>

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

## 20 Other liabilities and accrued expenses

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

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Blocked accounts against expenditures of card holders	1,907,194	1,683,270
Payables to insurance and reinsurance companies		
relating to insurance business	702,607	573,272
Accrued exchange losses on derivatives	407,642	538,841
Cheques at cleaning house	240,847	206,247
Recognized liability for defined benefit obligations	164,598	164,598
Short-term employee benefits	142,969	100,402
Withholding taxes	137,553	111,773
Insurance business related provisions	119,143	101,150
Transfer orders	116,521	178,187
Unearned income	82,181	55,104
Blocked accounts	72,631	47,487
Payables to suppliers relating to financial lease activities	69,708	90,298
Expense accruals	66,037	88,884
Miscellaneous payables	49,868	86,455
Reserve for employee severance indemnity	44,925	44,868
Provision for non-cash loans	39,176	32,142
Others	<u>114,112</u>	<u>110,565</u>
	<u>4,477,712</u>	<u>4,213,543</u>

### *Recognized liability for defined benefit obligations*

#### *(i) Defined benefit plan*

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

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

## 20 Other liabilities and accrued expenses (continued)

### a) Pension and medical benefits transferable to SSF

As per the provisional Article no.23 of the Turkish Banking Law no.5411 as approved by the Turkish Parliament on 19 October 2005, pension funds which are in essence similar to foundations are required to be transferred directly to SSF within a period of three years. In accordance with the Banking Law, the actuarial calculation of the liability (if any) on the transfer should be performed regarding the methodology and parameters determined by the commission established by Ministry of Labor and Social Security. Accordingly, the Bank calculated the pension benefits transferable to SSF in accordance with the Decree published by the Council of Ministers in the Official Gazette no. 26377 dated 15 December 2006 ("Decree") for the purpose of determining the principles and procedures to be applied during the transfer of funds. However the said Article was vetoed by the President and at 2 November 2005 the President initiated a lawsuit before the Turkish Constitutional Court in order to rescind certain paragraphs of the provisional article no.23.

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

On 22 March 2007, the Turkish Constitutional Court reached a verdict with regards to the suspension of the execution of the first paragraph of provisional article no.23 of the Turkish Banking Law, which requires the transfer of pension funds to SSF, until the decision regarding the cancellation thereof is published in the Official Gazette. The Constitutional Court stated in its reasoned ruling published in the Official Gazette numbered 26731, dated 15 December 2007 that the reason behind this cancellation was the possible loss of antecedent rights of the members of pension funds. Following the publication of the verdict, the Grand National Assembly of Republic of Turkey ("Turkish Parliament") worked on the new legal arrangements by taking the cancellation reasoning into account. At 17 April 2008, the New Law has been accepted by the Turkish Parliament and the New Law has been enacted at 8 May 2008 following its publication in the Official Gazette no 26870. In accordance with the New Law, members of the funds established in accordance with the Social Security Law should be transferred to SSF within three years following its enactment date.

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 accompanying consolidated financial statements, there is not any published ruling of the Constitutional Court regarding this application.

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

## 20 Other liabilities and accrued expenses (continued)

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

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

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

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

Plan assets consist of the following:

	<i>31 December</i> <u>2007</u>
Securities	344,318
Land and buildings	113,165
Cash and due from banks	<u>12,448</u>
	<u>469,931</u>

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

### b) Excess benefits not transferable to SSF

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

The amounts recognized in the balance sheet are as follows:

	<i>31 December</i> <u>2007</u>
Present value of defined benefit obligation	(315,111)
Fair value of plan assets (*)	<u>150,513</u>
Liability in the balance sheet	<u>(164,598)</u>

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

The pension benefits are calculated annually by an independent actuary. In the accompanying interim financial statements, the pension liability calculated as of 31 December 2007 is preserved.

## 20 Other liabilities and accrued expenses (continued)

Expenses recognized regarding this benefit plan in the accompanying consolidated income statements for the six-month periods ended 30 June 2008 and 2007 are as follows:

	<u>30 June</u> <u>2008</u>	<u>30 June</u> <u>2007</u>
Total contribution payment	<u>55,134</u>	<u>41,010</u>
	<u>55,134</u>	<u>41,010</u>

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

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

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

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

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

### *Short-term employee benefits*

Movement in the provision for short-term employee benefits are as follows:

	<u>30 June</u> <u>2008</u>	<u>31 December</u> <u>2007</u>
Balance, beginning of the period	100,402	92,865
Payments during the period, net	(106,974)	(47,000)
Provision for the period, net	<u>149,541</u>	<u>54,537</u>
Balance, end of the period	<u>142,969</u>	<u>100,402</u>

### *Insurance business related provisions*

Insurance business related provisions are detailed in the table below:

	<u>30 June</u> <u>2008</u>	<u>31 December</u> <u>2007</u>
Reserve for unearned premiums, net	43,605	25,188
<i>Gross</i>	46,030	26,858
<i>Reinsurers' share</i>	(2,425)	(1,670)
Provision for claims, net	5,771	4,882
<i>Gross</i>	5,919	5,022
<i>Reinsurers' share</i>	(148)	(140)
Life mathematical reserves	<u>69,767</u>	<u>71,080</u>
	<u>119,143</u>	<u>101,150</u>

## 20 Other liabilities and accrued expenses (continued)

### *Reserve for employee severance indemnity*

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

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Balance, beginning of the period	44,868	38,280
Disposal due to sale of consolidated affiliates	-	(592)
Payments during the period	(275)	(6,505)
Provision for the period	<u>332</u>	<u>13,685</u>
Balance, end of the period	<u>44,925</u>	<u>44,868</u>

The computation of the liabilities is based upon the retirement pay ceiling announced by the government. The ceiling amounts applicable for each year of employment are YTL 2,087.92 and YTL 2,030.19 at 30 June 2008 and 31 December 2007, respectively.

The principal actuarial assumptions are as follows:

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
	<u>%</u>	<u>%</u>
Discount rate	11.00	11.00
Expected rate of salary/limit increase (*)	5.00	5.00
Turnover rate to estimate the probability of retirement	5.81	5.81

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

### *Provision for non-cash loans*

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

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Balance, beginning of the period	32,142	21,038
Provision for the period, net	<u>7,034</u>	<u>11,104</u>
Balance, end of the period	<u>39,176</u>	<u>32,142</u>

## 21 Shareholders' equity

The authorized nominal share capital of the Bank amounted to YTL 2,100,000 thousands as of 30 June 2008.

At the "General Assembly of Founder Shares Owners" and the "Extraordinary General Shareholders" meetings held at 13 June 2008, the Bank decided to repurchase 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 366 founder share-certificates from "retained earnings", and the value of remaining four 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.

## **21 Shareholders' equity (continued)**

It has been resolved in the Bank's board of directors meeting held at 22 April 2008 that the paid share capital of the Bank is to be increased by YTL 2,100,000 thousands from YTL 2,100,000 thousands to YTL 4,200,000 thousands. Accordingly, 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. In the accompanying consolidated financial statements, the collections related with this capital increase amounting YTL 2,111,880 thousands are recorded under "capital reserves" as of 30 June 2008.

Doğuş Holding AŞ, signed an Agreement with GE on 24 August 2005 for the sale of 53.550.000.000 shares representing 25.5% of the Bank's issued share capital. Subsequent to receiving the necessary permission from BRSA, the transfer of the Bank's shares with nominal value of YTL 535,500 thousands representing 25.5% of the Bank's issued share capital and 182 of the founder shares from Doğuş Holding AŞ to GE Araştırma ve Müşavirlik Limited Şti., an investee company of GE Capital Corporation incorporated in Turkey, has been completed on 22 December 2005. Accordingly, on 22 December 2005 GE Araştırma ve Müşavirlik Limited Şti. made a total cash payment of US\$ 1,805,500 thousands to Doğuş Holding AŞ to purchase the shares of the Bank (having a nominal value of YTL 535,500 thousands) for US\$ 1,555,500 thousands and to purchase the Bank's 182 of the founder shares for US\$ 250,000 thousands. Subsequent to this sale in December 2005, a call was made to the Bank's minority shareholders by GE according to the paragraph 17 of the Article IV no.8 "Principles on Voting by Proxy at General Assembly and Gathering Proxy or Common Stock through Calls for Quoted Companies" of the Turkish Capital Market Board, starting from 27 March 2006 to purchase the shares with a total face value of YTL 1,564,500 at a price of YTL 3.90 per share from the minority shareholders. The call period ended on 10 April 2006 and the minority shareholders responded to this call by selling 6,249.49 shares with a face value of YTL 1 each. Accordingly, the shares owned by GE Araştırma ve Müşavirlik Limited Şti. increased to YTL 535,506 thousands. In December 2007, GE Capital Corporation ("GECC") has sold 9,765,000,000 non-trading shares of the Bank to Doğuş Holding AŞ, representing 4.65% of the issued share capital of the Bank. According to the agreement between the parties, the total consideration for the shares amounted to US\$ 674,250,000. The settlement of the transaction took place on 27 December 2007.

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

As per the decision made at the Annual General Assembly at 3 April 2008, 5% of the prior year's net income is allocated to legal reserves. The reserves include legal reserves amounting to YTL 288,609 thousands in total which are generated by annual appropriations amounting to 5% of the statutory income of the Bank and its affiliates until such reserves reach 20% of paid-in share capital (first legal reserves). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in share capital appropriated to generate the legal reserves (second legal reserves). The legal reserves are restricted and are not available for distribution as dividends unless they exceed 50% of the share capital.

## 21 Shareholders' equity (continued)

As at 30 June 2008 net minority interest amounts to YTL 28,650 thousands (31 December 2007: YTL 23,410 thousands). Minority interest is detailed as follows:

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Capital and other reserves	14,011	13,807
Retained earnings	9,399	1,625
Current period net income	<u>5,240</u>	<u>7,978</u>
	<u>28,650</u>	<u>23,410</u>

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

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Balance at the beginning of the period	189,382	122,562
Net unrealised gains/(losses) from changes in fair value	(676,780)	94,245
Related deferred and current income taxes	101,386	(17,201)
Net gains transferred to the income statement on disposal	(5,630)	(12,778)
Related deferred and current income taxes	<u>1,126</u>	<u>2,554</u>
Balance at the end of the period	<u>(390,516)</u>	<u>189,382</u>

### *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities amounting YTL 22,334 thousands that hedges the Bank's net investment in foreign operations. The financial liabilities designated as hedging instrument amount to EUR 196,614,575 and US\$ 28,274,282. The hedging relation is effective in achieving offsetting the changes in foreign currencies attributable to hedged item due to changes in foreign currency rates.

### *Hedging reserve*

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

## 22 Fair value information

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

## 22 Fair value information (continued)

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

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

Fair value of loans and advances to customers is YTL 49,070,856 thousands (31 December 2007: YTL 41,335,094 thousands), whereas the carrying amount is YTL 49,035,462 thousands (31 December 2007: YTL 41,042,495 thousands) in the accompanying consolidated balance sheet as at 30 June 2008.

Fair value of security investments is YTL 18,908,098 thousands (31 December 2007: YTL 17,831,767 thousands), whereas the carrying amount is YTL 18,955,353 thousands (31 December 2007: YTL 17,835,310 thousands) in the accompanying consolidated balance sheet as at 30 June 2008.

## 23 Commitments and contingencies

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

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Letters of guarantee	10,305,824	9,769,546
Letters of credit	4,599,017	2,916,200
Acceptance credits	<u>116,954</u>	<u>116,487</u>
	<u>15,021,795</u>	<u>12,802,233</u>

As at 30 June 2008, commitment for uncalled capital of affiliated companies amounts approximately to YTL 812 thousands (31 December 2007: YTL 812 thousands).

As at 30 June 2008, commitments for unused credit limits for credit cards, overdrafts, cheques and loans to customers, and commitments for "credit linked notes" amount approximately to YTL 15,752,306 thousands (31 December 2007: YTL 13,873,895 thousands) in total.

As at 30 June 2008, commitments for the derivative transactions carried out on behalf of customers in the Turkish Derivatives Exchange amount to YTL 409,016 thousands (31 December 2007: YTL 353,992 thousands) in total.

## 23 Commitments and contingencies (continued)

As at 30 June 2008, commitment for purchase and sale of foreign currencies under spot, forwards, swaps, future rate agreements, options and forward agreements for gold trading amounts to YTL 21,008,529 thousands (31 December 2007: YTL 13,766,322 thousands), approximately 95% of which are due within a year.

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

	<u>30 June 2008</u>		<u>31 December 2007</u>	
	<u>Purchases</u>	<u>Sales</u>	<u>Purchases</u>	<u>Sales</u>
Forward agreements for customer dealing activities	273,067	325,815	50,339	197,577
Currency swap agreements for customer dealing activities	356,112	60,337	116,715	65,933
Options for customer dealing activities	867,330	278,434	286,686	123,307
Forward agreements for hedging purposes	318,348	323,028	492,871	148,688
Currency swap agreements for hedging purposes	9,513,993	1,598,587	4,276,502	2,551,561
Interest rate and credit default swap agreements	56,110	327,419	41,278	10,272
Interest rate, foreign currency and securities options	2,794,611	2,338,800	2,160,487	1,790,084
Forward rate agreements, foreign currency and interest rate futures	7,648	89,663	35,291	86,231
Forward agreements for gold trading	15,048	150,842	138,764	321,458
Spot foreign currency transactions	<u>795,534</u>	<u>517,803</u>	<u>470,994</u>	<u>401,284</u>
	<u>14,997,801</u>	<u>6,010,728</u>	<u>8,069,927</u>	<u>5,696,395</u>

The following tables summarize the contractual amounts of the forward, swap, futures and options contracts, with details of remaining periods to maturity. Foreign currency amounts are translated at rates ruling at the balance sheet date. Monetary items denominated in foreign currencies are economically hedged using foreign currency derivative contracts. All gains and losses on foreign currency contracts are recognized in the income statement, except for contracts of cash flow hedges as stated above. At 30 June 2008, approximately 116% of the net consolidated balance sheet foreign currency open position was hedged through the use of foreign currency contracts (31 December 2007: 105%).

## 23 Commitments and contingencies (continued)

<u>30 June 2008</u>	<u>Notional amount with remaining life of</u>					<u>Total</u>
	<u>Up to 1 month</u>	<u>1 to 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>	<u>Over 1 year</u>	
<u>Interest Rate Derivatives</u>						
Forward rate agreements	-	11,903	-	-	-	11,903
<i>Purchases</i>	-	6,131	-	-	-	6,131
<i>Sales</i>	-	5,772	-	-	-	5,772
Interest rate swaps	1,139	186	5,149	318,794	58,261	383,529
<i>Purchases</i>	1,059	93	2,741	8,024	44,193	56,110
<i>Sales</i>	80	93	2,408	310,770	14,068	327,419
Interest rate futures	-	1,515	-	-	-	1,515
<i>Purchases</i>	-	1,515	-	-	-	1,515
<i>Sales</i>	-	-	-	-	-	-
<u>Other Derivatives</u>						
Securities, shares and index options	123,022	150,112	91,689	-	-	364,823
<i>Purchases</i>	51,799	65,583	73,542	-	-	190,924
<i>Sales</i>	71,223	84,529	18,147	-	-	173,899
<u>Currency Derivatives</u>						
Spot exchange contracts	1,313,337	-	-	-	-	1,313,337
<i>Purchases</i>	795,534	-	-	-	-	795,534
<i>Sales</i>	517,803	-	-	-	-	517,803
Forward exchange contracts	742,601	325,872	95,010	76,775	-	1,240,258
<i>Purchases</i>	350,649	137,296	65,966	37,504	-	591,415
<i>Sales</i>	391,952	188,576	29,044	39,271	-	648,843
Currency/cross currency swaps	3,996,213	4,183,816	1,555,115	1,168,039	625,846	11,529,029
<i>Purchases</i>	3,599,715	3,847,999	1,353,322	595,218	473,851	9,870,105
<i>Sales</i>	396,498	335,817	201,793	572,821	151,995	1,658,924
Options	1,479,834	2,704,800	508,093	918,978	302,647	5,914,352
<i>Purchases</i>	984,019	1,550,684	322,715	463,456	150,143	3,471,017
<i>Sales</i>	495,815	1,154,116	185,378	455,522	152,504	2,443,335
Foreign currency futures	-	65,828	-	18,065	-	83,893
<i>Purchases</i>	-	2	-	-	-	2
<i>Sale</i>	-	65,826	-	18,065	-	83,891
Other foreign exchange contracts	165,890	-	-	-	-	165,890
<i>Purchases</i>	15,048	-	-	-	-	15,048
<i>Sale</i>	150,842	-	-	-	-	150,842
Subtotal Purchases	5,797,823	5,609,303	1,818,286	1,104,202	668,187	14,997,801
Subtotal Sales	2,024,213	1,834,729	436,770	1,396,449	318,567	6,010,728
Total of Transactions	<u>7,822,036</u>	<u>7,444,032</u>	<u>2,255,056</u>	<u>2,500,651</u>	<u>986,754</u>	<u>21,008,529</u>

## 23 Commitments and contingencies (continued)

<u>31 December 2007</u>	<u>Notional amount with remaining life of</u>					<u>Total</u>
	<u>Up to 1 month</u>	<u>1 to 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>	<u>Over 1 year</u>	
<u>Interest Rate Derivatives</u>						
Forward rate agreements	-	11,600	-	-	-	11,600
<i>Purchases</i>	-	5,800	-	-	-	5,800
<i>Sales</i>	-	5,800	-	-	-	5,800
Interest rate swaps	3,823	20,791	10,646	-	16,290	51,550
<i>Purchases</i>	136	20,709	6,483	-	13,950	41,278
<i>Sales</i>	3,687	82	4,163	-	2,340	10,272
Interest rate futures	-	4,000	-	-	-	4,000
<i>Purchases</i>	-	4,000	-	-	-	4,000
<i>Sales</i>	-	-	-	-	-	-
<u>Other Derivatives</u>						
Securities, shares and index options	353,634	99,202	494	5,930	-	459,260
<i>Purchases</i>	289,879	21,466	247	2,965	-	314,557
<i>Sales</i>	63,755	77,736	247	2,965	-	144,703
<u>Currency Derivatives</u>						
Spot exchange contracts	872,278	-	-	-	-	872,278
<i>Purchases</i>	470,994	-	-	-	-	470,994
<i>Sales</i>	401,284	-	-	-	-	401,284
Forward exchange contracts	532,844	115,692	103,503	127,388	10,048	889,475
<i>Purchases</i>	340,834	57,253	48,456	92,049	4,618	543,210
<i>Sales</i>	192,010	58,439	55,047	35,339	5,430	346,265
Currency/cross currency swaps	2,955,339	1,809,436	954,392	996,709	294,835	7,010,711
<i>Purchases</i>	1,922,009	381,845	914,373	902,390	272,600	4,393,217
<i>Sales</i>	1,033,330	1,427,591	40,019	94,319	22,235	2,617,494
Options	898,526	1,656,661	666,325	678,519	1,273	3,901,304
<i>Purchases</i>	514,866	858,823	390,316	367,338	1,273	2,132,616
<i>Sales</i>	383,660	797,838	276,009	311,181	-	1,768,688
Foreign currency futures	-	103,703	2,219	-	-	105,922
<i>Purchases</i>	-	23,272	2,219	-	-	25,491
<i>Sale</i>	-	80,431	-	-	-	80,431
Other foreign exchange contracts	460,222	-	-	-	-	460,222
<i>Purchases</i>	138,764	-	-	-	-	138,764
<i>Sale</i>	321,458	-	-	-	-	321,458
Subtotal Purchases	3,677,482	1,373,168	1,362,094	1,364,742	292,441	8,069,927
Subtotal Sales	2,399,184	2,447,917	375,485	443,804	30,005	5,696,395
Total of Transactions	<u>6,076,666</u>	<u>3,821,085</u>	<u>1,737,579</u>	<u>1,808,546</u>	<u>322,446</u>	<u>13,766,322</u>

## 24 Financial risk management disclosures

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

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

### *Risk management framework*

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

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

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

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

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

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

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

## 24 Financial risk management disclosures (continued)

### *Audit Committee*

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

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

### *Other Committees*

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

### 24.1 *Derivative financial instruments*

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

#### *Swaps*

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

## 24 Financial risk management disclosures (continued)

### *Futures and forwards*

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

### *Options*

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

### 24.2 *Trading activities*

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

### *Counterparty credit risk*

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

## **24 Financial risk management disclosures (continued)**

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

### *Market risk*

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

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

### **24.3 Non-trading activities**

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

#### *Liquidity risk*

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

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

## 24 Financial risk management disclosures (continued)

### *Exposure to liquidity risk*

The calculation method used to measure the banks compliance with the liquidity limit is set by BRSA. Currently, this calculation is performed on a bank only basis. In November 2006, BRSA issued a new communiqué on the measurement of liquidity adequacy of banks. The legislation requires the banks to meet minimum 80% liquidity ratio of foreign currency assets/liabilities and minimum 100% liquidity ratio of total assets/liabilities on a weekly and monthly basis effective from 1 June 2007. The Bank's liquidity ratios as of 30 June 2008 and 31 December 2007 are as follows:

<i>30 June 2008</i>				
	<u>First Maturity Bracket (Weekly)</u>		<u>Second Maturity Bracket (Monthly)</u>	
	<u>FC</u>	<u>FC + YTL</u>	<u>FC</u>	<u>FC + YTL</u>
Average (%)	164.82	153.06	111.49	108.92
Maximum (%)	190.52	179.94	126.94	119.49
Minimum (%)	137.44	128.00	101.98	101.04
<i>31 December 2007</i>				
	<u>First Maturity Bracket (Weekly)</u>		<u>Second Maturity Bracket (Monthly)</u>	
	<u>FC</u>	<u>FC + YTL</u>	<u>FC</u>	<u>FC + YTL</u>
Average (%)	205.49	188.04	127.36	123.78
Maximum (%)	251.92	212.33	147.16	130.54
Minimum (%)	158.32	148.21	112.59	116.03

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

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

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

	30 June 2008					31 December 2007						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 year	Total	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 year	Total
<b>MONETARY ASSETS</b>												
<b>New Turkish Lira</b>												
Cash and balances with central banks	302,342	-	-	-	-	302,342	247,555	-	-	-	-	247,555
Financial assets at fair value through profit or loss	24,369	19,087	109,741	1,46,614	5,511	305,342	5,027	444	66,897	171,372	53	243,793
Loans and advances to banks	1,056,773	28,757	40,081	950,818	-	2,076,429	445,425	21,529	8,005	618,978	-	1,093,937
Loans and advances to customers	8,975,782	3,299,908	3,193,677	7,921,110	2,207,950	25,598,427	7,570,026	2,641,550	2,677,581	7,074,025	1,826,934	21,790,116
Accrued exchange gain on derivatives	36,613	41,213	42,462	2,223	-	122,511	12,614	16,045	15,892	9	-	44,560
Other assets	1,137,752	716,243	258	273	6,561	1,861,087	3,060,215	570,773	271	517	7,176	3,638,952
Security investments	432,888	458,345	1,534,605	11,966,681	615,228	15,007,747	10,938	-	2,256,804	10,417,932	635,931	13,321,605
Deferred tax asset	-	-	-	121,011	-	121,011	-	-	-	104,160	-	104,160
<b>Total New Turkish Lira monetary assets</b>	<b>11,966,519</b>	<b>4,563,553</b>	<b>4,920,824</b>	<b>21,108,790</b>	<b>2,835,250</b>	<b>45,394,896</b>	<b>11,351,800</b>	<b>3,250,341</b>	<b>5,025,450</b>	<b>18,386,993</b>	<b>2,470,094</b>	<b>40,484,678</b>
<b>Foreign currency</b>												
Cash and balances with central banks	1,710,166	-	-	-	-	1,710,166	2,627,424	-	-	-	-	2,627,424
Financial assets at fair value through profit or loss	84,490	36,620	167,008	239,564	24,694	552,376	78,375	42,743	212,973	384,817	41,317	760,225
Loans and advances to banks	1,451,944	254,144	982,537	3,110,673	612,953	3,612,251	1,857,168	203,966	890,071	439,082	564,817	3,955,104
Loans and advances to customers	1,480,056	2,622,210	5,043,945	7,341,106	6,859,491	23,346,808	1,036,142	2,470,824	4,564,376	6,384,323	4,713,002	19,168,667
Accrued exchange gain on derivatives	34,449	70,773	69,008	3,827	-	178,057	15,340	28,600	47,477	447	-	91,864
Other assets	2,106,851	5,748	3,790	3,790	16,728	2,138,490	1,951,008	1,153	4,276	5,209	18,644	1,980,290
Security investments	59,066	2,040	425,366	1,695,243	1,761,891	3,947,606	240,975	329,632	311,795	1,466,535	2,164,768	4,513,705
Deferred tax asset	-	-	-	5,765	-	5,765	-	-	-	312	-	312
<b>Total foreign currency monetary assets</b>	<b>6,927,022</b>	<b>2,991,535</b>	<b>6,693,237</b>	<b>9,603,968</b>	<b>9,275,757</b>	<b>35,491,519</b>	<b>7,806,432</b>	<b>3,076,918</b>	<b>6,030,968</b>	<b>8,680,725</b>	<b>7,502,548</b>	<b>33,097,591</b>
<b>Total Monetary Assets</b>	<b>18,893,541</b>	<b>7,555,088</b>	<b>11,614,061</b>	<b>30,712,718</b>	<b>12,111,007</b>	<b>80,886,415</b>	<b>19,158,232</b>	<b>6,327,259</b>	<b>11,056,418</b>	<b>27,067,718</b>	<b>9,972,642</b>	<b>73,582,269</b>
<b>MONETARY LIABILITIES</b>												
<b>New Turkish Lira</b>												
Deposits	19,977,294	1,154,512	182,271	171,626	-	21,485,703	17,835,682	1,870,749	323,928	165,968	-	20,196,327
Obligations under repurchase agreements	6,568,502	209,313	-	-	593,728	7,371,543	6,564,896	102,850	208,715	571,442	-	7,447,903
Loans and advances from banks	529,632	61,433	654,090	643,808	744,529	2,633,492	509,226	56,431	477,812	-	769,051	1,812,520
Bonds payable	-	-	-	-	75,261	364,884	-	-	-	-	-	-
Accrued exchange loss on derivatives	117,020	100,853	58,216	13,534	-	289,623	133,051	115,034	160,020	19,385	73,715	501,205
Other liabilities and accrued expenses	2,457,254	3,409	828,460	184,790	393,150	3,867,063	2,077,771	7,465	753,470	149,528	339,504	3,327,738
<b>Total New Turkish Lira monetary liabilities</b>	<b>29,649,702</b>	<b>1,529,520</b>	<b>1,723,037</b>	<b>1,013,758</b>	<b>1,806,668</b>	<b>35,722,685</b>	<b>27,120,626</b>	<b>2,152,529</b>	<b>1,923,945</b>	<b>906,323</b>	<b>1,182,270</b>	<b>33,285,693</b>
<b>Foreign currency</b>												
Deposits	22,051,604	2,079,617	2,346,772	506,861	106,291	27,091,145	18,870,026	2,381,424	1,772,037	459,264	91,762	23,574,513
Obligations under repurchase agreements	385,701	85,406	287,971	194,932	-	954,010	482,867	334,811	326,372	-	1	1,144,051
Loans and advances from banks	411,006	269,344	4,609,338	2,556,179	2,267,448	10,113,315	233,729	97,794	4,144,373	2,598,801	2,553,155	9,627,852
Bonds payable	-	-	-	56,998	-	56,998	-	-	-	-	-	-
Accrued exchange loss on derivatives	13,879	6,540	19,821	2,515	42,755	85,509	11,130	11,323	13,671	1,512	50,912	50,912
Other liabilities and accrued expenses	138,628	72,298	60,916	847	6,628	279,317	178,243	101,938	58,227	500	13,387	37,636
<b>Total foreign currency monetary liabilities</b>	<b>23,000,818</b>	<b>2,513,205</b>	<b>7,324,818</b>	<b>3,318,332</b>	<b>2,380,367</b>	<b>38,537,540</b>	<b>19,775,995</b>	<b>2,927,290</b>	<b>6,314,680</b>	<b>3,060,077</b>	<b>2,709,217</b>	<b>34,787,259</b>
<b>Total Monetary Liabilities</b>	<b>52,650,520</b>	<b>4,042,725</b>	<b>9,047,855</b>	<b>4,332,090</b>	<b>4,187,035</b>	<b>74,260,225</b>	<b>46,896,621</b>	<b>5,079,819</b>	<b>8,238,625</b>	<b>3,966,400</b>	<b>3,891,487</b>	<b>68,072,952</b>

## 24 Financial risk management disclosures (continued)

### *Market risk*

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

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

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

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

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



## 24 Financial risk management disclosures (continued)

The following table indicates the effective interest rates by major currencies for the major balance sheet components for the first half of 2008 and the year of 2007:

	<i>30 June 2008</i>			
	<i>US\$</i> <i>%</i>	<i>EUR</i> <i>%</i>	<i>YTL</i> <i>%</i>	<i>Other</i> <i>Currencies</i> <i>%</i>
<i>Assets</i>				
Loans and advances to banks	2.60-5.00	3.00-4.62	11.21-20.90	8.45-9.75
Debt and other fixed or floating income instruments	0.57-6.72	4.00-6.80	17.33-19.18	3.75-3.75
Loans and advances to customers	2.80-14.00	4.00-15.45	16.00-31.71	2.62-16.00
<i>Liabilities</i>				
<i>Deposits:</i>				
- Foreign currency deposits	1.00-6.50	1.50-5.50	-	0.50-9.25
- Bank deposits	2.80-6.72	4.20-7.08	15.00-17.80	3.05-3.75
- Saving deposits	-	-	14.20-18.63	-
- Commercial deposits	-	-	14.20-19.23	-
- Public and other deposits	-	-	18.64	-
Obligations under repurchase agreements	3.03-5.82	4.11-5.25	16.92	-
Loans and advances from banks	3.18-6.05	5.10-6.45	14.06-21.53	1.00
<i>31 December 2007</i>				
	<i>US\$</i> <i>%</i>	<i>EUR</i> <i>%</i>	<i>YTL</i> <i>%</i>	<i>Other</i> <i>Currencies</i> <i>%</i>
<i>Assets</i>				
Loans and advances to banks	4.23-5.51	3.70-6.27	16.00-21.58	8.45-9.70
Debt and other fixed or floating income instruments	2.25-12.39	1.05-10.63	10.00-20.78	3.50-5.25
Loans and advances to customers	4.83-13.00	4.00-10.79	16.45-30.82	2.31-16.00
<i>Liabilities</i>				
<i>Deposits:</i>				
- Foreign currency deposits	1.00-6.50	1.50-5.00	-	0.50-9.25
- Bank deposits	3.75-6.72	3.50-7.07	13.00-18.00	3.75-6.50
- Saving deposits	-	-	18.52-19.75	-
- Commercial deposits	-	-	18.99-19.75	-
- Public and other deposits	-	-	18.53	-
Obligations under repurchase agreements	5.06-5.83	4.11-5.06	15.44	-
Loans and advances from banks	5.27-6.22	4.91-5.85	13.66-18.38	1.85

## 24 Financial risk management disclosures (continued)

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

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

The consolidated value at market risks as of 30 June 2008 and 31 December 2007 calculated as per the statutory consolidated financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006, are as follows:

	<u>30 June 2008</u>			<u>31 December 2007</u>		
	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>	<u>Average</u>	<u>Highest</u>	<u>Lowest</u>
Interest rates risk	2,806,683	3,624,888	1,197,599	1,457,766	1,708,025	1,197,599
Common share risk	144,792	200,888	50,527	13,707	50,527	25
Currency risk	181,960	218,375	155,075	225,605	323,780	117,662
Option risk	<u>199,700</u>	<u>302,738</u>	<u>129,550</u>	<u>120,536</u>	<u>221,950</u>	<u>44,248</u>
Total value at risk	<u>3,333,135</u>	<u>4,346,889</u>	<u>1,532,751</u>	<u>1,817,614</u>	<u>2,304,282</u>	<u>1,359,534</u>

### *Exposure to interest rate risk – non-trading portfolios*

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 revisited 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.

## 24 Financial risk management disclosures (continued)

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.

### *Currency risk*

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

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

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

## 24 Financial risk management disclosures (continued)

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

	30 June 2008			<i>Total</i>
	<i>US\$</i>	<i>EUR</i>	<i>Other Currencies</i>	
<i>Assets</i>				
Cash and balances with central banks	1,163,381	489,429	57,356	1,710,166
Financial assets at fair value				
through profit or loss	448,049	76,486	27,841	552,376
Loans and advances to banks	2,837,891	703,684	70,676	3,612,251
Loans and advances to customers	13,737,025	8,845,415	751,554	23,333,994
Other assets	2,187,809	74,206	107,912	2,369,927
Security investments	3,552,832	324,685	70,089	3,947,606
Investments in equity participations	-	604	-	604
Tangible assets	1,318	82,871	7,586	91,775
Deferred tax asset	-	4,444	1,321	5,765
<i>Total Assets</i>	<u>23,928,305</u>	<u>10,601,824</u>	<u>1,094,335</u>	<u>35,624,464</u>
<i>Liabilities</i>				
Deposits	14,299,680	11,806,593	984,872	27,091,145
Obligations under repurchase agreements	821,735	132,275	-	954,010
Loans and advances from banks	6,929,888	3,182,515	912	10,113,315
Current and deferred tax liability	-	6,888	-	6,888
Bonds payable	-	56,998	-	56,998
Other liabilities and accrued expenses	128,971	155,233	30,980	315,184
<i>Total Liabilities</i>	<u>22,180,274</u>	<u>15,340,502</u>	<u>1,016,764</u>	<u>38,537,540</u>
<i>Net On Balance Sheet Position</i>	<u>1,748,031</u>	<u>(4,738,678)</u>	<u>77,571</u>	<u>(2,913,076)</u>
<i>Net Off Balance Sheet Position</i>	<u>(1,271,810)</u>	<u>4,510,690</u>	<u>132,111</u>	<u>3,370,991</u>
<i>Net Long/(Short) Position</i>	<u>476,221</u>	<u>(227,988)</u>	<u>209,682</u>	<u>457,915</u>
<i>31 December 2007</i>				
	<i>US\$</i>	<i>EUR</i>	<i>Other Currencies</i>	<i>Total</i>
<i>Total Assets</i>	<u>19,997,523</u>	<u>12,332,912</u>	<u>899,188</u>	<u>33,229,623</u>
<i>Total Liabilities</i>	<u>21,291,440</u>	<u>12,500,267</u>	<u>995,552</u>	<u>34,787,259</u>
<i>Net On Balance Sheet Position</i>	<u>(1,293,917)</u>	<u>(167,355)</u>	<u>(96,364)</u>	<u>(1,557,636)</u>
<i>Net Off Balance Sheet Position</i>	<u>1,087,315</u>	<u>337,221</u>	<u>209,153</u>	<u>1,633,689</u>
<i>Net Long/(Short) Position</i>	<u>(206,602)</u>	<u>169,866</u>	<u>112,789</u>	<u>76,053</u>

## 24 Financial risk management disclosures (continued)

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

The balance sheet short positions shown in the table above are hedged by currency swaps, forward contracts and other derivatives entered into to manage these currency exposures. In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank and its affiliates ensure that their net exposures are kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

The net amount of Russian Rubles denominated assets and liabilities as included in the above table at their YTL equivalents, is a net asset of YTL 138,076 thousands at 30 June 2008 (31 December 2007: YTL 100,038 thousands).

### *Credit risk*

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

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

The Bank and its affiliates' primary exposures to credit risk arise through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of these assets on the balance sheet. The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

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

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

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

## 24 Financial risk management disclosures (continued)

### *Exposure to credit risk*

	<i>Loans and advances to customers</i>	
	<i>30 June 2008</i>	<i>31 December 2007</i>
Individually impaired	993,727	869,567
Allowance for impairment	(746,900)	(632,050)
Carrying amount	<u>246,827</u>	<u>237,517</u>
Collectively impaired	-	-
Allowance for impairment	(156,600)	(153,805)
Carrying amount	<u>(156,600)</u>	<u>(153,805)</u>
Past due but not impaired	1,167,541	-
Carrying amount	<u>1,167,541</u>	<u>-</u>
Neither past due nor impaired	47,728,160	40,893,267
Loans with renegotiated terms	49,534	65,516
Carrying amount	<u>47,777,694</u>	<u>40,958,783</u>
Total carrying amount	<u>49,035,462</u>	<u>41,042,495</u>

As of 30 June 2008 and 31 December 2007, the Bank has no allowance for loans and advances to banks.

### *Impaired loans*

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

### *Sectoral and geographical concentration of impaired loans*

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

	<i>30 June 2008</i>	<i>31 December 2007</i>
Consumer loans	613,118	567,485
Textile	87,017	76,513
Chemistry and chemical products	58,240	52,468
Food	35,222	23,906
Construction	32,766	21,707
Service sector	23,957	22,747
Durable consumption	14,123	12,153
Agriculture and stockbreeding	13,461	9,845
Metal and metal products	12,952	11,510
Financial institutions	6,978	8,067
Others	<u>95,893</u>	<u>63,166</u>
Total non-performing loans and lease receivables	<u>993,727</u>	<u>869,567</u>

**24 Financial risk management disclosures (continued)**

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Turkey	983,339	864,349
Russia	6,293	1,136
Holland	1,820	2,752
Germany	912	808
Others	<u>1,363</u>	<u>522</u>
Total non-performing loans and lease receivables	<u>993,727</u>	<u>869,567</u>

*Past due but not impaired loans*

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

*Allowances for impairment*

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

*Write-off policy*

The Bank writes off a receivable balance (and any related allowances for impairment losses) when it is determined that the receivable is uncollectible based on the evidence of insolvency issued by the Court. In cases where any possible collections are negligible comparing to the prospective expenses and costs, such receivables are written off by the decision of the board of directors.

*Collateral policy*

The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. The Bank and its affiliates currently hold collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 30 June 2008 and 31 December 2007.

Approximately 70% of the outstanding performing loans is collateralized. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank and its affiliates' obligations. The extent of collateral held for performing guarantees and letters of credit is approximately 82%.

## 24 Financial risk management disclosures (continued)

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

	<u>30 June</u> <u>2008</u>	<u>31 December</u> <u>2007</u>
<i>Cash loans</i>		
Secured loans:	33,915,394	30,012,228
Secured by cash collateral	1,083,055	1,173,952
Secured by mortgages	11,396,314	7,835,589
Secured by government institutions or government securities	1,817,346	1,457,954
Guarantees issued by financial institutions	191,639	186,359
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	19,427,040	19,358,374
Unsecured loans	<u>14,324,877</u>	<u>10,403,163</u>
Total performing loans and financial lease receivables	<u>48,240,271</u>	<u>40,415,391</u>
<i>Non-cash loans</i>		
Secured loans:	12,267,134	10,137,914
Secured by cash collateral	608,917	496,168
Secured by mortgages	1,248,450	173,903
Guarantees issued by financial institutions	5,030	3,766
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	10,404,737	9,464,077
Unsecured loans	<u>2,754,661</u>	<u>2,664,319</u>
Total non-cash loans	<u>15,021,795</u>	<u>12,802,233</u>

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

	<u>30 June</u> <u>2008</u>	<u>31 December</u> <u>2007</u>
Promissory notes and surety	223,327	166,330
Mortgages	210,978	174,647
Pledge assets	107,423	89,083
Cash collateral	191	355
Unsecured	<u>451,808</u>	<u>439,152</u>
	<u>993,727</u>	<u>869,567</u>

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

### *Operational risks*

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

## 24 Financial risk management disclosures (continued)

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

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

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

### *Capital management – regulatory capital*

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

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

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

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

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

## 24 Financial risk management disclosures (continued)

The Bank's and its affiliates' regulatory capital position on a consolidated basis at 30 June 2008 and 31 December 2007 was as follows:

	<i>30 June</i>	<i>31 December</i>
	<u>2008</u>	<u>2007</u>
Tier 1 capital	8,649,793	6,926,311
Tier 2 capital	707,283	1,069,119
Deductions from capital	<u>(440,171)</u>	<u>(488,448)</u>
Total regulatory capital	<u>8,916,905</u>	<u>7,506,982</u>
Value at credit, market and operational risks	<u>66,897,219</u>	<u>53,708,544</u>
<b>Capital ratios (%)</b>		
Total regulatory capital expressed as a percentage of total value at credit, market and operational risks	13.33	13.98
Total tier 1 capital expressed as a percentage of total value at credit, market and operational risks	12.93	12.90

### 24.4 Hedging

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

The Bank has entered into various interest rate swap transactions in order to hedge its certain cash flow exposures primarily on floating rate assets and liabilities, through converting its floating rate income/payments into fixed rate income/payments. The following table includes certain characteristics of these swap transactions:

<i>Notional amount</i>	<i>Fixed payer rate (%)</i>	<i>Floating payer rate (%)</i>	<i>Fixed payment frequency</i>	<i>Maturity</i>
US\$ 72.9 millions	5.445	3 month Libor + 1.75	Quarterly	2009
US\$ 110 millions	3.35	3 month Libor + 0.40	Quarterly	2012
EUR 50 millions	5.12	12 month Euribor + 1.00	Annually	2013

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

## 25 Affiliates and associates

The table below sets out the Affiliates and shows their shareholding structure as at 30 June 2008:

<u>Affiliates</u>	<u>Shareholding Interest (%)</u>
Garanti Bank International NV	100.00
Garanti Bank Moscow	100.00
Garanti Portföy Yönetimi AŞ	100.00
Garanti Yatırım Menkul Kıymetler AŞ	100.00
Garanti Financial Services plc.	100.00
Garanti Fund Management Co. Ltd.	100.00
Garanti Bilişim Teknolojisi ve Tic. AŞ	100.00
Garanti Kültür AŞ (a)	100.00
Garanti Finansal Kiralama AŞ	98.94
Garanti Emeklilik ve Hayat AŞ	84.91
Garanti Faktoring Hizmetleri AŞ	81.84
Eureko Sigorta AŞ	20.00
Garanti Diversified Payment Rights Finance Company (b)	-

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

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

As per the agreement signed with Eureko BV on 21 June 2007, the Bank sold its 80% share in Garanti Sigorta AŞ and its 15% share in Garanti Emeklilik ve Hayat AŞ to this company. Upon this sale, a gain of YTL 703,803 thousands is recognized in the consolidated financial statements as of 31 December 2007. As part of the sale transactions mentioned above, the Bank has a sale option on the remaining shares of Garanti Sigorta AŞ and Eureko BV has purchase and sale options on the shares of Garanti Emeklilik ve Hayat AŞ. Subsequent to these sales, at 1 October 2007 the legal name of Garanti Sigorta AŞ has been changed as Eureko Sigorta AŞ.

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

Garanti Financial Services plc (100.00%) is under liquidation as of the reporting date. The liquidation procedures are expected to complete in 2009.

## 26 Net fee and commission income

	<i>Six-month period ended 30 June 2008</i>	<i>Three-month period ended 30 June 2008</i>	<i>Six-month period ended 30 June 2007</i>	<i>Three-month period ended 30 June 2007</i>
<i>Fee and commission income:</i>				
Credit cards fees	496,850	258,849	440,311	231,972
Retail banking	169,798	77,556	129,357	58,291
SME banking	98,847	48,367	65,792	32,238
Commercial banking	75,715	42,572	57,042	30,084
Corporate banking	37,466	20,542	40,140	22,699
Others	<u>116,033</u>	<u>52,818</u>	<u>95,951</u>	<u>49,517</u>
Total fee and commission income	<u>994,709</u>	<u>500,704</u>	<u>828,593</u>	<u>424,801</u>
<i>Fee and commission expense:</i>				
Credit cards fees	150,848	80,867	149,799	82,364
Retail banking	10,362	10,049	1,027	432
SME banking	2,444	2,267	583	245
Commercial banking	368	307	201	86
Others	<u>34,345</u>	<u>16,821</u>	<u>51,617</u>	<u>27,004</u>
Total fee and commission expense	<u>198,367</u>	<u>110,311</u>	<u>203,227</u>	<u>110,131</u>
Net fee and commission income	<u>796,342</u>	<u>390,393</u>	<u>625,366</u>	<u>314,670</u>

Commissions received for cash loans amounting YTL 52,889 thousands are classified to “interest income on loans” and commissions paid for borrowings amounting YTL 13,368 thousands are classified to “interest expense on borrowings and obligations under repurchase agreements” as of 30 June 2007.

## 27 Other expenses

	<i>Six-month period ended 30 June 2008</i>	<i>Three-month period ended 30 June 2008</i>	<i>Six-month period ended 30 June 2007</i>	<i>Three-month period ended 30 June 2007</i>
Credit card rewards and promotion expenses	125,209	70,142	55,306	29,971
Advertising expenses	47,975	29,525	52,359	37,697
EDP expenses	39,171	17,578	32,571	20,036
Taxes and duties other than on income	33,752	17,782	25,836	13,498
Saving deposits insurance fund	28,257	14,354	23,301	11,942
Utility expenses	20,376	9,009	14,382	7,262
Foreign exchange losses, net	-	(6,913)	-	-
Research and development expenses	6,570	3,951	7,866	3,759
Repair and maintenance expenses	11,154	7,002	10,202	6,369
Others	<u>170,108</u>	<u>102,188</u>	<u>139,645</u>	<u>69,298</u>
	<u>482,572</u>	<u>264,618</u>	<u>361,468</u>	<u>199,832</u>

Due to method change in valuation of derivative instruments, YTL 210,312 thousands and YTL 140,257 thousands are reclassified from “trading account gains/(losses)” to “foreign exchange gains/(losses)” for the six-month and three-month periods ended 30 June 2007, respectively.

## 28 Use of estimates and judgements

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

### *Key sources of estimation uncertainty*

#### Allowances for credit losses

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

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

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

#### Determining fair values

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

### *Critical accounting judgements in applying the Bank's accounting policies*

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

#### Financial asset and liability classification

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

- In classifying financial assets or liabilities as "trading", the Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy (i) *Financial instruments*.

## 28 Use of estimates and judgements (continued)

- In designating financial assets or liabilities at fair value through profit or loss, the Bank has determined that it has met one of the criteria for this designation set out in accounting policy (i) *Financial instruments*.
- In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy (h) *Financial instruments*.

### Securitizedizations

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

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

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

## 29 Significant events

- 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, after making revisions 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. Furthermore, the Bank is also entitled to a tax refund on an existing unused investment incentive certificate amounting YTL 6,078 thousands.
- A part of the Bank's non-performing loan portfolio amounting YTL 98,221 thousands is sold to a local asset management company at a sale price of YTL 28,898 thousands. The sale price is fully recognized as income as of 3 April 2008, as the sold receivables were fully provisioned in the Bank's financial statements previously.

## **29 Significant events (continued)**

- During the general assembly meeting of Garanti Faktoring Hizmetleri AŞ held at 16 April 2008, it has been decided to increase the share capital of the company from YTL 16,849 thousands to YTL 17,960 thousands by YTL 1,111 thousands through appropriation from the 2007 net income reported in the financial statements prepared in accordance with IFRS as per the Article XI no.25 of the Capital Market Board, and accordingly to issue bonus shares for this amount and to transfer the remaining earnings to reserves.
- Social Security Law No. 5754 which requires the transfer of the liabilities of the members of “Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı” (“the Fund”) established as per the temporary article no. 20 of the Social Security Law No. 506 is accepted and approved by the Turkish Parliament at 17 April 2008 and enacted at 8 May 2008.

## **30 Subsequent event**

Following the BRSA’s examination on the Bank’s capital increase process explained in Note 21, the capital increase is approved by the Istanbul Commercial Registry at 31 July 2008, and accordingly YTL 2,100,000 thousands of the cash collected is transferred to “share capital” and the excess balance amounting YTL 11,880 thousands over the nominal values of new shares issued to “share premium”.



August 14, 2008

TÜRKİYE GARANTİ BANKASI A.Ş.  
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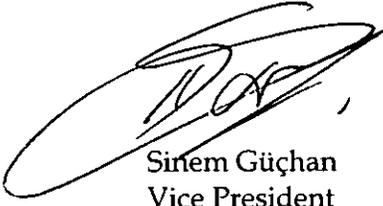
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Dear Document Disclosure Team,

Please find enclosed Garanti Bank's bank-only financial statements for the period ended June 30, 2008 prepared in line with the BRSA's ( Turkish Banking Regulation and Supervision Agency) directives.

Regards,

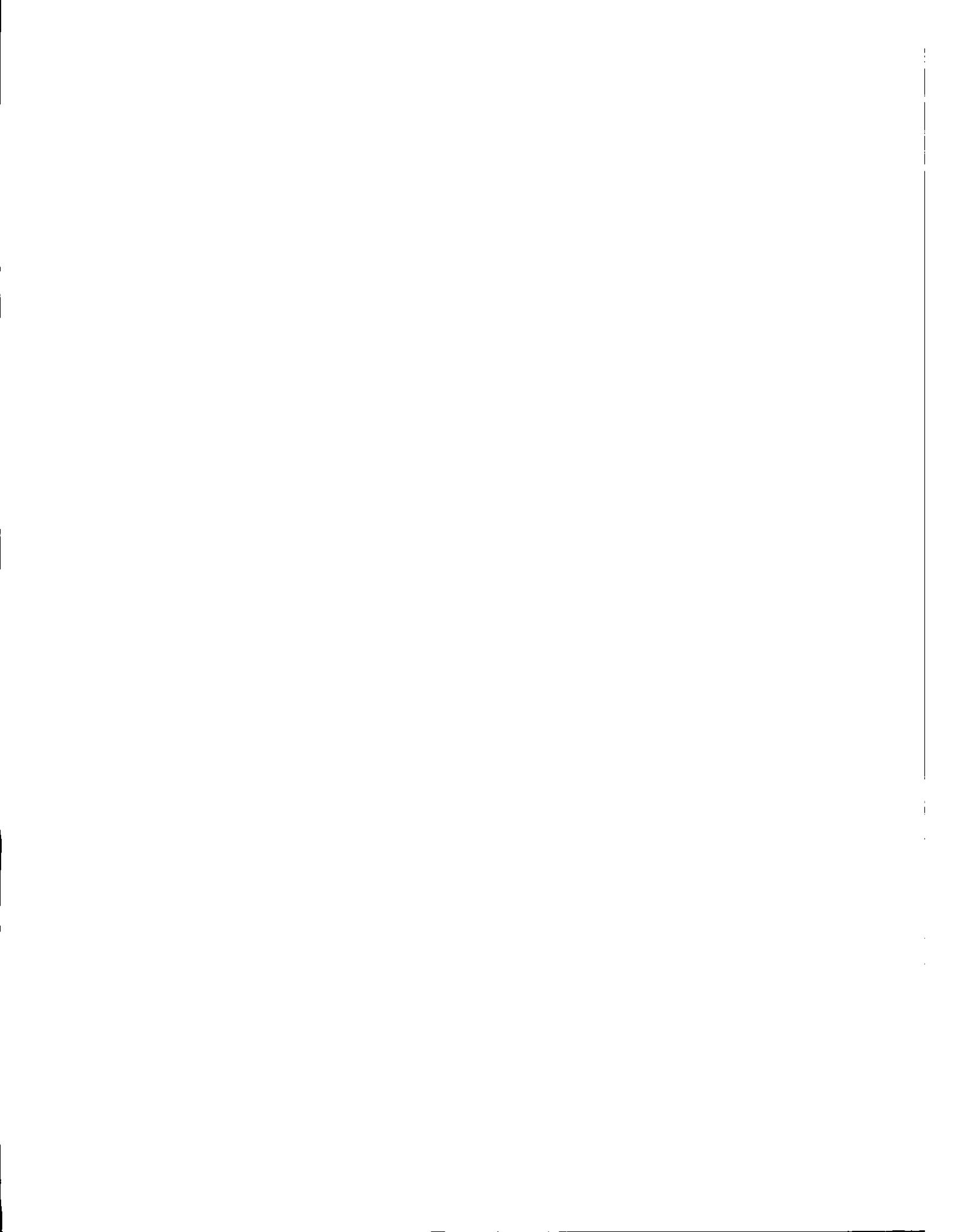
Garanti Bank



Sürtem Güçhan  
Vice President  
Investor Relations



Handan Saygın  
Senior Vice President  
Investor Relations



**Türkiye Garanti Bankası Anonim Şirketi**

**Unconsolidated Financial Statements**

**As of and For the Six-Month Period Ended**

**30 June 2008**

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

**With Independent Auditors' Review Report Thereon**

**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ**

**5 August 2008**

*This report contains "Independent Auditors' Review  
Report" comprising 1 page and; "Unconsolidated  
Financial Statements and Related Disclosures and  
Footnotes" comprising 75 pages.*



## Türkiye Garanti Bankası Anonim Şirketi

### Unconsolidated Interim Financial Report as of and for the Six-Month Period Ended 30 June 2008

Levent Nispetiye Mah.Aytar Cad.  
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The Unconsolidated Interim Financial Report for the six-month period ended 30 June 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 the Bank
2. Unconsolidated Financial Statements
3. Accounting Policies of Unconsolidated Financial Statements
4. Financial Position and Results of Operations of the Bank
5. Disclosures and Footnotes on Unconsolidated Financial Statements
6. Independent Auditors' Review Report

The unconsolidated financial statements and related disclosures and footnotes that were subject to independent review, 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 and, unless stated otherwise, presented in thousands of New Turkish Lira (YTL).

**Ferit F. Şahenk**  
Board of Directors  
Chairman

**S. Ergun Özen**  
General Manager

**Aydın Şenel**  
Executive Vice  
President

**Mustafa Keleş**  
Financial Accounting  
Director

**M. Cüneyt Sezgin**  
Audit Committee  
Member

**Des O'Shea**  
Audit Committee  
Member

The authorized contact person for questions on this financial report:  
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**SECTION ONE**

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**SECTION SIX**

## Independent Auditors' Review Report

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## 1 General Information

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

Türkiye Garanti Bankası Anonim Şirketi (the Bank) was established by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and its "Articles of Association" was issued in the Official Gazette dated 25 April 1946. The Bank provides banking services through 671 domestic branches, five foreign branches and four representative offices abroad. The Bank's head office is located in Istanbul.

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

As of 30 June 2008, group of companies under Doğuş Holding AŞ that currently owns 30.52% shares of the Bank, is called as the Doğuş Group (the Group). On 22 December 2005, Doğuş 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 Doğuş Holding AŞ, representing 4.65% of the issued share capital of Türkiye Garanti Bankası AŞ.

#### Doğuş Group

The Group was established in 1951 as a construction and contracting firm. Today, in addition to the construction sector, the Group operates in a variety of business consisting of financial services, automotive, media, tourism and service sectors with more than 19.800 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, Eureko Sigorta AŞ, Garanti Emeklilik ve Hayat AŞ, Garanti Faktoring Hizmetleri AŞ, Garanti Ödeme Sistemleri AŞ, Doğuş GE Gayrimenkul Yatırım Ortaklığı AŞ and Volkswagen Doğuş Tüketici Finansmanı AŞ.

#### General Electric Group

GE is a company providing variety of technology, media and financial services including aircraft engine and energy production, water and security technologies, medical systems, corporate-retail financing services and media services.

GE operates in more than 100 countries through its six major business lines providing services through their own business units with more than 300 thousand employees. These six business lines are; GE Consumer Finance, GE Commercial Finance, GE Healthcare, GE Industrial, GE Infrastructure and NBC Universal.

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

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

#### Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ferit Faik Şahenk	Chairman	18.04.2001	University	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	23 years
Dr. Ahmet Kamil Esirtgen	Member	19.03.1992	PhD	34 years
Charles Edward Alexander	Member	22.12.2005	University	28 years
Des O'Shea	Member of BOD and Audit Committee	02.11.2006	University	31 years
Oliver B.R.V. Piani	Member	21.02.2007	Master	27 years
Dmitri Lysander Stockton	Member	22.12.2005	University	17 years
Sait Ergun Özen	Member and CEO	14.05.2003	University	21 years

#### 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 and 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 Erün	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 Ersözöglü	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

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

#### 1.4 Information on the bank's qualified shareholders

Company	Shares	Ownership	Paid-in Capital	Unpaid Portion
Doğuş Holding AŞ	559,900	26.6619%	559,900	-
GE Araştırma ve Müşavirlik Limited Şti	437,856	20.8503%	437,856	-

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 366 founder share-certificates from "extraordinary reserves", and the value of remaining 4 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 the bank's activities and services

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

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits 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.

## Türkiye Garanti Bankası Anonim Şirketi

## Balance Sheet

At 30 June 2008

ASSETS		Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
			CURRENT PERIOD 30 June 2008			PRIOR PERIOD 31 December 2007		
			YTL	FC	Total	YTL	FC	Total
I.	CASH AND BALANCES WITH CENTRAL BANK	(5.1.1)	1,293,023	3,251,603	4,544,626	3,186,964	4,040,903	7,227,867
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	218,100	109,261	327,361	71,478	74,162	145,640
2.1	Financial assets held for trading		109,351	42,609	151,960	31,327	64,928	96,255
2.1.1	Government securities		89,360	42,609	131,969	21,552	64,928	86,480
2.1.2	Equity securities		10,554	-	10,554	-	-	-
2.1.3	Other securities		9,437	-	9,437	9,775	-	9,775
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		108,749	66,652	175,401	40,151	9,234	49,385
III.	BANKS	(5.1.3)	1,821,940	2,141,332	3,963,272	804,865	2,328,118	3,132,983
IV.	INTERBANK MONEY MARKETS		-	-	-	-	-	-
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	(5.1.4)	11,428,339	2,907,972	14,336,311	9,776,793	3,325,681	13,102,474
5.1	Equity securities		32,824	48,287	81,111	44,751	37,674	82,425
5.2	Government securities		11,250,528	1,518,519	12,769,047	9,598,339	2,104,697	11,703,036
5.3	Other securities		144,987	1,341,166	1,486,153	133,703	1,183,310	1,317,013
VI.	LOANS	(5.1.5)	27,245,218	17,458,471	44,703,689	22,491,701	14,726,185	37,217,886
6.1	Performing loans		26,852,861	17,458,471	44,311,332	22,184,686	14,726,185	36,910,871
6.1.1	Loans to bank's risk group	(5.7)	291,726	449,340	741,066	143,007	306,366	449,373
6.1.2	Others		26,561,135	17,009,131	43,570,266	22,041,679	14,419,819	36,461,498
6.2	Loans under follow-up		958,700	-	958,700	846,538	-	846,538
6.3	Specific provisions (-)		566,343	-	566,343	539,523	-	539,523
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENTS HELD-TO-MATURITY (Net)	(5.1.6)	3,261,016	250,205	3,511,221	3,294,938	648,827	3,943,765
8.1	Government securities		3,261,016	250,205	3,511,221	3,291,736	648,827	3,940,563
8.2	Other securities		-	-	-	3,202	-	3,202
IX.	INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	11,312	-	11,312	11,312	-	11,312
9.1	Associates consolidated under equity accounting		-	-	-	-	-	-
9.2	Unconsolidated associates		11,312	-	11,312	11,312	-	11,312
9.2.1	Financial investments in associates		11,312	-	11,312	11,312	-	11,312
9.2.2	Non-financial investments in associates		-	-	-	-	-	-
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.8)	231,949	481,375	713,324	249,646	327,762	577,408
10.1	Unconsolidated financial investments in subsidiaries		222,980	481,375	704,355	241,370	327,762	569,132
10.2	Unconsolidated non-financial investments in subsidiaries		8,969	-	8,969	8,276	-	8,276
XI.	INVESTMENTS IN JOINT-VENTURES (Net)	(5.1.9)	-	-	-	-	-	-
11.1	Joint-ventures consolidated under equity accounting		-	-	-	-	-	-
11.2	Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1	Financial investments in joint-ventures		-	-	-	-	-	-
11.2.2	Non-financial investments in joint-ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	(5.1.10)	-	-	-	-	-	-
12.1	Financial lease receivables		-	-	-	-	-	-
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(5.1.11)	-	2,550	2,550	-	31,960	31,960
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	2,550	2,550	-	31,960	31,960
13.3	Net foreign investment hedges		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(5.1.12)	1,001,846	546	1,002,392	1,024,233	725	1,024,958
XV.	INTANGIBLE ASSETS (Net)	(5.1.13)	13,270	-	13,270	11,885	1	11,886
15.1	Goodwill		-	-	-	-	-	-
15.2	Other intangibles		13,270	-	13,270	11,885	1	11,886
XVI.	INVESTMENT PROPERTY (Net)	(5.1.14)	-	-	-	-	-	-
XVII.	TAX ASSET	(5.1.15)	61,298	-	61,298	58,166	-	58,166
17.1	Current tax asset		1,046	-	1,046	5,222	-	5,222
17.2	Deferred tax asset		60,252	-	60,252	52,944	-	52,944
XVIII.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.1.16)	81,635	-	81,635	112,850	-	112,850
18.1	Assets held for sale		81,635	-	81,635	112,850	-	112,850
18.2	Assets of discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(5.1.17)	1,110,499	85,032	1,195,531	892,499	86,828	979,327
	<b>TOTAL ASSETS</b>		<b>47,779,445</b>	<b>26,688,347</b>	<b>74,467,792</b>	<b>41,987,330</b>	<b>25,591,152</b>	<b>67,578,482</b>

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

# Türkiye Garanti Bankası Anonim Şirketi

## Balance Sheet

At 30 June 2008

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD 30 June 2008			PRIOR PERIOD 31 December 2007		
		YTL	FC	Total	YTL	FC	Total
<b>I. DEPOSITS</b>	(5.2.1)	21,240,982	22,414,868	43,655,850	20,012,623	19,085,479	39,098,102
1.1 Deposits from bank's risk group	(5.7)	342,513	564,939	907,452	304,065	171,726	475,791
1.2 Others		20,898,469	21,849,929	42,748,398	19,708,558	18,913,753	38,622,311
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(5.2.2)	299,518	19,473	318,991	428,635	22,642	451,277
<b>III. FUNDS BORROWED</b>	(5.2.3)	2,106,834	7,489,511	9,596,345	1,282,828	7,275,816	8,558,644
<b>IV. INTERBANK MONEY MARKETS</b>		7,371,542	535,196	7,906,738	7,447,905	728,986	8,176,891
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		7,371,542	535,196	7,906,738	7,447,905	728,986	8,176,891
<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 Others		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		2,032,250	21,416	2,053,666	1,819,991	11,574	1,831,565
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>	(5.2.4)	1,026,309	244,294	1,270,603	862,906	292,951	1,155,857
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	(5.2.5)	3,056	28,189	31,245	3,075	51,663	54,738
10.1 Financial lease payables		3,319	29,762	33,081	3,379	55,024	58,403
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		263	1,573	1,836	304	3,361	3,665
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	(5.2.6)	-	3,988	3,988	-	249	249
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	3,988	3,988	-	249	249
11.3 Net foreign investment hedges		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(5.2.7)	812,851	16,553	829,404	541,116	20,222	561,338
12.1 General provisions		360,432	15,266	375,698	265,965	14,695	280,660
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		184,524	-	184,524	140,372	-	140,372
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-
12.5 Other provisions		267,895	1,287	269,182	134,779	5,527	140,306
<b>XIII. TAX LIABILITY</b>	(5.2.8)	195,174	64	195,238	210,225	77	210,302
13.1 Current tax liability		195,174	64	195,238	210,225	77	210,302
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(5.2.9)	-	-	-	-	-	-
14.1 Assets held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED DEBTS</b>	(5.2.10)	-	619,422	619,422	-	596,400	596,400
<b>XVI. SHAREHOLDERS' EQUITY</b>	(5.2.11)	7,967,698	18,604	7,986,302	6,736,584	146,535	6,883,119
16.1 Paid-in capital		2,100,000	-	2,100,000	2,100,000	-	2,100,000
16.2 Capital reserves		3,133,415	12,244	3,145,659	893,304	144,014	1,037,318
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		(320,380)	13,818	(306,562)	95,507	112,550	208,057
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		2,453	-	2,453	2,453	-	2,453
16.2.8 Hedging reserves (effective portion)		(30,182)	(1,574)	(31,756)	(7,074)	31,464	24,390
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		2,884,434	-	2,884,434	772,554	-	772,554
16.3 Profit reserves		1,739,014	6,360	1,745,374	1,427,664	2,521	1,430,185
16.3.1 Legal reserves		269,471	2,619	272,090	153,690	2,521	156,211
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		1,470,724	-	1,470,724	1,275,689	-	1,275,689
16.3.4 Other profit reserves		(1,181)	3,741	2,560	(1,715)	-	(1,715)
16.4 Profit or loss		995,269	-	995,269	2,315,616	-	2,315,616
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		995,269	-	995,269	2,315,616	-	2,315,616
16.5 Minority interests		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>43,056,214</b>	<b>31,411,578</b>	<b>74,467,792</b>	<b>39,345,888</b>	<b>28,232,594</b>	<b>67,578,482</b>

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

# Türkiye Garanti Bankası Anonim Şirketi

## Off-Balance Sheet Items

At 30 June 2008

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30 June 2008			31 December 2007		
		YTL	FC	Total	YTL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>27,557,955</b>	<b>34,275,957</b>	<b>61,833,912</b>	<b>23,134,813</b>	<b>22,191,738</b>	<b>45,326,551</b>
<b>I. GUARANTEES AND SURETIES</b>	(5.3.1)	<b>3,962,167</b>	<b>10,210,539</b>	<b>14,172,706</b>	<b>3,925,972</b>	<b>8,429,994</b>	<b>12,355,966</b>
1.1. Letters of guarantee		3,962,078	6,208,045	10,170,127	3,924,978	5,749,874	9,674,832
1.1.1. Guarantees subject to State Tender Law		271,055	480,341	751,396	306,986	423,552	730,538
1.1.2. Guarantees given for foreign trade operations		297,347	297,939	595,286	303,752	265,210	568,962
1.1.3. Other letters of guarantee		3,393,676	5,429,765	8,823,445	3,314,240	5,061,112	8,375,332
1.2. Bank acceptances		-	116,954	116,954	600	115,887	115,487
1.2.1. Import letter of acceptance		-	105,018	105,018	600	107,622	108,222
1.2.2. Other bank acceptances		-	11,936	11,936	-	8,265	8,265
1.3. Letters of credit		89	3,885,536	3,885,625	394	2,564,233	2,564,627
1.3.1. Documentary letters of credit		-	3,863	3,863	-	1,649	1,649
1.3.2. Other letters of credit		89	3,881,673	3,881,762	394	2,562,584	2,562,978
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Underwriting commitments		-	-	-	-	-	-
1.7. Factoring related guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	-	-	-	-	-
1.9. Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(5.3.1)	<b>13,842,067</b>	<b>4,298,044</b>	<b>18,140,111</b>	<b>13,163,846</b>	<b>3,489,188</b>	<b>16,653,034</b>
2.1. Irrevocable commitments		13,842,067	4,297,568	18,139,635	13,163,846	3,488,798	16,652,644
2.1.1. Asset purchase commitments		18,452	1,567,585	1,586,041	48,248	1,560,461	1,608,705
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		2,897,421	1,675,604	4,573,025	2,354,191	913,337	3,267,528
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		1,344,205	-	1,344,205	1,852,451	-	1,852,451
2.1.8. Tax and fund obligations on export commitments		25,191	-	25,191	24,398	-	24,398
2.1.9. Commitments for credit card limits		8,291,772	-	8,291,772	7,619,536	-	7,619,536
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	1,054,375	2,318,585	1,264,210	1,015,000	2,279,210
2.2. Revocable commitments		-	476	476	-	390	390
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	476	476	-	390	390
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(5.3.2)	<b>9,753,721</b>	<b>19,767,374</b>	<b>29,521,095</b>	<b>6,044,995</b>	<b>10,272,556</b>	<b>16,317,551</b>
3.1. Derivative financial instruments held for risk management		-	12,937	12,937	-	58,282	58,282
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	12,937	12,937	-	58,282	58,282
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		9,753,721	19,754,437	29,508,158	6,044,995	10,214,274	16,259,265
3.2.1. Forward foreign currency purchases/sales		980,912	1,117,375	2,098,291	583,139	859,775	1,442,914
3.2.1.1. Forward foreign currency purchases		577,543	493,757	1,071,300	320,360	384,789	705,145
3.2.1.2. Forward foreign currency sales		403,369	623,622	1,026,991	262,779	474,986	737,765
3.2.2. Currency and interest rate swaps		5,824,998	12,552,616	18,377,614	4,328,262	6,811,744	11,140,006
3.2.2.1. Currency swaps-purchases		1,113,011	7,887,875	9,000,886	1,181,840	4,132,508	5,314,348
3.2.2.2. Currency swaps-sales		4,711,987	4,664,066	9,358,047	3,143,966	2,676,084	5,820,058
3.2.2.3. Interest rate swaps-purchases		-	9,481	9,481	417	1,581	1,998
3.2.2.4. Interest rate swaps-sales		-	9,200	9,200	2,039	1,571	3,610
3.2.3. Currency, interest rate and security options		2,848,465	5,087,852	7,936,321	1,015,177	1,907,105	2,922,282
3.2.3.1. Currency call options		1,493,776	2,222,281	3,716,057	366,159	896,605	1,262,768
3.2.3.2. Currency put options		1,324,546	2,559,406	3,883,952	630,600	515,233	1,145,833
3.2.3.3. Interest rate call options		-	84,350	84,350	-	81,200	81,200
3.2.3.4. Interest rate put options		-	-	-	-	-	-
3.2.3.5. Security call options		4,900	156,295	161,195	10,563	113,283	123,846
3.2.3.6. Security put options		25,247	65,520	90,767	7,855	300,780	308,635
3.2.4. Currency futures		97,827	83,893	181,720	114,417	82,650	197,067
3.2.4.1. Currency futures-purchases		90,132	2	90,134	83,070	2,219	85,289
3.2.4.2. Currency futures-sales		7,695	83,891	91,586	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		1,515	912,697	914,212	4,000	553,000	557,000
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>134,546,293</b>	<b>84,416,913</b>	<b>218,963,206</b>	<b>129,941,310</b>	<b>67,163,648</b>	<b>197,104,958</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>33,280,421</b>	<b>12,914,902</b>	<b>46,195,323</b>	<b>46,920,619</b>	<b>12,856,015</b>	<b>59,776,634</b>
4.1. Customers' securities held		13,509,420	3,056,995	16,566,415	21,162,115	3,625,534	24,787,653
4.2. Investment securities held in custody		12,570,824	752,167	13,322,991	20,241,857	1,385,715	21,627,572
4.3. Checks received for collection		5,483,895	740,225	6,224,124	4,204,954	494,980	4,699,934
4.4. Commercial notes received for collection		1,687,442	1,803,093	3,490,535	1,281,717	1,631,215	2,912,936
4.5. Other assets received for collection		6,667	6,268,035	6,274,702	7,197	5,402,214	5,409,411
4.6. Assets received through public offering		-	20,541	20,541	-	18,805	18,805
4.7. Other items under custody		22,169	273,842	296,011	22,775	297,544	320,319
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>101,265,872</b>	<b>71,502,011</b>	<b>172,767,883</b>	<b>83,020,691</b>	<b>54,307,633</b>	<b>137,328,324</b>
5.1. Securities		94,890	-	94,890	169,805	-	169,805
5.2. Guarantee notes		14,615,727	5,546,297	20,162,024	11,971,031	4,942,492	16,913,523
5.3. Commodities		157	-	157	157	-	157
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		17,343,531	16,734,710	34,078,241	13,345,515	7,900,332	21,245,851
5.6. Other pledged items		69,211,397	49,220,645	118,432,042	57,534,005	41,464,466	98,998,475
5.7. Pledged items-depository		170	359	529	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>162,104,248</b>	<b>118,692,870</b>	<b>280,797,118</b>	<b>153,076,123</b>	<b>89,355,386</b>	<b>242,431,509</b>

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

**Türkiye Garanti Bankası Anonim Şirketi**  
**Income Statement**  
**For the Six-Month Period Ended 30 June 2008**

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)			
		CURRENT PERIOD 1 January 2008- 30 June 2008	PRIOR PERIOD 1 January 2007- 30 June 2007	CURRENT PERIOD 1 April 2008- 30 June 2008	PRIOR PERIOD 1 April 2007- 30 June 2007
<b>I. INTEREST INCOME</b>	(5.4.1)	4,204,107	3,354,280	2,153,542	1,711,607
1.1 Interest income on loans		2,627,054	1,900,555	1,354,196	1,008,751
1.2 Interest income on reserve deposits		98,369	85,102	49,670	43,295
1.3 Interest income on banks		134,832	111,174	61,732	52,097
1.4 Interest income on money market transactions		2,090	2,206	1,119	1,307
1.5 Interest income on securities portfolio		1,251,047	1,063,786	641,511	529,243
1.5.1 Trading financial assets		6,290	11,758	2,553	6,067
1.5.2 Financial assets valued at fair value through profit or loss		-	-	-	-
1.5.3 Financial assets available-for-sale		947,688	724,199	459,488	303,471
1.5.4 Investments held-to-maturity		297,069	327,829	179,470	219,705
1.6 Financial lease income		-	-	-	-
1.7 Other interest income		90,715	191,457	45,314	76,914
<b>II. INTEREST EXPENSE</b>	(5.4.2)	2,609,117	2,058,907	1,328,623	1,043,250
2.1 Interest on deposits		1,832,771	1,433,324	944,270	725,998
2.2 Interest on funds borrowed		336,977	275,508	162,184	135,160
2.3 Interest on money market transactions		434,956	345,298	220,210	179,586
2.4 Interest on securities issued		-	-	-	-
2.5 Other interest expenses		4,413	4,777	1,959	2,506
<b>III. NET INTEREST INCOME (I - II)</b>		<b>1,594,990</b>	<b>1,295,373</b>	<b>824,919</b>	<b>668,357</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>734,305</b>	<b>585,477</b>	<b>354,797</b>	<b>295,249</b>
4.1 Fees and commissions received		938,579	773,240	467,846	399,880
4.1.1 Non-cash loans		54,539	51,775	29,194	25,588
4.1.2 Others		884,040	721,465	438,652	374,292
4.2 Fees and commissions paid		204,274	187,763	113,049	104,631
4.2.1 Non-cash loans		151	162	98	86
4.2.2 Others		204,123	187,601	112,951	104,545
<b>V. DIVIDEND INCOME</b>	(5.4.3)	<b>74,132</b>	<b>46,969</b>	<b>74,039</b>	<b>46,660</b>
<b>VI. NET TRADING INCOME/LOSSES (Net)</b>	(5.4.4)	<b>109,972</b>	<b>(51,002)</b>	<b>20,182</b>	<b>(14,581)</b>
6.1 Trading account income/losses (Net)		14,924	(254,152)	(36,725)	(155,084)
6.2 Foreign exchange gains/losses (Net)		95,048	203,150	56,907	140,503
<b>VII. OTHER OPERATING INCOME</b>	(5.4.5)	<b>248,886</b>	<b>841,506</b>	<b>64,346</b>	<b>782,188</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>2,762,285</b>	<b>2,718,323</b>	<b>1,338,283</b>	<b>1,777,873</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	(5.4.6)	<b>225,496</b>	<b>167,901</b>	<b>(28,900)</b>	<b>93,260</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(5.4.7)	<b>1,322,020</b>	<b>814,490</b>	<b>737,178</b>	<b>430,869</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>1,214,769</b>	<b>1,735,932</b>	<b>630,005</b>	<b>1,253,744</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-	-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		-	-	-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-	-	-
<b>XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)</b>	(5.4.8)	<b>1,214,769</b>	<b>1,735,932</b>	<b>630,005</b>	<b>1,253,744</b>
<b>XVI. PROVISION FOR TAXES (±)</b>	(5.4.9)	<b>219,500</b>	<b>233,000</b>	<b>88,000</b>	<b>128,300</b>
16.1 Current tax charge		228,615	254,226	103,943	152,594
16.2 Deferred tax charge/(credit)		(9,115)	(21,226)	(15,943)	(24,294)
<b>XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV+XVI)</b>	(5.4.10)	<b>995,269</b>	<b>1,502,932</b>	<b>542,005</b>	<b>1,125,444</b>
<b>XVIII. 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. 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. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)</b>	(5.4.8)	-	-	-	-
<b>XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	(5.4.9)	-	-	-	-
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge/(credit)		-	-	-	-
<b>XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX+XXI)</b>	(5.4.10)	-	-	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(5.4.11)	<b>995,269</b>	<b>1,502,932</b>	<b>542,005</b>	<b>1,125,444</b>
<b>EARNINGS PER SHARE (full YTL amount per YTL'000 face value each)</b>		<b>474</b>	<b>716</b>	<b>258</b>	<b>536</b>

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

**Türkiye Garanti Bankası Anonim Şirketi**  
**Statement of Income/Expense Items Accounted under Shareholders' Equity**  
**For the Six-Month Period Ended 30 June 2008**

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF NEW TURKISH LIRA (YTL)	
	CURRENT PERIOD	PRIOR PERIOD
	30 June 2008	30 June 2007
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	(680,466)	22,496
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	24,140	(12,181)
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	(33,038)	(5,744)
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(28,885)	14,394
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	40,458	11,918
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	108,058	(10,816)
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	(569,733)	20,067
XI. CURRENT PERIOD PROFIT/LOSSES	995,269	1,502,932
1.1 Net changes in fair value of securities (transferred to income statement)	4,504	2,770
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	990,765	1,500,162
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	425,536	1,522,999

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi  
Statement of Changes in Shareholders' Equity  
For the Six-Month Period Ended 30 June 2008

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		THOUSANDS OF NEW TURKISH LIRA (TL)																
	Features	Paid-in Capital	Reserves from Inflation Adjs. to Paid-in Capital	Share Premium	Share Cancellations	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase/Decrease	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Acq. Rev. Surp. on Assets Held for Sale and Assets of Discont. Ops	Total Shareholders' Equity	
<b>PERIOD PERIOD</b>																		
<b>(06/2007)</b>																		
L	Balance at beginning of the period	2,100,000	772,554	-	-	92,134	-	60,953	27,499	-	1,063,643	60,843	2,107	4,698	-	-	4,676,276	
LI	Correction made on per TAS 9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.3	Adjusted balance at beginning of the period (1+1)	2,100,000	772,554	-	-	92,134	-	60,953	27,499	-	1,063,643	60,843	2,107	4,698	-	-	4,676,276	
<b>Changes during the period</b>																		
IV	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V	Market's other changes of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7.1	Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8.1	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8.2	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX	Share of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X	Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII	Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII	Effect of change in valuation of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV	Capital income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2	Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV	Share income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI	Share contributions profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIX	Current period net profit/loss	-	-	-	-	-	-	-	-	1,563,932	(1,063,643)	1,515	29,864	4,698	-	-	1,563,932	
20.1	Dividends	-	-	-	-	-	-	-	-	-	(1,063,643)	-	29,864	-	-	-	1,563,932	
20.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	(219,319)	-	-	-	-	-	(219,319)	
20.3	Others	-	-	-	-	-	-	-	-	-	(418,827)	-	-	-	-	-	(418,827)	
	Balance at end of the period (1+1+19+20+XIX+XX)	2,100,000	772,554	-	-	156,487	-	1,353,965	(18,222)	1,563,932	-	73,364	29,864	4,698	5,771	-	5,973,771	
<b>CURRENT PERIOD</b>																		
<b>(06/2008)</b>																		
L	Balance at beginning of the period	2,100,000	772,554	-	-	156,211	-	1,278,639	(1,715)	-	2,313,616	206,857	29,864	2,453	24,590	-	4,883,1	
II	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III	Market's other changes of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7.1	Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8.1	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8.2	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX	Share of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X	Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII	Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII	Effect of change in valuation of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV	Capital income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2	Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV	Share income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI	Share contributions profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIX	Current period net profit/loss	-	-	-	-	-	-	-	-	993,269	(2,313,616)	(53,737)	29,864	2,453	24,590	-	6,883,1	
20.1	Dividends	-	-	-	-	-	-	-	-	-	(219,319)	-	29,864	-	-	-	(219,319)	
20.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	(418,827)	-	-	-	-	-	(418,827)	
20.3	Others	-	-	-	-	-	-	-	-	-	(21,717)	-	-	-	-	-	(21,717)	
	Balance at end of the period (1+1+19+20+XIX+XX)	2,100,000	772,554	-	-	156,487	-	1,353,965	(18,222)	1,563,932	-	73,364	29,864	4,698	5,771	-	5,973,771	
<b>PERIOD PERIOD</b>																		
<b>(06/2008)</b>																		
L	Balance at beginning of the period	2,100,000	772,554	-	-	156,211	-	1,278,639	(1,715)	-	2,313,616	206,857	29,864	2,453	24,590	-	4,883,1	
II	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III	Market's other changes of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7.1	Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8.1	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8.2	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX	Share of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X	Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII	Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII	Effect of change in valuation of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV	Capital income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2	Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV	Share income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI	Share contributions profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIX	Current period net profit/loss	-	-	-	-	-	-	-	-	993,269	(2,313,616)	(53,737)	29,864	2,453	24,590	-	6,883,1	
20.1	Dividends	-	-	-	-	-	-	-	-	-	(219,319)	-	29,864	-	-	-	(219,319)	
20.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	(418,827)	-	-	-	-	-	(418,827)	
20.3	Others	-	-	-	-	-	-	-	-	-	(21,717)	-	-	-	-	-	(21,717)	
	Balance at end of the period (1+1+19+20+XIX+XX)	2,100,000	772,554	-	-	156,487	-	1,353,965	(18,222)	1,563,932	-	73,364	29,864	4,698	5,771	-	5,973,771	

# Türkiye Garanti Bankası Anonim Şirketi

## Statement of Cash Flows

For the Six-Month Period Ended 30 June 2008

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)	
		CURRENT PERIOD	PRIOR PERIOD
		30 June 2008	30 June 2007
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>I.1 Operating profit before changes in operating assets and liabilities</b>		<b>1,419,420</b>	<b>2,020,438</b>
1.1.1 Interests received		4,153,661	3,170,963
1.1.2 Interests paid		(2,516,264)	(1,930,808)
1.1.3 Dividend received		74,132	46,969
1.1.4 Fees and commissions received		1,009,652	817,681
1.1.5 Other income		89,912	1,401,340
1.1.6 Collections from previously written-off loans and other receivables		11,712	11,158
1.1.7 Payments to personnel and service suppliers		(885,935)	(570,132)
1.1.8 Taxes paid		(31,991)	(23,820)
1.1.9 Others	(5.6)	(485,459)	(902,913)
<b>I.2 Changes in operating assets and liabilities</b>		<b>(1,016,042)</b>	<b>(2,207,473)</b>
1.2.1 Net (increase) decrease in financial assets held for trading		(59,805)	10,605
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		(619,303)	(1,023,533)
1.2.4 Net (increase) decrease in loans		(7,273,168)	(5,642,008)
1.2.5 Net (increase) decrease in other assets		1,656,782	(791,781)
1.2.6 Net increase (decrease) in bank deposits		(50,820)	453,861
1.2.7 Net increase (decrease) in other deposits		4,569,474	2,864,201
1.2.8 Net increase (decrease) in funds borrowed		1,041,896	1,229,549
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(5.6)	(281,098)	691,633
<b>I. Net cash flow from banking operations</b>		<b>403,378</b>	<b>(187,035)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>		<b>(1,578,749)</b>	<b>(733,149)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-	-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	(55,238)
2.3 Purchases of tangible assets		(146,338)	(106,779)
2.4 Sales of tangible assets		117,911	10,402
2.5 Cash paid for purchase of financial assets available-for-sale		(5,101,154)	(3,211,455)
2.6 Cash obtained from sale of financial assets available-for-sale		3,165,779	2,566,636
2.7 Cash paid for purchase of investments held-to-maturity		-	-
2.8 Cash obtained from sale of investments held-to-maturity		385,053	63,285
2.9 Others	(5.6)	-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>628,166</b>	<b>(258,209)</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		-	(219,319)
3.5 Payments for financial leases		(49,481)	(38,890)
3.6 Others (payments for founder shares repurchased)	(5.6)	(1,434,233)	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(5.6)	<b>(53,233)</b>	<b>268,695</b>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>		<b>(600,438)</b>	<b>(909,698)</b>
<b>VI. Cash and cash equivalents at beginning of period</b>		<b>3,417,495</b>	<b>2,987,300</b>
<b>VII. Cash and cash equivalents at end of period</b>		<b>2,817,057</b>	<b>2,077,602</b>

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

### **3 Accounting policies**

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

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for the securities at fair value through profit or loss, securities available for sale, investments in associates and subsidiaries that are quoted on the stock exchanges and assets held for sale which are presented on a fair value basis.

The accounting policies and the valuation principles applied in the preparation of the accompanying 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 the use of financial instruments and foreign currency transactions**

##### **3.2.1 Strategy for the use of financial instruments**

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

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

The fundamental strategy to manage the liquidity risk is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The Bank's widespread and effective branch network, advantage of primary dealership and strong market share in the treasury and capital markets, are 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 management of interest and liquidity risks on balance sheet is product diversification both on asset and liability sides.

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

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

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

### **3.2.2 Foreign currency transactions**

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

Foreign currency differences arising from the conversion of the net investments in associates and subsidiaries in foreign countries into YTL are classified as "securities value increase fund" under the shareholders' equity. Non-derivative liabilities are designated as the hedge of net investment in foreign operations and the Bank recognizes the effective portion of changes in the fair value of the hedging instrument under the shareholders' equity in "hedging reserves".

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

### **3.3 Investments in associates and subsidiaries**

The unconsolidated investments in associates and subsidiaries are accounted in accordance with the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement". Investments in companies quoted in organized markets and for which their fair values can be reliably determined, are valued at their fair values. Others are valued at costs reduced by provisions for impairment losses, if any, in the accompanying financial statements.

### **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.

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

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

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

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

### **3.6 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 initially recorded at their purchase costs including the transaction costs.

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

*Assets available-for-sale*, are financial assets other than assets held for trading purposes, investments held-to-maturity and 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 by the Bank providing money, commodity and services to debtors.

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

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 than their carrying values, a provision for impairment is allocated, and the net value is shown on the balance sheet.

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

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

### **3.10 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. 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. The funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis.

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

### **3.11 Assets held for sale and discontinued operations**

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

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

### **3.12 Goodwill and other intangible assets**

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

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

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Assets purchased before 2005 are amortised over their estimated useful lives on a straight-line basis. Since 1 January 2005, newly purchased assets are amortised based on the declining balance which is one of the accelerated amortisation methods.

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

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

### 3.13 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 compliance with the Turkish Accounting Standard 16 (TAS 16) "Tangible Assets".

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

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

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

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

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

The depreciation rates and the estimated useful lives of tangible assets are:

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

Tangible assets purchased before 2005 are depreciated over their estimated useful lives on a straight-line basis from the date of their acquisition. Since 1 January 2005, newly purchased tangible assets are depreciated based on the declining balance which is one of the accelerated depreciation methods.

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

### 3.14 Leasing activities

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

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

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

### 3.15 Provisions and contingent liabilities

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

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

### 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. If an inflow of economic benefits to the Bank 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 Employee benefits

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

As per the existing labour law in Turkey, the Bank is 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 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:

	30 June 2008	31 December 2007
Discount Rate	11.00%	11.00%
Expected Rate of Salary/Limit	5.00%	5.00%
Estimated Employee Turnover Rate	5.81%	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:

	30 June 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") 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 funds' members and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the Social Security Foundation ("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 Social Security Law No. 5754 ("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 SDIF, 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.

The Bank obtained an actuarial report dated 13 May 2008 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the 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 2007.

The asset surplus of the Fund after deducting the net present value of the transferable liabilities as of 31 December 2007 is as follows:

Pension and medical benefits transferable to SSF	(319,418)
Fair value of plan assets	<u>469,931</u>
Asset surplus	<u>150,513</u>

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.

Accordingly, an actuarial report was prepared as of 31 December 2007 as per the requirements of the Law 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 13 May 2008 dated report, the Bank recognized a provision amounting YTL 164,598 thousands for its liability and charged fully as expense in the accompanying financial statements.

Pension benefits	(109,080)
Medical benefits	<u>(206,031)</u>
	(315,111)
Fair value of plan assets after deducting transferable benefits	<u>150,513</u>
Present value of defined benefit obligation	<u>(164,598)</u>

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

	31.12.2007
	%
Discount Rate	16.77-10.17
Inflation Rate	8-4.85
Future Real Salary Increase Rate	1.5
Medical Cost Trend Rate	12.8-7.76
Future Pension Increase Rates	8-4.85

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

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

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 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.

Effective from 1 January 2006, the article 2 of the Law no.5479 published in the Official Gazette dated 8 April 2006 with no.26133 and the article 19 of the Income Tax Law that used to regulate the investment incentives are abolished. However, the provisional article 69 added to the Income Tax Law through this law regulates the transition period in application of investment incentives.

### **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.

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

### **3.19 Funds borrowed**

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

There are no convertible bonds or any other securities issued.

**3.20 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 30 June 2008, the Bank does 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 is as follows as of 30 June 2008:*

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Total Operating Profit	783,595	1,045,053	609,851	249,654	2,688,153
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>783,595</b>	<b>1,045,053</b>	<b>609,851</b>	<b>249,654</b>	<b>2,688,153</b>
Net Operating Profit	535,186	591,401	267,901	(253,851)	1,140,637
Income from Associates, Subsidiaries and Joint-Ventures	-	-	-	74,132	74,132
<b>Net Operating Profit</b>	<b>535,186</b>	<b>591,401</b>	<b>267,901</b>	<b>(179,719)</b>	<b>1,214,769</b>
Provision for Taxes	-	-	-	219,500	219,500
<b>Net Profit</b>	<b>535,186</b>	<b>591,401</b>	<b>267,901</b>	<b>(399,219)</b>	<b>995,269</b>
Segment Assets	15,770,632	28,933,057	26,250,644	2,788,823	73,743,156
Investments in Associates, Subsidiaries and Joint-Ventures	-	-	-	724,636	724,636
Undistributed Items	-	-	-	-	-
<b>Total Assets</b>	<b>15,770,632</b>	<b>28,933,057</b>	<b>26,250,644</b>	<b>3,513,459</b>	<b>74,467,792</b>
Segment Liabilities	26,591,242	17,831,872	20,027,688	2,030,688	66,481,490
Shareholders' Equity	-	-	-	7,986,302	7,986,302
Undistributed Items	-	-	-	-	-
<b>Total Liabilities and Shareholders' Equity</b>	<b>26,591,242</b>	<b>17,831,872</b>	<b>20,027,688</b>	<b>10,016,990</b>	<b>74,467,792</b>
<b>Other Segment Items</b>					
Capital Expenditure	-	-	-	121,376	121,376
Depreciation Expenses	-	-	-	80,824	80,824
Impairment Losses	-	-	969	224,527	225,496
Other Non-Cash Income/Expenses	31,126	97,974	(66,680)	12,110	74,530
Restructuring Costs	-	-	-	-	-

### 3.24 Other disclosures

Leasehold improvements amounting YTL 85,129 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".

Commissions received for cash loans amounting YTL 44,441 thousands are classified to "interest income on loans" and commissions paid for funds borrowed amounting YTL 13,368 thousands are classified to "interest expense on funds borrowed" as of 30 June 2007.

Due to method change in valuation of derivative instruments, YTL 210,312 thousands is reclassified from "trading account gains/(losses)" to "foreign exchange gains/(losses)" as of 30 June 2007.

## **4 Financial position and results of operations**

### **4.1 Capital adequacy ratio**

The Bank's unconsolidated capital adequacy ratio is 14.89%.

#### **4.1.1 Risk measurement methods in calculation of capital adequacy ratio**

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

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

The items deducted from the capital base are not included in the calculation of risk weighted assets, 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 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 Capital adequacy ratio

	Risk Weightings						
	0%	10%	20%	50%	100%	150%	200%
<b>Value at Credit Risk</b>							
<b>Balance Sheet Items (Net)</b>	<b>11,958,182</b>	-	<b>2,827,740</b>	<b>11,143,940</b>	<b>32,903,589</b>	<b>583,300</b>	<b>5,519</b>
Cash on Hand	445,462	-	2,469	-	-	-	-
Securities in Redemption	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	1,038,526	-	-	-	-	-	-
Domestic and Foreign Banks, Foreign Headoffices and Branches	602,500	-	2,402,909	-	886,288	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-	-	-	-
Reserve Deposits	3,011,342	-	-	-	-	-	-
Loans	2,678,992	-	173,786	11,022,781	29,188,021	583,300	5,519
Loans under Follow-Up (Net)	-	-	-	-	392,357	-	-
Lease Receivables	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-
Investments Held-to-Maturity	3,370,957	-	-	-	-	-	-
Receivables from Term Sale of Assets	-	-	-	-	42,966	-	-
Miscellaneous Receivables	20,120	-	-	-	91,421	-	-
Accrued Interest and Income	214,867	-	67,517	121,159	527,530	-	-
Investments in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	-	712,906	-	-
Tangible Assets (Net)	-	-	-	-	1,021,233	-	-
Other Assets	575,416	-	181,059	-	40,867	-	-
<b>Off-Balance Sheet Items</b>	<b>1,367,683</b>	-	<b>1,531,904</b>	<b>611,974</b>	<b>8,629,337</b>	-	-
Non-Cash Loans and Commitments	1,367,683	-	1,181,767	611,974	8,594,832	-	-
Derivative Financial Instruments	-	-	350,137	-	34,505	-	-
<b>Non-Risk-Weighted Accounts</b>	-	-	-	-	-	-	-
<b>Total Risk-Weighted Assets</b>	<b>13,325,865</b>	-	<b>4,359,644</b>	<b>11,755,914</b>	<b>41,532,926</b>	<b>583,300</b>	<b>5,519</b>

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

	Current Period	Prior Period
Value at Credit Risk	49,168,800	41,927,303
Value at Market Risk	2,809,238	579,538
Value at Operational Risk	5,766,996	4,520,072
Shareholders' Equity	8,597,830	7,206,570
Shareholders' Equity/ (VaCR+VaMR+VaOR)*100 (*)	14.89%	15.32%

(\*) VaCR: Value at Credit Risk  
VaMR: Value at Market Risk  
VaOR: Value at Operational Risk

#### 4.1.4 Components of shareholders' equity items

	Current Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	2,100,000	2,100,000
Nominal Capital	2,100,000	2,100,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	772,554	772,554
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	272,090	156,211
I. Legal Reserve (Turkish Commercial Code 466/1)	253,300	137,421
II. Legal Reserve (Turkish Commercial Code 466/2)	18,790	18,790
Reserves Allocated as per Special Legislations	-	-
Status Reserves	-	-
Extraordinary Reserves	1,470,724	1,275,689
Reserve allocated as per the Decision held by the General Assembly	1,470,724	1,275,689
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Differences on Foreign Currency Capital	-	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	2,111,880	-
Profit	995,269	2,315,616
Current Period Profit	995,269	2,315,616
Prior Periods Profit	-	-
Provision for Possible Losses (upto 25% of Core Capital)	22,000	32,000
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	594,943	27,717
Primary Subordinated Debt (upto 15% of Core Capital)	-	-
Loss Excess of Reserves (-)	-	-
Current Period Loss	-	-
Prior Periods Loss	-	-
Leasehold Improvements (-)	-	85,128
Prepaid Expenses (-)	291,506	231,262
Intangible Assets (-)	13,270	11,886
Deferred Tax Asset excess of 10% of Core Capital (-)	-	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-	-
<b>Total Core Capital</b>	<b>8,339,460</b>	<b>6,679,787</b>

<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	375,698	280,660
45% of Revaluation Surplus on Movables	-	-
45% of Revaluation Surplus on Immovables	966	966
Bonus shares of Associates, Subsidiaries and Joint-Ventures	2,453	2,453
Primary Subordinated Debt excluding the Portion included in Core Capital	-	-
Secondary Subordinated Debt	602,500	580,000
45% of Securities Value Increase Fund (*)	(346,507)	85,510
Associates and Subsidiaries	27,751	(5,312)
Investment Securities Available for Sale	(374,258)	90,822
Other Reserves	2,560	(1,715)
<b>Total Supplementary Capital</b>	<b>637,670</b>	<b>947,874</b>
<b>TIER III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>8,977,130</b>	<b>7,627,661</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>379,300</b>	<b>421,091</b>
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at 10% or more	11,730	11,730
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	-	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained more than Five Years	62,794	81,085
Others	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>8,597,830</b>	<b>7,206,570</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 it is negative then the whole amount is considered in the calculation.

#### 4.2 Credit risk

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 4.3 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 revisited 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

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	170,567
(II) Capital Obligation against Specific Risks - Standard Method	35,200
(III) Capital Obligation against Currency Risk - Standard Method	7,201
(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	11,771
(VII) Capital Obligation against Market Risks of Banks applying Risk Measurement	-
(VIII) Total Capital Obligation against Market Risk (I+II+III+IV+V+VI)	224,739
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	2,809,238

#### 4.3.2 Monthly average values at market risk

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

#### 4.4 Operational risk

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

#### 4.5 Currency risk

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 30 June 2008, the Bank’s net ‘on balance sheet’ foreign currency short position amounts to YTL 2,689,315 thousands (31 December 2007: YTL 1,099,543 thousands, a net foreign currency short position), net ‘off-balance sheet’ foreign currency long position amounts to YTL 2,975,246 thousands (31 December 2007: YTL 983,320 thousands), while net foreign currency long position amounts to YTL 285,931 thousands (31 December 2007: YTL 116,223 thousands, a net foreign currency short position).

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

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

	USD	EUR	Yen (100)	GBP
<b>Foreign currency purchase rates at balance sheet date</b>	1.2050	1.8996	1.1375	2.4017
<b><u>Rates for the days before balance sheet date:</u></b>				
Day 1	1.2100	1.9059	1.1397	2.4097
Day 2	1.2100	1.9054	1.1382	2.4069
Day 3	1.2050	1.8972	1.1240	2.3961
Day 4	1.2000	1.8686	1.1099	2.3630
Day 5	1.2150	1.8970	1.1308	2.3957
<b>Last 30-days arithmetical average rates</b>	1.2176	1.8962	1.1401	2.3954

**Currency risk:**

	Euro	USD	Yen	Other FCs	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	61,496	3,158,233	147	31,727	3,251,603
Banks	563,753	1,452,514	1,499	123,566	2,141,332
Financial Assets at Fair Value through Profit/Loss	8,186	42,463	127	5	50,781
Interbank Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale	144,047	2,763,925	-	-	2,907,972
Loans (*)	6,949,854	12,104,293	21,337	457,236	19,532,720
Investments in Associates, Subsidiaries and Joint-Ventures	422,327	59,048	-	-	481,375
Investments Held-to-Maturity	4,829	245,376	-	-	250,205
Derivative Financial Assets Held for Risk Management	-	2,550	-	-	2,550
Tangible Assets	-	546	-	-	546
Intangible Assets	-	-	-	-	-
Other Assets	12,853	42,684	1	562	56,100
<b>Total Assets</b>	<b>8,167,345</b>	<b>19,871,632</b>	<b>23,111</b>	<b>613,096</b>	<b>28,675,184</b>
<b>Liabilities</b>					
Bank Deposits	189,306	730,674	10	38,456	958,446
Foreign Currency Deposits	8,884,792	11,981,412	91,700	395,187	21,353,091
Interbank Money Market Takings	-	535,196	-	-	535,196
Other Fundings	1,739,750	6,368,270	913	-	8,108,933
Securities Issued	-	-	-	-	-
Miscellaneous Payables	8,505	10,224	-	2,687	21,416
Derivative Financial Liabilities Held for Risk Management	3,545	443	-	-	3,988
Other Liabilities (**)	109,587	155,488	8,252	110,103	383,430
<b>Total Liabilities</b>	<b>10,935,485</b>	<b>19,781,707</b>	<b>100,875</b>	<b>546,433</b>	<b>31,364,500</b>
<b>Net 'On Balance Sheet' Position</b>	<b>(2,768,140)</b>	<b>89,925</b>	<b>(77,764)</b>	<b>66,663</b>	<b>(2,689,316)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>2,597,813</b>	<b>367,460</b>	<b>76,237</b>	<b>(66,264)</b>	<b>2,975,246</b>
Derivative Assets	4,111,708	6,927,812	145,804	467,491	11,652,815
Derivative Liabilities	1,513,895	6,560,352	69,567	533,755	8,677,569
Non-Cash Loans	-	-	-	-	-
<b>Prior Period</b>					
<b>Total Assets</b>	<b>10,231,019</b>	<b>16,278,547</b>	<b>27,217</b>	<b>413,608</b>	<b>26,950,391</b>
<b>Total Liabilities</b>	<b>9,100,595</b>	<b>18,341,518</b>	<b>63,301</b>	<b>544,520</b>	<b>28,049,934</b>
<b>Net 'On Balance Sheet' Position</b>	<b>1,130,424</b>	<b>(2,062,971)</b>	<b>(36,084)</b>	<b>(130,912)</b>	<b>(1,099,543)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(1,086,320)</b>	<b>1,893,946</b>	<b>36,273</b>	<b>139,421</b>	<b>983,320</b>
Derivative Assets	667,582	4,871,412	165,317	549,626	6,253,937
Derivative Liabilities	1,753,902	2,977,466	129,044	410,205	5,270,617
Non-Cash Loans	-	-	-	-	-

(\*) The foreign currency-indexed loans amounting YTL 2,074,249 thousands included under YTL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

(\*\*) Other liabilities also include gold deposits of YTL 103,331 thousands.

## 4.6 Interest rate risk

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

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

Measurements for standard method are carried out monthly using the maturity ladder table, while measurements for VaR calculations are done daily. Asset-liability risk measurement model is 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 mismatch for the Bank "Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates"

Current Period	Up to 1 Month	1-3 Months	3-12 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	3,058,169	-	-	-	-	1,486,457	4,544,626
Banks	1,891,239	307,977	1,319,272	37,353	-	407,431	3,963,272
Financial Assets at Fair Value through Profit/Loss	59,115	86,368	81,775	64,855	24,694	10,554	327,361
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	1,380,128	4,385,264	2,987,504	4,396,991	1,105,313	81,111	14,336,311
Loans	13,934,186	8,086,332	10,863,520	8,829,794	2,597,501	392,356	44,703,689
Investments Held-to-Maturity	511,370	2,304,505	170,164	525,182	-	-	3,511,221
Other Assets	20,927	5,079	5,632	4,063	23,286	3,022,325	3,081,312
<b>Total Assets</b>	<b>20,855,134</b>	<b>15,175,525</b>	<b>15,427,867</b>	<b>13,858,238</b>	<b>3,750,794</b>	<b>5,400,234</b>	<b>74,467,792</b>
<b>Liabilities</b>							
Bank Deposits	929,963	118,541	108,046	-	-	383,567	1,540,117
Other Deposits	29,099,426	2,627,711	1,550,856	70,870	-	8,766,870	42,115,733
Interbank Money Market Takings	6,908,765	209,313	-	194,932	593,728	-	7,906,738
Miscellaneous Payables	-	-	-	-	-	2,053,666	2,053,666
Securities Issued	-	-	-	-	-	-	-
Other Fundings	5,300,515	1,905,184	2,101,928	908,140	-	-	10,215,767
Other Liabilities	103,288	101,838	57,498	16,339	75,261	10,281,547	10,635,771
<b>Total Liabilities</b>	<b>42,341,957</b>	<b>4,962,587</b>	<b>3,818,328</b>	<b>1,190,281</b>	<b>668,989</b>	<b>21,485,650</b>	<b>74,467,792</b>
<b>On Balance Sheet Long Position</b>	-	<b>10,212,938</b>	<b>11,609,539</b>	<b>12,667,957</b>	<b>3,081,805</b>	-	<b>37,572,239</b>
<b>On Balance Sheet Short Position</b>	<b>(21,486,823)</b>	-	-	-	-	<b>(16,085,416)</b>	<b>(37,572,239)</b>
<b>Off-Balance Sheet Long Position</b>	-	<b>7,257</b>	<b>2,742</b>	<b>2,395</b>	-	-	<b>12,394</b>
<b>Off-Balance Sheet Short Position</b>	-	<b>(7,256)</b>	<b>(7,030)</b>	<b>(1,345)</b>	-	-	<b>(15,631)</b>
<b>Total Position</b>	<b>(21,486,823)</b>	<b>10,212,939</b>	<b>11,605,251</b>	<b>12,669,007</b>	<b>3,081,805</b>	<b>(16,085,416)</b>	<b>(3,237)</b>

*Average interest rates on monetary financial instruments:*

Current 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	-	1.00	-	12.18
Banks (*)	4.62	3.89	-	11.21
Financial Assets at Fair Value through Profit/Loss	5.71	8.50	-	20.05
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	5.30	6.68	-	18.54
Loans	6.97	6.21	3.60	22.72
Investments Held-to-Maturity	9.25	12.10	-	19.06
<b>Liabilities</b>				
Bank Deposits	5.81	4.14	-	17.80
Other Deposits	3.45	2.90	0.45	14.56
Interbank Money Market Takings	-	3.15	-	16.71
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	5.10	3.81	1.00	14.06

(\*) The interest rates for USD and YTL placements at banks are 3.16% and 19.31%, respectively, when the placements with range accrual agreements are excluded.

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

Prior Period	Up to 1 Month	1-3 Months	3-12 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	4,907,841	-	-	-	-	2,320,026	7,227,867
Banks	1,396,552	522,974	917,835	35,120	-	260,502	3,132,983
Financial Assets at Fair Value through Profit/Loss	21,557	29,887	31,836	21,566	40,794	-	145,640
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	1,329,977	3,838,532	1,803,631	4,540,522	1,507,388	82,424	13,102,474
Loans	9,470,750	7,004,673	7,879,424	9,776,230	2,779,794	307,015	37,217,886
Investments Held-to-Maturity	662,039	2,471,920	168,692	641,114	-	-	3,943,765
Other Assets	48,306	277	4,089	5,409	25,818	2,723,968	2,807,867
<b>Total Assets</b>	<b>17,837,022</b>	<b>13,868,263</b>	<b>10,805,507</b>	<b>15,019,961</b>	<b>4,353,794</b>	<b>5,693,935</b>	<b>67,578,482</b>
<b>Liabilities</b>							
Bank Deposits	1,108,718	53,403	6,023	47,339	39,437	332,631	1,587,551
Other Deposits	25,475,339	3,723,160	1,216,706	52,238	-	7,043,108	37,510,551
Interbank Money Market Takings	6,942,341	278,547	384,561	571,442	-	-	8,176,891
Miscellaneous Payables	-	-	-	-	-	1,831,565	1,831,565
Securities Issued	-	-	-	-	-	-	-
Other Fundings	5,240,621	2,015,014	1,600,391	299,018	-	-	9,155,044
Other Liabilities	140,219	130,560	139,570	22,199	73,715	8,810,617	9,316,880
<b>Total Liabilities</b>	<b>38,907,238</b>	<b>6,200,684</b>	<b>3,347,251</b>	<b>992,236</b>	<b>113,152</b>	<b>18,017,921</b>	<b>67,578,482</b>
<b>On Balance Sheet Long Position</b>	-	<b>7,667,579</b>	<b>7,458,256</b>	<b>14,027,725</b>	<b>4,240,642</b>	-	<b>33,394,202</b>
<b>On Balance Sheet Short Position</b>	<b>(21,070,216)</b>	-	-	-	-	<b>(12,323,986)</b>	<b>(33,394,202)</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>(21,067,692)</b>	<b>7,646,975</b>	<b>7,455,210</b>	<b>14,027,725</b>	<b>4,240,642</b>	<b>(12,323,986)</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 (*)	4.02	5.59	-	22.65
Financial Assets at Fair Value through Profit/Loss	6.49	7.98	-	18.94
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	5.64	7.93	-	17.62
Loans	6.47	7.20	2.31	23.71
Investments Held-to-Maturity	9.11	9.47	-	20.09
<b>Liabilities</b>				
Bank Deposits	5.65	5.65	-	16.65
Other Deposits	2.90	3.92	0.48	14.73
Interbank Money Market Takings	-	5.20	-	15.44
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	4.91	5.72	1.85	13.66

(\*) 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 Liquidity risk

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

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

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 liquidity ratios in the first half of 2008 and the year of 2007 are as follows:

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + YTL	FC	FC + YTL
Average (%)	164.82	153.06	111.49	108.92
Maximum (%)	190.52	179.94	126.94	119.49
Minimum (%)	137.44	128.00	101.98	101.04

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	1,486,457	3,058,169	-	-	-	-	-	4,544,626
Banks	407,431	1,501,058	5,426	67,267	1,369,137	612,953	-	3,963,272
Financial Assets at Fair Value through Profit/Loss	10,554	59,094	80,475	81,762	67,388	28,088	-	327,361
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	81,110	357,839	439,956	1,643,247	9,453,114	2,361,045	-	14,336,311
Loans	99,290	9,782,288	5,121,967	6,907,644	13,415,659	8,984,484	392,357	44,703,689
Investments Held-to-Maturity	-	-	-	170,164	3,341,057	-	-	3,511,221
Other Assets	692,846	173,337	5,079	5,632	4,063	23,286	2,177,069	3,081,312
<b>Total Assets</b>	<b>2,777,688</b>	<b>14,931,785</b>	<b>5,652,903</b>	<b>8,875,716</b>	<b>27,650,418</b>	<b>12,009,856</b>	<b>2,569,426</b>	<b>74,467,792</b>
<b>Liabilities</b>								
Bank Deposits	383,567	929,985	118,541	16,990	48,348	42,686	-	1,540,117
Other Deposits	8,766,870	29,092,030	2,580,995	1,484,097	98,047	93,694	-	42,115,733
Other Fundings	-	207,547	129,475	3,504,424	2,558,129	3,816,192	-	10,215,767
Interbank Money Market Takings	-	6,908,765	209,313	-	194,932	593,728	-	7,906,738
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	146,473	1,907,193	-	-	-	-	-	2,053,666
Other Liabilities (**)	982,358	234,755	159,626	57,498	16,339	75,261	9,109,934	10,635,771
<b>Total Liabilities</b>	<b>10,279,268</b>	<b>39,280,275</b>	<b>3,197,950</b>	<b>5,063,009</b>	<b>2,915,795</b>	<b>4,621,561</b>	<b>9,109,934</b>	<b>74,467,792</b>
<b>Liquidity Gap</b>	<b>(7,501,580)</b>	<b>(24,348,490)</b>	<b>2,454,953</b>	<b>3,812,707</b>	<b>24,734,623</b>	<b>7,388,295</b>	<b>(6,540,508)</b>	<b>-</b>
<b>Prior Period</b>								
<b>Total Assets</b>	<b>3,326,073</b>	<b>14,406,520</b>	<b>4,925,991</b>	<b>8,466,366</b>	<b>24,227,672</b>	<b>9,893,815</b>	<b>2,332,045</b>	<b>67,578,482</b>
<b>Total Liabilities</b>	<b>8,410,696</b>	<b>35,546,329</b>	<b>4,365,228</b>	<b>4,817,482</b>	<b>2,039,978</b>	<b>4,662,149</b>	<b>7,736,620</b>	<b>67,578,482</b>
<b>Liquidity Gap</b>	<b>(5,084,623)</b>	<b>(21,139,809)</b>	<b>560,763</b>	<b>3,648,884</b>	<b>22,187,694</b>	<b>5,231,666</b>	<b>(5,404,575)</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**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

## 5 Disclosures and Footnotes on Unconsolidated Financial Statements

### 5.1 Assets

#### 5.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Cash in YTL/Foreign Currency	285,141	132,133	244,772	200,258
Central Bank of Turkey	1,002,824	3,093,872	2,939,012	3,770,506
Others	5,058	25,598	3,180	70,139
<b>Total</b>	<b>1,293,023</b>	<b>3,251,603</b>	<b>3,186,964</b>	<b>4,040,903</b>

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

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Unrestricted Demand Deposits	17,178	1,021,349	2,777	1,798,900
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Deposits	985,646	2,072,523	2,936,235	1,971,606
<b>Total</b>	<b>1,002,824</b>	<b>3,093,872</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 11%, respectively as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey. Interest rates applied for reserve requirements by the Central Bank of Turkey are 12.18% for YTL deposits and 1.00% and 1.80% for foreign currency deposits in USD and EUR, respectively.

#### 5.1.2 Information on financial assets at fair value through profit/loss

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

None.

##### 5.1.2.2 *Positive differences on derivative financial assets held for trading*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Transactions	18,939	803	8,479	5,837
Swap Transactions	47,127	59,880	12,741	1,923
Futures	-	-	-	-
Options	42,683	5,969	18,931	1,474
Other	-	-	-	-
<b>Total</b>	<b>108,749</b>	<b>66,652</b>	<b>40,151</b>	<b>9,234</b>

### 5.1.3 Banks

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks				
Domestic banks	627,610	137,127	13,317	381,322
Foreign banks	1,194,330	2,004,205	791,548	1,946,796
Foreign headoffices and branches	-	-	-	-
<b>Total</b>	<b>1,821,940</b>	<b>2,141,332</b>	<b>804,865</b>	<b>2,328,118</b>

#### *Due from foreign banks:*

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.1.4 Financial assets available-for-sale

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

The collateralized financial assets available-for-sale in YTL consist of government bonds. The carrying values of such securities with total face value of YTL 2,089,380 thousands (31 December 2007: YTL 671,758 thousands) is YTL 1,965,069 thousands (31 December 2007: YTL 673,136 thousands). The related accrued interests and impairment losses amount to YTL 174,257 thousands (31 December 2007: YTL 54,535 thousands) and YTL 26,547 thousands (31 December 2007: YTL 50 thousands).

The collateralized financial assets available-for-sale in foreign currencies consist of eurobonds and other foreign currency government securities. The carrying values of such securities with total face value of USD 265,150,000 (31 December 2007: USD 407,350,000) is USD 264,339,366 (31 December 2007: USD 404,473,448). The related accrued interests and impairment losses amount to USD 4,370,160 (31 December 2007: USD 16,445,220) and USD 825,352 (31 December 2007: USD 34,938).

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Collateralised/Blocked Assets	2,112,779	322,800	727,621	488,225
Assets subject to Repurchase Agreements	6,319,289	388,889	5,867,904	527,840
<b>Total</b>	<b>8,432,068</b>	<b>711,689</b>	<b>6,595,525</b>	<b>1,016,065</b>

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

	Current Period	Prior Period
<b>Debt Securities</b>	<b>13,894,867</b>	<b>12,172,484</b>
Quoted at Stock Exchange	12,575,408	11,011,197
Unquoted at Stock Exchange	1,319,459	1,161,287
<b>Common Shares</b>	<b>31,605</b>	<b>31,497</b>
Quoted at Stock Exchange	12,743	12,743
Unquoted at Stock Exchange	18,862	18,754
<b>Value Increases/Impairment Losses (-)</b>	<b>409,839</b>	<b>898,493</b>
<b>Total</b>	<b>14,336,311</b>	<b>13,102,474</b>

As of 30 June 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 1,054,375 thousands (31 December 2007: YTL 1,039,423 thousands).

#### 5.1.5 Loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
<b>Direct Lendings to Shareholders</b>	<b>166</b>	<b>1,656</b>	<b>1</b>	<b>1,090</b>
Corporates	166	1,656	1	1,090
Individuals	-	-	-	-
<b>Indirect Lendings to Shareholders</b>	<b>95,268</b>	<b>179,055</b>	<b>61,738</b>	<b>168,482</b>
<b>Loans to Employees</b>	<b>59,982</b>	<b>-</b>	<b>50,014</b>	<b>-</b>
<b>Total</b>	<b>155,416</b>	<b>180,711</b>	<b>111,753</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 and Other Receivables under Follow-Up (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>43,094,257</b>	<b>-</b>	<b>1,167,541</b>	<b>49,534</b>
Discounted Bills	133,522	-	192	-
Export Loans	2,714,605	-	1,071	4,432
Import Loans	27,799	-	-	-
Loans to Financial Sector	1,416,702	-	-	-
Foreign Loans	685,008	-	-	-
Consumer Loans	8,618,664	-	546,914	-
Credit Cards	6,129,034	-	492,593	-
Precious Metal Loans	216,719	-	-	-
Other	23,152,204	-	126,771	45,102
<b>Specialization Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>43,094,257</b>	<b>-</b>	<b>1,167,541</b>	<b>49,534</b>

*Collaterals received for loans under follow-up:*

	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	2,074	6,799	-	8,873
Loans Collateralized by Mortgages	55,316	231,815	-	287,131
Loans Collateralized by Pledged Assets	42,398	97,762	-	140,160
Loans Collateralized by Cheques and Notes	15,626	151,518	-	167,144
Loans Collateralized by Other Collaterals	18,423	14,342	-	32,765
Unsecured Loans	43,731	44,678	492,593	581,002
<b>Total</b>	<b>177,568</b>	<b>546,914</b>	<b>492,593</b>	<b>1,217,075</b>

*Delinquency periods of loans under follow-up:*

Principals and Interests	Commercial Loans	Consumer Loans	Credit Cards	Total
Upto 30 days	64,589	314,418	333,038	712,045
30-60 days	38,990	153,662	114,463	307,115
60-90 days	24,455	78,834	45,092	148,381
<b>Total</b>	<b>128,034</b>	<b>546,914</b>	<b>492,593</b>	<b>1,167,541</b>

**5.1.5.3 Maturity analysis of cash loans**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**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>387,405</b>	<b>7,507,219</b>	<b>7,894,624</b>
Housing Loans	15,842	4,177,763	4,193,605
Automobile Loans	20,011	931,513	951,524
General Purpose Loans	351,552	2,397,943	2,749,495
Other	-	-	-
<b>Consumer Loans – FC-indexed</b>	<b>18,418</b>	<b>788,251</b>	<b>806,669</b>
Housing Loans	3,763	677,001	680,764
Automobile Loans	2,104	48,490	50,594
General Purpose Loans	12,551	62,760	75,311
Other	-	-	-
<b>Consumer Loans – FC</b>	<b>20</b>	<b>17,534</b>	<b>17,554</b>
Housing Loans	-	2,868	2,868
Automobile Loans	20	13,636	13,656
General Purpose Loans	-	1,030	1,030
Other	-	-	-
<b>Retail Credit Cards – YTL</b>	<b>6,369,004</b>	<b>53,193</b>	<b>6,422,197</b>
With Installment	2,721,238	53,179	2,774,417
Without Installment	3,647,766	14	3,647,780
<b>Retail Credit Cards – FC</b>	<b>10,715</b>	<b>5</b>	<b>10,720</b>
With Installment	550	5	555
Without Installment	10,165	-	10,165
<b>Personnel Loans – YTL</b>	<b>10,772</b>	<b>10,421</b>	<b>21,193</b>
Housing Loan	-	1,614	1,614
Automobile Loans	-	299	299
General Purpose Loans	10,772	8,508	19,280
Other	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>384</b>	<b>384</b>
Housing Loans	-	125	125
Automobile Loans	-	259	259
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans – FC</b>	<b>5</b>	<b>109</b>	<b>114</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	5	109	114
Other	-	-	-
<b>Personnel Credit Cards – YTL</b>	<b>23,986</b>	<b>278</b>	<b>24,264</b>
With Installment	18,113	278	18,391
Without Installment	5,873	-	5,873
<b>Personnel Credit Cards – FC</b>	<b>111</b>	<b>-</b>	<b>111</b>
With Installment	17	-	17
Without Installment	94	-	94
<b>Deposit Accounts– YTL (real persons)</b>	<b>425,040</b>	<b>-</b>	<b>425,040</b>
<b>Deposit Accounts– FC (real persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,245,476</b>	<b>8,377,394</b>	<b>15,622,870</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>483,516</b>	<b>2,957,733</b>	<b>3,441,249</b>
Real Estate Loans	19,216	397,898	417,114
Automobile Loans	73,931	1,180,397	1,254,328
General Purpose Loans	390,369	1,379,438	1,769,807
Other	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>85,027</b>	<b>497,330</b>	<b>582,357</b>
Real Estate Loans	113	52,154	52,267
Automobile Loans	6,581	207,879	214,460
General Purpose Loans	78,333	237,297	315,630
Other	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>21</b>	<b>10,870</b>	<b>10,891</b>
Real Estate Loans	-	148	148
Automobile Loans	19	2,840	2,859
General Purpose Loans	2	7,882	7,884
Other	-	-	-
<b>Corporate Credit Cards – YTL</b>	<b>161,423</b>	<b>173</b>	<b>161,596</b>
With Installment	62,301	173	62,474
Without Installment	99,122	-	99,122
<b>Corporate Credit Cards – FC</b>	<b>2,739</b>	<b>-</b>	<b>2,739</b>
With Installment	2	-	2
Without Installment	2,737	-	2,737
<b>Deposit Accounts– YTL (corporate)</b>	<b>156,013</b>	<b>-</b>	<b>156,013</b>
<b>Deposit Accounts– FC (corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>888,739</b>	<b>3,466,106</b>	<b>4,354,845</b>

**5.1.5.6 Allocation of loan by customers**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

**5.1.5.7 Allocation of domestic and foreign loans**

	Current Period	Prior Period
Domestic Loans	43,626,004	35,738,668
Foreign Loans	685,328	1,172,203
<b>Total</b>	<b>44,311,332</b>	<b>36,910,871</b>

**5.1.5.8 Loans to associates and subsidiaries**

	Current Period	Prior Period
Direct Lending	646,249	388,214
Indirect Lending	-	-
<b>Total</b>	<b>646,249</b>	<b>388,214</b>

**5.1.5.9 Specific provisions for loans**

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	25,181	23,734
Doubtful Loans and Receivables	98,441	90,827
Uncollectible Loans and Receivables	442,721	424,962
<b>Total</b>	<b>566,343</b>	<b>539,523</b>

**5.1.5.10 Non-performing loans and other receivables (NPLs) (Net)**

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

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Current Period</b>			
Restructured Loans and Receivables	-	232	49,620
Rescheduled Loans and Receivables	-	-	-
<b>Total</b>	<b>-</b>	<b>232</b>	<b>49,620</b>
<b>Prior Period</b>			
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 loans and other receivables:*

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Balances at Beginning of Period</b>	<b>148,942</b>	<b>200,640</b>	<b>496,956</b>
Additions during the Period (+)	355,210	29,293	15,023
Transfer from Other NPL Categories (+)	-	262,447	179,403
Transfer to Other NPL Categories (-)	262,447	179,403	-
Collections during the Period (-)	79,843	72,181	55,998
Write-offs (-)	2	3	79,337
Corporate and Commercial Loans	2	-	2,338
Retail Loans	-	3	1,866
Credit Cards	-	-	75,133
Others	-	-	-
<b>Balances at End of Period</b>	<b>161,860</b>	<b>240,793</b>	<b>556,047</b>
Specific Provisions (-)	25,181	98,441	442,721
<b>Net Balance on Balance Sheet</b>	<b>136,679</b>	<b>142,352</b>	<b>113,326</b>

**Movements in specific loan provisions:**

	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Balances at End of Prior Period	172,387	105,471	261,665	539,523
Additions during the Period (+)	30,048	65,596	118,269	213,913
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	12,859	35,787	59,328	107,974
Write-offs (-)	3,986	-	75,133	79,119
Balances at End of Period	185,590	135,280	245,473	566,343

**Non-performing loans and other receivables in foreign currencies:**

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Current Period</b>			
Balance at End of Period	2,943	5,784	92,108
Specific Provisions (-)	256	714	65,931
Net Balance at Balance Sheet	2,687	5,070	26,177
<b>Prior Period</b>			
Balance at End of Period	3,103	2,892	89,895
Specific Provisions (-)	142	298	66,784
Net Balance at Balance Sheet	2,961	2,594	23,111

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

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Current Period (Net)</b>	<b>136,679</b>	<b>142,352</b>	<b>113,326</b>
Loans to Individuals and Corporates (Gross)	161,860	240,793	544,052
Specific Provision (-)	25,181	98,441	430,726
Loans to Individuals and Corporates (Net)	136,679	142,352	113,326
Banks (Gross)	-	-	4,323
Specific Provision (-)	-	-	4,323
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>71,994</b>
Loans to Individuals and Corporates (Gross)	148,942	200,640	484,966
Specific Provision (-)	23,734	90,827	412,972
Loans to Individuals and Corporates (Net)	125,208	109,813	71,994
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:**

	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	72	119	-	191
Loans Collateralized by Mortgages	165,083	40,188	-	205,271
Loans Collateralized by Pledged Assets	42,814	63,043	-	105,857
Loans Collateralized by Cheques and Notes	56,672	113,321	-	169,993
Loans Collateralized by Other Collaterals	25,967	7,154	-	33,121
Unsecured Loans	55,053	40,892	348,322	444,267
<b>Total</b>	<b>345,661</b>	<b>264,717</b>	<b>348,322</b>	<b>958,700</b>

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.1.5.12 "Write-off" policies**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.1.6 Investments held-to-maturity**

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

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Collateralised/Blocked Investments	1,352,241	8,650	283,506	27,897
Investments subject to Repurchase Agreements	1,577,289	210,135	2,645,615	353,973
<b>Total</b>	<b>2,929,530</b>	<b>218,785</b>	<b>2,929,121</b>	<b>381,870</b>

**5.1.6.2 Government securities held-to-maturity**

	Current Period	Prior Period
Government Bonds	3,511,221	3,823,946
Treasury Bills	-	-
Other Government Securities	-	116,617
<b>Total</b>	<b>3,511,221</b>	<b>3,940,563</b>

**5.1.6.3 Investments held-to-maturity**

	Current Period	Prior Period
<b>Debt Securities</b>	<b>3,402,077</b>	<b>3,819,441</b>
Quoted at Stock Exchange	3,402,077	3,816,239
Unquoted at Stock Exchange	-	3,202
Impairment Reversals/Impairment Losses (-)	109,144	124,324
<b>Total</b>	<b>3,511,221</b>	<b>3,943,765</b>

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

	Current Period	Prior Period
Balances at Beginning of Period	3,943,765	4,618,847
Foreign Currency Differences On Monetary Assets	10,798	(140,382)
Purchases during the Period	-	1,118
Disposals through Sales/Redemptions	(428,162)	(427,744)
Value Increases/ Impairment Losses (-)	16,156	(9,884)
Change in Redeemed Costs	(31,336)	(98,190)
Balances at End of Period	3,511,221	3,943,765

#### 5.1.7 Investments in associates

##### 5.1.7.1 Investments in associates

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

	Total Assets	Shareholders' Equity	Total Tangible and Intangible Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (if available)
1	409,570	168,368	17,046	15,012	823	29,610	38,169	-

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

##### 5.1.7.2 Movement of investments in associates

	Current Period	Prior Period
Balance at Beginning of Period	11,312	-
Movements during the Period	-	11,312
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations (-)	-	-
Reclassifications (*)	-	11,312
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at End of Period	11,312	11,312
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

(\*) Following the sale of 80% shares in Garanti Sigorta AŞ (Eureka Sigorta AŞ) previously classified as Investments in Subsidiaries, to Eureka BV at 21 June 2007, the remaining 20% shares are reclassified to Investments in Associates in the prior period.

**5.1.7.3 Sectoral distribution of investments and associates**

Investments in Associates	Current Period	Prior Period
Banks	-	-
Insurance Companies	11,312	11,312
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	-	-

**5.1.7.4 Quoted associates**

None.

**5.1.7.5 Valuation methods of investments in associates**

Investments in Associates	Current Period	Prior Period
Valued at Cost	11,312	11,312
Valued at Fair Value	-	-
Valued by Equity Method of Accounting	-	-

**5.1.7.6 Investments in associates sold during the current period**

None.

**5.1.7.7 Investments in associates acquired during the current period**

None.

**5.1.8 Investments in subsidiaries**

**5.1.8.1 Investments in subsidiaries**

	Subsidiary	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. AŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.92	100.00
3	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	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	94.10	98.94
7	Garanti Faktoring Hiz. AŞ	Istanbul/Turkey	55.40	55.40
8	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
9	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
10	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
11	Garanti Bank International NV	Amsterdam/Holland	100.00	100.00
12	Garanti Bank Moscow	Moscow/Russia	75.02	99.94
13	Garanti Financial Services Plc	Dublin/Ireland	99.99	100.00
14	Garanti Fund Management Co. Ltd	Valetta/Malta	99.50	100.00

	Total Assets	Shareholders' Equity	Total Tangible and Intangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	13,652	8,542	528	-	402	697	(99,458)	-
2	16,493	7,669	557	-	798	1,173	5,917	-
3	1,148	1,074	21	-	47	225	532	-
4	359	168	39	-	1	(5)	(171)	-
5	434	334	-	-	6	138	8	-
6	2,212,457	245,842	17,806	123,460	-	34,559	128,035	-
7	915,876	38,075	1,852	29,535	-	3,729	15,375	38,246
8	28,439	26,117	3,041	1,430	314	1,289	10,140	-
9	15,959	14,541	1,348	744	229	1,313	440	-
10	955,046	120,562	8,559	11,819	2,604	28,300	25,078	-
11	6,584,939	446,165	88,997	164,517	57,843	47,599	21,173	422,327
12	566,234	85,318	1,460	18,233	4,770	6,872	29,545	54,965
13	8,598	8,252	-	64	-	(514)	6,188	17,816
14	74	-	-	-	-	-	(267)	-

#### 5.1.8.2 Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at Beginning of Period	577,408	604,152
Movements during the Period	135,916	(26,744)
Acquisitions and Capital Increases	-	187
Bonus Shares Received (*)	71,667	45,605
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	(55,238)
Reclassifications	-	(11,312)
Increase/(Decrease) in Market Values	34,680	22,884
Currency Differences on Foreign Subsidiaries	28,876	(29,069)
Impairment Reversals/(Losses)	693	199
Balance at End of Period	713,324	577,408
Capital Commitments	562	562
Share Percentage at the End of Period (%)	-	-

(\*) As per the decision made at the general assembly meeting 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 NV increased its 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 capital from YTL 15,989 thousands to YTL 16,849 thousands through appropriation from its retained earnings at 8 August 2007.

**5.1.8.3 Sectoral distribution of investments in subsidiaries**

	Current Period	Prior Period
Banks	463,561	310,612
Insurance Companies	56,545	56,545
Factoring Companies	21,190	39,580
Leasing Companies	76,169	76,169
Finance Companies	86,891	86,226
Other Subsidiaries	8,968	8,276

**5.1.8.4 Quoted subsidiaries**

	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	21,190	39,580
Quoted at International Stock Exchanges	-	-

**5.1.8.5 Valuation methods of investments in subsidiaries**

	Current Period	Prior Period
Valued at Cost	202,049	202,049
Valued at Fair Value	502,566	367,341
Valued by Equity Method of Accounting	8,709	8,018

**5.1.8.6 Investments in subsidiaries disposed during the current period**

None.

**5.1.8.7 Investments in subsidiaries acquired during the current period**

None.

**5.1.9 Investments in Joint-Ventures**

None.

**5.1.10 Lease receivables (net)**

None.

**5.1.11 Derivative financial assets held for risk management**

**5.1.11.1 Positive differences on derivative financial instruments held for risk management**

Derivative Financial Assets held for Risk Management	Current Period		Prior Period	
	YTL	FC	YTL	FC
Fair value hedges	-	-	-	-
Cash flow hedges	-	2,550	-	31,960
Net foreign investment hedges	-	-	-	-
<b>Total</b>	-	<b>2,550</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".

#### 5.1.12 Tangible assets

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.1.13 Intangible assets

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.1.14 Investment property

None.

#### 5.1.15 Deferred tax asset

As of 30 June 2008, the Bank has a deferred tax asset of YTL 60,252 thousands (31 December 2007: YTL 52,944 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 30 June 2008. However, there is a deferred tax asset of YTL 125,816 thousands (31 December 2007: YTL 103,883 thousands) and deferred tax liability of YTL 65,564 thousands (31 December 2007: YTL 50,939 thousands) presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where such differences are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

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

	Current Period	Prior Period
<b>End of Prior Period</b>		
Cost	115,599	117,255
Accumulated Depreciation	(2,749)	(2,101)
<b>Net Book Value</b>	<b>112,850</b>	<b>115,154</b>
<b>End of Current Period</b>		
Additions	2,442	24,962
Disposals (Cost)	(35,197)	(26,618)
Disposals (Accumulated Depreciation)	1,547	746
Impairment Reversals/(Losses)	487	-
Depreciation Expense for Current Period	(494)	(1,394)
Currency Translation Differences on Foreign Operations	-	-
Cost	83,331	115,599
Accumulated Depreciation	(1,696)	(2,749)
<b>Net Book Value</b>	<b>81,635</b>	<b>112,850</b>

As of 30 June 2008, the rights of repurchase on various assets held for sale amount to YTL 15,043 thousands (31 December 2007: YTL 29,850 thousands).

## 5.1.17 Other assets

### 5.1.17.1 Receivables from term sale of assets

	Current Period	Prior Period
Sale of Investments in Associates, Subsidiaries and Joint Ventures	29,597	31,412
Sale of Real Estates (*)	10,516	1,427
Sale of Other Assets	2,853	2,843
<b>Total</b>	<b>42,966</b>	<b>35,682</b>

(\*) On 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). USD 15,000,000 of the sale price was collected on the date of sale, the remaining USD 20,000,000 will be collected in a one-year term. A gain of YTL 2,112 thousands was recognized as income on this transaction.

### 5.1.17.2 Prepaid expenses

	Current Period	Prior Period
Prepaid Expenses	291,506	231,262

## 5.1.18 Accrued interest and income

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

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	40,879	5,948	38,920	11,802
Financial Assets at Fair Value through Profit or Loss	632	1,087	873	3,020
Banks	48,823	22,752	61,067	32,654
Interbank Money Markets	-	-	-	-
Financial Assets Available-for-Sale	634,590	26,892	723,009	125,391
Loans	422,346	236,587	288,420	205,706
Investments Held-to-Maturity	139,852	412	170,780	819
Other Accruals	13,472	2	13,509	2,749
<b>Total</b>	<b>1,300,594</b>	<b>293,680</b>	<b>1,296,578</b>	<b>382,141</b>

## 5.2 Liabilities

### 5.2.1 Maturity profile of deposits

#### Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	1,197,166	-	6,756,966	5,649,212	128,408	91,924	78,062	-	13,901,738
Foreign Currency Deposits	4,359,569	-	8,044,304	6,817,419	452,450	1,040,347	563,265	75,737	21,353,091
Residents in Turkey	4,019,083	-	7,682,797	6,647,397	429,604	318,099	391,880	74,725	19,563,585
Residents in Abroad	340,486	-	361,507	170,022	22,846	722,248	171,385	1,012	1,789,506
Public Sector Deposits	1,235,981	-	7,513	7,820	257	2,424	59	-	1,254,054
Commercial Deposits	1,765,591	-	2,309,548	1,038,760	28,971	111,447	6,113	-	5,260,430
Other	130,847	-	45,297	64,681	1,801	271	192	-	243,089
Precious Metal Deposits	77,716	-	81	1,724	-	16,567	7,243	-	103,331
Bank Deposits	383,567	-	634,085	388,495	29,706	3,176	101,088	-	1,540,117
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	15,287	-	32,696	1,933	-	-	-	-	49,916
Foreign Banks	228,996	-	601,389	386,562	29,706	3,176	101,088	-	1,350,917
Special Purpose Financial Institutions	139,284	-	-	-	-	-	-	-	139,284
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9,150,437</b>	<b>-</b>	<b>17,797,794</b>	<b>13,968,111</b>	<b>641,593</b>	<b>1,266,156</b>	<b>756,022</b>	<b>75,737</b>	<b>43,655,850</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 Accounts	Total
Saving Deposits	1,055,069	-	3,546,376	7,469,353	187,532	96,210	90,235	-	12,444,775
Foreign Currency Deposits	3,898,591	-	6,313,000	6,415,792	459,651	642,799	529,841	66,946	18,326,620
Residents in Turkey	3,573,267	-	6,032,076	6,254,723	434,700	341,056	371,478	66,119	17,073,419
Residents in Abroad	325,324	-	280,924	161,069	24,951	301,743	158,363	827	1,253,201
Public Sector Deposits	384,378	-	82,765	6,044	31	1,412	55	-	474,685
Commercial Deposits	1,604,318	-	2,368,499	1,759,179	130,036	83,825	5,687	-	5,951,544
Other	65,314	-	68,840	114,700	1,547	227	258	-	250,886
Precious Metal Deposits	35,438	-	1,465	1,488	3,112	3,424	17,114	-	62,041
Bank Deposits	332,632	-	921,019	222,901	16,347	6,513	88,139	-	1,587,551
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	10,419	-	416,892	234	-	4,797	-	-	432,342
Foreign Banks	188,266	-	504,127	222,667	16,347	1,716	88,139	-	1,021,262
Special Purpose Financial Institutions	133,947	-	-	-	-	-	-	-	133,947
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>7,375,740</b>	<b>-</b>	<b>13,301,964</b>	<b>15,989,457</b>	<b>798,256</b>	<b>834,410</b>	<b>731,329</b>	<b>66,946</b>	<b>39,098,102</b>

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

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

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	6,921,477	6,011,198	6,878,107	6,261,780
Foreign Currency Saving Deposits	3,143,622	2,987,805	7,365,417	6,578,805
Other Saving Deposits	20,185	1,969	67,535	48,387
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-	-	-
Deposits held at Off-Shore Branches Under Foreign Insurance Coverage	-	-	-	-

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.2.1.3 Saving deposits not covered by insurance limits

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	379,262	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	178,057	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

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward deals	14,573	2,236	9,657	4,384
Swaps	269,328	10,894	404,811	17,476
Futures	-	-	-	482
Options	15,617	6,343	14,167	300
Other	-	-	-	-
<b>Total</b>	<b>299,518</b>	<b>19,473</b>	<b>428,635</b>	<b>22,642</b>

### 5.2.3 Funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	239,996	85,750	203,445	56,930
Foreign Banks, Institutions and Funds	1,866,838	7,403,761	1,079,383	7,218,886
<b>Total</b>	<b>2,106,834</b>	<b>7,489,511</b>	<b>1,282,828</b>	<b>7,275,816</b>

**5.2.3.1 Maturities of funds borrowed**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-Term	239,992	1,701,069	203,445	1,579,378
Medium and Long-Term	1,866,842	5,788,442	1,079,383	5,696,438
<b>Total</b>	<b>2,106,834</b>	<b>7,489,511</b>	<b>1,282,828</b>	<b>7,275,816</b>

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.2.4 Other external funds**

*Funds provided through repurchase transactions:*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
<b>Domestic Transactions</b>	<b>6,569,016</b>	<b>-</b>	<b>6,667,163</b>	<b>-</b>
Financial Institutions and Organizations	6,523,516	-	6,591,635	-
Other Institutions and Organizations	17,803	-	32,920	-
Individuals	27,697	-	42,608	-
<b>Foreign Transactions</b>	<b>802,526</b>	<b>535,196</b>	<b>780,742</b>	<b>728,986</b>
Financial Institutions and Organizations	802,430	535,196	780,157	728,986
Other Institutions and Organizations	-	-	125	-
Individuals	96	-	460	-
<b>Total</b>	<b>7,371,542</b>	<b>535,196</b>	<b>7,447,905</b>	<b>728,986</b>

**5.2.5 Lease payables (Net)**

**5.2.5.1 Financial lease payables**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 Year	28,644	27,072	47,588	44,712
1-4 Years	4,437	4,173	10,815	10,026
More than 4 Years	-	-	-	-
<b>Total</b>	<b>33,081</b>	<b>31,245</b>	<b>58,403</b>	<b>54,738</b>

**5.2.5.2 Operational lease agreements**

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

## 5.2.6 Derivative financial liabilities held for risk management

Derivative Financial Liabilities held for Risk Management	Current Period		Prior Period	
	YTL	FC	YTL	FC
Fair value hedges	-	-	-	-
Cash flow hedges	-	3,988	-	249
Net foreign investment hedges	-	-	-	-
<b>Total</b>	-	<b>3,988</b>	-	<b>249</b>

## 5.2.7 Provisions

### 5.2.7.1 General provisions

	Current Period	Prior Period
<b>General Provision for</b>	<b>375,698</b>	<b>280,660</b>
Loans and Receivables in Group I	314,902	250,216
Loans and Receivables in Group II	24,009	65
Non-Cash Loans	36,787	30,379
Other	-	-

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

	Current Period	Prior Period
Short-Term Loans	18,447	22,284
Medium and Long-Term Loans	50,572	94,562
<b>Total</b>	<b>69,019</b>	<b>116,846</b>

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

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.2.7.4 Other provisions

#### 5.2.7.4.1 General reserves for possible losses

	Current Period	Prior Period
General Reserves for Possible Losses	22,000	32,000

#### 5.2.7.4.2 Other provisions

	Current Period	Prior Period
Reserve for Employee Benefits	184,524	140,372
Recognized Liability for Defined Benefit Obligations (*)	164,598	-
Provision for Promotion Expenses of Credit Cards (**)	41,631	49,219
Other Provisions	38,563	57,324
<b>Total</b>	<b>429,316</b>	<b>246,915</b>

(\*) The details are explained in Note 3.17, the accounting policies related with "employee benefits".

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

## 5.2.8 Tax liability

### 5.2.8.1 Current tax liability

#### 5.2.8.1.1 Tax liability

As of 30 June 2008, the Bank had a current tax liability of YTL 63,772 thousands (31 December 2007: YTL 104,582 thousands). In cases where the differences between the carrying amounts and the taxable amounts of assets subject to tax, are related with certain items in the equity accounts, the current tax assets/liabilities are charged or credited directly to these accounts.

#### 5.2.8.1.2 Taxes payable

	Current Period	Prior Period
Corporate Taxes Payable	63,772	104,582
Taxation on Securities Income	88,685	56,827
Taxation on Real Estates Income	1,225	980
Banking Insurance Transaction Tax	28,969	27,097
Foreign Exchange Transaction Tax	10	2,991
Value Added Tax Payable	578	1,513
Others	10,984	15,314
<b>Total</b>	<b>194,223</b>	<b>209,304</b>

#### 5.2.8.1.3 Premiums

	Current Period	Prior Period
Social Security Premiums-Employees	7	3
Social Security Premiums-Employer	-	-
Bank Pension Fund Premium-Employees	27	16
Bank Pension Fund Premium-Employer	42	29
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	340	342
Unemployment Insurance-Employer	599	608
Others	-	-
<b>Total</b>	<b>1,015</b>	<b>998</b>

#### 5.2.8.2 Deferred tax liability

None.

## 5.2.9 Liabilities for assets held for sale and assets of discontinued operations

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 5.2.10 Subordinated debts

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 5.2.11 Shareholders' equity

### 5.2.11.1 Paid-in capital

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

### 5.2.11.2 Registered share capital system

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

### 5.2.11.3 Capital increases in current period

None.

### 5.2.11.4 Capital increases from capital reserves in current period

None.

### 5.2.11.5 Capital commitments for current and future financial periods

None.

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

None.

### 5.2.11.7 Information on privileges given to stocks representing the capital

None.

### 5.2.11.8 Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Investments in Associates, Subsidiaries and Joint-ventures</b>	(6,359)	74,055	(14,755)	20,985
Valuation difference	(5,574)	74,055	9,138	20,985
Exchange rate difference	(785)	-	(23,893)	-
<b>Securities Available-for-Sale</b>	(314,021)	(60,237)	110,262	91,565
Valuation difference	(314,021)	(60,237)	110,262	91,565
Exchange rate difference	-	-	-	-
<b>Total</b>	<b>(320,380)</b>	<b>13,818</b>	<b>95,507</b>	<b>112,550</b>

#### 5.2.11.9 Revaluation surplus

	Current Period		Prior Period	
	TL	FC	TL	FC
Movables	-	-		
Real Estates	2,147	-	2,147	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates to be used for Capital Increases	594,943	-	27,717	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-

#### 5.2.11.10 Bonus shares of associates, subsidiaries and joint-ventures

It includes the bonus shares received from the following investee companies; Dođuş GE Gayrimenkul Yatırım Ortaklığı AŞ by YTL 23 thousands, Eureka Sigorta AŞ by YTL 561 thousands, Garanti Ödeme Sistemleri AŞ by YTL 401 thousands, Garanti Yatırım Menkul Deđerler AŞ by YTL 942 thousands, Kredi Kartları Bürosu by YTL 481 thousands, Tat Konserve AŞ by YTL 36 thousands and Yatırım Finansman Menkul Deđerler AŞ by YTL 9 thousands.

#### 5.2.11.11 Legal reserves

	Current Period	Prior Period
I. Legal Reserve	253,300	137,421
II. Legal Reserve	18,790	18,790
Special Reserves	-	-

As per the decisions made at the annual general assembly at 3 April 2008, 5% of prior periods' profit is allocated to legal reserves.

#### 5.2.11.12 Extraordinary reserves

	Current Period	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	1,470,724	1,275,689
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-

As per the decisions made at the annual general assembly at 3 April 2008, the remaining prior periods' profit after the appropriation to legal reserves and undistributable funds, are allocated to extraordinary reserves.

As explained in Note 1.4, the payment of YTL 1,434,233 thousands for the purchase of founder share-certificates are compensated by extraordinary reserves.

### 5.2.12 Accrued interest and expenses

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

	Current Period		Prior Period	
	FC	YTL	FC	YTL
Deposits	175,784	62,516	150,404	48,801
Funds Borrowed	123,096	61,543	85,367	80,446
Interbank Money Markets	78,011	3,935	57,620	3,963
Other Accruals	14,813	3,019	26,959	2,982
<b>Total</b>	<b>391,704</b>	<b>131,013</b>	<b>320,350</b>	<b>136,192</b>

### 5.3 Off-Balance Sheet Items

#### 5.3.1 Off-balance sheet contingencies

##### 5.3.1.1 Irrevocable credit commitments

	Current Period	Prior Period
Letters of Guarantee in Foreign Currency	6,208,049	5,749,874
Letters of Guarantee in YTL	3,962,078	3,924,978
Letters of Credit	3,056,362	1,919,538
Bills of Exchange and Acceptances	116,954	116,487
Others	-	-
<b>Total</b>	<b>13,343,443</b>	<b>11,710,877</b>

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

A specific provision of YTL 2,390 thousands (31 December 2007: YTL 1,763 thousands) is made for unliquidated non-cash loans of YTL 11,079 thousands (31 December 2007: YTL 5,832 thousands) recorded under the off-balance sheet items in the accompanying financial statements.

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

As of 30 June 2008, in the Bank's "other irrevocable commitments", there are commitments for "credit linked notes" with a total face value of USD 875,000,000 (31 December 2007: USD 875,000,000).

##### 5.3.1.3 Non-cash loans

	Current Period	Prior Period
Non-Cash Loans against Cash Risks	228,172	268,951
With Original Maturity of 1 Year or Less	36,986	77,737
With Original Maturity of More Than 1 Year	191,186	191,214
Other Non-Cash Loans	13,944,534	12,087,015
<b>Total</b>	<b>14,172,706</b>	<b>12,355,966</b>

##### 5.3.1.4 Sectoral risk concentration of non-cash loans

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

##### 5.3.1.5 Non-cash loans classified under Group I and II

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.3.2 Financial derivative instruments

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.3.3 Contingent liabilities and assets**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.3.4 Services rendered on behalf of third parties**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 5.4 Income Statement

### 5.4.1 Interest Income

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

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-term loans	1,090,137	89,885	1,002,187	88,282
Medium and long-term loans	932,708	502,610	425,483	372,847
Loans under follow-up	11,714	-	11,756	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>2,034,559</b>	<b>592,495</b>	<b>1,439,426</b>	<b>461,129</b>

(\*) Includes fee 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	4,148	-	18,312	-
Domestic Banks	3,203	1,662	7,644	386
Foreign Banks	82,276	43,543	15,345	69,487
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>89,627</b>	<b>45,205</b>	<b>41,301</b>	<b>69,873</b>

#### 5.4.1.3 Interest income from securities portfolio

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Trading Financial Assets	3,835	2,455	7,638	4,120
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	836,829	110,860	556,482	167,717
Investments Held-to-Maturity	293,068	4,000	304,026	23,803
<b>Total</b>	<b>1,133,732</b>	<b>117,315</b>	<b>868,146</b>	<b>195,640</b>

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

	Current Period	Prior Period
Interest received from Investments in Associates and Subsidiaries	19,273	7,381

## 5.4.2 Interest Expenses

### 5.4.2.1 Interest expenses (\*) on funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
<b>Banks</b>	<b>127,234</b>	<b>188,892</b>	<b>44,017</b>	<b>212,444</b>
Central Bank of Turkey	-	-	-	-
Domestic Banks	15,614	1,963	14,980	1,324
Foreign Banks	111,620	186,929	29,037	211,120
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>20,851</b>	<b>-</b>	<b>19,047</b>
<b>Total</b>	<b>127,234</b>	<b>209,743</b>	<b>44,017</b>	<b>231,491</b>

(\*) Includes fee and commission 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	13,588	14,257

### 5.4.2.3 Interest expenses on securities issued

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 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	4,304	41,165	-	-	-	-	-	45,469
Saving Deposits	749	393,589	580,903	12,016	8,595	6,007	-	1,001,859
Public Sector Deposits	29	3,365	7,983	17	191	4	-	11,589
Commercial Deposits	12,130	281,776	116,727	31,819	11,071	466	-	453,989
Other	1,703	4,196	7,512	114	21	15	-	13,561
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
<b>Total YTL</b>	<b>18,915</b>	<b>724,091</b>	<b>713,125</b>	<b>43,966</b>	<b>19,878</b>	<b>6,492</b>	<b>-</b>	<b>1,526,467</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	5,218	126,248	117,365	9,535	19,265	12,531	1,235	291,397
Bank Deposits	-	14,794	-	-	-	-	-	14,794
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	76	37	-	113
<b>Total FC</b>	<b>5,218</b>	<b>141,042</b>	<b>117,365</b>	<b>9,535</b>	<b>19,341</b>	<b>12,568</b>	<b>1,235</b>	<b>306,304</b>
<b>Grand Total</b>	<b>24,133</b>	<b>865,133</b>	<b>830,490</b>	<b>53,501</b>	<b>39,219</b>	<b>19,060</b>	<b>1,235</b>	<b>1,832,771</b>

### 5.4.2.5 Interest expense on repurchase agreements

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.4.2.6 Financial lease expenses

Not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.4.2.7 Interest expenses on factoring payables

Not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.4.3 Dividend income

Not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

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

	Current Period	Prior Period
<b>Income</b>	<b>6,201,523</b>	<b>1,587,791</b>
Trading Account Income	920,148	569,976
Derivative financial instruments	865,426	511,959
Others	54,722	58,017
Foreign Exchange Losses	5,281,375	1,017,815
<b>Losses (-)</b>	<b>6,091,551</b>	<b>1,638,793</b>
Trading Account Losses	905,224	824,128
Derivative financial instruments	890,921	803,419
Others	14,303	20,709
Foreign Exchange Losses	5,186,327	814,665
<b>Total</b>	<b>109,972</b>	<b>(51,002)</b>

#### 5.4.5 Other operating income

The items under "other operating income" 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
Specific Provisions for Loans and Other Receivables	127,186	80,118
<i>Loans and receivables in Group III</i>	65,079	45,368
<i>Loans and receivables in Group IV</i>	26,292	23,185
<i>Loans and receivables in Group V</i>	35,815	11,565
General Provisions	94,466	67,317
Provision for Possible Losses	-	-
Impairment Losses on Securities	964	503
<i>Financial assets at fair value through profit or loss</i>	964	332
<i>Financial assets available-for-sale</i>	-	171
Impairment Losses on Associates, Subsidiaries and		
<i>Investments Held-to-Maturity</i>	5	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	5	-
<i>Joint Ventures</i>	-	-
<i>Investments Held-to-Maturity</i>	-	-
Others	2,875	19,963
<b>Total</b>	<b>225,496</b>	<b>167,901</b>

#### 5.4.7 Other operating expenses

	Current Period	Prior Period
Personnel Costs	437,840	292,274
Reserve for Employee Termination Benefits	-	3,973
Deficit Provision for Pension Fund	164,598	-
Impairment Losses on Tangible Assets	1	2
Depreciation Expenses of Tangible Assets	78,289	67,812
Impairment Losses on Intangible Assets	-	-
Amortisation Expenses of Intangible Assets	2,041	11,159
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses of Assets to be Disposed	494	-
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	448,095	333,164
<i>Operational Lease related Expenses</i>	49,968	35,482
<i>Repair and Maintenance Expenses</i>	10,306	8,917
<i>Advertisement Expenses</i>	45,012	48,682
<i>Other Expenses</i>	342,809	240,083
Loss on Sale of Assets	7,878	3,043
Others	182,784	103,063
<b>Total</b>	<b>1,322,020</b>	<b>814,490</b>

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.4.9 Provision for taxes including taxes from discontinued operations

As of 30 June 2008, the Bank recorded a tax expense of YTL 228,615 thousands (30 June 2007: YTL 254,226 thousands) and a deferred tax income of YTL 9,115 thousands (30 June 2007: YTL 21,226 thousands).

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

Deferred tax income/(expense) on timing difference	Current Period
Increase in tax deductible timing differences (+)	46,650
Decrease in tax deductible timing differences (-)	18,907
Increase in taxable timing differences (-)	20,686
Decrease in taxable timing differences (+)	2,058
<b>Total</b>	<b>9,115</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 deductible timing differences (net)	27,743
(Increase)/decrease in taxable timing differences (net)	18,628
Increase/(decrease) in tax losses (net)	-
Increase/(decrease) in tax deductions and exemptions (net)	-
<b>Total</b>	<b>9,115</b>

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.4.11 Net profit/loss

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

None.

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

None.

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

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

## **5.5 Statement of Changes in Shareholders' Equity**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 5.6 Statement of Cash Flows

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

## 5.7 Related Party Risks

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

#### 5.7.1.1 Loans and other receivables

##### Current Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and Other Receivables</b>						
Balance at beginning of period	953,386	61,690	1	1,090	65,794	168,482
Balance at end of period	1,589,063	65,501	9,806	1,667	98,973	179,270
<b>Interest and Commission Income</b>	22,892	58	15	3	2,140	497

##### 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
<b>Loans and Other Receivables</b>						
Balance at beginning of period	668,516	22,923	224,108	8,253	25,793	41,793
Balance at end of period	953,386	61,690	1	1,090	65,794	168,482
<b>Interest and Commission Income</b>	12,554	47	2	69	1,406	402

#### 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
<b>Deposits</b>						
Balance at beginning of period	154,208	204,325	86,051	75,693	235,532	126,686
Balance at end of period	208,827	154,208	401,675	86,051	296,950	235,532
<b>Interest Expense</b>	13,588	14,257	6,354	8,450	9,933	5,202

#### 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
<b>Transactions at Fair Value through Profit or Loss:</b>						
Beginning of Period	-	-	-	-	-	-
End of Period	97,118	-	-	-	-	-
<b>Total Profit/(Loss)</b>	398	2	-	-	-	-
<b>Transactions for Hedging:</b>						
Beginning of Period	-	-	-	-	-	-
End of Period	-	-	-	-	-	-
<b>Total Profit/(Loss)</b>	-	-	-	-	-	-

## 5.7.2 The Bank's risk group

### 5.7.2.1 *Relations with companies in risk group off/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 741,066 thousands (31 December 2007: YTL 449,373 thousands) compose 1.66% (31 December 2007: 1.21%) of the Bank's total cash loans and 1.00% (31 December 2007: 0.66%) of the Bank's total assets. The total loans and similar receivables amounting YTL 1,697,842 thousands (31 December 2007: YTL 1,019,181 thousands) compose 2.28% (31 December 2007: YTL 1.51%) of the Bank's total assets. The non-cash loans of the risk group amounting YTL 246,438 thousands (31 December 2007: YTL 231,262 thousands) compose 1.74% (31 December 2007: 1.87%) of the Bank's total non-cash loans. The deposits of the risk group amounting YTL 907,452 thousands (31 December 2007: YTL 475,791 thousands) compose 2.08% (31 December 2007: 1.22%) of the Bank's total deposits. The pricing in transactions with the risk group companies is set on an arms-length basis.

The Bank has a total lease payable of YTL 33,081 thousands (31 December 2007: YTL 58,403 thousands) from the transactions carried out with related parties. As a result of these transactions, a leasing expense of YTL 3,357 thousands (30 June 2007: YTL 3,709 thousands) is recorded. Furthermore, there is a credit card (POS) payable amounting YTL 28,460 thousands (31 December 2007: YTL 37,502 thousands) to related parties.

Operating expenses of YTL 8,641 thousands (30 June 2007: YTL 7,303 thousands) for IT services rendered by related parties and rent income of YTL 684 thousands (30 June 2007: YTL 685 thousands) for the real estates rented to related parties, are recorded.

### 5.7.2.3 *Other matters not required to be disclosed*

None.

### 5.7.2.4 *Transactions accounted under equity method*

Please refer to Note 5.1.8.

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

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ, Eureko 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 the Bank's 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 Doğuř Holding Ař at a sale price of USD 35,000,000 (equivalent of YTL 42,693 thousands). USD 15 millions of the sale price was collected on the date of sale, the remaining USD 20,000,000 will be collected in a one-year term. 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**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## **5.9 Significant Events and Matters Arising Subsequent to Balance Sheet Date**

It has been resolved in the Bank's board of directors meeting held at 22 April 2008 that the issued share capital of the Bank is to be increased by YTL 2,100,000 thousands and accordingly from YTL 2,100,000 thousands to YTL 4,200,000 thousands.

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.

Subsequent to the examination of the BRSA on this capital increase process, YTL 2,100,000 thousands is transferred to "share capital" and YTL 11,880 thousands is transferred to "share premium" accounts and the capital increase is approved by the Istanbul Commercial Registry at 31 July 2008.

## 5.10 Other Disclosures on Activities of the Bank

### 5.10.1 The Bank's latest international risk ratings

#### MOODY'S (September 2007\*)

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 (August 2008\*)

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

#### 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>	AAA
Outlook	Stable

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

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

(\* Latest dates in risk ratings or outlooks.

### 5.10.2 Dividends

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

2007 PROFIT DISTRIBUTION TABLE	
2007 Net Profit	2,315,616
A – I. Legal reserve (Turkish Commercial Code 466/1) at 5%	(115,781)
Undistributable funds	(570,567)
B – First dividend at 5% of the Paid Capital	-
C – Extraordinary reserves at 5% after above deductions	-
D – Dividend to the owners of the Founder Shares	-
E – Extraordinary reserves	(1,629,268)
F – II. Legal reserve (Turkish Commercial Code 466/2)	-

### 5.10.3 Other

During the general assembly meeting of Garanti Faktoring Hizmetleri AŞ held at 16 April 2008, it has been decided to increase the share capital of the company from YTL 16,849 thousands to YTL 17,960 thousands by YTL 1,111 thousands through appropriation from the 2007 net income reported in the financial statements prepared in accordance with the International Financial Reporting Standards as per the Article XI no.25 of the Capital Market Board, and accordingly to issue bonus shares for this amount and to transfer the remaining earnings to reserves.

## **6 Independent Auditors' Review Report**

### **6.1 Disclosure on independent auditors' review report**

The Bank's unconsolidated interim financial statements as of 30 June 2008, are reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International). It was noted in their review report dated 5 August 2008 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated interim financial statements do not give a true and fair view of the Bank's financial position and results of its operations as of 30 June 2008.

.....

August 14, 2008

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Section

AUG 18 2008

Dear Document Disclosure Team,

Washington, DC  
100

Please find enclosed Garanti Bank's consolidated financial statements for the period ended June 30, 2008 prepared in line with the BRSA's ( Turkish Banking Regulation and Supervision Agency) directives.

Regards,

Garanti Bank



Sinem Güçhan  
Vice President  
Investor Relations



Handan Saygın  
Senior Vice President  
Investor Relations

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AUG 18 2008

Washington, DC  
106

**Türkiye Garanti Bankası Anonim Şirketi**  
**And Its Financial Affiliates**  
**Consolidated Financial Statements**  
**As of and For the Six-Month Period Ended**  
**30 June 2008**  
*(Convenience Translation of Financial Statements and Related  
Disclosures and Footnotes Originally Issued in Turkish)*  
**With Independent Auditors' Review Report Thereon**

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ  
5 August 2008

*This report contains "Independent Auditors' Review  
Report" comprising 1 page and; "Consolidated  
Financial Statements and Related Disclosures and  
Footnotes" comprising 81 pages.*



**Akis Bağımsız Denetim ve Serbest  
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**Convenience Translation of the Independent Auditors' Review Report  
Originally Prepared and Issued in Turkish (See Note 3.1.1)**

**To the Board of Directors of Türkiye Garanti Bankası AŞ:**

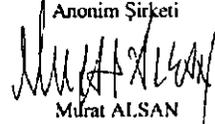
We have reviewed the consolidated balance sheet of Türkiye Garanti Bankası AŞ ("the Bank") and its financial affiliates as of 30 June 2008 and the related consolidated income statement, statement of cash flows and statement of changes in shareholders' equity for the six-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the accounting and reporting system and the regulations on the accounting and independent audit principles as per the (Turkish) Banking Law No. 5411. These regulations require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements are not presented fairly, in all material respects, the financial position of the Bank and its financial affiliates as of 30 June 2008 and the result of its operations and cash flows for the six-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Articles 37 and 38 of the (Turkish) Banking Law No. 5411 and other communiques, disclosures and directives issued by the Banking Regulatory and Supervisory Agency.

İstanbul,  
5 August 2008

**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 Interim Financial Report**  
**as of and for the Six-Month Period Ended 30 June 2008**

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The consolidated interim financial report for the six-month period ended 30 June 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. Independent Auditors' Review Report

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

<u>Subsidiaries</u>	<u>Associates</u>
1.Garanti Bank International NV	1.Eureko 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 review, 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> Board of Directors Chairman	<b>M. Cüneyt Sezgin</b> Audit Committee Member	<b>Des O'Shea</b> Audit Committee Member	<b>S. Ergun Özen</b> General Manager	<b>Aydın Şenel</b> Executive Vice President Responsible of Financial Reporting	<b>Aylin Aktürk</b> Coordinator
---	--	--	--	--	------------------------------------

The authorized contact person for questions on this financial report:

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

**SECTION ONE**

Page No:

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**SECTION TWO**

**Consolidated Financial Statements**

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**SECTION THREE**

**Accounting Policies**

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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 671 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 30 June 2008, group of companies under Doğuş Holding AŞ that currently owns 30.52% shares of the Bank, is called as the Doğuş Group (the Group). On 22 December 2005, Doğuş 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 Doğuş Holding AŞ, representing 4.65% of the issued share capital of Türkiye Garanti Bankası AŞ.

#### **Doğuş Group**

The Group was established in 1951 as a construction and contracting firm. Today, in addition to the construction sector, the Group operates in a variety of business consisting of financial services, automotive, media, tourism and service sectors with more than 19,800 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, Eureko Sigorta AŞ, Doğuş GE Gayrimenkul Yatırım Ortaklığı AŞ and Volkswagen Doğuş Tüketici Finansmanı AŞ.

#### **General Electric Group**

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

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

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

**Board of Directors Chairman and Members:**

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ferit Faik Şahenk	Chairman	18.04.2001	University	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	23 years
Dr. Ahmet Kamil Esirtgen	Member	19.03.1992	PhD	34 years
Charles Edward Alexander	Member	22.12.2005	University	28 years
Des O'Shea	Member of BOD and Audit Committee	02.11.2006	University	31 years
Oliver B.R.V. Piani	Member	21.02.2007	Master	27 years
Dmitri Lysander Stockton	Member	22.12.2005	University	17 years
Sait Ergun Özen	Member and CEO	14.05.2003	University	21 years

**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
Hafil 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

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

#### 1.4 Information on parent bank's qualified shareholders

Company	Shares	Ownership	Paid-in Capital	Unpaid Portion
Doğuş Holding AŞ	559,900	26.6619%	559,900	-
GE Araştırma ve Müşavirlik Limited Şti	437,856	20.8503%	437,856	-

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 366 founder share-certificates from "extraordinary reserves", and the value of remaining 4 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 set forth by the Banking Law;
- Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,
- Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by 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.

## Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates

## Consolidated Balance Sheet

At 30 June 2008

ASSETS		Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
			CURRENT PERIOD			PRIOR PERIOD		
			30 June 2008			31 December 2007		
			YTL	FC	Total	YTL	FC	Total
I.	CASH AND BALANCES WITH CENTRAL BANK	5.1.1	1,293,049	3,265,768	4,558,817	3,186,970	4,050,061	7,237,031
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5.1.2	419,748	704,748	1,124,496	281,010	750,690	1,031,700
2.1	Financial assets held for trading		297,241	529,242	826,483	236,454	690,782	927,236
2.1.1	Government securities		277,119	85,067	362,186	225,090	107,044	332,134
2.1.2	Equity securities		10,685	13	10,698	1,462	-	1,462
2.1.3	Other securities		9,437	444,162	453,599	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		122,507	175,506	298,013	44,556	59,908	104,464
III.	BANKS	5.1.3	1,974,913	3,076,344	5,051,257	1,058,305	3,497,847	4,556,152
IV.	INTERBANK MONEY MARKETS		-	-	-	-	-	-
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	5.1.4	11,604,900	3,582,868	15,187,768	9,839,136	3,712,231	13,551,367
5.1	Equity securities		22,788	48,287	71,075	37,193	37,674	74,867
5.2	Government securities		11,437,125	1,803,693	13,240,818	9,690,401	2,268,068	11,958,469
5.3	Other securities		144,987	1,730,888	1,875,875	111,542	1,406,489	1,518,031
VI.	LOANS	5.1.5	27,203,593	20,504,937	47,708,530	22,649,101	17,378,545	40,027,646
6.1	Loans		26,811,236	20,502,481	47,313,717	22,342,086	17,378,520	39,720,606
6.1.1	Loans to bank's risk group	5.7	54,390	106,533	160,923	22,720	51,941	74,661
6.1.2	Other		26,756,846	20,395,948	47,152,794	22,319,366	17,326,579	39,645,945
6.2	Loans under follow-up		958,700	11,803	970,503	846,538	5,776	852,314
6.3	Specific provisions (-)		566,343	9,347	575,690	539,523	5,751	545,274
VII.	FACTORING RECEIVABLES	5.1.6	445,028	377,740	822,768	345,643	148,757	494,400
VIII.	INVESTMENTS HELD-TO-MATURITY (Net)	5.1.7	3,419,335	364,739	3,784,074	3,498,885	801,475	4,300,360
8.1	Government securities		3,419,335	339,871	3,759,206	3,495,683	777,619	4,273,302
8.2	Other securities		-	24,868	24,868	3,202	23,856	27,058
IX.	INVESTMENTS IN ASSOCIATES (Net)	5.1.8	33,936	-	33,936	29,260	-	29,260
9.1	Associates consolidated under equity accounting		33,673	-	33,673	28,997	-	28,997
9.2	Unconsolidated associates		263	-	263	263	-	263
9.2.1	Financial investments in associates		-	-	-	-	-	-
9.2.2	Non-financial investments in associates		263	-	263	263	-	263
X.	INVESTMENTS IN SUBSIDIARIES (Net)	5.1.9	10,387	604	10,991	9,694	540	10,234
10.1	Unconsolidated financial investments in subsidiaries		418	604	1,022	418	540	958
10.2	Unconsolidated non-financial investments in subsidiaries		9,969	-	9,969	9,276	-	9,276
XI.	INVESTMENTS IN JOINT-VENTURES (Net)	5.1.10	-	-	-	-	-	-
11.1	Joint-ventures consolidated under equity accounting		-	-	-	-	-	-
11.2	Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1	Financial investments in joint-ventures		-	-	-	-	-	-
11.2.2	Non-financial investments in joint-ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	5.1.11	518,516	1,586,259	2,104,775	549,408	1,396,241	1,945,649
12.1	Financial lease receivables		653,791	1,786,862	2,440,653	690,122	1,560,826	2,250,948
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		135,275	200,603	335,878	140,714	164,585	305,299
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	5.1.12	-	2,550	2,550	-	31,960	31,960
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	2,550	2,550	-	31,960	31,960
13.3	Net foreign investment hedges		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	5.1.13	1,026,552	86,854	1,113,406	1,048,771	72,321	1,121,092
XV.	INTANGIBLE ASSETS (Net)	5.1.14	27,508	4,150	31,658	24,926	3,127	28,053
15.1	Goodwill		6,388	-	6,388	6,388	-	6,388
15.2	Other intangibles		21,120	4,150	25,270	18,538	3,127	21,665
XVI.	INVESTMENT PROPERTY (Net)	5.1.15	-	-	-	-	-	-
XVII.	TAX ASSET		60,902	5,766	66,668	63,263	311	63,574
17.1	Current tax asset		1,046	-	1,046	5,222	-	5,222
17.2	Deferred tax asset	5.1.16	59,856	5,766	65,622	58,041	311	58,352
XVIII.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.1.17	81,677	-	81,677	112,886	-	112,886
18.1	Asset held for resale		81,677	-	81,677	112,886	-	112,886
18.2	Assets of discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	5.1.18	1,866,787	145,818	2,012,605	1,484,191	122,938	1,607,129
	<b>TOTAL ASSETS</b>		<b>49,986,831</b>	<b>33,709,145</b>	<b>83,695,976</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.

# Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates

## Consolidated Balance Sheet

At 30 June 2008

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30 June 2008			31 December 2007		
		YTL	FC	Total	YTL	FC	Total
<b>I. DEPOSITS</b>	5.2.1	21,485,713	26,999,953	48,485,666	20,196,472	23,493,058	43,689,530
1.1 Deposits from bank's risk group	5.7	199,947	629,151	829,098	204,546	135,893	340,439
1.2 Other		21,285,766	26,370,802	47,656,568	19,991,926	23,357,165	43,349,091
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	5.2.2	364,887	38,766	403,653	501,205	37,388	538,593
<b>III. FUNDS BORROWED</b>	5.2.3	2,637,077	9,531,717	12,168,794	1,812,519	9,088,223	10,900,742
<b>IV. INTERBANK MONEY MARKETS</b>	5.2.4	7,371,542	954,012	8,325,554	7,447,905	1,144,051	8,591,956
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		7,371,542	954,012	8,325,554	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>		2,693,159	130,184	2,823,343	2,384,138	129,090	2,513,228
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>		1,027,395	247,632	1,275,027	863,062	298,408	1,161,470
<b>IX. FACTORING PAYABLES</b>	5.2.5	-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	5.2.6	-	4,804	4,804	-	4,115	4,115
10.1 Financial lease payables		-	4,804	4,804	-	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	-	3,988	3,988	-	249	249
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	3,988	3,988	-	249	249
11.3 Net foreign investment hedges		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	5.2.8	969,005	17,562	986,567	651,197	22,225	673,422
12.1 General provisions		360,432	15,266	375,698	265,965	14,695	280,660
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		186,379	-	186,379	143,883	-	143,883
12.4 Insurance technical provisions (Net)		119,143	-	119,143	101,150	-	101,150
12.5 Other provisions		303,051	2,296	305,347	140,199	7,530	147,729
<b>XIII. TAX LIABILITY</b>	5.2.9	203,244	9,901	213,145	217,521	3,219	220,740
13.1 Current tax liability		203,244	9,901	213,145	217,521	3,189	220,710
13.2 Deferred tax liability		-	-	-	-	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	-	767,614	767,614	-	728,771	728,771
<b>XVI. SHAREHOLDERS' EQUITY</b>	5.2.12	8,307,178	(69,357)	8,237,821	6,983,672	142,005	7,125,677
16.1 Paid-in capital		2,100,000	-	2,100,000	2,100,000	-	2,100,000
16.2 Capital reserves		3,144,477	(75,717)	3,068,760	886,218	139,484	1,025,702
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		(316,222)	(74,143)	(390,365)	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)		(22,334)	(1,574)	(23,908)	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		2,884,434	-	2,884,434	772,554	-	772,554
16.3 Profit reserves		2,010,289	6,360	2,016,649	1,560,342	2,521	1,562,863
16.3.1 Legal reserves		281,627	2,619	284,246	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		46,904	3,741	50,645	5,935	-	5,935
16.4 Profit or loss		1,023,839	-	1,023,839	2,413,778	-	2,413,778
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		1,023,839	-	1,023,839	2,413,778	-	2,413,778
16.5 Minority interest		28,573	-	28,573	23,334	-	23,334
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>45,059,200</b>	<b>38,636,776</b>	<b>83,695,976</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 30 June 2008

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30 June 2008			31 December 2007		
		YTL	FC	Total	YTL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		28,777,011	46,014,291	74,791,302	23,960,000	32,425,848	56,385,848
<b>I. GUARANTEES AND SURETIES</b>	5.3.1	3,956,954	11,064,901	15,021,855	3,921,013	8,831,279	12,802,292
1.1. Letters of guarantee		3,956,865	6,349,015	10,305,884	3,920,015	5,849,586	9,769,605
1.1.1. Guarantees subject to State Tender Law		271,055	480,341	751,396	306,986	423,552	730,538
1.1.2. Guarantees given for foreign trade operations		297,347	393,922	691,269	303,252	326,670	630,422
1.1.3. Other letters of guarantee		3,388,463	5,474,752	8,863,215	3,309,281	5,099,364	8,408,645
1.2. Bank acceptances		-	116,954	116,954	600	115,887	116,487
1.2.1. Import letter of acceptance		-	105,018	105,018	600	107,622	108,222
1.2.2. Other bank acceptances		-	11,936	11,936	-	8,265	8,265
1.3. Letters of credit		89	4,598,928	4,599,017	394	2,915,806	2,916,200
1.3.1. Documentary letters of credit		-	3,863	3,863	-	1,649	1,649
1.3.2. Other letters of credit		89	4,595,065	4,595,154	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		-	-	-	-	-	-
1.9. Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		14,140,833	5,687,984	19,828,817	13,139,200	3,764,471	16,903,671
2.1. Irrevocable commitments		14,140,833	5,687,508	19,828,341	13,139,200	3,764,081	16,903,281
2.1.1. Asset purchase commitments		347,235	2,438,588	2,785,823	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		2,867,718	2,141,241	5,008,955	2,327,523	1,013,635	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		1,344,126	-	1,344,126	1,852,451	-	1,852,451
2.1.8. Tax and fund obligations on export commitments		25,191	-	25,191	24,398	-	24,398
2.1.9. Commitments for credit card limits		8,291,541	14,741	8,306,282	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	1,092,938	2,357,148	1,264,210	1,061,030	2,325,240
2.2. Revocable commitments		-	476	476	-	390	390
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	476	476	-	390	390
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	5.3.2	10,679,224	29,261,406	39,940,630	6,899,787	19,780,098	26,679,885
3.1. Derivative financial instruments held for risk management		-	12,937	12,937	-	58,282	58,282
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	12,937	12,937	-	58,282	58,282
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		10,679,224	29,248,465	39,927,693	6,899,787	19,721,816	26,621,603
3.2.1. Forward foreign currency purchases/sales		1,086,011	1,521,893	2,607,904	863,438	1,217,904	2,081,044
3.2.1.1. Forward foreign currency purchases		590,868	727,422	1,318,290	340,766	665,557	1,006,323
3.2.1.2. Forward foreign currency sales		495,143	794,471	1,289,614	522,672	552,049	1,074,721
3.2.2. Currency and interest rate swaps		6,381,482	17,288,245	23,669,727	4,840,275	10,157,286	14,997,565
3.2.2.1. Currency swaps-purchases		1,118,274	10,557,286	11,675,560	1,215,757	6,023,664	7,239,421
3.2.2.2. Currency swaps-sales		5,263,208	6,705,264	11,968,472	3,622,066	4,123,014	7,745,080
3.2.2.3. Interest rate swaps-purchases		-	12,846	12,846	417	5,401	5,818
3.2.2.4. Interest rate swaps-sales		-	12,849	12,849	2,039	5,207	7,246
3.2.3. Currency, interest rate and security options		3,112,385	9,441,741	12,554,130	1,077,633	7,711,274	8,788,927
3.2.3.1. Currency call options		1,558,655	4,395,616	5,954,275	370,616	3,798,693	4,169,305
3.2.3.2. Currency put options		1,389,425	4,732,742	6,122,171	635,057	3,417,318	4,052,375
3.2.3.3. Interest rate call options		-	84,350	84,350	-	81,200	81,200
3.2.3.4. Interest rate put options		-	-	-	-	-	-
3.2.3.5. Security call options		71,977	159,904	231,881	37,344	113,283	150,627
3.2.3.6. Security put options		92,324	69,129	161,453	34,636	300,780	335,416
3.2.4. Currency futures		97,827	83,893	181,720	114,417	82,650	197,067
3.2.4.1. Currency futures-purchases		90,132	2	90,134	83,070	2,219	85,289
3.2.4.2. Currency futures-sales		7,695	83,891	91,586	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		1,515	912,697	914,212	4,000	553,000	557,000
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		134,546,293	84,943,456	219,489,749	129,941,310	67,836,609	197,777,919
<b>IV. ITEMS HELD IN CUSTODY</b>		33,280,421	12,914,902	46,195,323	46,920,619	12,856,015	59,776,634
4.1. Customers' securities held		13,509,420	3,056,995	16,566,415	21,162,115	3,625,534	24,787,653
4.2. Investment securities held in custody		12,570,824	752,167	13,322,991	20,241,857	1,385,715	21,627,576
4.3. Checks received for collection		5,483,895	740,225	6,224,124	4,204,954	494,980	4,699,934
4.4. Commercial notes received for collection		1,687,442	1,803,093	3,490,535	1,281,717	1,631,215	2,912,936
4.5. Other assets received for collection		6,667	6,268,035	6,274,702	7,197	5,402,214	5,409,411
4.6. Assets received through public offering		-	20,541	20,541	-	18,805	18,805
4.7. Other items under custody		22,169	273,842	296,011	22,775	297,544	320,319
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		101,265,872	72,028,554	173,294,426	83,020,691	54,980,594	138,001,285
5.1. Securities		94,890	-	94,890	169,805	5,555	175,360
5.2. Guarantee notes		14,615,727	5,546,297	20,162,024	11,971,031	4,942,492	16,913,523
5.3. Commodities		157	-	157	-	-	157
5.4. Warranties		-	376,862	376,862	-	463,776	463,776
5.5. Real estates		17,343,531	16,734,710	34,078,241	13,345,515	7,900,332	21,245,851
5.6. Other pledged items		69,211,397	49,370,326	118,581,723	57,534,005	41,668,096	99,202,105
5.7. Pledged items-depository		170	359	529	170	343	513
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		163,323,304	130,957,747	294,281,051	153,901,310	100,262,457	254,163,767

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 Six-Month Period Ended 30 June 2008**

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)			
			CURRENT PERIOD 1 January 2008- 30 June 2008	PRIOR PERIOD 1 January 2007- 30 June 2007	CURRENT PERIOD 1 April 2008- 30 June 2008	PRIOR PERIOD 1 April 2007- 30 June 2007
<b>I.</b>	<b>INTEREST INCOME</b>	5.4.1	4,552,933	3,686,938	2,324,196	1,883,238
1.1	Interest income on loans		2,722,008	2,006,765	1,400,579	1,062,583
1.2	Interest income on reserve deposits		98,369	85,102	49,670	43,295
1.3	Interest income on banks		205,363	179,202	95,408	89,013
1.4	Interest income on money market transactions		2,090	2,206	1,119	1,307
1.5	Interest income on securities portfolio		1,317,668	1,138,765	674,712	566,409
1.5.1	Trading financial assets		19,511	33,378	8,889	19,984
1.5.2	Financial assets valued at fair value through profit or loss		-	-	-	-
1.5.3	Financial assets available-for-sale		976,177	733,303	475,695	308,744
1.5.4	Investments held-to-maturity		321,980	372,084	190,128	237,681
1.6	Financial lease income		116,720	83,441	57,394	43,717
1.7	Other interest income		90,715	191,457	45,314	76,914
<b>II.</b>	<b>INTEREST EXPENSE</b>	5.4.2	2,809,690	2,232,822	1,426,866	1,133,744
2.1	Interest on deposits		1,938,527	1,528,786	996,339	774,215
2.2	Interest on funds borrowed		424,843	331,161	204,152	162,541
2.3	Interest on money market transactions		443,803	365,472	225,424	192,546
2.4	Interest on securities issued		1,386	1,464	603	739
2.5	Other interest expenses		1,131	5,939	348	3,703
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		1,743,243	1,454,116	897,330	749,494
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		796,345	625,355	390,392	314,653
4.1	Fees and commissions received		994,713	828,582	500,705	424,770
4.1.1	Non-cash loans		61,651	57,886	33,203	29,034
4.1.2	Others		933,062	770,696	467,502	395,736
4.2	Fees and commissions paid		198,368	203,227	110,313	110,117
4.2.1	Non-cash loans		151	162	98	86
4.2.2	Others		198,217	203,065	110,215	110,031
<b>V.</b>	<b>DIVIDEND INCOME</b>	5.4.3	2,044	1,849	1,951	1,540
<b>VI.</b>	<b>NET TRADING INCOME/LOSSES (Net)</b>	5.4.4	115,687	(100,597)	46,566	(43,584)
6.1	Trading account income/losses (Net)		(3,733)	(305,078)	(33,699)	(183,461)
6.2	Foreign exchange gains/losses (Net)		119,420	204,481	80,265	139,877
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	5.4.5	310,031	964,103	92,852	827,994
<b>VIII.</b>	<b>TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		2,967,350	2,944,826	1,429,091	1,850,097
<b>IX.</b>	<b>PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	5.4.6	264,404	184,201	4,232	96,945
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	5.4.7	1,432,734	989,518	787,338	522,742
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		1,270,212	1,771,107	637,521	1,230,410
<b>XII.</b>	<b>INCOME RESULTED FROM MERGERS</b>		-	-	-	-
<b>XIII.</b>	<b>INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		4,676	-	2,614	-
<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	1,274,888	1,771,107	640,135	1,230,410
<b>XVI.</b>	<b>PROVISION FOR TAXES (±)</b>	5.4.9	245,810	254,932	105,204	143,528
16.1	Current tax charge		255,735	276,402	121,347	168,563
16.2	Deferred tax charge/(credit)		(9,925)	(21,470)	(16,143)	(25,035)
<b>XVII.</b>	<b>NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)</b>	5.4.10	1,029,078	1,516,175	534,931	1,086,882
<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	1,029,078	1,516,175	534,931	1,086,882
23.1	Equity holders of the bank		1,023,839	1,511,873	532,420	1,082,910
23.2	Minority interest		5,239	4,302	2,511	3,972
<b>EARNINGS PER SHARE (full YTL amount per YTL/000 face value each)</b>			<b>488</b>	<b>720</b>	<b>254</b>	<b>516</b>

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Statement of Income/Expense Items Accounted under Shareholders' Equity**  
**For the Six-Month Period Ended 30 June 2008**

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF NEW TURKISH LIRA (YTL)	
	CURRENT PERIOD	PRIOR PERIOD
	30 June 2008	30 June 2007
<b>I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"</b>	(682,045)	12,365
<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>	41,102	(15,980)
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)</b>	(41,298)	(7,180)
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	(28,885)	14,394
<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>	-	417
<b>IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES</b>	116,545	(6,989)
<b>X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)</b>	(594,581)	(2,973)
<b>XI. CURRENT PERIOD PROFIT/LOSSES</b>	1,029,078	1,516,175
1.1 Net changes in fair value of securities (transferred to income statement)	4,504	2,770
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	1,024,574	1,513,405
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)</b>	434,497	1,513,202

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 Six-Month Period Ended 30 June 2008**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	FOURTH QUARTER	THOUSANDS OF NEW TURKISH LIRA (TL)															
		Paid-Up Capital	Capital Reserve (or Adjustment to Paid-Up Capital)	Share Cancellation Premium	Share Cancellation Profits	Legal Reserve	Statutory Reserve	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Securities Value Increase	Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Resolutions Surplus on Assets Held for Sale and Assets of Discontinued Operations	Shareholders' Equity Before Minority Interest	Minority Interest
<b>PERIOD BEGINNING - 30 June 2007</b>		2,108,000	772,554	-	-	198,653	-	524,745	34,923	1,162,311	122,704	2,147	948	(19,279)	4,816,417	1,779	4,824,997
I. Balance at beginning of the period		2,108,000	772,554	-	-	198,653	-	524,745	34,923	1,162,311	122,704	2,147	948	(19,279)	4,816,417	1,779	4,824,997
II. Effect of revaluation per TL 0.8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Effect of change in accounting provision		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Adjusted balance at beginning of the period (I-II)		2,108,000	772,554	-	-	198,653	-	524,745	34,923	1,162,311	122,704	2,147	948	(19,279)	4,816,417	1,779	4,824,997
<b>Changes during the period</b>																	
V. Market value changes of securities		-	-	-	-	-	-	-	-	-	6,819	-	-	-	6,819	-	6,819
VI. Hedging reserves		-	-	-	-	-	-	-	-	-	(5,271)	-	-	-	(5,271)	-	(5,271)
VII. Cash Div. hedge		-	-	-	-	-	-	-	-	-	(5,274)	-	-	-	(5,274)	-	(5,274)
VIII. Effect of change in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Translation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Translation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Effect of change in revaluation of assets		-	-	-	-	-	-	-	-	-	(19)	-	-	-	(19)	-	(19)
XIII. Effect of change in liquidation of assets on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share issuances		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Share contributions profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Capital reserves from liquidation of participations in paid-up capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX. Current period net profit/loss		-	-	-	-	-	-	-	-	1,531,873	-	-	-	-	1,531,873	-	1,531,873
XXI. Profit distribution		-	-	-	-	-	-	-	-	(1,281,186)	-	-	-	-	(1,281,186)	-	(1,281,186)
XXII. Dividends		-	-	-	-	-	-	-	-	(219,219)	-	-	-	-	(219,219)	-	(219,219)
XXIII. Transfers to reserves		-	-	-	-	-	-	-	-	(67,317)	-	-	-	-	(67,317)	-	(67,317)
XXIV. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at end of the period (III+IV+V+...+XXIV+XV+XVI)</b>		2,108,000	772,554	-	-	198,653	-	1,487,061	34,923	1,531,873	122,704	-	1,289	(12,279)	6,186,743	1,948	6,194,421
<b>VI BÜYÜK PERİYOD - 30 June 2008</b>																	
I. Balance at beginning of the period		2,108,000	772,554	-	-	198,653	-	1,487,061	34,923	1,531,873	122,704	-	1,289	(12,279)	6,186,743	1,948	6,194,421
II. Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	199,537	-	-	-	199,537	-	199,537
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	(979,537)	-	-	-	(979,537)	-	(979,537)
V. Cash Div. hedge		-	-	-	-	-	-	-	-	-	(13,124)	-	-	-	(13,124)	-	(13,124)
VI. Effect of change in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Translation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Translation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from revaluation of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in liquidation of assets on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXI. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXII. Share issuances		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXIII. Share contributions profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXIV. Capital reserves from liquidation of participations in paid-up capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXV. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXVI. Current period net profit/loss		-	-	-	-	-	-	-	-	1,882,839	-	-	-	-	1,882,839	-	1,882,839
XXVII. Profit distribution		-	-	-	-	-	-	-	-	(1,414,225)	-	-	-	-	(1,414,225)	-	(1,414,225)
XXVIII. Dividends		-	-	-	-	-	-	-	-	(413,779)	-	-	-	-	(413,779)	-	(413,779)
XXIX. Transfers to reserves		-	-	-	-	-	-	-	-	(1,543,311)	-	-	-	-	(1,543,311)	-	(1,543,311)
XXX. Others		-	-	-	-	-	-	-	-	(378,457)	-	-	-	-	(378,457)	-	(378,457)
<b>Balance at end of the period (I+II+III+...+XXX+XXVI+XXVII)</b>		2,108,000	772,554	-	-	198,653	-	1,481,758	34,923	1,882,839	122,704	-	1,289	(12,279)	6,389,348	2,573	6,391,921

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Statement of Cash Flows**  
**For the Six-Month Period Ended 30 June 2008**

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)	
		CURRENT PERIOD 30 June 2008	PRIOR PERIOD 30 June 2007
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	5.6	1,504,142	1,854,326
1.1.1 Interests received		4,445,954	3,503,793
1.1.2 Interests paid		(2,724,247)	(2,073,201)
1.1.3 Dividend received		2,044	1,849
1.1.4 Fees and commissions received		796,345	664,876
1.1.5 Other income		132,206	834,753
1.1.6 Collections from previously written-off loans and other receivables		11,712	11,158
1.1.7 Payments to personnel and service suppliers		(1,117,344)	(867,304)
1.1.8 Taxes paid		(42,528)	(221,598)
1.1.9 Others		-	-
<b>1.2 Changes in operating assets and liabilities</b>	5.6	(607,559)	(2,334,109)
1.2.1 Net (increase) decrease in financial assets held for trading		108,869	(216,048)
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		2,050,906	(1,671,946)
1.2.4 Net (increase) decrease in loans		(7,955,927)	(5,874,146)
1.2.5 Net (increase) decrease in other assets		(901,052)	(437,885)
1.2.6 Net increase (decrease) in bank deposits		(10,566)	617,352
1.2.7 Net increase (decrease) in other deposits		4,739,163	3,119,986
1.2.8 Net increase (decrease) in funds borrowed		1,008,906	1,895,212
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		352,142	233,366
<b>I. Net cash flow from banking operations</b>	5.6	896,583	(479,783)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>	5.6	(1,826,727)	(812,524)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-	(71)
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	95
2.3 Purchases of tangible assets		(147,968)	(111,094)
2.4 Sales of tangible assets		124,219	27,035
2.5 Cash paid for purchase of financial assets available-for-sale, net		(5,548,776)	(735,280)
2.6 Cash obtained from sale of financial assets available-for-sale, net		3,225,902	-
2.7 Cash paid for purchase of investments held-to-maturity		-	(70,776)
2.8 Cash obtained from sale of investments held-to-maturity		519,896	77,567
2.9 Others		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		677,614	(219,365)
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		-	(219,319)
3.5 Payments for financial leases		(33)	(46)
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>		119,420	(5,831)
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>	5.6	(133,110)	(1,517,503)
<b>VI. Cash and cash equivalents at beginning of period</b>	5.6	4,315,192	4,149,369
<b>VII. Cash and cash equivalents at end of period (V+VI)</b>	5.6	4,182,082	2,631,866

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 30 June 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.

GFS was established in Ireland in December 1997 to perform financial activities. The Bank owns 99.99% of the company's shares.

#### 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 Eureko BV on 21 June 2007.

The liquidation of GFM is expected to be completed during the year 2008.

The liquidation process of GFS is started in 2008 and expected to be completed during the year 2009.

### **3.4 Forwards, options and other derivative transactions**

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

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.

#### Insurance business

**Earned premiums:** The premiums of life and non-life branches comprise the premiums due on contracts, net of cancellations, issued during a financial year. These premiums are recorded in the financial statements by taking the reserve for unearned premiums into consideration.

**Unearned premium reserve:** Insurance companies are required to allocate reserves for unearned premium for all in-force policies. In compliance with the Insurance Supervision Act no.7397, the unearned premium reserve is calculated for all outstanding policies during the balance sheet period after deducting commissions on an accrual basis.

**Life assurance provision:** Insurance companies operating in life insurance business are required to provide life assurance provision for future guaranteed policy benefits. The life assurance provision is computed by the actuary by taking the mortality assumptions officially applicable for Turkish insurance companies. Revenues arising from the conversion of these provisions into investment, are also taken into consideration while calculating life assurance provisions.

**Provision for outstanding claims:** Provision is allocated for the outstanding claims incurred and reported but not yet settled as of the reporting period end. Such provisions should be calculated taking into account the results of the appraisal reports or the preliminary assessments of the insured customer and the expert. Moreover, additional provision is allocated for outstanding claims incurred but not reported as of the balance sheet date.

#### 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:

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

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

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

### **3.14 Leasing activities**

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 Employee benefits

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

As per the existing labour law in Turkey, the Bank is 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 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:

	30 June 2008	31 December 2007
Discount Rate	11.00%	11.00%
Expected Rate of Salary/Limit	5.00%	5.00%
Estimated Employee Turnover Rate	5.81%	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:

	30 June 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”) 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 funds’ members and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the Social Security Foundation (“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 Social Security Law No. 5754 (“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 SDIF, 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.

The Bank obtained an actuarial report dated 13 May 2008 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the 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 2007.

The asset surplus of the Fund after deducting the net present value of the transferable liabilities as of 31 December 2007 is as follows:

Pension and medical benefits transferable to SSF	(319,418)
Fair value of plan assets	<u>469,931</u>
Asset surplus	<u>150,513</u>

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.

Accordingly, an actuarial report was prepared as of 31 December 2007 as per the requirements of the Law 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 13 May 2008 dated report, the Bank recognized a provision amounting YTL 164,598 thousands for its liability and charged fully as expense in the accompanying financial statements.

Pension benefits	(109,080)
Medical benefits	<u>(206,031)</u>
	(315,111)
Fair value of plan assets after deducting transferable benefits	<u>150,513</u>
Present value of the defined benefit obligation	<u>(164,598)</u>

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

	31 December 2007
	(%)
Discount Rate	16.77-10.17
Inflation Rate	8-4.85
Future Real Salary Increase Rate	1.5
Medical Cost Trend Rate	12.8-7.76
Future Pension Increase Rates	8-4.85

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

The consolidated subsidiaries and associates do not have retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated subsidiaries and associates 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.

Effective from 1 January 2006, the article 2 of the Law no.5479 published in the Official Gazette dated 8 April 2006 with no.26133 and the article 19 of the Income Tax Law that used to regulate the investment incentives are abolished. However, the provisional article 69 added to the Income Tax Law through this law regulates the transition period in application of investment incentives.

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.

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 separately, without any offsetting.

### **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 30 June 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 30 June 2008:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Total Operating Profit	783,595	1,074,562	609,851	497,298	2,965,306
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>783,595</b>	<b>1,074,562</b>	<b>609,851</b>	<b>497,298</b>	<b>2,965,306</b>
Net Operating Profit	535,186	620,910	267,901	(151,153)	1,272,844
Income from Associates, Subsidiaries and Joint-Ventures	-	-	-	2,044	2,044
<b>Net Operating Profit</b>	<b>535,186</b>	<b>620,910</b>	<b>267,901</b>	<b>(149,109)</b>	<b>1,274,888</b>
Provision for Taxes	-	-	-	245,810	245,810
<b>Net Profit</b>	<b>535,186</b>	<b>620,910</b>	<b>267,901</b>	<b>(394,919)</b>	<b>1,029,078</b>
Segment Assets	15,770,632	31,227,385	26,250,644	10,402,388	83,651,049
Investments in Associates, Subsidiaries and Joint-Ventures	-	-	-	44,927	44,927
Undistributed Items	-	-	-	-	-
<b>Total Assets</b>	<b>15,770,632</b>	<b>31,227,385</b>	<b>26,250,644</b>	<b>10,447,315</b>	<b>83,695,976</b>
Segment Liabilities	26,591,242	18,163,738	20,027,688	10,675,487	75,458,155
Shareholders' Equity	-	-	-	8,237,821	8,237,821
Undistributed Items	-	-	-	-	-
<b>Total Liabilities and Shareholders' Equity</b>	<b>26,591,242</b>	<b>18,163,738</b>	<b>20,027,688</b>	<b>18,913,308</b>	<b>83,695,976</b>
Other Segment Items	31,126	97,974	(65,711)	530,718	594,107
Capital Expenditure	-	-	-	136,977	136,977
Depreciation Expenses	-	-	-	85,402	85,402
Impairment Losses	-	-	969	263,436	264,405
Other Non-Cash Income/Expenses	31,126	97,974	(66,680)	44,903	107,323
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 10,231 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".

Commissions received for cash loans amounting YTL 52,889 thousands are classified to "interest income on loans" and commissions paid for funds borrowed amounting YTL 13,368 thousands are classified to "interest expense on funds borrowed" as of 30 June 2007.

Due to method change in valuation of derivative instruments, YTL 210,312 thousands is reclassified from "trading account gains/(losses)" to "foreign exchange gains/(losses)" as of 30 June 2007.

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

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

The Bank's consolidated capital adequacy ratio is 13.33% (unconsolidated capital adequacy ratio: 14.89%) as of 30 June 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>11,958,182</b>	-	<b>2,827,740</b>	<b>11,143,940</b>	<b>32,903,589</b>	<b>583,300</b>	<b>5,519</b>
Cash on Hand	445,462	-	2,469	-	-	-	-
Securities in Redemption	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	1,038,526	-	-	-	-	-	-
Domestic and Foreign Banks, Foreign Headoffices and Branches	602,500	-	2,402,909	-	886,288	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-	-	-	-
Reserve Deposits	3,011,342	-	-	-	-	-	-
Loans	2,678,992	-	173,786	11,022,781	29,188,021	583,300	5,519
Loans under Follow-Up (Net)	-	-	-	-	392,357	-	-
Lease Receivables	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-
Investments Held-to-Maturity	3,370,957	-	-	-	-	-	-
Receivables from Term Sale of Assets	-	-	-	-	42,966	-	-
Miscellaneous Receivables	20,120	-	-	-	91,421	-	-
Accrued Interest and Income	214,867	-	67,517	121,159	527,530	-	-
Investments in Associates, Subsidiaries and Joint-Ventures (Business Partnership) (Net)	-	-	-	-	712,906	-	-
Tangible Assets (Net)	-	-	-	-	1,021,233	-	-
Other Assets	575,416	-	181,059	-	40,867	-	-
<b>Off-Balance Sheet Items</b>	<b>1,367,683</b>	-	<b>1,531,904</b>	<b>611,974</b>	<b>8,629,337</b>	-	-
Non-Cash Loans and Commitments	1,367,683	-	1,181,767	611,974	8,594,832	-	-
Derivative Financial Instruments	-	-	350,137	-	34,505	-	-
<b>Non-Risk-Weighted Accounts</b>	-	-	-	-	-	-	-
<b>Total Risk-Weighted Assets</b>	<b>13,325,865</b>	-	<b>4,359,644</b>	<b>11,755,914</b>	<b>41,532,926</b>	<b>583,300</b>	<b>5,519</b>

	Risk Weightings						
	Consolidated						
	0%	10%	20%	50%	100%	150%	200%
<b>Value at Credit Risk</b>							
<b>Balance Sheet Items (Net)</b>	<b>13,484,391</b>	-	<b>3,165,466</b>	<b>11,524,218</b>	<b>38,178,097</b>	<b>583,300</b>	<b>5,519</b>
Cash on Hand	459,652	-	2,469	-	-	-	-
Securities in Redemption	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	1,038,526	-	-	-	-	-	-
Domestic and Foreign Banks, Foreign Headoffices and Branches	1,120,422	-	2,428,684	-	1,423,809	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-	-	-	-
Reserve Deposits	3,011,342	-	-	-	-	-	-
Loans	3,349,261	-	394,556	11,111,468	32,012,652	583,300	5,519
Loans under Follow-Up (Net)	-	-	-	-	394,813	-	-
Lease Receivables	63,842	-	74,408	287,774	1,653,514	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-
Investments Held-to-Maturity	3,610,001	-	-	-	25,388	-	-
Receivables from Term Sale of Assets	-	-	-	-	42,966	-	-
Miscellaneous Receivables	20,120	-	-	-	796,040	-	-
Accrued Interest and Income	230,402	-	84,290	124,976	552,614	-	-
Investments in Associates, Subsidiaries and Joint-Ventures (Business Partnership) (Net)	-	-	-	-	10,232	-	-
Tangible Assets (Net)	-	-	-	-	1,132,247	-	-
Other Assets	580,823	-	181,059	-	133,822	-	-
<b>Off-Balance Sheet Items</b>	<b>1,397,319</b>	-	<b>1,618,533</b>	<b>656,271</b>	<b>9,845,239</b>	-	-
Non-Cash Loans and Commitments	1,391,630	-	1,184,949	656,271	9,745,868	-	-
Derivative Financial Instruments	5,689	-	433,584	-	99,371	-	-
<b>Non-Risk-Weighted Accounts</b>	-	-	-	-	-	-	-
<b>Total Risk-Weighted Assets</b>	<b>14,881,710</b>	-	<b>4,783,999</b>	<b>12,180,489</b>	<b>48,023,336</b>	<b>583,300</b>	<b>5,519</b>

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

	Parent Bank Only	
	Current Period	Prior Period
Value at Credit Risk (VaCR)	49,168,800	41,927,303
Value at Market Risk (VaMR)	2,809,238	579,538
Value at Operational Risk (VaOR)	5,766,996	4,520,072
Shareholders' Equity	8,597,830	7,206,570
Shareholders' Equity / (VaCR+VaMR+VaOR) * 100	14.89%	15.32%

	Consolidated	
	Current Period	Prior Period
Value at Credit Risk (VaCR)	55,956,369	46,859,414
Value at Market Risk (VaMR)	4,319,563	1,550,094
Value at Operational Risk (VaOR)	6,621,287	5,299,036
Shareholders' Equity	8,916,905	7,506,982
Shareholders' Equity / (VaCR+VaMR+VaOR) * 100	13.33%	13.98%

#### 4.1.4 Components of consolidated shareholders' equity

	Current Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	2,100,000	2,100,000
Nominal Capital	2,100,000	2,100,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	772,554	772,554
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	284,246	168,367
I. Legal Reserve (Turkish Commercial Code 466/1)	260,619	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	2,111,880	-
Profit	1,023,839	2,413,778
Current Period Profit	1,023,839	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	28,573	23,334
Loss excess of Reserves (-)	-	-
Current Period Loss	-	-
Prior Periods Loss	-	-
Leasehold Improvements (-)	-	91,432
Prepaid Expenses (-)	310,982	257,923
Intangible Assets (-)	31,658	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>8,649,793</b>	<b>6,926,311</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	375,698	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	690,417	672,492
45% of Securities Value Increase Fund (*)	(388,044)	75,319
Associates and Subsidiaries	-	-
Investment Securities Available for Sale	(388,044)	75,319
Other Reserves	26,737	38,173
<b>Total Supplementary Capital</b>	<b>707,283</b>	<b>1,069,119</b>
<b>TIER III CAPITAL</b>		
<b>CAPITAL</b>	<b>9,357,076</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>440,171</b>	<b>488,448</b>
Unconsolidated Investments in Banks and Financial Institutions	34,695	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	62,836	81,085
Others	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>8,916,905</b>	<b>7,506,982</b>

#### 4.2 Consolidated credit risk

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 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 revisited 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

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	203,806
(II) Capital Obligation against Specific Risks - Standard Method	99,580
(III) Capital Obligation against Currency Risk - Standard Method	17,470
(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	24,709
(VII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(VIII) Total Capital Obligations against Market Risk ((I+II+III+IV+V+VI)	345,565
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	4,319,563

#### 4.3.2 Average values at market risk

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 4.4 Consolidated operational risk

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 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 30 June 2008, the Bank and its financial affiliates' net 'on balance sheet' foreign currency short position amounts to YTL 3,077,007 thousands (31 December 2007: YTL 1,584,354 thousands), net 'off-balance sheet' foreign currency long position amounts to YTL 3,371,010 thousands (31 December 2007: YTL 1,633,572 thousands), while net foreign currency long position amounts to YTL 294,003 thousands (31 December 2007: YTL 49,218 thousands).

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

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:

	USD	EUR	Yen (100)	GBP
The Bank's foreign currency purchase rate at balance sheet date	1.2050	1.8996	1.1375	2.4017
<u>Foreign currency rates for the days before balance sheet date:</u>				
Day 1	1.2100	1.9059	1.1397	2.4097
Day 2	1.2100	1.9054	1.1382	2.4069
Day 3	1.2050	1.8972	1.1240	2.3961
Day 4	1.2000	1.8686	1.1099	2.3630
Day 5	1.2150	1.8970	1.1308	2.3957
Last 30-days arithmetical average rate	1.2176	1.8962	1.1401	2.3954

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

	Euro	USD	Yen	Other FCs	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	65,630	3,160,497	147	39,494	3,265,768
Banks	1,002,644	1,980,532	14,553	78,615	3,076,344
Financial Assets at Fair Value through Profit/Loss	86,450	455,834	127	7,509	549,920
Interbank Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale	286,427	3,226,352	-	70,089	3,582,868
Loans (*)	7,896,346	13,921,654	25,984	735,202	22,579,186
Investments in Associates, Subsidiaries and Joint-Ventures	604	-	-	-	604
Investments Held-to-Maturity	38,258	326,481	-	-	364,739
Derivative Financial Assets Held for Risk Management	-	2,550	-	-	2,550
Tangible Assets	27,428	556	-	58,870	86,854
Intangible Assets	3,581	-	-	569	4,150
Other Assets	1,132,100	886,797	4,937	57,043	2,080,877
<b>Total Assets</b>	<b>10,539,468</b>	<b>23,961,253</b>	<b>45,748</b>	<b>1,047,391</b>	<b>35,593,860</b>
<b>Liabilities</b>					
Bank Deposits	336,238	1,161,390	10	255,856	1,753,494
Foreign Currency Deposits	11,379,162	13,138,291	104,613	521,062	25,143,128
Interbank Money Market Takings	132,275	821,737	-	-	954,012
Other Fundings	3,332,546	6,965,872	913	-	10,299,331
Securities Issued	-	-	-	-	-
Miscellaneous Payables	72,820	49,590	4,977	2,797	130,184
Derivative Financial Liabilities Held for Risk Management	3,545	443	-	-	3,988
Other Liabilities (**)	119,403	143,019	8,595	115,713	386,730
<b>Total Liabilities</b>	<b>15,375,989</b>	<b>22,280,342</b>	<b>119,108</b>	<b>895,428</b>	<b>38,670,867</b>
<b>Net 'On Balance Sheet' Position</b>	<b>(4,836,521)</b>	<b>1,680,911</b>	<b>(73,360)</b>	<b>151,963</b>	<b>(3,077,007)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>4,514,350</b>	<b>(1,272,173)</b>	<b>71,762</b>	<b>57,071</b>	<b>3,371,010</b>
Derivative Assets	6,282,502	10,002,339	183,294	566,146	17,034,281
Derivative Liabilities	(1,768,152)	(11,274,512)	(111,532)	(509,075)	(13,663,271)
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 2,074,249 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 103,331 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	3,058,169	-	-	-	-	1,500,648	4,558,817
Banks	2,707,017	397,290	1,442,055	12,130	-	492,765	5,051,257
Financial Assets at Fair Value through Profit/Loss	46,815	74,080	248,439	244,375	26,750	484,037	1,124,496
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	1,257,365	4,107,099	2,877,215	5,070,224	1,122,375	753,490	15,187,768
Loans	14,212,484	8,457,427	11,724,284	9,544,928	2,689,039	1,080,368	47,708,530
Investments Held-to-Maturity	532,374	2,218,439	240,136	644,439	-	148,686	3,784,074
Other Assets	312,820	488,992	922,165	1,145,411	75,893	3,335,753	6,281,034
<b>Total Assets</b>	<b>22,127,044</b>	<b>15,743,327</b>	<b>17,454,294</b>	<b>16,661,507</b>	<b>3,914,057</b>	<b>7,795,747</b>	<b>83,695,976</b>
<b>Liabilities</b>							
Bank Deposits	1,394,428	216,590	412,507	56,901	-	346,829	2,427,255
Other Deposits	30,786,549	2,968,499	2,185,023	302,202	-	9,816,138	46,058,411
Interbank Money Market Takings	6,926,639	285,165	283,011	191,899	550,000	88,840	8,325,554
Miscellaneous Payables	-	-	-	-	-	2,823,343	2,823,343
Securities Issued	-	-	-	-	-	-	-
Other Fundings	5,954,584	2,128,654	3,359,635	1,277,814	12,602	203,119	12,936,408
Other Liabilities	-	-	-	-	-	11,125,005	11,125,005
<b>Total Liabilities</b>	<b>45,062,200</b>	<b>5,598,908</b>	<b>6,240,176</b>	<b>1,828,816</b>	<b>562,602</b>	<b>24,403,274</b>	<b>83,695,976</b>
<b>On Balance Sheet Long Position</b>	<b>-</b>	<b>10,144,419</b>	<b>11,214,118</b>	<b>14,832,691</b>	<b>3,351,455</b>	<b>-</b>	<b>39,542,683</b>
<b>On Balance Sheet Short Position</b>	<b>(22,935,156)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,607,527)</b>	<b>(39,542,683)</b>
<b>Off-Balance Sheet Long Position</b>	<b>-</b>	<b>7,257</b>	<b>2,742</b>	<b>5,760</b>	<b>-</b>	<b>-</b>	<b>15,759</b>
<b>Off-Balance Sheet Short Position</b>	<b>-</b>	<b>(7,256)</b>	<b>(7,030)</b>	<b>(4,994)</b>	<b>-</b>	<b>-</b>	<b>(19,280)</b>
<b>Total Position</b>	<b>(22,935,156)</b>	<b>10,144,420</b>	<b>11,209,830</b>	<b>14,833,457</b>	<b>3,351,455</b>	<b>(16,607,527)</b>	<b>(3,521)</b>

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

Current 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	-	1.00	-	12.18
Banks (*)	3.00-4.62	2.60-5.00	-	11.21-20.90
Financial Assets at Fair Value through Profit/Loss	5.71	7.00-8.50	-	16.76-22.31
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	3.26-9.50	6.61-12.75	-	14.00-23.77
Loans	6.97-11.94	6.21-14.00	3.60	22.72
Investments Held-to-Maturity	9.25-9.50	6.88-12.38	-	17.33-19.18
<b>Liabilities</b>				
Bank Deposits	4.20-7.08	2.80-6.72	-	15.00-17.80
Other Deposits	1.50-5.00	1.00-6.50	0.45	14.56
Interbank Money Market Takings	4.11	3.03-3.37	-	16.71
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	5.10-6.45	3.81-6.05	1.00	14.06-21.53

(\*) The interest rates for USD and YTL placements at banks are 3.16% and 19.31%, 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)**

Prior 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	4,907,841	-	-	-	-	2,329,190	7,237,031
Banks	2,263,363	565,195	1,305,376	51,219	-	370,999	4,556,152
Financial Assets at Fair Value through Profit/Loss	35,839	23,475	266,192	397,928	40,640	267,626	1,031,700
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	1,260,214	3,607,494	1,620,136	4,570,102	1,558,148	935,273	13,551,367
Loans	10,164,665	7,289,839	8,597,971	10,332,523	2,803,572	839,076	40,027,646
Investments Held-to-Maturity	668,982	2,362,014	300,105	781,710	6,573	180,976	4,300,360
Other Assets	265,230	285,149	786,132	1,090,802	25,818	2,991,106	5,444,237
<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	2,436,094
Other Deposits	27,359,379	4,138,411	1,764,896	275,143	-	7,715,607	41,253,436
Interbank Money Market Takings	7,017,196	432,944	520,865	550,003	-	70,948	8,591,956
Miscellaneous Payables	-	-	-	-	-	2,513,228	2,513,228
Securities Issued	-	-	-	-	-	-	-
Other Fundings	5,805,039	2,040,156	2,889,414	701,682	6,654	186,568	11,629,513
Other Liabilities	-	-	-	-	-	9,724,266	9,724,266
<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 diverts funding resources as customer deposits and foreign borrowings, considers the maturity mismatch between assets and liabilities and maintains liquid assets to guarantee sufficient liquidity during market fluctuations.

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

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 first half of 2008 and the year 2007 are as follows:

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + YTL	FC	FC + YTL
Average (%)	164.82	153.06	111.49	108.92
Maximum (%)	190.52	179.94	126.94	119.49
Minimum (%)	137.44	128.00	101.98	101.04

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	1,500,648	3,058,169	-	-	-	-	-	4,558,817
Banks	937,615	1,830,631	117,272	400,885	1,151,901	612,953	-	5,051,257
Financial Assets at Fair Value through Profit/Loss	10,661	138,022	167,693	385,668	392,247	30,205	-	1,124,496
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	73,001	366,690	460,385	1,728,752	10,180,441	2,378,499	-	15,187,768
Loans	99,290	10,332,591	5,601,756	7,795,104	14,337,174	9,147,781	394,834	47,708,530
Investments Held-to-Maturity	-	67,371	-	231,220	3,485,483	-	-	3,784,074
Other Assets	684,945	464,303	1,208,035	930,767	1,158,764	76,253	1,757,967	6,281,034
<b>Total Assets</b>	<b>3,306,160</b>	<b>16,257,777</b>	<b>7,555,141</b>	<b>11,472,396</b>	<b>30,706,010</b>	<b>12,245,691</b>	<b>2,152,801</b>	<b>83,695,976</b>
<b>Liabilities</b>								
Bank Deposits	429,417	1,311,766	271,978	80,573	290,829	42,692	-	2,427,255
Other Deposits	10,467,137	29,820,580	2,962,151	2,169,728	545,120	93,695	-	46,058,411
Other Fundings	-	916,019	327,210	4,739,849	3,124,543	3,828,787	-	12,936,408
Interbank Money Market Takings	-	6,954,204	294,719	287,971	194,932	593,728	-	8,325,554
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	165,538	1,921,135	17,599	719,071	-	-	-	2,823,343
Other Liabilities (**)	987,349	281,941	217,307	347,495	13,355	75,371	9,202,187	11,125,005
<b>Total Liabilities</b>	<b>12,049,441</b>	<b>41,205,645</b>	<b>4,090,964</b>	<b>8,344,687</b>	<b>4,168,779</b>	<b>4,634,273</b>	<b>9,202,187</b>	<b>83,695,976</b>
<b>Liquidity Gap</b>	<b>(8,743,281)</b>	<b>(24,947,868)</b>	<b>3,464,177</b>	<b>3,127,709</b>	<b>26,537,231</b>	<b>7,611,418</b>	<b>(7,049,386)</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**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

## 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	285,167	146,298	244,778	209,416
Central Bank of Turkey	1,002,824	3,093,872	2,939,012	3,770,506
Others	5,058	25,598	3,180	70,139
<b>Total</b>	<b>1,293,049</b>	<b>3,265,768</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	17,178	1,021,349	2,777	1,798,900
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Deposits	985,646	2,072,523	2,936,235	1,971,606
<b>Total</b>	<b>1,002,824</b>	<b>3,093,872</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 11%, respectively as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey. Interest rates applied for reserve requirements by the Central Bank of Turkey are 12.18% for YTL deposits and 1.00% and 1.80% for USD and EUR deposits, respectively.

#### 5.1.2 Financial assets at fair value through profit/loss (net)

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

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Common Shares	-	-	-	-
Bills, Bonds and Similar Securities	98	-	1,915	-
Others	-	86,287	-	129,071
<b>Total</b>	<b>98</b>	<b>86,287</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	19,029	2,729	8,606	7,643
Swap Transactions	49,488	154,205	13,456	40,734
Futures	-	-	-	-
Options	53,990	18,332	22,494	11,456
Others	-	240	-	75
<b>Total</b>	<b>122,507</b>	<b>175,506</b>	<b>44,556</b>	<b>59,908</b>

### 5.1.3 Banks

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	780,394	783,523		
Domestic banks	1,194,519	2,292,821	266,652	662,002
Foreign banks	-	-	791,653	2,835,845
Foreign headoffices and branches	-	-	-	-
<b>Total</b>	<b>1,974,913</b>	<b>3,076,344</b>	<b>1,058,305</b>	<b>3,497,847</b>

#### *Due from foreign banks:*

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.1.4 Financial assets available-for-sale (net)

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

Collateralized financial assets available-for-sale in YTL consist of government bonds. Carrying values of such securities with total face value of YTL 2,089,380 thousands (31 December 2007: YTL 671,758 thousands) is YTL 1,965,069 thousands (31 December 2007: YTL 673,136 thousands). The related accrued interests and impairment losses amount to YTL 174,257 thousands (31 December 2007: YTL 54,535 thousands) and YTL 26,547 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 286,605,000 and EUR 3,884,000 (31 December 2007: USD 428,330,000 and EUR 3,563,000), are USD 288,108,112 and EUR 4,070,650 (31 December 2007: USD 428,126,767 and EUR 3,886,376). The related accrued interests amount to USD 5,600,182 and EUR 4,770 (31 December 2007: USD 18,296,092 and EUR 81,874), respectively and the impairment losses to USD 1,747,813 and EUR 317,095 (31 December 2007: USD 619,275 and EUR 70,211).

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Collateralised/Blocked Assets	2,112,779	359,505	727,621	523,916
Assets subject to Repurchase Agreements	6,319,289	638,548	5,867,904	704,884
<b>Total</b>	<b>8,432,068</b>	<b>998,053</b>	<b>6,595,525</b>	<b>1,228,800</b>

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

	Current Period	Prior Period
<b>Debt Securities</b>	<b>14,735,717</b>	<b>12,622,834</b>
Quoted at Stock Exchange	12,913,557	11,210,244
Unquoted at Stock Exchange	1,822,160	1,412,590
<b>Common Shares</b>	<b>24,126</b>	<b>31,609</b>
Quoted at Stock Exchange	5,217	12,781
Unquoted at Stock Exchange	18,909	18,828
<b>Value Increase/Impairment Losses (-)</b>	<b>427,925</b>	<b>896,924</b>
<b>Total</b>	<b>15,187,768</b>	<b>13,551,367</b>

As of 30 June 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 1,054,375 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 28,850,000 and EUR 2,000,000 (31 December 2007: USD 35,850,000 and EUR 2,500,000) and a total carrying value of YTL 26,873 thousands (31 December 2007: YTL 30,633 thousands).

#### 5.1.5 Loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
<b>Direct Lendings to Shareholders</b>	<b>166</b>	<b>1,667</b>	<b>1</b>	<b>1,090</b>
Corporates	166	1,667	1	1,090
Individuals	-	-	-	-
<b>Indirect Lendings to Shareholders</b>	<b>119,176</b>	<b>179,272</b>	<b>74,459</b>	<b>168,482</b>
<b>Loans to Employees</b>	<b>84,803</b>	<b>-</b>	<b>58,807</b>	<b>-</b>
<b>Total</b>	<b>204,145</b>	<b>180,939</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>46,096,642</b>	<b>-</b>	<b>1,167,541</b>	<b>49,534</b>
Discounted Bills	133,522	-	192	-
Export Loans	3,452,179	-	1,071	4,432
Import Loans	27,799	-	-	-
Loans to Financial Sector	2,096,268	-	-	-
Foreign Loans	2,093,954	-	-	-
Consumer Loans	8,774,085	-	546,914	-
Credit Cards	6,133,663	-	492,593	-
Precious Metal Loans	216,719	-	-	-
Others	23,168,453	-	126,771	45,102
<b>Specialization Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>46,096,642</b>	<b>-</b>	<b>1,167,541</b>	<b>49,534</b>

**Collaterals received for loans under follow-up**

	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	2,074	6,799	-	8,873
Loans Collateralized by Mortgages	55,316	231,815	-	287,131
Loans Collateralized by Pledged Assets	42,398	97,762	-	140,160
Loans Collateralized by Cheques and Notes	15,626	151,518	-	167,144
Loans Collateralized by Other Collaterals	18,423	14,342	-	32,765
Unsecured Loans	43,731	44,678	492,593	581,002
<b>Total</b>	<b>177,568</b>	<b>546,914</b>	<b>492,593</b>	<b>1,217,075</b>

**Delinquency periods of loans under follow-up**

Principals and Interests	Commercial Loans	Consumer Loans	Credit Cards	Total
Upto 30 days	64,589	314,418	333,038	712,045
30-60 days	38,990	153,662	114,463	307,115
60-90 days	24,455	78,834	45,092	148,381
<b>Total</b>	<b>128,034</b>	<b>546,914</b>	<b>492,593</b>	<b>1,167,541</b>

**5.1.5.3 Maturity analysis of cash loans**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

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>387,405</b>	<b>7,507,219</b>	<b>7,894,624</b>
Housing Loans	15,842	4,177,763	4,193,605
Automobile Loans	20,011	931,513	951,524
General Purpose Loans	351,552	2,397,943	2,749,495
Others	-	-	-
<b>Consumer Loans – FC-indexed</b>	<b>18,418</b>	<b>788,251</b>	<b>806,669</b>
Housing Loans	3,763	677,001	680,764
Automobile Loans	2,104	48,490	50,594
General Purpose Loans	12,551	62,760	75,311
Others	-	-	-
<b>Consumer Loans – FC</b>	<b>9,010</b>	<b>139,144</b>	<b>148,154</b>
Housing Loans	1,268	45,932	47,200
Automobile Loans	20	13,768	13,788
General Purpose Loans	7,182	79,444	86,626
Others	540	-	540
<b>Retail Credit Cards – YTL</b>	<b>6,369,004</b>	<b>53,193</b>	<b>6,422,197</b>
With Installment	2,721,238	53,179	2,774,417
Without Installment	3,647,766	14	3,647,780
<b>Retail Credit Cards – FC</b>	<b>12,883</b>	<b>2,466</b>	<b>15,349</b>
With Installment	550	5	555
Without Installment	12,333	2,461	14,794
<b>Personnel Loans – YTL</b>	<b>10,772</b>	<b>10,421</b>	<b>21,193</b>
Housing Loan	-	1,614	1,614
Automobile Loans	-	299	299
General Purpose Loans	10,772	8,508	19,280
Others	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>384</b>	<b>384</b>
Housing Loans	-	125	125
Automobile Loans	-	259	259
General Purpose Loans	-	-	-
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>127</b>	<b>24,808</b>	<b>24,935</b>
Housing Loans	-	7,592	7,592
Automobile Loans	-	215	215
General Purpose Loans	127	17,001	17,128
Others	-	-	-
<b>Personnel Credit Cards – YTL</b>	<b>23,986</b>	<b>278</b>	<b>24,264</b>
With Installment	18,113	278	18,391
Without Installment	5,873	-	5,873
<b>Personnel Credit Cards – FC</b>	<b>111</b>	<b>-</b>	<b>111</b>
With Installment	17	-	17
Without Installment	94	-	94
<b>Deposit Accounts– YTL (real persons)</b>	<b>425,040</b>	<b>-</b>	<b>425,040</b>
<b>Deposit Accounts– FC (real persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,256,756</b>	<b>8,526,164</b>	<b>15,782,920</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>483,516</b>	<b>2,957,733</b>	<b>3,441,249</b>
Real Estate Loans	19,216	397,898	417,114
Automobile Loans	73,931	1,180,397	1,254,328
General Purpose Loans	390,369	1,379,438	1,769,807
Others	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>85,027</b>	<b>497,330</b>	<b>582,357</b>
Real Estate Loans	113	52,154	52,267
Automobile Loans	6,581	207,879	214,460
General Purpose Loans	78,333	237,297	315,630
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>21</b>	<b>10,870</b>	<b>10,891</b>
Real Estate Loans	-	148	148
Automobile Loans	19	2,840	2,859
General Purpose Loans	2	7,882	7,884
Others	-	-	-
<b>Corporate Credit Cards – YTL</b>	<b>161,423</b>	<b>173</b>	<b>161,596</b>
With Installment	62,301	173	62,474
Without Installment	99,122	-	99,122
<b>Corporate Credit Cards – FC</b>	<b>2,739</b>	<b>-</b>	<b>2,739</b>
With Installment	2	-	2
Without Installment	2,737	-	2,737
<b>Deposit Accounts– YTL (corporate)</b>	<b>156,013</b>	<b>-</b>	<b>156,013</b>
<b>Deposit Accounts– FC (corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>888,739</b>	<b>3,466,106</b>	<b>4,354,845</b>

**5.1.5.6 Allocation of loans by customers**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

**5.1.5.7 Allocation of domestic and foreign loans**

	Current Period	Prior Period
Domestic Loans	45,219,290	36,461,121
Foreign Loans	2,094,427	3,259,485
<b>Total</b>	<b>47,313,717</b>	<b>39,720,606</b>

**5.1.5.8 Loans to associates and subsidiaries**

	Current Period	Prior Period
Direct Lending	41,581	201
Indirect Lending	-	-
<b>Total</b>	<b>41,581</b>	<b>201</b>

5.1.5.9 *Specific provisions for loans*

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	25,181	23,734
Doubtful Loans and Receivables	98,441	90,827
Uncollectible Loans and Receivables	452,068	430,713
<b>Total</b>	<b>575,690</b>	<b>545,274</b>

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

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

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Current Period</b>			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	-	232	49,620
Rescheduled Loans and Receivables	-	-	-
<b>Total</b>	<b>-</b>	<b>232</b>	<b>49,620</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:*

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Balances at Beginning of Period</b>	<b>148,942</b>	<b>200,640</b>	<b>502,732</b>
Additions (+)	355,210	29,293	21,311
Transfer from Other NPL Categories (+)	-	262,447	179,403
Transfer to Other NPL Categories (-)	262,447	179,403	-
Collections during the Period (-)	79,843	72,181	55,998
Write-offs (-)	2	3	79,598
Corporate and Commercial Loans	2	-	2,338
Retail Loans	-	3	2,127
Credit Cards	-	-	75,133
Other	-	-	-
<b>Balances at End of Period</b>	<b>161,860</b>	<b>240,793</b>	<b>567,850</b>
Specific Provisions (-)	25,181	98,441	452,068
<b>Net Balance on Balance Sheet</b>	<b>136,679</b>	<b>142,352</b>	<b>115,782</b>

**Movements in specific loan provisions**

	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
<b>Balances at End of Prior Period</b>	178,138	105,471	261,665	545,274
Additions during the Period (+)	34,006	65,596	118,269	217,871
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	12,859	35,787	59,328	107,974
Write-Offs (-)	4,348	-	75,133	79,481
<b>Balances at End of Period</b>	<b>194,937</b>	<b>135,280</b>	<b>245,473</b>	<b>575,690</b>

**Non-performing loans in foreign currencies**

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Current Period</b>			
<b>Balance at End of Period</b>	<b>2,943</b>	<b>5,784</b>	<b>103,913</b>
Specific Provisions (-)	256	714	75,278
<b>Net Balance at Balance Sheet</b>	<b>2,687</b>	<b>5,070</b>	<b>28,635</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	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Current Period (Net)</b>	<b>136,679</b>	<b>142,352</b>	<b>115,782</b>
Loans to Individuals and Corporates (Gross)	161,860	240,793	555,855
Specific Provision (-)	25,181	98,441	440,073
Loans to Individuals and Corporates (Net)	136,679	142,352	115,782
Banks (Gross)	-	-	4,323
Specific Provision (-)	-	-	4,323
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**

	Corporate/Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	72	119	-	191
Loans Collateralized by Mortgages	165,083	40,188	-	205,271
Loans Collateralized by Pledged Assets	47,926	63,043	-	110,969
Loans Collateralized by Cheques and Notes	57,255	113,321	-	170,576
Loans Collateralized by Other Collaterals	25,967	7,154	-	33,121
Unsecured Loans	61,161	40,892	348,322	450,375
<b>Total</b>	<b>357,464</b>	<b>264,717</b>	<b>348,322</b>	<b>970,503</b>

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.1.5.12 Write-off policy**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.1.6 Factoring receivables**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.1.7 Investments held-to-maturity (net)**

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

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Collateralised/Blocked Investments	1,352,241	8,650	283,506	27,897
Investments subject to Repurchase Agreements	1,577,289	347,106	2,645,615	500,243
<b>Total</b>	<b>2,929,530</b>	<b>355,756</b>	<b>2,929,121</b>	<b>528,140</b>

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

	Current Period	Prior Period
Government Bonds	3,577,984	4,027,893
Treasury Bills	-	-
Other Government Securities	181,222	245,409
<b>Total</b>	<b>3,759,206</b>	<b>4,273,302</b>

**5.1.7.3 Investments held-to-maturity**

	Current Period	Prior Period
<b>Debt Securities</b>	<b>3,666,509</b>	<b>4,166,659</b>
Quoted at Stock Exchange	3,641,121	4,139,172
Unquoted at Stock Exchange	25,388	27,487
<b>Impairment Losses (-)</b>	<b>117,565</b>	<b>133,701</b>
<b>Total</b>	<b>3,784,074</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	17,865	(174,812)
Purchases During the Period	-	71,632
Disposals Through Sales/Redemptions	(519,896)	(678,737)
Value Increase/Impairment Losses (-)	12,832	(13,032)
Change in Redeemed Costs	(27,087)	(77,292)
<b>Balances at End of Period</b>	<b>3,784,074</b>	<b>4,300,360</b>

**5.1.8 Investments in associates (net)**

**5.1.8.1 Unconsolidated investments in associates**

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
I	Emeklilik G�zetim Merkezi AŖ	Istanbul/Turkey	-	9.00

	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)
I	4,172	3,756	331	235	50	277	584	-

(\*) 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	409,570	168,368	17,046	15,012	823	29,610	38,169	-

(\*) 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>-</b>
<b>Movements during the Period</b>	<b>4,676</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	4,676	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
<b>Balance at End of Period</b>	<b>33,673</b>	<b>28,997</b>
<b>Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>	<b>-</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	33,673	28,997

**Sectoral distribution of consolidated investments and associates**

Associates	Current Period	Prior Period
Banks	-	-
Insurance Companies	33,673	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 (net)**

**5.1.9.1 Unconsolidated investments in subsidiaries**

	Subsidiaries	Address (City/ Country)	Parent Bank's Share - If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. AŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.92	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	93.40	100.00
4	Garanti Kültür AŞ (**)	Istanbul/Turkey	100.00	100.00
5	Trifoy Real Estate Company	Bucharest/Romania	-	100.00
6	Participation GBI Custody	Amsterdam/Holland	-	100.00
7	Participation United Custodian	Amsterdam/Holland	-	100.00
8	Trifoy Investments	Amsterdam/Holland	-	100.00
9	Garanti Konut Finansmanı Danışmanlık Hizm. AŞ	Istanbul/Turkey	100.00	100.00
10	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	100.00	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	13,652	8,542	528	-	402	697	(99,458)	-
2	16,493	7,669	557	-	798	1,173	5,917	-
3	1,148	1,074	21	-	47	225	532	-
4	359	168	39	-	1	(5)	(171)	-
5	61	32	54	-	-	-	(39)	-
6	239	239	-	-	-	-	-	-
7	237	237	-	-	-	-	-	-
8	2	2	-	-	-	-	-	-
9	434	334	-	-	6	138	8	-
10	72,477	(926)	56,985	-	-	(2,759)	833	-

(\*) 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 30 June 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 Hizm. AŞ are accounted under equity method of accounting.

### 5.1.9.2 Movement of consolidated investments in subsidiaries

	Current Period	Prior Period
Balance at Beginning of Period	577,928	605,059
Movements during the Period	135,225	(27,131)
Acquisitions and Capital Increases	-	-
Bonus Shares Received (*)	71,667	45,605
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	66,551
Reclassifications	-	-
Increase/Decrease in Market Values	(18,390)	22,884
Currency Differences on Foreign Subsidiaries	28,876	(29,069)
Impairment Losses (-)	53,072	-
Balance at End of Period	713,153	577,928
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

(\*) 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 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 capital form 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	502,566	367,341
Valued by Equity Method of Accounting	-	-

### Sectoral distribution of consolidated investments in subsidiaries

	Current Period	Prior Period
Banks	463,561	310,612
Insurance Companies	56,545	56,545
Factoring Companies	21,190	39,580
Leasing Companies	85,381	85,381
Finance Companies	86,476	85,810
Other Subsidiaries	-	-

### Quoted consolidated investments in subsidiaries

	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	21,190	39,580
Quoted at International Stock Exchanges	-	-

**Other information on consolidated investments in subsidiaries**

	Subsidiaries	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Shares of Other Consolidated Subsidiaries (%)	Method of Consolidation
1	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	94.10	5.86	Full Consolidation
2	Garanti Faktoring 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

	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	2,212,457	245,842	17,806	123,460	-	34,559	128,035	-
2	915,876	38,075	1,852	29,535	-	3,729	15,375	38,246
3	28,439	26,117	3,041	1,430	314	1,289	10,140	-
4	15,959	14,541	1,348	744	229	1,313	440	-
5	955,046	120,562	8,559	11,819	2,604	28,300	25,078	-
6	6,584,939	446,165	88,997	164,517	57,843	47,599	21,173	422,327
7	566,234	85,318	1,460	18,233	4,770	6,872	29,545	54,965
8	8,598	8,252	-	64	-	(514)	6,188	17,816
9	74	-	-	-	-	-	(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 (net)**

None.

### 5.1.11 Lease receivables (net)

#### 5.1.11.1 Financial lease receivables according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1,084,330	906,646	1,010,935	850,232
Between 1-4 Years	1,297,627	1,145,522	1,240,013	1,095,417
Longer than 4 Years	58,696	52,607	-	-
<b>Total</b>	<b>2,440,653</b>	<b>2,104,775</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	2,440,653	2,250,948
Unearned Income on Financial Lease Receivables (-)	335,878	305,299
Terminated Lease Contracts (-)	-	-
<b>Net Financial Lease Receivables</b>	<b>2,104,775</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 assesments 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	-	2,550	-	31,960
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	-	<b>2,550</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 (net)

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.1.14 Intangible assets

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.1.15 Investment property

None.

### 5.1.16 Deferred tax asset

As of 30 June 2008, on a consolidated basis the Bank has a deferred tax asset of YTL 65,622 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 30 June 2008. However, there is a deferred tax asset of YTL 136,555 thousands (31 December 2007: YTL 112,882 thousands) and deferred tax liability of YTL 70,933 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	2,448	24,962
Disposals (Cost)	(35,197)	(26,624)
Disposals (Accumulated Depreciation)	1,547	746
Reversal of Impairment / Impairment Losses (-)	487	-
Depreciation Expense for Current Period (-)	494	1,394
Currency Translation Differences on Foreign	-	-
<b>Cost</b>	<b>83,373</b>	<b>115,635</b>
<b>Accumulated Depreciation (-)</b>	<b>1,696</b>	<b>2,749</b>
<b>Net Book Value</b>	<b>81,677</b>	<b>112,886</b>

As of balance sheet date, the rights of repurchase on various assets held for sale amount to YTL 15,043 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	29,597	31,412
Sale of Real Estates (*)	10,516	1,427
Sale of Other Assets	2,853	2,843
<b>Total</b>	<b>42,966</b>	<b>35,682</b>

(\*) On 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). USD 15,000,000 of the sale price was collected on the date of sale, the remaining USD 20,000,000 will be collected in a one-year term. A gain of YTL 2,112 thousands was recognized as income on this transaction.

#### 5.1.18.2 Prepaid expenses

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	310,982	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>	1,212,809	-	6,783,253	5,656,238	143,372	100,325	215,952	-	14,111,949
<b>Foreign Currency</b>	6,027,545	-	8,862,029	7,203,357	606,666	1,546,549	821,245	75,737	25,143,128
Residents in Turkey	4,014,657	-	7,678,165	6,647,397	429,604	318,099	391,880	74,725	19,554,527
Residents in Abroad	2,012,888	-	1,183,864	555,960	177,062	1,228,450	429,365	1,012	5,588,601
<b>Public Sector Deposits</b>	1,235,981	-	7,513	7,820	257	2,424	59	-	1,254,054
<b>Commercial Deposits</b>	1,782,239	-	2,194,084	1,026,957	29,574	112,691	57,315	-	5,202,860
<b>Others</b>	130,847	-	45,297	64,681	1,801	271	192	-	243,089
<b>Precious Metal Deposits</b>	77,716	-	81	1,724	-	16,567	7,243	-	103,331
<b>Bank Deposits</b>	429,417	-	1,015,877	541,932	235,967	139,239	64,823	-	2,427,255
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	18,014	-	122,334	1,933	-	-	-	-	142,281
Foreign Banks	272,119	-	893,543	539,999	235,967	139,239	64,823	-	2,145,690
Special Purpose Financial Institutions	139,284	-	-	-	-	-	-	-	139,284
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>10,896,554</b>	<b>-</b>	<b>18,908,134</b>	<b>14,502,709</b>	<b>1,017,637</b>	<b>1,918,066</b>	<b>1,166,829</b>	<b>75,737</b>	<b>48,485,666</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>	1,072,314	-	3,570,588	7,477,039	189,474	99,403	244,273	-	12,653,091
<b>Foreign Currency</b>	5,276,925	-	7,283,743	6,878,331	669,115	999,861	716,865	66,946	21,891,786
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>	384,378	-	82,765	6,044	31	1,412	55	-	474,685
<b>Commercial Deposits</b>	1,644,869	-	2,293,188	1,741,392	130,100	93,931	17,467	-	5,920,947
<b>Others</b>	65,314	-	68,840	114,700	1,547	227	258	-	250,886
<b>Precious Metal Deposits</b>	35,438	-	1,465	1,488	3,112	3,424	17,114	-	62,041
<b>Bank Deposits</b>	376,893	-	1,265,127	261,125	111,829	288,505	132,615	-	2,436,094
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>-</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	6,970,694	6,036,489	6,878,107	6,261,780
Foreign Currency Saving Deposits	3,143,622	2,987,805	7,365,417	6,578,805
Other Saving Deposits	20,185	1,969	67,535	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**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**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	556,916	566,974
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	178,057	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	29,420	3,694	28,533	4,891
Swaps	308,535	16,062	454,943	21,673
Futures	-	-	-	482
Options	26,932	18,712	17,729	10,230
Others	-	298	-	112
<b>Total</b>	<b>364,887</b>	<b>38,766</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	672,827	666,820	641,587	785,988
Foreign Banks, Institutions and Funds	1,964,250	8,864,897	1,170,932	8,302,235
<b>Total</b>	<b>2,637,077</b>	<b>9,531,717</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	770,235	3,407,421	733,136	3,064,237
Medium and Long-Term	1,866,842	6,124,296	1,079,383	6,023,986
<b>Total</b>	<b>2,637,077</b>	<b>9,531,717</b>	<b>1,812,519</b>	<b>9,088,223</b>

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.2.4 Interbank money markets

#### Funds obtained through repurchase transactions:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
<b>Domestic Transactions</b>	<b>6,569,016</b>	<b>-</b>	<b>6,667,163</b>	<b>-</b>
Financial Institutions and Organizations	6,523,516	-	6,591,635	-
Other Institutions and Organizations	17,803	-	32,920	-
Individuals	27,697	-	42,608	-
<b>Foreign Transactions</b>	<b>802,526</b>	<b>954,012</b>	<b>780,742</b>	<b>1,144,051</b>
Financial Institutions and Organizations	802,430	954,012	780,157	1,144,051
Other Institutions and Organizations	-	-	125	-
Individuals	96	-	460	-
<b>Total</b>	<b>7,371,542</b>	<b>954,012</b>	<b>7,447,905</b>	<b>1,144,051</b>

### 5.2.5 Factoring payables

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.2.6 Lease payables

#### 5.2.6.1 Financial lease payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	4,804	4,804	4,115	4,115
Between 1-4 Years	-	-	-	-
Longer than 4 Years	-	-	-	-
<b>Total</b>	<b>4,804</b>	<b>4,804</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	-	3,988	-	249
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	-	<b>3,988</b>	-	<b>249</b>

### 5.2.8 Provisions

#### 5.2.8.1 General provisions

	Current Period	Prior Period
<b>General Provision for</b>	<b>375,698</b>	<b>280,660</b>
Loans and Receivables in Group I	314,902	250,216
Loans and Receivables in Group II	24,009	65
Non-Cash Loans	36,787	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	18,447	22,284
Medium and Long Term Loans	50,572	94,562
<b>Total</b>	<b>69,019</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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 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**

	Current Period	Prior Period
Reserve for Employee Benefits	186,379	143,883
Recognized Liability for Defined Benefit Obligations (*)	164,598	-
Insurance Technical Provisions, Net	119,143	101,150
Provision for Promotion Expenses of Credit Cards (**)	41,631	49,219
Other Provisions	44,728	64,747
<b>Total</b>	<b>556,479</b>	<b>358,999</b>

(\*) The details are explained in Note 3.17, the accounting policies related with "employee benefits".

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

**5.2.9 Tax liability**

**5.2.9.1 Current tax liability**

**5.2.9.1.1 Tax liability**

As of 30 June 2008, the tax liability amounts to YTL 75,992 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	75,992	109,524
Taxation on Securities Income	88,685	56,827
Taxation on Real Estates Income	1,225	980
Banking Insurance Transaction Tax	29,383	27,097
Foreign Exchange Transaction Tax	10	2,991
Value Added Tax Payable	1,159	1,864
Others	14,993	19,878
<b>Total</b>	<b>211,447</b>	<b>219,161</b>

**5.2.9.1.3 Premiums payable**

	Current Period	Prior Period
Social Security Premiums-Employees	368	259
Social Security Premiums-Employer	279	256
Bank Pension Fund Premium-Employees	27	16
Bank Pension Fund Premium-Employer	42	29
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	354	355
Unemployment Insurance-Employer	628	633
Others	-	1
<b>Total</b>	<b>1,698</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 30 thousands as of 31 December 2007 (30 June 2008: nil).

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.2.11 Subordinated debts**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.2.12 Shareholders' equity**

**5.2.12.1 Paid-in capital**

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

**5.2.12.2 Registered share capital system**

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

**5.2.12.3 Capital increases in current period**

None.

**5.2.12.4 Capital increases from capital reserves in current period**

None.

**5.2.12.5 Capital commitments for current and future financial periods**

None.

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

None.

**5.2.12.7 Information on privileges given to stocks representing the capital**

None.

**5.2.12.8 Securities value increase fund**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Securities Available-for-Sale	(316,222)	(74,143)	81,517	108,020
Valuation Difference	(316,222)	(74,143)	81,517	108,020
Exchange Rate Difference	-	-	-	-
<b>Total</b>	<b>(316,222)</b>	<b>(74,143)</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; Doğuş 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**

	Current Period	Prior Period
I. Legal Reserve	260,619	144,740
II. Legal Reserve	23,627	23,627
Special Reserves	-	-
<b>Total</b>	<b>284,246</b>	<b>168,367</b>

As per the decisions made at the annual general assembly at 3 April 2008, 5% of prior periods' profit is allocated to legal reserves.

#### 5.2.12.12 Extraordinary reserves

	Current Period	Prior Period
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>

As per the decisions made at the annual general assembly at 3 April 2008, the remaining prior periods' profit after the appropriation to legal reserves and undistributable funds, are allocated to extraordinary reserves.

As explained in Note 1.4, the payment of YTL 1,434,233 thousands for the purchase of founder share-certificates are compensated by extraordinary reserves.

#### 5.2.12.13 Minority interest

	Current Period	Prior Period
<b>Balance at Beginning of Period</b>	<b>23,334</b>	<b>7,770</b>
Profit Share of Subsidiaries Net Profits	5,239	7,978
Prior Period Dividend	-	-
Decrease in Minority Interest due to Sales (-)	-	7,586
Others	-	-
<b>Balance at End of Period</b>	<b>28,573</b>	<b>23,334</b>

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	6,349,019	5,849,586
Letters of Guarantee in YTL	3,956,865	3,920,019
Letters of Credit	3,769,754	2,271,110
Bills of Exchange and Acceptances	116,954	116,487
Prefinancings	-	-
<b>Total</b>	<b>14,192,592</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 2,390 thousands (31 December 2007: YTL 1,763 thousands) is made for unliquidated non-cash loans of YTL 11,079 thousands (31 December 2007: YTL 5,832 thousands) recorded under the off-balance sheet items as of 30 June 2008.

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

As of 30 June 2008, in the Bank's "other irrevocable commitments", there are commitments for "credit linked notes" with a total face value of USD 875,000,000 (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 28,850,000 and EUR 2,000,000 (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	228,172	268,951
<i>With Original Maturity of 1 Year or Less</i>	36,986	77,737
<i>With Original Maturity of More Than 1 Year</i>	191,186	191,214
Other Non-Cash Loans	14,793,683	12,533,341
<b>Total</b>	<b>15,021,855</b>	<b>12,802,292</b>

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.3.2 Financial derivative instruments

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.3.3 Contingent liabilities and assets**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**5.3.4 Services rendered on behalf of third parties**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 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	1,115,933	149,631	1,039,186	136,457
Medium and long-term loans	933,506	511,224	426,627	392,739
Loans under follow-up	11,714	-	11,756	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>2,061,153</b>	<b>660,855</b>	<b>1,477,569</b>	<b>529,196</b>

(\*) Includes 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	8,295	126	18,312	-
Domestic Banks	5,396	20,620	8,631	17,990
Foreign Banks	85,497	85,429	38,960	95,309
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>99,188</b>	<b>106,175</b>	<b>65,903</b>	<b>113,299</b>

#### 5.4.1.3 Interest income from securities portfolio

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Trading Financial Assets	9,937	9,574	24,720	8,658
Financial Assets Valued at Fair Value Through Profit	-	-	-	-
Financial Assets Available-for-Sale	844,771	131,406	556,867	176,436
Investments Held-to-Maturity	310,670	11,310	327,547	44,537
<b>Total</b>	<b>1,165,378</b>	<b>152,290</b>	<b>909,134</b>	<b>229,631</b>

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

	Current Period	Prior Period
Interest Received from Investments in Associates and Subsidiaries	1,201	12

## 5.4.2 Interest expenses

### 5.4.2.1 Interest expenses (\*) on funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
<b>Banks</b>				
Central Bank of Turkey	-	-	-	-
Domestic Banks	33,006	29,832	27,548	20,902
Foreign Banks	126,300	214,854	36,878	230,450
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	20,851	-	15,383
<b>Total</b>	<b>159,306</b>	<b>265,537</b>	<b>64,426</b>	<b>266,735</b>

(\*) Includes commission 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	-

### 5.4.2.3 Interest expenses on securities issued

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.4.2.4 Maturity structure of interest expense on deposits

Account Description	Demand Deposits	Up to 1 Month	1-3 Months	Time Deposits				Accumulating Deposit Accounts	Total
				3-6 Months	6-12 Months	1 Year and Over			
<b>Turkish Lira</b>									
Bank Deposits	4,447	41,092	151	235	190	149	-	46,264	
Saving Deposits	746	394,513	582,253	13,463	10,273	9,850	-	1,011,098	
Public Sector Deposits	29	3,365	7,983	17	191	4	-	11,589	
Commercial Deposits	12,560	275,732	113,807	31,067	11,157	721	-	445,044	
Others	1,703	4,196	7,512	114	21	15	-	13,561	
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	
<b>Total YTL</b>	<b>19,485</b>	<b>718,898</b>	<b>711,706</b>	<b>44,896</b>	<b>21,832</b>	<b>10,739</b>	<b>-</b>	<b>1,527,556</b>	
<b>Foreign Currency</b>									
Foreign Currency Deposits	8,722	144,691	138,232	25,341	36,285	21,475	1,235	375,981	
Bank Deposits	790	18,482	2,165	4,629	4,546	4,265	-	34,877	
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	
Precious Metal Deposits	-	-	-	-	76	37	-	113	
<b>Total FC</b>	<b>9,512</b>	<b>163,173</b>	<b>140,397</b>	<b>29,970</b>	<b>40,907</b>	<b>25,777</b>	<b>1,235</b>	<b>410,971</b>	
<b>Grand Total</b>	<b>28,997</b>	<b>882,071</b>	<b>852,103</b>	<b>74,866</b>	<b>62,739</b>	<b>36,516</b>	<b>1,235</b>	<b>1,938,527</b>	

#### 5.4.2.5 Interest expense on repurchase agreements

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.4.2.6 Financial lease expenses

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.4.2.7 Interest expenses on factoring payables

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 5.4.3 Dividend income

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

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

	Current Period	Prior Period
<b>Income</b>	<b>6,301,406</b>	<b>1,817,848</b>
Trading Account Income	998,468	706,025
Derivative financial instruments	883,340	582,432
Others	115,128	123,593
Foreign Exchange Gain	5,302,938	1,111,823
<b>Losses (-)</b>	<b>6,185,719</b>	<b>1,918,445</b>
Trading Account Losses	1,002,201	1,011,103
Derivative financial instruments	931,215	928,864
Others	70,986	82,239
Foreign Exchange Losses	5,183,518	907,342
<b>Total</b>	<b>115,687</b>	<b>(100,597)</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>132,725</b>	<b>82,068</b>
Loans and receivables in Group III	65,079	45,368
Loans and receivables in Group IV	26,292	23,185
Loans and receivables in Group V	41,354	13,515
<b>General Provisions</b>	<b>94,466</b>	<b>67,317</b>
<b>Provision for Possible Losses</b>	<b>30,000</b>	<b>17,000</b>
<b>Impairment Losses on Securities</b>	<b>964</b>	<b>856</b>
Financial assets at fair value through profit or loss	964	856
Financial assets available-for-sale	-	-
<b>Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity</b>	<b>3,330</b>	<b>12,078</b>
Associates	-	-
Subsidiaries	5	382
Joint Ventures (Business Partnership)	-	-
Investments held-to-maturity	3,325	11,696
<b>Others</b>	<b>2,919</b>	<b>4,882</b>
<b>Total</b>	<b>264,404</b>	<b>184,201</b>

#### 5.4.7 Other operating expenses

	Current Period	Prior Period
Personnel Costs	498,150	352,584
Reserve for Employee Termination Benefits	204	4,243
Defined Benefit Obligation	164,598	-
Impairment Losses on Tangible Assets	1	-
Depreciation Expenses of Tangible Assets	80,145	70,823
Impairment Losses on Intangible Assets	-	-
Goodwill Impairment Losses	-	-
Amortisation Expenses of Intangible Assets	4,763	13,905
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses of Assets to be Disposed	494	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	-	-
<b>Other Operating Expenses</b>	<b>452,952</b>	<b>340,414</b>
<i>Operational lease related expenses</i>	<i>51,063</i>	<i>37,789</i>
<i>Repair and maintenance expenses</i>	<i>11,103</i>	<i>10,183</i>
<i>Advertisement expenses</i>	<i>47,975</i>	<i>52,359</i>
<i>Other expenses</i>	<i>342,811</i>	<i>240,083</i>
Loss on Sale of Assets	7,878	3,043
Others	223,549	204,506
<b>Total</b>	<b>1,432,734</b>	<b>989,518</b>

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

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

As of 30 June 2008, on a consolidated basis, the Bank recorded a tax expense of YTL 255,735 thousands (30 June 2007: YTL 276,402 thousands) and a deferred tax income of YTL 9,925 thousands (30 June 2007: YTL 21,470 thousands).

*Deferred tax income/expense on timing differences :*

Deferred tax income/(expense) on timing differences	Current Period
Increase in Tax Deductable Timing Differences (+)	47,694
Decrease in Tax Deductable Timing Differences (-)	19,291
Increase in Taxable Timing Differences (-)	20,686
Decrease in Taxable Timing Differences (+)	2,208
<b>Total</b>	<b>9,925</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)	28,403
(Increase)/Decrease in Taxable Timing Differences (net)	18,478
Increase/(Decrease) in Tax Losses (net)	-
Increase/(Decrease) in Tax Deductions and Exemptions (net)	-
<b>Total</b>	<b>9,925</b>

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

**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	5,239	4,302

**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**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## **5.6 Consolidated statement of cash flows**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 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	50,478	430	9,806	1,667	141,741	179,272
Interest and Commission Income	1,201	1	390	3	3,723	499

##### 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	14	-	371	69	2,377	402

#### 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	800	8,448	528,891	91,590	299,407	240,401
Interest Expenses	1	-	7,967	17,153	10,001	5,270

#### 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	-	-	-	-	-	-
Total Profit/(Loss)	-	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 160,923 thousands (31 December 2007: YTL 74,661 thousands) compose 0.34% (31 December 2007: 0.19%) of the Bank's total cash loans and 0.19% (31 December 2007: 0.10%) of the Bank's total assets. The total loans and similar receivables amounting YTL 202,025 thousands (31 December 2007: YTL 167,549 thousands) compose 0.24% (31 December 2007: 0.22%) of the Bank's total assets. The non-cash loans of the risk group amounting YTL 181,369 thousands (31 December 2007: YTL 169,816 thousands) compose 1.21% (31 December 2007: 1.33%) of the Bank's total non-cash loans. The deposits of the risk group amounting YTL 829,098 thousands (31 December 2007: YTL 340,439 thousands) compose 1.71% (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 5,557 thousands (31 December 2007: YTL 24,377 thousands) to related parties.

Operating expenses of YTL 9,431 thousands (30 June 2007: YTL 8,248 thousands) for IT services rendered by related parties and rent income of YTL 160 thousands (30 June 2007: YTL 188 thousands) for the real estates rented to related parties, are recorded.

### 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, Eureko 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.

Information on real estate sale to the Bank's risk group in the period is provided in Note 5.1.18.1.

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

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

It has been resolved in the Bank's board of directors meeting held at 22 April 2008 that the paid share capital of the Bank is to be increased by YTL 2,100,000 thousands and accordingly from YTL 2,100,000 thousands to YTL 4,200,000 thousands.

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.

Subsequent to the examination of the BRSA on this capital increase process, YTL 2,100,000 thousands is transferred to "share capital" and YTL 11,880 thousands is transferred to "share premium" accounts and the capital increase is approved by the Istanbul Commercial Registry at 31 July 2008.

## 5.10 Other Disclosures on Activities of the Bank

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

#### MOODY'S (September 2007)\*

Long Term FC Deposit	B1
Long Term YTL Deposit	A3
Short Term YTL 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 (August 2008)\*

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

#### 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>	AAA
Outlook	Stable

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

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

(\* Latest dates in risk ratings or outlooks.

### 5.10.2 Latest international risk ratings of Garanti Bank International NV, a consolidated subsidiary

#### MOODY'S (March 2007)\*

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.

### 5.10.3 Latest international risk ratings of Garanti Faktoring, a consolidated subsidiary

#### FITCH RATINGS (December 2007)\*

<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>	AAA
Outlook	Stable

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

### 5.10.4 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>	AAA
Outlook	Stable

#### STANDARD AND POORS (April 2008)\*

FC Obligations	BB-
YTL Obligations	BB-
Outlook	Negative

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

### 5.10.5 Dividends

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

2007 PROFIT DISTRIBUTION TABLE	
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)	-

### 5.10.6 Other

During the general assembly meeting of Garanti Faktoring Hizmetleri AŞ held at 16 April 2008, it has been decided to increase the share capital of the company from YTL 16,849 thousands to YTL 17,960 thousands by YTL 1,111 thousands through appropriation from the 2007 net income reported in the financial statements prepared in accordance with the International Financial Reporting Standards as per the Article XI no.25 of the Capital Market Board, and accordingly to issue bonus shares for this amount and to transfer the remaining earnings to reserves.

## 6 Independent Auditors' Review Report

### 6.1 Disclosure on independent auditors' review report

The consolidated financial statements of the Bank and its financial affiliates as of 30 June 2008, are reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International). It was noted in their review report dated 5 August 2008 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the financial position and results of its operations of the Bank and its financial affiliates as of 30 June 2008.

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