

For a **sustainable**
planet...

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Natural resources have been utilized with prudence in producing the 2008 Annual Report.

We employed **nature-friendly** materials as well as **100% recycled** paper. In addition, graphic design was composed with **optimal page dimensions** thereby minimizing waste, which slashed the number of pages by **40%** compared to previous year's report. This also represents proportional **savings** in resources such as water, fiber, dye, paper and energy, utilized in printing the report.

At Garanti, we are sensitive to preserving the planet with all its colors. We are determined to maintain and protect a **sustainable planet**.



**Akis Bağımsız Denetim ve Serbest
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Annual Report Compliance Opinion

To the Shareholders of Türkiye Garanti Bankası Anonim Şirketi:

We have been engaged to audit the annual report of Türkiye Garanti Bankası Anonim Şirketi (the Bank) as of 31 December 2008. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on the annual report.

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

In our opinion, the financial information represented in the accompanying annual report presents fairly, in all material respects, the information regarding the financial position of Türkiye Garanti Bankası Anonim Şirketi and its financial affiliates as of 31 December 2008 in accordance with the effective regulations described in article 40 of (Turkish) Banking Law No 5411 and includes Independent Auditors' Report issued by us and Summary of Board of Directors' Report and is consistent with the audited financial statements and explanatory notes.

İstanbul,
16 March 2009

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat ALSAN
Partner, Certified Public Accountant

AGENDA OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING

- 1- Opening and formation of the Board of Presidency,
- 2- Authorization of the Board of Presidency for the execution of the minutes of the Ordinary General Shareholders' Meeting,
- 3- Reading and discussion of the Board of Directors' Annual Report and Auditors' Reports,
- 4- Reading, discussion and ratification of the Balance Sheet and Profit and Loss Accounts and acceptance or rejection by discussion of the Board of Directors' proposal regarding the dividend distribution,
- 5- Voting of the appointments of the members of Board of Directors in order to fulfill the residual term of positions of members vacated during the year,
- 6- Release of members of the Board of Directors and Auditors,
- 7- Election of members of the Board of Directors and Auditors,
- 8- Determination of the remuneration of the members of the Board of Directors and Auditors,
- 9- Informing the shareholders with regard to the past year's charitable donations,
- 10- Authorization of the members of the Board of Directors to do business with the Bank (provisions of the Banking Law to remain reserved) in accordance with Articles 334 and 335 of Turkish Commercial Code.

ABOUT GARANTİ

CORPORATE PROFILE

Garanti Bank is Turkey's second largest private bank by asset size with the highest capacity to generate recurrent banking revenues. Total assets* reaching in excess of US\$ 65 billion is the result of its customer centric approach and innovative culture. In 2008, Garanti delivered the highest ordinary banking income growth of 22% and increased its customer base by over one million, underscoring the resilience of its business model in a difficult year.

As a universal bank with leading presence in all business lines, Garanti serves to over 8 million customers in corporate, commercial, SME, and consumer segments offering fully integrated financial services through its nine financial subsidiaries that include payment systems, pension, leasing, factoring, brokerage and asset management.

Committed to its customers, Garanti operates an expanding distribution network comprising 730 branches including five foreign branches and four international representative offices, close to 2,600 ATMs, an award winning call center and an internet&mobile bank utilizing its state-of-the-art technology. Garanti supports its extensive branch network with centralized operations, exceptional data warehousing and management reporting systems, and the efficient use of alternative delivery channels.

Over its 62-year history, Garanti became acknowledged worldwide for its strength and tradition in providing high

quality offerings. Through its dynamic business approach and its commitment to technological innovation, Garanti has developed groundbreaking practices for increased efficiencies and accomplished many firsts in the banking scene. Its wide product variety combined with custom-tailored solutions is a key competitive advantage in its success as Turkey's largest lender providing more than US\$ 44 billion in cash and non-cash loans. Among Garanti's main distinguishing factors is its sound asset quality through advanced risk management systems, established risk culture, and strong collection capability. Prudent management and risk approach have earned the Bank strong brand recognition as the "Best Bank in Turkey".

Jointly owned by Doğuř Holding and GE Capital, Garanti is publicly traded in the ISE with a free float of 49%. Committed to corporate governance best practices, Garanti strives to contribute the maximum added value to all its stakeholders in a consistent way.

Believing that its corporate mission involves more than banking, Garanti is dedicated to sustainable banking practices and to a long-term strategy for creating value to the communities in which it operates. This commitment is reflected in its day-to-day operations and in the numerous projects in which it is involved, comprising culture, the arts, education, sports and the environment.

* Consolidated assets as of the end of 2008.

Milestones in Garanti's History

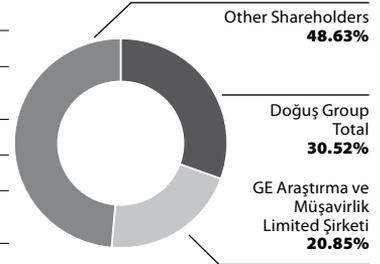
- 1946** Founded in Ankara.
- 1983** Joined Doğuř Group, a conglomerate operating in finance, industrial and services sectors.
- 1990** Went public; its shares began trading on the ISE.
- 1993** The first Turkish company to issue shares in international markets.
- 1995** Introduced the first Cash Management Account in Turkey (E.L.M.A.).
- 1997** Became the first multi-branch private bank in Turkey to offer real-time online services.
- 1997** The first Turkish bank to offer internet and telephone banking together.
- 1999** Carried out the first export receivable securitization in the world.
- 2000** Introduced Bonus Card, Turkey's first chip-based and multi-branded credit card.
- 2001** Merged with Ottoman Bank, another banking subsidiary of Doğuř Group.
- 2002** Established Turkey's first interbank card platform with Bonus Card.
- 2005** Became the first bank in the world to offer SMS-based money transfer&cardless withdrawal service through mobile phones, via CepBank.
- 2005** Introduced the world's first flexible credit card, FlexiCard, which allows for the customization of all parameters including financial and visual.
- 2005** General Electric and Doğuř Group became equal strategic partners in Garanti Bank.
- 2006** Introduced Bonus Trink, the PayPass featured credit card with contactless chip technology, transforming plastic cards into a completely different dimension.
- 2007** Launched mobile internet banking services for the first time in Turkey.
- 2008** Bought back founder share certificates, an important move toward improved corporate governance.

With innovative products and superior customer-oriented services, Garanti will continue to "make a difference" in the lives of individuals in the current period and beyond.

SHAREHOLDING STRUCTURE OF GARANTİ

Shareholding Structure of T. Garanti Bankası AŞ (as of December 31, 2008)

	Number of Shares	Nominal Value (YTL)	Share (%)
Doğuş Holding AŞ	111,980,071,064	1,119,800,710.64	26.6619
Doğuş Araştırma Geliştirme ve Müşavirlik Hizmetleri AŞ	15,955,423,702	159,554,237.02	3.7989
Doğuş Nakliyat ve Tic. AŞ	230,999,754	2,309,997.54	0.0550
Doğuş Group Total	128,166,494,520	1,281,664,945.20	30.5158
GE Araştırma ve Müşavirlik Limited Şirketi	87,571,249,898	875,712,498.98	20.8503
Other Shareholders	204,262,255,582	2,042,622,555.82	48.6339
Total	420,000,000,000	4,200,000,000.00	100.0000



INSIDER HOLDINGS

The Chairman, members of the Board of Directors, the CEO and the Executive Vice Presidents are allowed to own publicly-traded shares of the Garanti Bank; their transactions in Bank shares are publicly disclosed pursuant to Capital Markets Board regulations.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In the Garanti Bank Extraordinary General Shareholders' Meeting held on June 13, 2008, amendments to Articles 15 and 16 of the Bank's Articles of Association regarding founder share certificates, and Article 45 titled Distribution of Profit, have been approved by a majority of the shareholders.

AMENDMENTS TO ARTICLES 15, 16 AND 45 OF THE ARTICLES OF ASSOCIATION OF T. GARANTİ BANKASI AŞ:

PREVIOUS TEXT

Article 15 - Those having signed the Articles of Association during the foundation of the Bank as Founder, those having subscribed and paid-up the initial capital have been delivered 370 founder share-certificates. In case founder share-certificates are presented for sale, the Bank shall be free to purchase these shares with the purpose of destroying them.

Article 16 - Founder shares grant the right to benefit, from the dividend share stimulated in the Articles of Association and, in case of liquidation, to receive a certain liquidation share to be assigned by the General Assembly approving the liquidation.

DISTRIBUTION OF PROFIT

Article 45 - The net profit remaining after the deduction of all expenses from the revenues obtained as a result of the Bank's annual activities shall be subject to transaction in the following order.

- 5% shall be distributed to the legal reserves,
- 5% of the paid-up capital from the remaining part shall be distributed to the shareholders as first profit share (dividend),
- 5% of the remaining part shall be distributed to the extraordinary reserves,
- of the remainder after the assignment and distribution as in the items A-B-C:
 - 10% shall be distributed to the founder (benefit) certificates. These profit shares shall be determined according to the net profit falling on the last main capital.
- The General Assembly shall be authorized to distribute the remaining profit completely or in part to the shareholders as profit share or to assign it partly or entirely to the extraordinary reserves.
- The provision of Article 466, sub-paragraph 2, item 3 of the Turkish Commercial Law shall be reserved. The distribution as mentioned above in items C-D-E may not be realized unless the funds (equivalent) of the financial liabilities to be fulfilled by the company's juridical person and the legal reserves have been assigned.

NEW TEXT

Article 15 - Removed from the Articles of Association.

Article 16 - Removed from the Articles of Association.

DISTRIBUTION OF PROFIT

Article 45 - The net profit remaining after the deduction of all expenses from the revenues obtained as a result of the Bank's annual activities shall be subject to transaction in the following order.

- 5% shall be distributed to the legal reserves,
- 5% of the paid-up capital from the remaining part shall be distributed to the shareholders as first profit share (dividend),
- 5% of the remaining part shall be distributed to the extraordinary reserves,
- Following the assignment and distribution as in the items A-B-C:
 - The General Assembly shall be authorized to distribute the remaining profit completely or in part to the shareholders as profit share or to assign it partly or entirely to the extraordinary reserves. The provision of Article 466, sub-paragraph 2, item 3 of the Turkish Commercial Law shall be reserved. The distribution as mentioned above in items C and D may not be realized unless the funds (equivalent) of the financial liabilities to be fulfilled by the company's juridical person and the legal reserves have been assigned.

GARANTI'S...

VISION

Is to be the best Bank in Europe.

MISSION

Is to continuously and noticeably increase the value it creates for its customers, shareholders, employees, the society and the environment by utilizing its influence, agility and organizational efficiency.

STRATEGY

Is to maintain long-term sustainable growth by continuously creating value.

MAIN PILLARS OF GARANTI'S STRATEGY

Focus on customers

- Innovative products and high service quality
- Unrivalled competence, experience and implementation capability
- Exceptional business processes throughout the Bank
- Guidelines on customer satisfaction

Focus on the continuity of technological innovation

- The best and the fastest technological equipment that is progressing continuously and integrated with business segments
- Most up-to-date IT infrastructure

Focus on competent human resources

- Continuous improvement in competency and efficiency of human resources
- Performance-based incentive structure

Focus on operational efficiency

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

Focus on disciplined growth

- Sustainable and profitable balance-sheet growth focused on real banking
- Strong asset quality
- Outstanding service and distribution competencies in reaching target markets and a wide customer base

Focus on sustainable income sources and profitability

- Focus on high-return products and profitable business segments
- Increasing non-interest income
- Emphasis on creation of customer-driven income
- Continuous improvement in cost of borrowing and free capital
- Development of cross-selling opportunities by prioritizing products and packages that enhance customer loyalty

Focus on strong distribution channels

- Extensive and efficient branch network
- Effective and broad-based utilization of alternative distribution channels

Focus on risk management and audit

- Measurement of risk using globally accepted standards
- Portfolio-wide risk management that associates risk with return and leads to optimal allocation of economic capital
- Proactive audit systems

Focus on corporate governance and social responsibility

- Commitment to corporate governance, ethics and corporate values
- Playing an active role in establishing high standards for social development with an approach toward creating value for the society and the environment

CORE VALUES

Setting strategies to be adopted for the execution of its vision and mission, Garanti also defined binding corporate values that all employees shall abide by. These core values, indispensable for Garanti employees at all levels, have become a way of life and way of doing business for all employees of the Bank.

"Our customers..."

- All operations and efforts are focused on the customers.
- The Bank always strives to satisfy its customers above and beyond their expectations.
- Garanti employees are honest, courteous, helpful, solution-oriented and always pleasant.

"Garanti and its employees have high moral values"

- The Bank conscientiously obeys rules and regulations without exception.
- Having a good conscience is very important for both the organization and the individuals within it.

"The most important element for Garanti is the human factor"

- The Bank values individuals and invests continuously in human resources.
- The Bank's quality is driven and ensured by its employees.
- Every Garanti team member is driven primarily by a quest for quality.
- The Bank understands the importance of delegating responsibilities.
- Garanti encourages its employees to use initiative.
- The Bank believes in the creative and productive powers of motivation and strives to generate such an environment.
- Garanti believes that each team member is a leader and the best at what he/she does.

Team work

- The Bank believes in effective team work and open lines of communication. It does not compromise these principles.
- The organization is opposed to strict layers of hierarchy.
- Garanti team members from the CEO to the lowest ranking personnel and all institutions it works with as one unit to realize the vision.

- The effective team work of the Bank is strengthened by collaboration, mutual trust and respect.

Continuous progress

- The Bank maintains the quality of its services by constantly improving itself rather than maintaining the status quo.
- Investing in its people and technology to achieve continuous progress is an inseparable element of Garanti's policy.
- The main mission of the Bank and its employees is to sustain a high level of quality while constantly improving the quality of its products and services.
- Garanti's approach to improving quality is proactive; the Bank strives to identify the needs and expectations of its customers and address them even before they are voiced by the customers.

Social responsibilities

- The Bank exerts every effort to be beneficial to society, the environment and humanity.
- The Bank is confident that its exemplary work will promote good will within the banking sector and the entire country.

GARANTI FINANCIAL SERVICES GROUP COMPANIES

GarantiBank International N.V.

Established in 1991, GarantiBank International (GBI) has operations in the Netherlands as well as in Germany, Romania, Turkey, Switzerland, Ukraine and Kazakhstan through branches and representation offices. As such, its regional expertise in trade finance transactions is in high demand. GBI currently has the highest credit rating ever awarded to a Turkish-owned bank and offers a wide range of financial services including retail and private banking as well as direct and structured transactions designed for corporations (see p. 29).

GarantiBank Moscow

Established in 1996, GarantiBank Moscow (GBM) operates mainly in corporate and commercial banking segments. With experience and quality service, it has become the first choice of Russian and Turkish companies operating in various industries within the Russian economy. As part of international capital flows, GBM provides solutions for money transfer requirements of small and medium-size enterprises. The Bank is also a leader in tourism-related transactions between Turkey and Russia (see p. 30).

Garanti Securities

Established in 1991, Garanti Securities is a leading Turkish brokerage house offering corporate finance, research and brokerage services. With services in mergers and acquisitions, public offerings and privatizations, private sector borrowings, domestic and international brokerage as well as clearing and custody, Garanti Securities maintains its position as the leader in capital markets (see p. 31).

Garanti Asset Management

Established in 1997 as a pioneer in its business segment, Garanti Asset Management offers mutual fund management, pension fund management and corporate and individual portfolio management solutions. With a corporate investment and management philosophy based on analytical thought, competent human resources and advanced technology, Garanti Asset Management is considered one of the best asset management service providers in Turkey (see p. 32).

Garanti Leasing

Operating in the leasing sector since 1990, Garanti Leasing, utilizing the most extensive distribution network in the sector, provides leasing support to corporate, commercial, small and medium-size enterprises by financing their product and equipment investments including the purchase of land transportation vehicles, equipment for construction and manufacturing, agricultural machinery, textile machinery and printing presses, as well as real estate investments. Since 2001, Garanti Leasing has had the highest credit ratings achievable by a Turkish institution and remains a market leader in its sector (See p. 32).

Garanti Factoring

Garanti Factoring, dating back to its start in 1990 as one of the first factoring companies in Turkey, offers mutually beneficial products designed for companies with extensive retail or supplier networks, for corporate enterprises focusing on imports and exports and for SMEs. In addition to traditional factoring products, Garanti Factoring diversifies its product range with solutions custom-made for individual industries and customers. Dedicated to innovative, creative, dynamic and customer-oriented services, Garanti Factoring is one of Turkey's leading factoring companies (see p. 33).

Garanti Pension and Life

Incorporated in 1992, Garanti Pension and Life solidified its prominent position in the sector by entering into a partnership agreement (15%) with Eureko B.V. in March 2007. Aiming to bring Europe's product diversity to Turkey, the Company is focused on providing customers with the best private pension and life insurance services by taking advantage of its ability to operate all around the country and its solid financial structure to (see p. 34).

Garanti Mortgage

Housing finance is one of the most crucial components of global finance. It was the growth potential of this business segment in Turkey that led to the establishment of Garanti Mortgage in October 2007 - the first Turkish company in this sector. The Company aims to improve on Garanti Bank's expertise in this field and further strengthen its position as a market leader (see p. 14).

Garanti Payment Systems

Established by Garanti Bank in 1999 as the first Turkish example of separating credit card operations from other banking activities, Garanti Payment Systems renders chip-based, multi-brand and co-branded card programs as well as commercial and virtual cards, marketing and e-commerce services for Garanti. As the leading service provider in Turkey's credit and debit cards market, Garanti Payment Systems is a pioneer in domestic and international markets with an innovative and visionary structure (see p. 35).

Garanti Technology

Garanti Technology provides technology infrastructures, software development on various platforms, internet applications, integration, system administration, security management, project management and office application services as well as consultancy services primarily for companies in the banking and financial services, automotive, construction, media and tourism industries. Garanti Technology is one step ahead of the competition with its superior service quality, infrastructure security, uninterrupted transaction competency and its ability to offer creative technological solutions, and is thus recognized in the sector as a "groundbreaker" (see p. 35).

FINANCIAL HIGHLIGHTS

In 2008, Garanti Bank strengthened its well-structured balance sheet with successful decision-making. The Bank's cash loans grew more than YTL 12 billion to YTL 53 billion, which made Garanti the largest contributor to the economy among the banks. Garanti's deposits increased significantly above the sector average and the Bank became the second largest private bank in Turkey in terms of Turkish lira deposit base while maintaining its leading position in the sector with regard to foreign currency deposits. With the help of rapid network expansion of its branches in the last two years, Garanti's deposit base rose 33% over year-end 2007 to YTL 58 billion. Increasing its ordinary banking income by 22% in 2008 and solidifying its lead in this area, Garanti Bank also became the most profitable private bank in 2008 with a net income of YTL 1.9 billion.

Assets (YTL billions)	2007	2008
Cash and Banks	11.8	12.6
Securities	18.8	26.6
Loans	40.0	52.7
Other	5.5	7.1
Total Assets	76.1	99.0

Liabilities (YTL billions)	2007	2008
Deposits	43.7	58.0
Funds Borrowed and Repos	20.2	25.6
Other	5.1	5.7
Shareholders' Equity	7.1	9.7

(YTL billions)	2007	2008
Adjusted Net Interest Income	2.5	3.1
Net Fees and Commissions	1.3	1.6
Ordinary Banking Income	3.8	4.7
Operating Expense	2.1	2.7
Net Income	1.6*	1.9

* Net income for 2007 was normalized to exclude non-recurring income from the sale of shares of Garanti Insurance and Pension Companies amounting to YTL 669 million (post-tax) and non-recurring income from the sale of custody services operations amounting to YTL 112 million (post-tax).

GARANTI'S CREDIT RATINGS

Standard & Poor's

Outlook	Negative
Long term FC Counterparty	BB-
Long term FC Deposit	BB-

Moody's

Outlook	Stable
Long term FC Deposit	B1
Long term TL Deposit	A3
Short term TL Deposit	Prime-2
Short term FC Deposit	Not-Prime (NP)
Financial Strength	C-
National Scale Rating- Long Term/Short term	Aaa.tr / TR-1

Fitch Ratings

Outlook	Stable
Long Term FC IDR	BB
Short Term FC IDR	B
Individual Rating	C
Support	4
Long Term TL IDR	BBB-
Short Term TL IDR	F3
National Rating	AAA (TUR)

JCR Eurasia Rating

Outlook	Stable
Long Term International FC	BB+
Long Term International TL	BBB
Long Term National Local Rating	AAA (Trk)
Short Term International FC	B
Short Term International TL	A-3
Short Term National Local Rating	A-1+ (Trk)
Sponsored Support	1
Stand-Alone	A

Ratings of Garanti Bank are the highest ratings assessed for Turkish banks.

Credit ratings assessed by Standard & Poor's are identical with Turkey's country ratings. The Long term Turkish lira default rating (A3) of Garanti Bank assessed by Moody's is three notches above Turkey's country rating while the Long term FC default rating (B1) assessed by Moody's is one notch below Turkey's country rating. The Long Term TL IDR (BBB-) and the Long Term FC IDR (BB) ratings assessed by Fitch Ratings are two notches and one notch, respectively, above Turkey's country ratings. The Long Term TL default (BBB) and the Long Term FC default (BB+) ratings assessed by JCR Eurasia Rating are two notches and four notches, respectively, above Turkey's country ratings.

GARANTI'S POSITION IN THE BANKING SECTOR AND COMPETITIVE ADVANTAGES

GARANTI/SECTOR* GROWTH RATES

Total Assets (%)	
Garanti	30.1
Sector	25.9

Total Loans (%)	
Garanti	31.8
Sector	28.8

Total Deposits (%)	
Garanti	32.7
Sector	27.3

Number of Branches (%)	
Garanti	23.3
Sector	15.5

Number of Employees (%)	
Garanti	12.4
Sector	8.6

* Sector averages are based on deposit banks.

GARANTI'S MARKET SHARES* (%)

	Change		
	2007	2008	(PP)
Total Assets	12.4	13.0	0.6
Total Loans	13.8	14.2	0.3
Total Deposits	11.0	11.7	0.7
Demand Deposits	13.1	13.9	0.8
Time Deposits	10.6	11.4	0.8

PRIMARY COMPETITIVE ADVANTAGES

- High-powered, dynamic human resources capable of making a difference
- State-of-the-art technology
- Innovative customer-oriented products and services
- Best customer relationship solutions
- Strong brand and reputation
- Exceptional data warehousing and management reporting
- Centralized operations
- Integrated financial services
- Extensive branch network
- Use of alternative delivery channels

PROFITABILITY RATIOS

Return on Average Assets **2.2%**

Return on Average Equity **22.8%**

Ordinary Banking Income

Garanti's Ordinary Banking Income rose 22% over the previous year and reached YTL **4.7** billion.

22% ↑

Earnings per Share (YTL millions for nominal)**

Garanti's Earnings per Share grew 15% over the previous year to reach YTL **0.45**.

15% ↑

** For comparability purposes, number of shares in 2007 was assumed to be 4.2 billion.

AWARDS

A YEAR FULL OF AWARDS...

Garanti is Turkey's Best Bank for the ninth time

Garanti Bank was awarded the Euromoney Award for Excellence for the ninth time and has been named "Turkey's Best Bank" once again in 2008 thanks to its strong balance-sheet growth and high profitability in 2007. Euromoney Awards for Excellence are the pioneering organization for setting the standards for excellence in banking and capital markets.

The Bank of the Year: Garanti

The Banker magazine named Garanti The Bank of the Year 2008 in Turkey thanks to its strong management and prudent risk approach.

Garanti Wins the STP Excellence Awards Once Again

Garanti Bank received the Straight Through Processing (STP) Excellence Awards, given by the leading banks in the world, again in 2007. For US\$ payments in 2007, Garanti Bank has been granted the STP Award by Deutsche Bank for the sixth consecutive year with 98% STP rate, by the Bank of New York Mellon and JP Morgan Chase Bank NA (which granted only two awards in Turkey in 2007) for the fourth consecutive year, by Citibank for the second consecutive year with 99% STP rate and by Standard Chartered Bank for the second consecutive year with 97% STP rate. For euro payments in 2007, Garanti Bank has been granted the STP Excellence Award

from Deutsche Bank for the sixth consecutive year with 97% STP rate. The Dresdner Bank STP Excellence Award, granted for the first time in Turkey, was also awarded to Garanti Bank for an STP rate over 95%.

Garanti Wins the Best Local Private Bank Award

After becoming the winner of the "Best Private Bank for Super Affluent and Relationship Management Award" in the Euromoney Private Banking Survey in 2007, Garanti Masters Private Banking was chosen as the "Best Local Private Bank" by Euromoney in 2008.

Two significant awards in the area of International Project and Acquisition Finance

Garanti Bank's project and acquisition finance activities in a period of worldwide credit crunch has received international recognition. Garanti Bank has received ACQ Finance Magazine's "Bank of the Year" award in the area of acquisition finance, while the financing provided for Migros' acquisition was chosen as the "Deal of the Year".

"Liquid Real Estate Award 2008" Also Goes to Garanti

In October 2008, Garanti Bank was awarded with the "Liquid Real Estate Award 2008" by Euromoney Magazine in the category of Best Investment Bank in Turkey.

Garanti's "difference-making" human resources

Garanti Bank was granted the Human

Management Award, handed out for the first time by the Personnel Management Association of Turkey (PERYÖN) in the category entitled "Implementations that Make a Difference" for its Human Resources Model "YILDIZ".

Garanti broke new ground in Turkey in 2005 by acquiring the IIP (Investors in People) achievement certificate, which certifies the quality of the companies' human resources practices. The Bank renewed its IIP certificate after successful completion of compliance and qualification process that is administered every three years. This documented once again that the Bank maintains its world-class HR practices with the same high quality.

www.garanti.com.tr: The address for the world's awards

Combining its strong and reliable information technology infrastructure with the latest technology and continuing to make it possible for customers to comfortably execute banking transactions in a fast and secure environment through its website, Garanti solidified its leadership in this area via numerous awards from local and international organizations in 2008.

Global Finance, one of the world's most respected business and finance periodical publications, recognized www.garanti.com.tr with two awards in its World's Best Internet Banks for 2008 assessment, conducted for the eighth time this year. www.garanti.com.tr won first place in the "Best Online Consumer Credit

Site” and the “Best Integrated Consumer Bank Site” categories among banks from around the world.

In addition, in the “European Region Best Internet Banks 2008” assessment, Garanti won awards in categories such as Best Consumer Internet Bank*, Best Corporate Internet Bank*, Best Web Site Design, Best Security Initiative, Best Bill Payment and Presentation, Best Integrated Consumer Bank Site, Best Online Consumer Credit Site, Best Online Deposit Acquisition. Garanti left many of its international competitors behind with a total of ten awards and became the European bank that won the most awards.

Garanti’s Stamp at Golden Spider

Garanti’s internet website www.garanti.com.tr was chosen Turkey’s Best Website in the 2007 Golden Spider Web Awards. Taking first place in the “Online Banking” category as well, Garanti was awarded the top prize in the Advergame/Campaign category with the www.yazikdegilmicarlosa.com website (Isn’t It Too Bad Carlos), which was developed on the tenth anniversary of Garanti’s Online Banking parallel to the advertising campaign featuring Roberto Carlos. Turkey’s most visited investment website, www.paragaranti.com won first place in the Financial Services category.

In addition, the Garanti POS website, which was launched to provide online service to member businesses and establish uninterrupted communication with them, won second place in the Golden Spider Financial Services category.

Two awards to Garanti Call Center from CCF

In the European Call Center Awards 2008 that was organized by CCF this year, Garanti Bank Call Center was the winner in the Best Outbound Campaign category and won the “Highly Commended” mention in the Best Improvement Strategy category.

Thanks to its interactive marketing approach and pioneering position in the sector, Garanti Bank also won the “Turkish Telecom Special Award” at the Grand Interactive Awards organized by Marketing Türkiye, MMI and IP magazines as the only interactive marketing competition in Turkey.

Bonus Card is named “Best Credit Card Premiere” in Romania

The first chip-based and multi-brand credit card in Romania as well as in Turkey, Bonus Card was awarded “The Most Innovative Card of the Year” in Romania by NoCash.

www.bonuscard.ro won the “Outstanding Achievement in Website Development” award from the Web Marketing Association.

“Bonus Trink”: where firsts happened in the world again in 2008

Considered one of the pioneers in contactless payment in both Turkey and around the world, Garanti Payment Systems broke new ground in 2007 by launching the Bonus Trink Sticker

and was found worthy of many other awards from sources around the world for this effort. Bonus Trink won the Best Innovation in Loyalty Programs award at the Global Awards presented by Card International, one of the oldest and most respected publications in the card industry.

Bonus Trink Card won the Best Technology / Payments Award at the Affinity & Co-Branding Conference award ceremony organized by MasterCard for the ninth time this year.

Launched in Romania in 2008, after its launch in Turkey, as the first contactless credit card in both countries, Bonus Trink Card was recognized as the “Best Banking Product” by the Money Channel.

Flexi Card is in a league of its own

The innovative and flexible credit card launched by Garanti Bank in February 2006, Flexi won many awards globally in 2008. Bonus, installment, campaign, interest rate and appearance of this card are determined by the customers. Flexi was recognized by Visa with the VISA Europe Award thanks to its flexible design and became the first credit card in Turkey to win an award in the Innovative Design category.

In addition, Flexi Card won the Best Credit Card award among the Customer Loyalty Programs at the 13th Sesames Award, while the Flexi Card website won the Gold Award of Excellence in the Financial Services, Marketing, and Structure and Design categories at the American Communicator Awards organized for the 14th time this year.

Shop&Miles won awards in two categories at the American Communicator Awards

Shop&Miles won the Silver Award in Financial Services and Marketing categories at the American Communicator Awards.

Award after award for Garanti Commercial Cards from Visa and MasterCard

Designed to allow companies to reward their employees or dealers by offering them the opportunity to shop whenever and wherever they want instead of giving out traditional cash awards and gift checks, Garanti Bank’s prepaid corporate cards won the “Best Corporate Prepaid Program in Europe Award” at the MasterCard Europe Prepaid Conference that was organized this year for the second time.

Receiving awards from Visa since 2004 for its accomplishment of highest commercial card usage, Garanti Payment Systems was once again deemed the “Leading Bank in Commercial Card Transaction Volume” in 2008 as a result of the assessment of 2007 activities.

GarantiBank International is among the world’s top banks...

According to the survey published in August 2008 by Trade & Forfeiting Review, GarantiBank International ranks among the world’s best global trade finance banks.

GBI was ranked as the world’s second-best in “Best Soft Commodities Bank”, world’s third-best in “Best Metals and Mining Bank”, and the

world’s third-best in “Best Trade Banking in Central and Eastern Europe”.

Garanti Securities, the Best Investment Banking Institution

In October 2008, Garanti Securities was, for the second time, named the “Best Investment Bank in Turkey” by the international finance magazine Global Finance.

Garanti Leasing ahead of the pack in leasing

According to the results of the “Turkey’s Most Admired Companies” survey held by Capital magazine, Garanti Leasing was recognized as Turkey’s Most Admired Leasing Company in 2008, for the second straight year.

Garanti Pension and Life is the Most Admired Private Pension Company

Garanti Pension and Life was recognized, for the third straight year, as “The Most Admired Private Pension Company” by the Capital magazine in 2008. The Company had won the same award in 2006 and 2007 as well.

Garanti Pension and Life Co. was honored with the 2008 Convergence Service Industry Leadership Award, presented by Microsoft® since 1997, in recognition for its CRM utilization in the services industry. Garanti Pension and Life Co. was selected the best service company in Europe, the Middle East and Africa Region because of its innovative use of Microsoft CRM technology to deliver measurable benefits to its organization and customers.

In 2008, the Garanti Pension website (www.garantiemeklilik.com.tr) won two awards in the “Outstanding Achievement in Financial Services” and “Outstanding Achievement in Insurance Services” categories at the Annual Communicator Awards that was organized by International Academy of the Visual Arts for the 14th year.

The www.hobimlemutluyum.com website, which is the sharing portal of the Hobby Clubs project that was launched in April 2008, left behind hundreds of Turkish and international companies and won the Outstanding Achievement Award in the Lifestyle category at the Interactive Media Awards, which highlight the highest standards in website design.

Two special awards to Garanti Technology

Garanti Technology won the “Best Innovation in a Loyalty Program” award among International Projects with its “Bonus Trink Sticker” project at the Cards&Payments Europe 2008 Conference that was held in Belgium.

Garanti Technology won the “Best Electronics/Mobile-Commerce/Payments/Collections Implementation Award” with its “Smart Sticker” project at the Billing&Information Management Systems 2008 Conference held for the 15th time this year.

*The world’s 50 largest financial institutions are not included.

CHAIRMAN'S LETTER



Dear Shareholders,

As we are leaving behind an extremely volatile year in global financial markets, I would like to assess the developments from the point of view of both Turkey and the Bank.

The world is undergoing a period of severe financial and economic crisis. As a result of the financial crisis that began flashing its first warning signs in developed economies, particularly in the United States towards the end of 2007 and deepened in the fourth quarter of 2008, economic activity came to an exquisite halt and a global recession has begun.

In the financial arena, credit markets froze and the global liquidity severely squeezed due to the crisis of confidence that surfaced after the real estate and structured financial securities bubble burst. In order to overcome the crisis of confidence and reduce the systemic risk, authorities in developed countries are unveiling extremely large rescue packages especially for the financial sector. However, uncertainties still remain despite all of these efforts. Though days are on the way both for the developed countries located in the center of the crisis and the developing countries. Having completed its integration with the world rapidly and successfully with respect to both trade and financial markets, Turkey will inevitably be

affected by this global crisis.

However, Turkey is equipped with the advantage of a solid financial system. The financial sector that possesses no toxic assets but has a strong capital structure, limited currency risk exposure and sound risk management is offering Turkey the opportunity to recover from the crisis with minimum damage. The Turkish banking system that was restructured with the experiences acquainted in the 2001 economic crisis is now much stronger, healthier and more efficient than it has ever been in any other time in its history. In fact, it stood much firmer than other countries' in the face of the crisis within the last year.

We did not hesitate to support the sector or the Bank in 2008 where capital inadequacy came into the picture. This support also demonstrates the confidence we have in the sector and in the Bank. We will continue to have faith and confidence in the Turkish economy, the banking sector and the Bank in 2009, which will clearly be a difficult year in terms of financing capability and economic activity.

Garanti Bank had a successful year despite adverse market conditions. We carried forward our well structured balance sheet to 2008 and further improved it with successful decision-making. Our cautious and foresighted approaches, customer-

oriented strategies, dedicated efforts of our employees and, last but not least, the confidence our customers had in us fortified our strength during the crisis.

While outperforming the sector average in the last few years, Garanti Bank also focused on investing in technology and human capital to achieve sustainable growth. The increase in our capacity of new product development and the reduction in operational workloads on our employees are the most effective results of this strategy. As we document it clearly in the report, we believe that our international competitiveness has been enhanced due to our existing technology and operational infrastructure, world-wide service quality and customer relations management that can be pointed as the best practice not only in Turkey, but also in the global arena.

We continue to take steps in line with our vision of becoming a regional power while increasing our business volume in markets in which we have been operating for many years. In the period ahead, we will opt for ventures that support our operations in Turkey while concurrently creating new synergies.

We will continuously assess the organizational changes entailed by increasing competition and rapidly act upon it where necessary. In the coming year where the effect of crisis will continue to be sensed, we will keep investing in order to provide the services that meet customer needs, managing our risks well and supporting the economy as we closely monitor the Bank's strategic plans to accomplish the Bank's long-term goals.

I firmly believe that these steps will enhance Garanti Bank's excellent performance that it has been displaying for years and ensure that the Bank will continue to create value for its shareholders.

On behalf of our Board of Directors and shareholders, I would like to thank our valuable employees for their diligent efforts and contributions to the Bank's success, and to all of our customers and economic and social stakeholders for their warm interest and confidence.

Ferit F. Şahenk
Chairman of the Board of Directors



In 2008, one of the most severe and widespread financial crises the world has ever been through affected financial institutions, businesses and governments everywhere. I am pleased to report, however that Garanti continued to serve its customers despite the unprecedented volatility and achieved sound and profitable growth in a very challenging market conditions. Total assets increased more than 30%, solidifying Garanti's position as the second largest bank in the private sector.

Even at the dire moments of the global crisis, we continued to lend. We now rank as the top bank in Turkey in terms of loan volume. We extended our branch network with 140 new branches, creating jobs for nearly 2,000 people. Deposits increased far in excess of the average for the banking sector, reflecting the trust inspired by

the Garanti brand. By properly defining and managing our risks, we succeeded in raising our net profit before non-recurring items by 15% during a period when profitability contracted sharply for most institutions.

Local market uncertainty and global economic downturn

The distress felt in the global financial sector from the middle of 2007 grew into a full-blown global financial crisis in 2008. Giants of international finance were compelled to cease operations, be acquired by other institutions or be nationalized in order to escape bankruptcy.

Despite the negative effects of the global crisis and uncertainty and tension in local politics, the Turkish banking sector performed rather well in the first half of 2008. However, with global crisis intensifying in the second half of the year, foreign currency liquidity decreased, loan

demand came to a halt, non-performing loans soared and profit indicators weakened. TL deposits grew steadily throughout the year; in contrast, foreign currency deposits fell rapidly in the second half of the year, receding to the same level as of the end of 2007. TL loans expanded by 18% during the first two quarters but increased by only 3% in the third and fourth quarters. FC loans were up by 20% in the first two quarters but declined by 1% in the second half.

The crisis triggered a noticeable deterioration in asset quality. With the transfer of a portion of the non-performing loans in the sector to asset management companies, the ratio of non-performing loans rose only by 50 basis points to 3.5% up from 3% as of end-June. The increase in the cost of funding along with higher loan reserves put bank earnings under pressure.

Strong and successful results despite demanding conditions

By accurately forecasting the coming storm, Garanti, in a timely manner, was able to put into place appropriate measures, entering 2008 with a high level of liquidity and a sound balance sheet.

The effective and comprehensive implementation of a customer focused strategy endowed Garanti with a clear advantage in the marketplace. This was clearly reflected in our results for 2008, which demonstrate that Garanti performed successfully and resiliently in spite of the demands of local and international markets.

In 2008, Garanti once again extended the most loans of any bank in Turkey. By increasing the volume of TL loans by 24%, FC loans by 8%, and non-cash loans by 14%, we provided a total of YTL 67 billion in financing to the Turkish economy. We stood by our customers even as the global crisis worsened; we did not call in a single loan ahead of its maturity. In the important Small and Medium Size Business segment, we increased our market share in cash and non-cash loans to 13% by extending YTL 4 billion in financing to more than 122,000 businesses. At the same time,

we maintained our leading position in commercial and corporate banking.

In terms of non-performing loans, Garanti experienced the lowest rate of increase amongst its peers due to application of stringent risk management criteria despite the competitive environment. We know our credit customers well and take care to establish close and continuing relationships with them.

In a very volatile year, we expanded our deposit base far more than the sector as a whole to become the second largest private-sector bank in Turkey. What's more, Garanti now has the highest volume of demand deposits of any private-sector bank, reflecting our superior service quality and predominance in cash management. The success we have captured in deposits stems from the unwavering trust inspired by the Garanti brand, the opening of more than 240 new branches in the last two years and a net increase of 1.2 million new customers in just one year.

Corporate governance enhanced by buyback of founder share-certificates

A significant advance was made in corporate governance with the successful buyback of founder share-certificates. This transaction eliminated the adverse pressure created by the founder share-certificates on our market value.

During the same time, Garanti's issued capital was doubled to YTL 4,200 billion in a timely and successful operation just prior to the disintegration of market conditions.

Besides the capital increase, the US\$ 600 million syndication that we completed in the fourth quarter of the year provided a significant inflow of foreign financing to the local economy at a critical juncture.

Our commitment to corporate citizenship and community involvement carried us far beyond banking

Garanti is committed to supporting projects in the areas of culture, art, the environment, education and sports that benefit all segments of society both through our own institutions and through sponsorships. By extending material and moral support, the Bank seeks to raise the quality of life in the community that we share and thus develop Garanti as a force for positive change.

In 2008 we initiated a large number of important projects. The exhibits, events and seminars organized by the Ottoman Bank Museum, Platform Garanti Contemporary Art Center and Garanti Gallery attracted an audience of close to 60,000 people.

In the field of education, we crowned our efforts to create benefit for all segments of society with a key project that focuses on teachers. The Teachers Academy Foundation that we established during the year reflects our future-oriented approach and our belief in the vital importance of teachers to social development.

The Foundation's objective is to train teachers in order to equip them with the skills necessary to nurture future generations' training and in doing so to raise them to the position and esteem they deserve. The first project - No Limit to Teaching - aims to provide training to 100,000 primary and secondary school teachers.

For many years, we have concentrated our support in the sports area to basketball. In 2008, we added football and became a prime sponsor of the Turkish Football Federation. We are proud to have contributed to the success of the "Turko's", which progressed to the semi-finals in the European Cup, and that of the "12 Giant Men" which qualified for the European Basketball Championship.

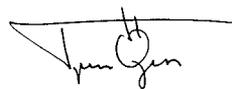
We continued without pause to organize meetings that contribute to the knowledge and vision of businesses and professionals who run these businesses. These meetings - known as Garanti Anatolian Discussions - brought nearly 2,800 entrepreneurs in nine provinces together with expert economists and banking specialists. We initiated a series of Women Entrepreneurs Meetings in cooperation with the Women Entrepreneurs Association of Turkey (KAGİDER) to support female entrepreneurs with financing, training and competitions. The first four meetings have reached out to 800 women entrepreneurs.

Garanti will emerge from this difficult period stronger and will continue to be the rising star of the banking sector.

Despite courageous intervention, trillions of dollars worth of government aid packages and capital injections, the global crisis worsened in the second half of 2008 and is by no means over. Indeed, we observe that the intricate issues encumbering the global financial sector have spread to other areas of the global economy, bringing us face to face with a worldwide recession. During this perilous period, it is essential that the Turkish banking sector take steps more cautiously and manage risks effectively.

At Garanti, we have prepared our business plan to be resilient during the arduous days ahead. We will continue to work closely with our customers to support the local economy while keeping our balance sheet liquid and our capital strong. From executive management to branch personnel, we will continue to work carefully to limit the effects of the weakening economic outlook on asset quality. By focusing on managing costs and profitability, we will further improve the efficiency of our newly opened branches.

Turkey and the Turkish banking sector have been through very difficult times in the past decade. Garanti has always emerged stronger from these periods of economic volatility. In 2009, we will, as always, strive for the benefit of all our stakeholders - employees, customers, shareholders and business partners - and our standing in the Turkish banking sector will continue to rise.



Ergun Özen
President and CEO

ACTIVITIES IN 2008

RETAIL BANKING

The greatest strength is its wide customer base, enabling further penetration with credit and deposit products, and expansive and effective sales force that is capable of seizing the cross sales opportunities that this base generates.

Objective for 2009, in an environment which is expected to be highly competitive, is to enhance the deposit base at an optimal cost structure while managing profitability and to reach the appropriate customer base in lending with the help of strong information infrastructure to sustain profitability.

Active in retail banking for 21 years with the goal of "making a difference" in the lives of individuals, Garanti Bank utilizes a state-of-the-art technological infrastructure and a rich variety of products to help achieve its goal.

Garanti maintains its sector lead in retail banking and successfully serves millions of customers from different segments of society thanks to its qualified human resources, high quality service and technology required to provide creative solutions to suit the ever-changing needs of individuals.

The number of Garanti Bank's customers has increased by more than a million in the last year. It competently serves 6.8 million retail banking customers through a network of 730 branches and a retail banking sales and relationship management team of 1,740. Totalling YTL 31.8 billion in 2008, retail banking contributed 26% of the Bank's overall business volume. Garanti extended YTL 7.7 billion in retail consumer loans. The share of consumer loans within the Bank's total cash loans was 17% as of year's end. Garanti's retail deposit volume was YTL 20.9 billion,

making up nearly 40% of the Bank's total deposits.

Primary factors that distinguish Garanti in retail banking are:

- Customer-focused approach, processes and performance systems,
- Innovative products and services to suit the changing needs of customers,
- Dynamic and highly-qualified human resources,
- A broad-based and growing network of physical distribution channels,
- Reliable and innovative alternative delivery channels, and
- State-of-the-art technological infrastructure enabling fast and effective performance monitoring.

Consumer Loans

Garanti maintained its leadership in the retail banking mortgage sector in 2008, expanding its portfolio to YTL 5,208 million. Retail banking general purpose loans increased 27% in 2008 to reach YTL 2,954 million. At 58%, general purpose loans had the largest share in the entire range of consumer loans while the volume of auto loans at the Bank reached YTL 856 million. Garanti Bank, through its creative marketing approach, continuously offers retail loan products to meet diverse customer requirements.

Retail Deposits and Investments

Garanti's retail deposit base grew 29.6% in 2008. Widespread availability, scale, reliability, service quality, customer satisfaction and innovative products, such as the Gold Deposit Account and Structured Deposits that were launched during 2008, have all played a major role in this growth.

Products that Make Life Easier

Garanti strived to make life easier for customers through its service-oriented products. At the end of 2008, 1.9 million customers were using E.L.M.A., while 1.7 million customers had automatic-payment accounts and another 1.7 million were making use of overdraft accounts.

Salary Payments

Garanti continued to use salary payments as a crucial channel for customer acquisition. The number of salary payment customers increased 39% in 2008, making it a very active and productive year for the Bank. By the end of 2008, salary payments for approximately 1.2 million individuals were made through Garanti. The loyalty of Garanti salary payment customers is further enhanced through special innovative retail banking products offered to these customers in addition to

exemplary customer service.

Life Cycle Banking

Life Cycle Banking programs offer products and services that meet the needs of individuals at different stages of their lives. At the end of 2008, roughly 160,000 customers were served through product packages targeting different age levels such as Mini Bank, g'bank and Ünibank. Minimatik, launched in 2008 as part of the Mini Bank program, made a significant contribution to growth while breathing new life into the product program.

In 2009, Garanti will continue to be a pioneer in retail banking utilizing a customer-oriented approach. The Bank will respond to its customers' needs that change and develop according to their financial positions, with new products and innovative and service processes via its qualified human resources, solid technological infrastructure and effective alternative delivery channels.

Focusing on profitability and effective pricing policies alongside growth, Garanti will continue to broaden its customer base in highly competitive segments by introducing alternative deposit and investment products and increase its market share. Customer relationship managers, who serve upscale retail customers and who have undergone concentrated training programs, will play a key role in the execution of this strategy via their financial advisory service offerings.

There will be increased focus on enhancing the effectiveness and profitability of salary payment customers, who offer high prospects for cross sales opportunities. Garanti Bank has reorganized itself and set its road map to support this strategy.

HOUSING FINANCE

The greatest strength is its expertise in mortgages and its ability to offer alternative delivery channels and product diversity.

Objective for 2009 is to further increase service quality to reach a wider customer base.

Garanti continued leading the market in housing loans and reaching a market share of 13.4% at the end of 2008. Service quality

and mortgage expertise provided by the sales force resulted in the housing loan portfolio to increase by 25% in 2008 to reach a total of YTL 5,208 million.

In 2007, the approval of the new mortgage legislation by the Parliament led to an increased focus on mortgages. Following the legislation, Garanti founded its mortgage subsidiary, Garanti Konut Finansmanı Danışmanlık Hizmetleri AŞ (Garanti Mortgage) in October 2007, for an increased focus on mortgage expertise and market leadership.

Garanti's wide range of products, focus on distribution channels, sales force and superior service quality enabled to distinguish itself as a mortgage expert among customers. Taking into account the diversified needs of its customers, the Bank continued to expand what is already Turkey's most extensive product portfolio during 2008 and expanded the mortgage certification program for the branch sales force. The developer financing sales team and the real estate agency relationship team were reinforced, and the call center and other alternative delivery channels were expanded. Thanks to these efforts driven by service quality and expertise, independent market research results show that Garanti is the first bank consumers consider when it comes to mortgages.

- The housing loans portfolio of the Bank grew 25%, from YTL 4,166 million at year-end 2007 to YTL 5,208 million at the end 2008, for a market share of 13.4%.

- The share of housing loans within the consumer loans portfolio remained around 40%, excluding credit cards, thanks to the high service quality and the wide product diversity to suit the needs of various customer groups.

- Garanti Bank launched Turkey's first mortgage call center in April. Responding to an average of 400 customers per day with a team of 20 specialists, the mortgage call center has an average response time of 10 seconds. Showing its emphasis on new distribution channels and setting new service standards, Garanti began to take mortgage applications over the phone. The Bank also launched its WebChat service, which allows customers to contact mortgage specialists via the internet at the beginning of 2009.

- The "Mortgage Expert" continued its activities aware that expertise also requires the provision of different delivery channel alternatives to customers. In this context, the Bank expanded its sales force for the real estate agency relationship

team, the developer financing sales team and the head office team in charge of sales relationships. In addition, taking into account the fact that housing loans were recently introduced in Turkey, Garanti organized educational mortgage conferences for real estate agencies throughout the country.

- 2008 was a very successful year for the introduction of new products. During the year, some of the new products launched included the Mortgage Basket, the All-inclusive Mortgage and the Payment Holiday Mortgage, as well as the addition of the Japanese Yen-denominated housing loans to the portfolio of foreign currency-denominated loans. Furthermore, the Decreasing Rate Mortgage is provided only by Garanti Bank, where mortgage interest rates decline automatically depending on economic developments, continued to be offered. Moreover, the Non-Resident Mortgage has been enhanced to provide mortgage opportunities for Turkish citizens living abroad as well.

- Garanti's mortgage priority for 2009 is customer acquisition and market share growth by combining its service quality with its expertise in mortgages. In this scope, continued improvement in processes and execution of the fastest and most accurate underwriting are imperative for a healthy financial structure of customers and investors. Development of new payment plan alternatives for different needs and risk perceptions of customers and consumers will also be among the top priorities in the period ahead.

- Delivery channels will continue to be a main focus for Garanti in 2009. Mortgage trainings of branch personnel, strengthening of relationships with real estate agencies and developer financing activities will continue to maintain leadership and expertise. Additionally, focus on enhancing alternative channels, including the call center and internet banking, will be continued and these channels will be expanded to serve as information source as well as to receive mortgage applications.

GARANTİ MASTERS PRIVATE BANKING

The greatest strength is offering all products and services, particularly private banking products and services, to customers from a single point via diversity of products and services, innovative and dynamic structure, technological infrastructure, branch network and highly-qualified staff.

Objective for 2009 is to maintain the lead in the private banking segment under the Garanti Masters brand.

The Private Banking business line of Garanti Bank operates under the name Garanti Masters and serves individual investors with assets of more than US\$ 250,000. Garanti Masters Private Banking provides its customers innovative and customized products, financial consulting services compatible with their risk profiles and all kinds of retail banking services.

In line with its growth objectives, the Private Banking business line opened two new branches and expanded its sales team. Consequently, Private Banking products and services are provided by a staff of 170 in 11 private banking branches, of which six are located in Istanbul and one each in Ankara, Izmir, Bursa, Antalya and Adana.

The Private Banking business line reached 6,143 clients and YTL 4,680 million Assets under Management (AUM) in 2008. Private Banking had a total influx of new assets of YTL 1,635 million, YTL 775 million from existing clients and YTL 860 million from those newly acquired. The Private Banking business line makes up 5.8% of the Bank's AUM.

In terms of its share of the Bank's business volume, the Private Banking business line accounted for 52% of the Treasury Bill, Government Bond and Eurobond trading volume of individual investors with YTL 2,505 million, 26% of stock trading volume of individual investors with YTL 5,489 million, and 17% of the trading volume of individual investors at the Turkish Derivatives Exchange (TurkDEX) with YTL 3,664 million.

25% of all Capital Protected and Return

Guaranteed investment funds, introduced for the first time in Turkey by Garanti Bank, were sold by Private Banking. In addition, Private Banking held meetings for customers in 2008 to promote the Istanbul Hedge Fund, to be launched by Garanti Bank as the first hedge fund in Turkey and managed by Garanti Asset Management. Istanbul Hedge Fund will be marketed to qualified clients, thus, the primary target audience of the fund is Private Banking clients.

Comparing year-end 2008 figures with those of 2007, the number of clients increased 17% from 5,258 to 6,143, assets under management grew 27% from YTL 3,686 million to YTL 4,680 million and net profit rose 40% from YTL 26.8 million to YTL 37.5 million.

Financial planning and risk profile-compatible corporate investment advisory services continued to be an important part of Private Banking business line's integrated services in 2008. The Committee of Investment Strategy, consisting of Garanti Asset Management, Garanti Securities Research Department, Garanti Bank Treasury Department, Private Banking Product Management Department and Private Banking Marketing Department convened on a weekly basis to create model portfolios and share them with clients.

The diversity of Garanti Masters structured deposit products were increased substantially in 2008 considering market conditions as well as our clients' expectations and needs. Garanti Masters continued pioneering the market in innovative products, and structured deposit products indexed to gold, Japanese Yen and CPI were designed and offered to our clients for the first time in Turkey. Also in 2008, a total of US\$ 40 million of structured deposits accounts were opened through 37 product auctions.

Wealth Managers within the Garanti Pension and Life Insurance Company began managing the pension plans of Private Banking clients in 2008. Under this new structure, Private Banking Customer Relationships Managers and Wealth Managers regularly assessed the pension plans of the Bank's clients according to the market conditions. In 2008, Private Banking reached 21% of the Bank's share with YTL 13.4 million in Private Pension Insurance (BES) production, and reached 5.4% of the Bank's total Pension Funds with YTL 44 million under management.

In 2008, a high recommendation score was achieved in a customer satisfaction survey conducted among Private Banking clients. Another survey will be conducted in 2009 in

order to assess customer satisfaction as part of the Bank's commitment to high service quality.

The Private Banking Customer Relationship Managers went through extensive technical and personal development training programs in 2008. In addition, both the division and branch staff attended domestic and international training programs for an average of 13 days during the year.

Several organizations and sponsorships have been undertaken in order to come together with our clients and to reach potential Private Banking clients. Private Banking sponsored sports events such as Garanti American Express Turkish Open-Ladies European Tour, Children and Junior Riders European Championship, Atatürk and Republic Cup Equestrian Competitions, Porsche Track Days, Berlin Bergama Museum Turkish Delight Exhibition sponsored by the Bank, Istanbul Jazz Center Concerts, exhibitions at the Ottoman Bank Museum, and talks about artist Feyhaman Duran with Raffi Portakal were the cultural and arts events where we had the opportunity to come together with our clients. In addition, The Black Swan Effect in Financial Markets Conference by Nassim Nicholas Taleb, the highly-sought-after author of "The Black Swan-The Impact of the Highly Improbable" that was on the NYTimes and Amazon.com bestseller lists, was organized.

INVESTMENT BANKING

The greatest strength is that all of its investment products are consolidated within the Bank and it can serve investment needs of customers from a single point using the Bank channels.

Objective for 2009 is to continue developing investment products that suit the needs of customers and provide them with investment services from its technological infrastructure and innovative approach.

The main target of Investment Banking is to develop investment products in mutual fund, stock and derivative markets that are compatible with the needs of customers, and to offer these products with Garanti's outstanding service approach.

Investment Banking provides special investment services for both the Bank's branches and customers with a specialized team via 14 Investment Centers, two Corporate Investment Branches, an Investment Banking Branch and 25 Trading Rooms.

In 2008, Garanti maintained its position in capital markets thanks to product diversity and pricing policies in mutual fund, stock and derivative markets; it successfully met customers' needs effectively via the development of new products.

Mutual Funds

In 2008, Garanti succeeded in increasing its market share to 14.63% from 14.22% at year-end 2007. It maintained its position in third place in the mutual fund market, while competition intensified as this market contracted. Offering a diversified portfolio of mutual funds catering to different risk-return profiles, Garanti continued to be one of the leading institutions in money market funds in 2008. Also during the year, Garanti expanded its customer base by 19% and took the first place in the fund market with 664,650 fund investors.

Garanti increased its fund volume with the public offering of two new structured funds and entered the structured fund market ahead of the competition with a 26% market share. The public offering of the Capital Protected Fund and the Return Guaranteed Fund was conducted between August 11 and August 22; total demand registered for the two funds was YTL 110.2 million. The 10% Return Guaranteed Fund, the first fund in Turkey guaranteeing such returns, was completely sold out.

Equity (Share Certificates)

Garanti provides equity services through the Investment Centers, Call Center and award-winning Online Banking with the support of an enhanced technological infrastructure.

In 2008, Garanti achieved increased participation in Initial Public Offerings (IPO) by enhancing its IPO infrastructure and provided various alternatives to its customers. Garanti participated in the Türk Telekom IPO as the consortium leader and collected the highest amount of demand with YTL 1.02 billion. In 2008, the Bank's market share reached 21.7% while registering the highest amount of IPO applications in its history.

TurkDEX

In 2008, Garanti increased the number of customers executing transactions in TurkDEX by 118%, up to 3,755 with a market share of 9.11%. The Bank's TurkDEX transaction

volume increased 55% in 2008 compared to the previous year and its commission income rose by 85%. Garanti continued to develop its technological infrastructure in TurkDEX to provide customers with easier and faster trading.

Investment Centers

With 13 Investment Centers and 22 Trading Rooms at the end of 2007 to serve its customers who actively trade investment products and are interested in trading faster and receiving professional support, Garanti increased the number of Investment Centers to 14 and the number of Trading Rooms to 25 in line with the Bank's growth. In addition, the Bank has two Corporate Investment Centers that serve corporate customers and an Investment Banking Branch for high-volume stock traders.

In 2009, Garanti will continue to expand its product portfolio and implement new projects with the support of its strong technical infrastructure.

In 2009, Garanti aims to strengthen its position in the fund market and maintain its lead in the structured fund market with the public offering of new structured funds. Striving to introduce different alternatives for its customers while effectively meeting all investment needs of its extensive customer base and increasing the number of customers using investment products, Garanti will continue to make a difference in the fund market with the public offering of its Hedge Fund.

The Garanti Trader project, for which most of the infrastructure is already in place, will start up in 2009.

Garanti will offer custody service to domestic and foreign asset management companies via its Custody Branch and will differentiate itself from the competition in this area as well with its pioneering, innovative and effective service approach.

BRANCHLESS BANKING/ ALTERNATIVE DELIVERY CHANNELS

The greatest strength is its management approach that continuously reinforces its sector lead under all market conditions through constant investment in technology and brands that strive to ensure that investments have the most effective impact possible on performance.

Objective for 2009 is to increase product sales, increase customer loyalty through enhanced functionality and service diversity, generate income and commissions by means of new transaction sets, and create new sales opportunities by reducing transaction costs.

Garanti Bank remains the leader in the banking sector for alternative delivery channels through continuous technology and brand investment updates. Striving for the highest level of customer satisfaction, Garanti has enabled the integrated use of all channels.

Garanti's alternative delivery channels (ADC) are positioned as in-depth customer satisfaction vehicles and sales outlets while also making significant contributions toward operational efficiency and profitability. The integrated use of all ADCs, a rich selection of transaction options, and flexible offer infrastructures make it possible to sell complex products through non-branch banking channels and to increase customer satisfaction through individualized returns.

As of year-end 2008, the number of active ADC customers topped 1.2 million. According to figures of the Banks Association of Turkey, Garanti is the market leader with a 27% market share in number of active internet banking customers as of the fourth quarter of 2008. Garanti is also the market leader in total transactions executed via the Internet Branch with a 37% market share.

This market share lead in active customer numbers is further solidified by Branchless Banking commission income worth nearly YTL 80 million per year.

Garanti also retains leadership in mobile banking with more than 130,000 Garanti Mobile Branch users. Just one of the examples of Garanti's standing as a pioneer in mobile banking applications in 2008 was its iPhone version Mobile Branch, especially designed to provide a rich array of transaction options that was made available to customers in October.

The Garanti Online Branch provides customers with more than 200 transaction options. The Bank's leadership in internet banking transaction options is equally true as well for its Mobile Branch.

Of all retail banking transactions, 98% can now be carried out through the Garanti Online Branch. More than 17 million transactions were executed via the Online Branch in 2008.

Garanti's lead in internet and mobile banking was further bolstered with domestic and international recognitions that were received in 2008.

In 2008, product sales made through the Garanti Online Branch, Alo Garanti, and Garanti Paramatik accounted for a 30% share of the overall Bank total. The share of the Offer Box platform that facilitates personalized campaign management through the Online Branch and Paramatik in total sales via all non-branch banking channels reached 30%.

Penetration of Online Branch time deposits with supplementary interest rate advantages increased five-fold during 2008 over year-end 2007. In the case of the Bank's Five-Minute Loans, another product designed specifically for ADC, there were more than 1.5 million applications during 2008. Personalized offerings of life and non-life insurance policies via the Bank's ATM network, another first in Turkey, resulted in the sale of more than 100,000 policies during 2008.

With its competence for knowing its customers well and a customer-oriented approach, Garanti devises Branchless Banking strategies to develop the most effective products, programs, and campaigns able to satisfy customer needs. To this end, many new products and services were introduced in 2008.

Garanti Paramatik were the first ATMs in Turkey to dispense coins and the first ATMs to feature menus entirely in English for cardless transactions and transactions with a card. In August 2008, Cardless Remittance was introduced. Another first in Turkey, this transfer makes it possible to send money through Garanti Paramatik without the requirement that either party (sender or recipient) be a Garanti customer. Other innovations introduced last year include the dispensing of card PIN information from the Call Center using speech recognition technology, videophone Call Center

services, and WebChat services. The Bank's ATM network was expanded to reach a total number of 2,581. In addition to cash withdrawals, it is now possible to perform more than 100 different transactions using Garanti Paramatik.

Introduced in 2004, CepBank is yet another Garanti innovation in Turkey. Garanti CepBank makes it possible to instantaneously and securely send money to anyone with a mobile phone just by sending an SMS text message. The number of CepBank users reached approximately 200,000. In addition, consumer awareness of the CepBank service was enhanced by making use of it as a reward vehicle in marketing campaigns conducted with firms in different sectors throughout the year.

Targets for 2009

- Increase the number of active customers making use of Branchless Banking to 1.5 million,
- Increase the rate of utilization of Branchless Banking (Garanti Online Branch and Alo Garanti) among active bank customers to 24%,
- Increase the utilization rate of Paramatik to 50%,
- Increase the number of product sales through alternative delivery channels to more than four million,
- Increase the Branchless Banking commission income to TL 100 million.

PAYMENT SYSTEMS/CREDIT AND DEBIT CARDS

The greatest strength is not only attaining quantitative achievements thanks to its vision of creating a cashless society and its customer-focused approach but also developing innovative products and applications that are considered exemplary all around the world.

Objective for 2009 is to manage application, limit and collection stages most effectively in order to minimize non-performing loans induced by increasing unemployment as a result of the global crisis.

Managing the giant payment systems infrastructure consisting of more than

12 million debit and credit cards, Garanti Bank continues to grow thanks to creative, innovative and competitive features and is a pioneering force in the sector setting the trends with its projects. Rendering chip-based, multi-branded and co-branded card programs, commercial cards, virtual cards, marketing, and e-commerce services as the fastest and most effective product developer in the credit card market, Garanti constantly enriches its products and services. With an innovative and visionary structure and marketing-oriented staff, Garanti has been the pioneer in many innovations with regard to payment systems, both domestically and internationally.

Having the largest range of products in Turkey as a consequence of its endeavour to cater to diverse needs through the most appropriate products, Garanti, with its 7.5 million cards consisting of Bonus, Flexi, Shop&Miles, Shop&Miles&club, Privé, American Express and commercial credit cards, is the bank wielding the highest number of plastic cards in the country.

Putting great emphasis on customer analyses in order to manage portfolio returns in the best possible manner, Garanti integrates technology into Customer Relations Management (CRM) efforts and undertakes outstanding projects in risk measurement as well as customer profitability and loyalty.

Having completed 2008 as leader in the areas of the number of plastic cards, the number of POS terminals, international issuing volume, domestic and international acquiring volume, international and domestic acquiring retail volume, international and domestic debit card retail volume, Garanti is the only bank in Turkey that accepts all VISA, MasterCard, JCB, American Express, CUP and Diners cards.

Garanti Bank provides POS Matik, Kolay Vezne (EasyTeller), Ödeme Noktası (Payment Point and Card Application Point) services to merchants. Able to meet the payment needs of all businesses, Garanti also provides e-tailing services via e-commerce applications and www.garantialisveris.com. The Bank also offers various payment solutions including dial-up POS, ADSL POS, Mobile POS and Virtual POS.

With an issuing market share of 21.1%, Garanti was the bank that increased its number of plastic cards at the highest rate, reaching 7.5 million cards, thus achieving a growth rate of 15.4% relative to the previous year and 622% over the last eight years.

A major source of non-interest income, credit cards account for 54% of the Bank's total commission income.

All Garanti products continued to register

significant growth in terms of users, transaction volume, member merchants and number of POS terminals. Providing services through a total of 327,005 POS terminals and with 278,253 merchants, Garanti sustains its position as the market leader with a market share of 22.3% in acquiring volume and 22.8% in retail volume. Garanti increased its number of POS terminals by 17% compared to the previous year, whereas its acquiring volume rose by 26% to YTL 38.3 billion.

Having brought the concept of card platform to Turkey in 2002 by reaching an agreement with DenizBank and having later enlarged this platform to cover TEB and Şekerbank, Garanti incorporated ING Bank into the platform in 2008. Continuing to increase its market share with every passing month following this agreement, the Bonus Card Platform finished the year as the market leader with a share of 27.12% in terms of turnover.

Garanti Bank increased its debit card retail volume up to 62.7% with innovative projects, while its spending per debit card reached YTL 170. Garanti's retail volume is three times the market average, and it is the market leader with 23.5% market share.

Launching the Ekin Card and the Corporate Travel Card, two new commercial cards, in 2008, Garanti has the largest portfolio in the market with eight unique commercial products. Providing the best and most suitable service for diverse needs of various companies with a rich product range, Garanti achieved 18% growth in the number of cards and 45% growth in turnover.

Garanti Bank also registered 17% growth in the number of member companies receiving e-commerce services from the Bank.

Launching Shop&Miles, the official credit card of Turkish Airlines in 2000, Garanti renewed its Shop&Miles contract in 2008 for the second time, for another three years. Turkey's first and most popular credit card featuring a frequent flyer program, Shop&Miles has approached 400,000 card mark.

Garanti acquired the exclusive rights to issuing and marketing American Express products in 2006, reinforcing its position in the market for cards appealing to the affluent segment that it first penetrated with Shop&Miles. Following the introduction of the Bonus Platinum Card with the American Express logo, American Express registered growth rates of 572% and 693% in the number of cards and turnover, respectively.

Always assigning top priority to customer satisfaction, Garanti Bank achieved a 20% response rate in the campaigns customized for more than four million customers in 2008, and raised its ratio of active customers to 83%.

The greatest strength is that, as a financial supermarket, Garanti can meet all banking and insurance needs of its customers from a single point.

Objective for 2009 is to increase value for its customers with the help of its service approach in insurance and pension, and to solidify its leadership in the sector.

As a result of the completion of legislation and regulations dealing with insurance and increased foreign investment in Turkey, the sector began to grow at a higher rate compared to the preceding period. However, fluctuations in world financial markets have also impacted the insurance sector. Premium production in the first quarter of 2008 increased 15% when compared to the same period in 2007, but the growth rate dropped to 12% in the first half of the year compared to the first half of 2007. Given the particular impact of the global crisis on the banking sector and the real economy, the deceleration in the growth of both the insurance sector and the bancassurance business is expected to continue.

In 2008, Garanti Bank was the bancassurance sector leader with a 21% market share as a result of its performance in non-life insurance branches.

Eureko Insurance, a partnership of Garanti and Eureko B.V. operating in all non-life branches since October 2007, has been one of the most effective performers in the bancassurance business in Turkey. Garanti's standing as a pioneer and an innovator in bancassurance is solidified with the help of this cooperation that was established pursuant to the partnership agreement between the Netherland's sector leader Eureko B.V. and Garanti.

In the pension sector, Garanti Pension and Life was the best performing company in 2008 in terms of market share gains in pension funds asset size. In 2008, Garanti occupied second place with a market share of 14% in the life bancassurance business. They aim to further increase this market share in 2009.

Garanti Bank has implemented a very effective customer-oriented service model in the bancassurance business in 2008 and

Garanti Bank introduced many new innovative products and services in 2008:

- Together with Turkcell, Bonus Trink started the NFC pilot with the broadest member company network in the world under the name of Mobil Cüzdan (Mobile Wallet)
- The Bonus Platinum credit card, which combines the free shopping feature of Bonus Card with American Express privileges, was launched.
- Garanti launched the black and iPod-compatible versions of Bonus Trink Sticker, the world's first sticker-shaped credit card.
- The Ekin Card, which gives farmers flexible-term payment options, was launched on the International Farmers' Day.
- Garanti introduced KGS and OGS devices, automatic systems for paying highway and bridge tolls. These devices record payments for tolls on bridges and toll roads with credit cards.
- Following Bonus Card, Garanti launched Bonus Trink in Romania.
- Garanti added ING Bank to the Bonus Card platform and introduced ING Bank credit cards with Bonus logos.
- Introducing contactless payments for public transportation as a first in Europe, Garanti solidified its position as a pioneer in this field in 2008 adding Eskişehir, Diyarbakır and Ayvalık municipalities after Çanakkale and Samsun, as well as the Dentur Avrasya boats that provide sea transportation in Istanbul. Garanti also introduced Bonus Trink in taxi cabs in Istanbul as a method of payment, breaking more new ground in Europe.
- Garanti launched the Doctor POS, which allows credit card payments in doctors' offices; the credit card slip can be used as an official payment receipt.
- Garanti created a new channel in the payment systems by introducing POS Matik, which can be used to purchase tickets, load fare cards, pay bills and print Flexi Gift Cards instantaneously thanks to its barcode structure.
- Garanti entered into agreements with prominent companies including Goodyear, Mey, Netcell, Nestlé and Eti for Bonus Kontör and undertook projects to implement incentive and reward systems for employees.
- As another groundbreaking service in the sector, Garanti launched POS terminals that enable drivers to use their cards to make instant payments at fuel stations without having to get out of their cars.
- Garanti introduced Turkey's first multimedia POS terminal that can also be used as an advertising channel.
- Garanti overhauled and re-launched www.garantialisveris.com, a secure online sales and shopping channel that is also the

first e-shopping center established by a bank.

As in the previous years, Garanti anticipates increasing its market share for all products and services and grow effectively in 2009.

In 2009, Garanti is targeting growth in all products in terms of the number of cards, spending per card and total turnover. In addition, the Bank is planning to acquire new and profitable customers thanks in particular to products geared toward the upper income segment.

In the first half of 2009, new Shop&Miles credit cards with added features will be launched. For the first time in Turkey, Garanti will offer two credit cards within the same account via the Shop&Miles Platinum Card with the American Express logo. The new Shop&Miles Cards will also have the contactless feature.

In the last quarter of 2009, the Centurion Card (Black) will be added to the American Express Group and it will be equipped with the contactless (express wave) feature.

In order to increase the use of debit cards in shopping, Garanti plans to reposition debit cards as shopping cards that can also perform banking transactions. In addition, the contactless feature will be added to the prepaid cards and debit cards.

In an attempt to further facilitate Garanti's reaching a wider base of the society, the Bank plans to launch Bonus Cards specifically designed for the Migros, Tansaş, Macro and Şok supermarkets after the conclusion of deliberations.

Garanti aims to offer additional features and products in the commercial cards group to suit the diverse needs and structures of companies in this rapidly changing economic environment.

With the new management system that will facilitate closer monitoring of the customers from the day they receive their cards, Garanti aims to further increase activation rates and customer loyalty.

Garanti plans to expand the Bonus Card platform, which currently includes DenizBank, TEB, Şekerbank and ING Bank, with the addition of other banks that share the same service philosophy with Garanti Bank in a way that creates value for all parties.

The Bank will undertake various efforts to increase the use of Bonus Card in Romania and, as a first step, will expand the cooperation with Vodafone.

Garanti will increase the sales of its Debt Cancellation insurance product, which was introduced in 2008 and reached 100,000 customers by year-end and thus safeguarding customer cards while expanding this new income channel.

improved bancassurance activities in line with the demands and needs of customers.

Garanti's total premium production in non-life insurance products increased 18% in 2008 up to YTL 240.3 million, from YTL 204.4 million in 2007. With regard to life insurance products, premium production grew 32% in 2008 reached to YTL 118 million. Garanti's individual pension line achieved rapid growth, reaching 316,734 participants and YTL 843 million in pension funds asset size.

As a result of these developments, Garanti achieved commission income of YTL 62.6 million from the insurance and pension products.

In line with the customer-oriented marketing strategy, Garanti continued to offer new products and services to its customers in the bancassurance business in 2008. Kaskometre has been launched, which allows customers who drive their cars infrequently to pay less for car insurance. Garanti also introduced Emergency Cases Health and unemployment insurance products (Debt Cancellation, Income Protection and Payment Protection) during the year. In the individual pension line, the new retirement plans such as the Prestige Pension Plan and the SME Pension Plan, which is the first pension plan in the sector exclusively for SMEs, have been launched.

In 2009, Garanti will continue to develop products and services that will provide maximum benefit for the customers while pioneering the sector. In this context, the Bank aims to meet the diverse needs of customers in a highly effective manner.

In the non-life branch, the Bank plans to introduce a new concept that will allow customers to manage the products that insure against all types of risk from a single stop.

In addition, Garanti aims to grow and shine in the sector by launching new products and services in the health insurance. The Bank also plans to be more active in the sector and increase its premium production in the agriculture insurance, car insurance and home insurance branches.

Focusing more on the comprehensive insurance needs of its commercial and corporate clients, in addition to its retail customers, Garanti is targeting effective growth in the sector.

In the life branch, the Bank plans to launch the new product, which offers coverage for critical illnesses and thus safeguards individuals, in the beginning of 2009.

The importance of unemployment insurance products is expected to increase further in the period ahead. In this context,

Garanti plans to offer unemployment products to customers in product packages.

In the individual pension line, Garanti aims to expand its product portfolio via packages customized based on customer segments, and to develop exclusive service concepts for various target customer segments.

Given that the current economic conditions may lead people to use their pension savings first, the Bank will offer various solutions for customers' cash requirements.

SME BANKING

The greatest strength is its innovative approach focused on the needs and priorities of SMEs, and uniquely geared toward the sector and the region; as well as its extensive branch network supported by a diversified product and service portfolio and strong technological infrastructure.

Objective for 2009 is to create an environment in which Turkish SMEs can outshine the competition by increasing financial support and consultation service for Turkish SMEs.

Known as the Bank of SMEs, Garanti has been serving small and medium-size enterprises with a wide range of products since 1997. Garanti is also the first private Turkish bank to arrange the service models at the head office, regional offices and branches to serve the SMEs most effectively. Garanti SME Banking serves companies with revenue of up to YTL 10 million, as well as their owners and partners.

2008 has been a year of significant developments at Garanti in terms of new customer acquisition and SME financing.

- As a result of its rapid branch network expansion and new customer acquisition strategy, Garanti increased its customers by 21%, from 914,000 to 1,104,000.

- SME Banking extended more than YTL 3.9 billion in new loans to more than 122,000 SMEs, and registered 24% growth in total loans to reach YTL 6.8 billion; business volume increased 25% to YTL 14.5 billion.

- With this performance, SME Banking increased its share in the Bank's cash and non-cash loans to 12.6% and in deposits to 13.5%.

- SME Banking strengthened its cooperation with the chambers of commerce, industry, agriculture and business owners by signing 153 new chamber agreements, bringing the total to 546.

- The Bank added the EU Support Package to its line of SME Support Packages, which have no sector limitations. SME Banking aimed to help its SME customers benefit from project-based national funds as well as EU grants in the R&D field.

- The new Business Owners Support Package has been offered with discounted loan interest rates and advantageous product proposals indexed to product usage, and loan facilities amounting to YTL 46 million were extended to more than 4,000 customers in a very short period of time.

- The Women Entrepreneurs Support Package established by the cooperation between Garanti Bank and KAGIDER (Turkish Women Entrepreneurs Association) provided financial support of YTL 90 million to more than 3,150 women entrepreneurs. Aimed at developing the entrepreneurial environment and encouraging woman entrepreneurship, the Woman Entrepreneur of Turkey Competition was organized for the second year with the participation of 806 women entrepreneurs from 53 provinces. In addition, with the Woman Entrepreneur Meetings '08 held in Eskişehir, Adana, Kayseri and Izmir, more than 700 women entrepreneurs were reached and information and experience were shared regarding marketing, technology, management and EU Grant Funds.

- Since 2002, Garanti has organized a series of gatherings known as the Garanti Anatolian Meetings, where industrialists and managers in Anatolia get together with Turkey's leading experts and join forces to develop regional solutions. Nine gatherings were organized in 2008, attended by 3,000 SME representatives. Since 2002, the Bank has met with nearly 18,500 SME representatives at 57 gatherings in 42 provinces.

- Loan via POS, introduced during 2008, is a groundbreaking loan product both in Turkey and in the world that offers customers the opportunity to apply for and take out commercial loans. With this product, customers are able to apply for a loan, without going to a branch, just by entering the amount and term of the loan to the POS machine, and get a response in five minutes.

- The financial support given to the agricultural sector continued at an increased pace during the year. Cash loans extended to farmers reached YTL 135 million, provided predominantly in the form of product pre-financing. Garanti provided financing to the farmers for their pre-harvest needs with the Ekin Card, which offers the Bonus advantage and a grace period of up to six months,

depending on the timing of the crop harvest. In addition, the Bank undertook joint efforts with the Turkish Grain Board (TMO), Hazelnut Producers Association of Turkey (Fiskobirlik), Association of Agriculture Loan Cooperatives and Beet Producers Association of Turkey (Pankobirlik).

- Garanti acts as an intermediary for government support provided for SMEs and participated in the Loan Interest Support projects of KOSGEB (Small and Medium Sized Industry Development Organization), reached new SMEs in the manufacturing sector with information about loans geared toward machine and equipment purchases, producers-business owners, exports and employment.

- SME Banking added salary payments to its service portfolio, and made salary payments to 167,000 SME employees.

- Garanti intends to offer to SMEs, sector and region-specific financial solutions as well as providing them with consultation services, and aims to maximize banking service quality with a clear, transparent and strong communication approach that puts the greatest emphasis on customer satisfaction.

- Garanti aims to act as an intermediary for the SMEs in their attempts to access new national and international funding sources, as well as accelerating efforts to create the conditions that will give the SMEs the edge in global competition.

COMMERCIAL BANKING

The greatest strength is its operations in many sectors with high-quality services, extensive product portfolio and effective relationship management.

Objective for 2009 is to increase its market share profitably and to maintain its position as the sector leader with the strategy to become the primary banking partner of its customers in various sectors.

In 2008, Garanti maintained its growth trend of the previous years and remained the sector leader in commercial banking.

Becoming the primary banking partner for most of its customers in many sectors thanks to sector- and customer-oriented strategies, Garanti is the first bank that comes to mind in the commercial banking segment with a market share of 22%.

The Commercial Banking business line of Garanti continues to make a difference with its high-quality service and extensive product portfolio. Thanks to its effective relationship management, Commercial Banking continues to enhance the loyalty of its customer base diversified into many sectors, as well as acquiring new customers.

Thanks to the solutions provided for sectors and customer needs identified during active customer visits, the number of customers served by Garanti Commercial Banking increased from 31,779 to 37,461 in a single year, or 18.4% in 2008. In line with this growth, the Bank also achieved an increase in business volume of 10.4%, from US\$ 23.3 billion to US\$ 25.7 billion. As a result, share of the commercial business segment in the Bank's business line volume reached 35%.

In 2008, Garanti achieved remarkable growth* in commercial banking operations with:

- 52% growth in total assets,
- 38% growth in the (cash and non-cash) loan portfolio,
- 43% growth in total deposits, and
- 18.4% growth in the number of customers.

The principal goal of Commercial Banking is to deepen the Bank's relationship with customers, to grab a larger share of its customers' banking transactions, to become their primary banking partner and to maintain its position as the sector leader.

Thanks to its strategy focused on cost management and increasing commission income, Commercial Banking business line continues to improve its already strong performance in profitability.

Garanti Commercial Banking continued its support to all sectors during 2008 at an increased pace, evidenced by 11.1% growth in its (cash and non-cash) loan portfolio.

Strong capital structure, and high-quality asset management and asset creation capability distinguishes Garanti from its competitors. In 2009, which is expected to be a difficult year, Garanti will operate and continue to respond to the needs of the economy in line with such main objectives as:

- to stand ready to respond to customers' all needs,
- to continue its active and effective traditional banking operations such as investment, foreign trade and working capital finance under the current market

conditions.

Growth Commercial Banking intends to reach its growth targets in 2009 by acquiring potential customers through the systematic activities of its strong and extensive sales team and by deepening relationships with existing customers. In line with this objective, Garanti is closely monitoring the market and its customers.

The following features, which distinguish Garanti in this fiercely competitive environment, will continue to be the main drivers of Commercial Banking's performance in 2009:

- Effective relationship-banking management,
- Quality and experience of the sales team,
- A rich portfolio of products and services,
- An extensive services network secured by increasing the number of branches,
- Technological know-how, and
- Synergies created with financial affiliates.

The primary objectives of Garanti in the commercial banking business line in 2009 include understanding its customers and responding to their needs with the most suitable solutions in the fastest possible way, and becoming the primary banking partner of both existing and potential customers by maximizing mutual benefits.

The priority objectives of the Garanti Commercial Banking business line in 2009 are:

- To increase market share and maintain its position as the sector leader,
- To have a strong position in the sector with an extensive service network and specialized and experienced human resources,
- To grow with the strategy of becoming the primary banking partner of its customers,
- To become the primary banking partner of customers with an extensive portfolio of value-added products,
- To increase the number of customers by 10%,
- To continue with the strategy of managing and creating high-quality assets,
- To effectively manage costs and profitability,
- To maintain its success in the relationship banking area with more frequent customer visits.

*% growth rates are calculated based on YTL equivalents of assets, loans, and deposits.

The greatest strength is its ability to pioneer the sector by knowing its customers very well in order to identify their needs accurately and offer company-specific solutions maintaining cooperation under all circumstances and market conditions.

Objective for 2009 is to continue to distinguish itself and grow in a profitable way by combining its competitive advantages with customer-oriented innovative business approach.

Having pioneered the sector by defining Corporate Banking as a separate business line in the early 1990s, today Garanti is the most preferred business partner of major Turkish conglomerates and multinational corporations operating in Turkey under every market condition thanks to its experience in this business line.

Superior customer relationship management, company-specific service concept and solution partnership approach are the main aspects contributing to the Bank's sustainable leadership position in this segment.

Garanti has built its corporate banking strategies on the notion of preserving and further deepening its long-standing relationships with the existing customer base, since new client acquisition is very limited due to the nature of the business.

The Bank serves its corporate customers through specialized personnel at four exclusive corporate branches, one in Ankara and three in Istanbul.

In 2008, Garanti achieved substantial growth in the corporate banking segment both in profitability and business volumes, increasingly becoming the house bank of its clientele. The Bank's corporate banking strategies and its distinctive customer-oriented approach constitute the cornerstones of this superior performance.

Despite the ongoing global economic crisis, Garanti responded to the financing needs of its corporate customers and once again proved that it will be on their side regardless of the market conditions. The Bank supported its outstanding performance with remarkable growth in the deposits, a major indication of

trust in Garanti by itself.

In 2008, Garanti experienced a very successful year in its corporate banking activities, with:

- 32% growth in the cash and non-cash loan book,
- 57% growth in total deposits.

Garanti's leadership in treasury products, cash management, and project finance areas continued to support the Bank's market share in corporate banking.

Facing one of the worst economic crises in the world history, Garanti with its sound financial structure, will continue to respond to the requirements of the market and be on the side of its corporate clients.

The Bank intends to reinforce its pioneer position in corporate banking area where it traditionally occupies the leadership spot, achieve growth by preserving its asset quality, deepen its long-standing relationships with the clients and solidify its position as the main bank of its customers.

In 2009, Garanti's vast experience, customer-oriented strategy, innovative business approach and competitive edge will continue to play a major role in turning its potential into performance in the corporate banking area.

CASH MANAGEMENT & TRANSACTION BANKING

The greatest strength is its capability to offer integrated web-based solutions to its customers thanks to its 12 years of vast experience, expertise and superior technological infrastructure.

Objective for 2009 is to continue to be the main solution provider of its corporate customers, focusing on their demands and needs in cash management and supply chain.

2008 was another record year for Cash Management & Transaction Banking, as it reached 17,000 corporate customers in Direct Debit System (DDS), maintained its leadership in collection checks with 13% market share, the highest market share it ever reached, increased its market share in interbank Turkish lira money transfers to 19.3% by maintaining its strong leadership, and outpaced all other banks in tax collections with 20.5% market share. Furthermore, as a sign of its strength

in SME segment, Garanti gained a 2.5 percentage point market share in payment checks in the last two years, taking the Bank from fourth to second ranking. In addition to volume growth in all products, Garanti also launched groundbreaking innovative products in 2008.

Turkey's first Inventory Finance system was initiated by Garanti with Mercedes Benz Turkey. Inventory Financing enables dealers to finance the cars in their inventory with unique financing conditions where the cars are the main collateral. Thanks to this project that is the only example of its kind in Turkey, Mercedes and its dealers benefit from a perfect cash flow through their main collection bank, Garanti.

Turkey's first web-based supplier finance system, Garanti Discount, operates exclusively on the principle of online record of transactions between buyers and suppliers and enables suppliers to factor their receivables irrevocably from the buyers while minimizing the workload for comparable transactions as well as accelerating reconciliations. Garanti Discount became a success story for Garanti through the agreements concluded with Turkey's large and respectable companies such as Praktiker, Henkel, DiaSA, Ceva Logistics and Cognis. Thanks to this system, in the tough conditions of 2009, suppliers of these companies will have easy access to financing at a reasonable cost.

The Direct Debit System (DDS) with Risk Sharing project launched for the first time with Vestel, resulted in extension of YTL 120 million credit limits to 550 Vestel dealers in a very short time. This project is considered to be among the best applications in the sector in 2008. DDS has grown across all branches generating customer loyalty and new customer acquisition including 17,000 corporate customers in the system. Total DDS credit limits have reached YTL 1.34 billion with an increase of 38%.

Garanti has developed a new product known as e-signature jointly with Philip Morris SA. This is a very convenient application that allows the company to send active orders to Garanti electronically instead of signing papers in a traditional way. This product, later named G-Signature, allows companies to carry out all of their financial operations in an electronic environment resulting in decreased costs.

Garanti's brand new application Cardless Remittance is Turkey's first application in which neither the receiver nor the sender needs to be a customer of the Bank. With this application, the senders can transfer

money by entering only their national ID number and mobile phone number on the cardless transaction menu at Garanti Paramatik. With its new generation technology, this product will help increase revenue from the unbanked population.

In 2009, which is expected to be a difficult year, Garanti will be offering new services and solutions to pull in more revenue with less cost.

Garanti aims to strengthen its leadership in all of its collection and payment products, and reach 20,000 corporate DDS customers and YTL 1.6 billion DDS credit limits. In addition, the Bank intends to make new customer acquisitions in Inventory Finance, Garanti Discount and G-Signature projects.

PROJECT FINANCE

The greatest strength is its competence to provide long term financing solutions at international standards thanks to the experience and know-how that Garanti has accumulated through its involvement in the financing of all major privatization, infrastructure, energy, and acquisition projects as lead arranger in the recent years.

Objective for 2009 is to focus on closing the financings during the first half of 2009 for which the Bank is already mandated and to provide customized long-term financing solutions with a more selective approach for its clients' new projects in energy, infrastructure and acquisition during the second half of the year while maintaining its leading position in the sector.

Garanti Bank provides customized project finance, acquisition finance and other structured finance products at international standards that suit the needs of its corporate and commercial clients in various sectors.

The year 2008 was notable for the financing of large scale energy and transportation projects as well as the financing arranged for acquisitions that

resulted from the continual foreign direct investments in Turkey prior to the start of the US financial crisis, which eventually became a global financial crisis in the last quarter of the year.

Garanti Bank's strategy is to support Turkey's sustainable growth, privatizations and foreign direct investments while accommodating the long-term structured financing needs of its clients and maintaining its leading role in acquisition, energy, transportation, and infrastructure finance.

In 2008, a total of US\$ 4.6 billion were extended to 39 projects, US\$ 2 billion of which was drawn down before the end of the year.

Acquisition Finance

- The Migros acquisition, Turkey's largest private sector acquisition to date, was completed with the participation of Garanti as one of the lead arrangers. Garanti Bank provided a quarter of the total financing amounting to more than US\$ 1.5 billion for this project.

- US\$ 200 million was extended to Almond Holding for its acquisition of Acıbadem Sağlık Hizmetleri ve Tic. AŞ (Acıbadem Healthcare Services), the largest acquisition in the Turkish healthcare sector to date, while extending an additional US\$ 200 million refinancing and investment loan facility to Acıbadem.

- Garanti contributed US\$ 240 million as a lead arranger to the acquisition facility of a total of US\$ 625 million extended for the privatization of Turkey's largest petrochemicals producer, Petkim.

Energy

- Garanti Bank continued its support at an increasing pace for wind energy power plant (WEPP) projects, which are critical for the expansion of Turkey's renewable energy capacity. A total credit line of US\$ 580 million was extended for projects amounting to 404 MW of installed capacity as of 2008. The Bank's market share in Turkey's total wind energy installed capacity reached 36%. Garanti maintained a position of leadership in this field.

- A bridge loan facility was extended for the Boyabat Hydroelectric Power Plant (HEPP) project, the largest HEPP project financed by the private sector in Turkey with an installed capacity of 510 MW, while efforts for arranging a US\$ 750 million long-term financing are under way.

- The Bank closed the financing process that was initiated in 2007 for the US\$ 1.5 billion Eren Çatalağzı Power Plant investment, the largest coal-fired thermal power plant funded by the private sector, and loan disbursements began.

- US\$ 180 million was contributed to the bridge financing for the ADÜAŞ

privatization, considered to be the first electricity generation privatization without a state guarantee, for the transfer of the operating rights of eight power plants for a 30-year period and the sale of another power plant, amounting to 141 MW of installed capacity.

- Garanti Bank is mandated along with two international banks for the financing of MMK Atakaş's US\$ 1.5 billion flat iron and steel production investment, considered to be second largest in Turkey. The long-term financing efforts are under way for the project, for which a bridge loan facility has been already arranged.

Transportation

- Garanti served as a mandated lead arranger together with two international banks in the € 505 million refinancing provided to TAV Istanbul, which holds the operating rights of the terminals at the Istanbul Atatürk Airport with a 15.5 year lease concession. The 11-year loan facility, which consisted of a € 440 million refinancing tranche and a € 65 million capital expenditure tranche, was successfully syndicated in March 2008 with the participation of 13 foreign and local banks in total.

- Financing worth US\$ 67.5 million was provided for IETT's (Public Transport Authority of Istanbul) Inter-City Bus Terminal (Otogar) - Olympic Village Light Rail Transport Project along with an international bank and a local bank.

Real Estate

Garanti has participated in the financing of two major commercial real estate projects; the Merter Carrefour Shopping Mall Project with € 100 million (total loan amount € 482 million), and the Ora Real Estate's Istanbul Bayrampaşa Show Center Project, which consists of two hotels, a lifestyle center, a theme park, and an outlet center, with € 165 million where it was the sole financier.

Other Activities

- In 2008, Garanti's syndication and loan trading activities continued with a total trading volume of US\$ 382 million.
- By the end of 2008, Garanti's contribution to the US\$ 3.7 billion total financing provided for the Treasury-guaranteed projects reached US\$ 1.6 billion.
- Portfolio monitoring functions in the Department were reinforced to monitor the project finance loan portfolio more effectively.

The Bank's efforts in the first half of 2009 will be focused on closing the financings mandated prior to the global financial crisis. As markets begin recovering from the global financial crisis in the second half of 2009, it is expected that privatization

projects, whose tenders were not finalized or postponed in 2008 for various reasons to be revisited; foreign direct investments to resume their upward trend; planned infrastructure projects to be undertaken and the investments in the energy sector to increase. In the period ahead, Garanti aims to further strengthen its leadership in project and acquisition financing as part of its strategy to finance Turkey's growth by producing long-term financing solutions to meet clients' needs, albeit with a more selective approach.

INTERNATIONAL BANKING

The greatest strength is its experienced staff, with their know-how to build the international relationship network based on mutual trust.

Objective for 2009 is to continue to support the strong relationship network that has been over the course of many years utilizing a creative approach, and to further strengthen the Bank's leading position in the sector.

Correspondent Banking

Thanks to its experienced staff, know-how and correspondent banking network nourished over many years by mutual trust and close cooperation, Garanti Bank is one of Turkey's leading banks in the area of international banking.

The Financial Institutions Department, responsible for Garanti Bank's relationships with international banks and financial institutions, successfully manages a network of more than 3,000 correspondents in 152 countries.

Garanti's strong diversified correspondent banking network is one of its most important assets in creating wholesale funding and developing close relationships in financial markets.

Within changing global market conditions, Garanti Bank maintains its strong position in the sector as one of the leading banks in foreign trade with advanced technological infrastructure, strong correspondent banking network and a customer relations approach based on generating customized solutions.

Trade Finance

In cooperation with its correspondent banks, Garanti executed the first real transaction

entry through the SWIFT-TSU system in the world and was nominated for the Champion Bank award. New customer-oriented financing alternatives will be created with the effective use of the TSU (Trade Services Utility) system. For this purpose, Garanti has organized informational meetings to introduce the TSU system to its customers, and is committed to continue efforts toward developing the necessary financing structures in line with customer needs.

Garanti aims to successfully maintain its strong position in foreign trade finance by generating innovative and customer-oriented solutions, particularly in the export finance area.

The Bank organized seven foreign trade meetings where customers were informed about local and international developments in foreign trade; these meetings will continue to be held throughout Turkey. In addition, Garanti continues to increase its support toward organizing foreign trade finance seminars in Turkey that are already being held in important centers abroad.

In parallel with the changing global conditions and customers' demands, developing new products like Supply Chain Financing and ECA Loans, where Garanti is the sector leader, and alternative financing practices will be continued.

Structured Finance

In May 2008, Garanti signed a € 600 million club term loan with a maturity of one year with the participation of 31 banks from 15 countries to be used in foreign trade finance.

In August, Garanti secured a € 200 million securitization loan, the lead-arranger of which was Barclays Capital. The ten-year loan was placed solely with the European Investment Bank, with the proceeds to be used to finance Turkish SMEs that are included in the definition of the European Investment Bank.

In December, Garanti Bank secured € 282 million and US\$ 215 million dual-tranche and dual-currency pre-export financing term loan facility with a maturity of one year. The transaction was jointly by 20 banks from 10 countries.

Capitalizing on its know-how with regard to structured finance and strong international relationship network, Garanti aims to intensify its efforts in this field in 2009. With a constantly growing international investor base, Garanti enjoys a greater ability to secure international funding at reasonable costs. Strong presence of Garanti in money and capital markets will continue in 2009 despite varying market conditions.

TREASURY

The greatest strength is being the preferred banking partner of customers through its business strategies, the use of customized innovative solutions and an extensive product portfolio.

Objective for 2009 is to maintain its successful performance in money and capital markets with its competence in treasury transactions, and to continue its tradition of increasing trading volume in real terms while maintaining a sector leading position.

Treasury Department

The Treasury Department is responsible for the management of Garanti Bank's foreign currency position and risks related to the Turkish lira (TL) and foreign currency (FC) bonds portfolio. It is the Department's responsibility to increase the share of the Bank in customer transactions through competitive pricing to corporate and commercial customers via the Treasury Marketing Unit and the branch network. Keeping and expanding the Bank's long-term market making position in the interbank market and executing customer-based gold market transactions as a member of the Istanbul Gold Exchange are also among the Department's duties.

Treasury Marketing Department

The Treasury Marketing Department consists of four sections in line with Garanti Bank's customer segmentation: corporate banking, commercial banking, private banking and financial solutions. For both the limited number of corporate and commercial customers that are served directly and other customers served through branches, the Treasury Marketing Department performs the pricing of all treasury products (foreign exchange, cross rates, forwards, options, swaps, repos, deposits, loans, TL/FC bonds, Eurobonds, etc.). In addition, the Treasury Marketing Department informs corporate and commercial customers on risk management, offers solutions related to balance-sheet management and potential financial risks, and structures products as needed.

Asset/Liability Management Department

The primary purpose of the Asset/Liability Management Department is to maximize the risk-adjusted return-on-capital of the Bank. Asset/Liability Management manages the Bank's balance-sheet risks, i.e., interest rate, sovereign credit, structural foreign exchange and liquidity risks, in accordance with the policies determined by the Asset/Liability Committee.

The Department creates investment, funding and hedging strategies based on prevailing market conditions, interest rates and volume trends of the balance-sheet items and risk parameters. The Asset/Liability Management Department also takes action accordingly based on quantitative analyses performed according to the principles of financial engineering.

Treasury Derivatives Department

In coordination with other units of the Treasury Group, the Treasury Derivatives Department develops derivative products required for the effective management of the Bank's balance sheet and liquidity, such as those aimed at increasing profitability and hedging current risks, and also prepares the contracts related to these products. The Treasury Derivatives Department also assesses and analyzes document-based risk of treasury transactions from the perspective of applicable legislation, regulations and accounting standards, in accordance with local and International Financial Reporting Standards (IFRS).

The Risk Control and Middle Office Unit monitors market risk, profitability and volume of treasury transactions; verifies and reports on the position size and stop-loss limits of each trading desk and the confirmations of treasury transactions and the accuracy of the transactions' system entries.

Garanti Bank maintained its successful performance in money and capital market transactions, increasing its trading volume in real terms during 2008.

Garanti Bank,

- Maintained its position at the top with its trading volume on ISE Outright Purchase and Sales Market of Bonds and Bills.

- Rose to the second place in terms of outright bond purchase and sales transactions in the over-the-counter market plus the ISE.

- Accounted for 11.8% of the market in the foreign currency spot market transactions (against the Turkish lira) and maintained its leading role in the foreign exchange markets.

- Substantially increased its trading volume in line with the developments in derivative markets and already registered 99% increase in its options trading volume in 2008 compared to its 2007 totals.

- As a partner and one of the first members of the Turkish Derivatives Exchange (TurkDEX), increased its trading volume by 55% in 2008 compared to its 2007 totals and reached an 11.6% share in the total transaction volume of TurkDEX.

In 2008, Garanti registered a 47% increase in spot foreign currency transactions with its clients and 211% growth in derivative transactions, both compared to 2007.

In 2009, high volatility and especially an increase in demand particularly for derivative transactions for hedging purposes is expected. With this perspective, Garanti formed the potential to readily respond to the diverse needs of its customer base, from hedging transactions to transactions performed for the purpose of enhancing returns, with an extensive product portfolio.

As the integration of the real economy as well as the financial markets of the Turkish economy with international markets gains momentum, there is a noticeable increase in the share of foreign currency-denominated transactions, which is expected to continue in upcoming periods. With its competitive pricing, Garanti will remain the first choice of both corporate and commercial customers in the foreign currency market in 2009.

The downward trend in the TL and FC interest rates is expected to be noticed by individual investors and boost the demand for securities investments in 2009. In this respect, Garanti intends to increase its customer trading volume with its expertise in these markets, innovative solutions tailored for each customer and its competitive pricing competencies.

In 2009, the Asset/Liability Management will continue to perform strategies in order to hedge interest, liquidity and sovereign credit risk and fine-tune its position in accordance with the Bank's capital. With these hedging and investment strategies, the Asset/Liability Management will try to maximize the risk-adjusted return-on-capital of the Bank.

ABACUS

The greatest strength is its superior technology and difference-making competent human resources.

Objective for 2009 is to continue to maintain and improve its high operational quality standards by giving utmost priority to security and minimizing risk.

ABACUS, the central operation unit of Garanti, is the leader in Turkey with its centralization ratio of 99% as of year-end of 2008. ABACUS ensures that the operational transactions of Garanti customers are executed at high standards, and its branches and customers are provided non-stop cash service at 3,457 locations, 365 days a year.

Garanti is the first bank in Turkey to establish centralized operations. The most important factors that enable ABACUS to achieve high standards are advanced technology and highly-qualified and well-trained human resource, as well as the experience and know-how that result from being the first bank in Turkey to establish an Operations Center.

ABACUS consists of a team of 1,020 individuals, 39 of whom have CDCS certificates (proven expertise on foreign trade transactions in the international arena by passing the examination organized by the International Chamber of Commerce) working with an outstanding service approach.

ABACUS executes the following functions of Garanti Bank:

- all foreign trade transactions,
- all operations regarding use of credit,
- all payments including EFT,
- data entry operations of physical credit card application forms,
- all card embossing processes,
- handling of the repossession processes and query letters coming from governmental offices,
- POS application and installation follow-up process,
- physical and electronic archiving processes,
- check and promissory note transactions,
- SWIFT transactions,

- cash support services including cash collection and delivery,
- wholesale salary payments/wholesale internal and interbank money transfer transactions,
- investment account opening and account transfer operations,
- post-sale services for credit cards,
- answering any question related to legislation and banking practices from the Bank's branches and Head Office Departments,
- monitoring changes in legislation and regulations, and informing the Bank and conducting training sessions.

Efforts were undertaken toward increasing operational efficiency, centralization and reducing risk at ABACUS in 2008 and many application changes were made toward this end.

In this scope, a process change has been made in the handling of consumer loans. While previously only the existence of the documents was verified at ABACUS, now with the new process, contents of the documents are also being checked. Consequently, accuracy of the sent document and its consistency with the information entered by the branches are verified, and many queries are conducted automatically from the accuracy-checked information in the system and the lending decision is made by the system itself. As a result of these efforts, speed and reliability of the consumer loan process improved, and the centralization ratio of consumer loans increased to 100% from around the 60% level. This improvement in the centralization ratio for consumer loans also raised the overall centralization ratio to 99% as of year-end.

Garanti took an important initiative within the study group constituted by the Banks Association of Turkey for the implementation of the E-Sequestration Project and actively participated in the realization of the project. The application, which is currently in the testing stage, is expected to go online in early 2009. With this application, it is intended to provide a tax number/national identification number query for the client information, which is currently done manually by the

tax offices, from the system and to send the response file automatically. This application will also save a significant amount of manpower, time and paper.

Garanti undertook the infrastructure improvement that blocks external access to the card data within the framework of Card Embossing Services and ensured the storage of card issuing data in a much safer environment.

The quality of the process has been improved and the risk minimized by recording the phone calls with companies on the POS Support Line and calls with clients for the completion of missing information within the credit card application process.

With file transfer in overseas and domestic exchange payments, a fast and safe way to make payments has been provided to firms. With the said service, it is especially intended to facilitate the transactions of our corporate firms and expand the role of our Bank in foreign exchange payments.

All free trade zone transactions have been centralized and all foreign trade and guarantee transactions executed by branches located in these zones are ensured to be in full compliance with the standards of Garanti Bank.

The barcode system has been implemented for cash transactions to make cash delivery services more systematic and cash movements to be monitored more easily.

In order to reduce the workload of branches in some cities where service of the Bank's Main Cash Centers cannot be accessed, Satellite Cash Centers have been established and new teams have been put together in these centers in line with increased turnover.

In addition to the matters summarized above, considering the branches as Garanti Bank customers that serve as operation centers, periodic branch and regional visits have been conducted. During these visits, feedback was received with respect to how the services provided by ABACUS were perceived by the branches, and actions have been taken in accordance with the opinions and suggestions.

HUMAN RESOURCES

The greatest strength is its dynamic and energetic human resources that embrace change; efficiency-oriented ingrained human resources systems and processes.

Objective for 2009, perceived as a difficult year due to the global financial crisis, is to prioritize internal resources, accelerate investments (training/development) in existing human resources, and further strengthen skill and career management systems and processes.

Garanti sustained its long-term healthy growth through supporting its rapid branch expansion within the last two years with effective human resources practices and intense training programs.

- In 2008, Garanti continued to organize Garanti Talent Camp, initially introduced in 2007 to promote the employer's brand image better and more effectively on university campuses. A number of the Talent Camp attendees were hired through the Management Trainee (MT) recruitment program in 2007 and 2008. In addition to Talent Camp, some workshops, case studies and a banking game called "Banking Street" took place on university campuses in order to introduce Garanti's departments to students and communicate basic information about banking to them. Sales Trainee (ST) and teller assistant recruitment programs were introduced, especially at Anatolian universities to meet the personnel requirements of the new branches launched in that region.

- Garanti believes that it is very important to start the recruitment process before graduation. In this context, Garanti conducted the Young "Garanti-er" Internship Program at head office departments, regional offices and investment centers, as well as the Basic Banking Internship Program in the branches throughout Turkey during 2008. As part of the Young "Garanti-er" Internship Program, selected students were assigned to real projects where their performances were observed

Main Indicators of ABACUS	2008	2007	2006
Number of Annual Transactions	54 million	51 million	46.9 million
Transaction Volume (US\$)	820 billion	625 billion	448 billion
Average Number of Transactions per Month	4.5 million	4.25 million	3.91 million

	2003	2004	2005	2006	2007	2008
Number of employees (Excluding security personnel)	7,576	8,513	9,850	11,158	13,631	15,285
Number of branches	343	384	437	487	592	724
Number of employees per branch (Excluding security personnel)	22.08	22.16	22.54	22.91	23.02	21.11
	2003	2004	2005	2006	2007	2008
Career Opportunities Program	22	36	48	97	167	87
Promotions	191	244	520	813	1,050	3,130

in a structured process; 24 students successfully completed this program in 2008.

- Effectiveness and efficiency are the primary determinants of the Garanti human resources strategy. The Human Resources Department contributes to the continuous progression of the organization via assessment and feedback based on regular and concrete criteria and conducted transparently. As part of this effort, two important applications for the Bank's managers, the Human Resources Index and 360 Degrees, were launched in 2008. The Human Resources Index has begun serving as an organization-based reporting tool with concrete and measurable criteria (turnover, promotions, training rates, etc.), impacting the performance evaluations of the managers. Using the 360 Degrees application, 580 branch, head office department and regional office managers were given personal feedback based on their managerial competencies. These feedbacks are supported by development tools such as personal development training and coaching.

- The Bank's employees are supported continuously with specifically designed training to reach the technical knowledge level required by their jobs. In 2008, the average training per person increased to 8.5 days and 85% of the personnel were supported with in-class trainings.

- Mandatory career training programs were organized for new recruits as well as employees who changed career patterns within the Bank in order for them to adapt to their new positions quickly; 6,600 employees attended such programs. In addition, 11,000 employees took advantage of voluntary training programs.

- In line with the Bank's strategies and in accordance with the needs of the Bank's business lines, new training programs were designed and implemented in 2008.

With the widely conducted Relationship Management and Investment Advisory training programs, the Bank aimed to increase customer experience, whereas with the Loan Process Leadership, it aimed to enhance risk and loan perspective.

- In 2008, Garanti renewed its training approach in line with the needs of the personnel and the goals of the Bank's business lines, formed a full-time internal training team and identified special branches that will support on-the-job training. Thus, on-the-job training was increased and experience sharing-oriented training was promoted. As a major element of the new approach, a Strategy Committee was created along with participation by the Bank's Senior Management thus increasing the contribution of the managers to the training efforts.

- Garanti employees are supported with technology-based training as well as in-class instruction. The Bank began designing training programs that use both in-class learning and e-learning; the utilization of e-learning was raised from 30% to 60%. During the year, 2,500 employees participated in e-catalog training programs. With this method, a 15% cost reduction was achieved compared to in-class training.

- The tradition of appointing managers from within the Bank continued in 2008; 417 employees completed the Career Opportunities Program successfully and were appointed to new positions or included in the talent pool. 146 employees were promoted to management positions (department/region/branch manager) and 2,984 employees were promoted to positions reporting to managers. The Human Resources Department provides career consulting services through face-to-face meetings in order to contribute to employees' career development and guide them through the process. As part

of this effort, the Department visited 611 branches and held one-on-one meetings with 11,652 employees during the year. Newly appointed branch managers are given a standardized training program to prepare them for their new jobs, improve their technical knowledge and skill, and make them more acquainted with the Bank's practices. A new special training program for branch managers was added to the standard program consisting of six days of in-class training and three days of on-the-job training.

- Assistant inspectors for the Audit Board will be recruited in April-May 2009 and November-December 2009, whereas MTs will be recruited in May-June 2009.

- Development and coaching-based efforts of the Human Resources Department will continue in 2009 at a more rapid pace. The use of the structural in-branch coaching program, for which pilot projects were launched in 2008, will be expanded. With the help of the Employee Engagement and the annually conducted Internal Customer Satisfaction surveys, development areas will be identified. The Yıldız-Career Management Model, which was put into practice at the Head Office in 2007, will be revised for deployment in the branches.

- In order to increase employee motivation, strengthen the ties between employees and attain more effective communication within the Bank, the Human Resources Department is planning bank-wide activities that will be attended by Head Office, regional office and branch employees. The Department intends to overhaul the Recognition Program with new criteria compatible with the Bank's growing structure to bolster employee engagement.

- The existing Manager and Talent Management development efforts will continue and expand in 2009 under the Garanti Management Academy brand. The Bank will undertake projects in this field jointly with General Electric.

- As in all other areas of banking, Garanti intends to make increasing use of technology in supporting and developing human resources. In line with this purpose, the Bank plans to use remote training more frequently and support employee performance in the period ahead with technologically-designed simulation training programs.

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

Corporate Social Responsibility Projects

The principle of corporate social responsibility is increasingly being recognized as a cornerstone of every business activity. Refraining from limiting its mission to banking services, Garanti is committed to continuously and significantly improving the value it creates for society. Within this context, Garanti aims to provide long-term support in the areas of education, the arts, culture, sports, the environment, and corporate volunteering, improving both the vision of individuals and society.

Supporting Society and Creating Opportunity

Teachers Academy Foundation (Öğretmen Akademisi Vakfı)

In 2008, as an indication of the recognition of education's role in the overall well-being of society and its long term commitment for this goal, Garanti established a foundation called the Teachers Academy Foundation, aiming to serve the development of teachers, ranging from enhancing their capacity to raising the next generation, while helping them reach the level of recognition and self-esteem that they deserve in society.

With this understanding, the Foundation's first project, Öğretmenin Sınırı Yok [No Limits to Teach (er)] aims to contribute to the current education model, provoking analytical thinking and research.

12 Giant Men Basketball School Project

As part of its sponsorship of the Men's National Basketball Team, Garanti sponsors the 12 Giant Men Basketball School Project, which was launched in 2001 to teach basketball to students. Approximately, 25,000 young athletes have been trained to date.

Basketball without Borders

As the main sponsor of the National Basketball Association (NBA) in Turkey, Garanti hosted Basketball without Borders, a community outreach program uniting young basketball players (ages 19 & under) to promote the sport, also encouraging positive social change in local communities for the first time.

NBA Skills Challenge

Garanti hosted the NBA Skills Challenge, inviting aspiring players ages

13-18 to film their basketball skills and submit their video online, for a chance to attend a five day instructional camp in Orlando, where winners joined more than eighty young basketball players for basketball education. This competition was the first of its kind, with 1,700 entries in five weeks.

The Community Volunteers Foundation (TOG)

Since 2003, Garanti has been the main sponsor of TOG, whose vision is to realize social peace, solidarity and change through the participation and leadership of the youth.

Dad, Send Me to School (Baba Beni Okula Gönder)

Since 2006, Garanti has annually been providing scholarships for the education of 100 female students through its support with the Dad, Send Me to School project, a joint effort with Milliyet newspaper, together with the Association in Support of Contemporary Life (CYDD).

Supporting Women Entrepreneurs

Garanti has been supporting women entrepreneurs in Turkey for the past three years.

As part of this effort, in cooperation with the Economist magazine, Garanti organizes "Turkey's Women Entrepreneurs Competition". In addition, co-hosting with the Women Entrepreneurs Association of Turkey (KAGIDER), Garanti organizes the "Women Entrepreneurs Meetings" where issues related to marketing, future trends, EU integration, technology and image hints are discussed.

Supporting Arts, Culture and Cultural Heritage in Turkey

Platform Garanti, Garanti Gallery, and the Ottoman Bank Museum

In support of the arts and architecture, Platform Garanti focuses on providing audiences a chance to discover contemporary art exhibitions from all over the world as well as functioning as a research center with a library of 6,500 publications, providing a source for artists in Turkey. Garanti Gallery offers a platform where different concepts in architecture and design are debated through exhibitions and additional activities. The Ottoman Bank Museum (OBM) draws on a wealth of information from the Bank's archive to narrate the history of the institution. The OBM aims to be more than just a museum of banking; it provides awareness of a much wider context of social history.

In the near future, Platform's historical building in Beyoğlu and OBM's historical building in Karaköy will be restored to serve Istanbul as new culture centers. With the architectural renewals, Garanti Gallery, Platform and OBM aim to redefine their missions and organizational structures.

Istanbul Modern Contemporary Art Museum

Istanbul Modern is Turkey's first and only Contemporary Art Museum. Garanti sponsors the Istanbul Modern education program, which aims to supplement classroom education and hopes to play a central role in producing creative and questioning individuals who both know about art and actively participate in their environment.

Jazz

Aiming to widen audiences' horizons in the genre of jazz, Garanti is one of the leading supporters of jazz music in Turkey. For the past 11 years, Garanti has been the main sponsor of the International Istanbul Jazz Festival, organized by the Istanbul Foundation for Culture and Arts. Garanti also supports the Istanbul Jazz Center, giving audiences a chance to listen to world famous jazz artists on a regular basis. Furthermore, Garanti sponsors one of the top music venues in Istanbul, Babylon, providing audiences with a wide range of music, predominantly jazz and nu jazz. Garanti's support in jazz music is labeled as "Garanti Jazz Green".

Mamma Mia

In 2008, Garanti continued its pioneering position in the arts and culture, by bringing one of the world's most famous musicals, Mamma Mia, to Turkey for the first time.

The Lycian Way

The Lycian Way is a 500 km long-distance footpath, stretching from Fethiye to Antalya, Turkey. Garanti sponsored the way-marking, facilitating a guided trekking route on the Lycian Way. Garanti further contributed to tourism in the region by publishing a guidebook for the Lycian Way in 2006.

Supporting National Sporting Success in the International Arena

Basketball

Garanti is a dedicated supporter of basketball, a sport that reflects Garanti's values of teamwork, dedication, confidence and discipline. The Bank has been the main sponsor of the 12 Giant Men (Turkish National Men's Basketball

Team) since 2001, and of the Nymphs of Basketball (Turkish National Women's Basketball Team) since 2005.

Football

Garanti's dedication to supporting sports was further enhanced in 2008, when the Bank became one of the main sponsors of the Turkish National Men's Football Team. Garanti created the "Turko's", representing the national team and standing for values such as competition, ambition and team spirit.

Creating an Environmentally Sustainable Society and Growing Sustainably

World Wide Fund for Nature (WWF) - Turkey

Garanti has been the main sponsor of WWF-Turkey since 1992, supporting conservation and creating awareness on major environmental issues. One of the many projects of Garanti and the WWF is the Environmentally Aware Bonus Card, launched in 2007, a credit card providing customers with the chance to donate parts of their spending credits to WWF-Turkey.

Corporate Volunteering

Denizyıldızları (Starfish) Project

The Denizyıldızları (Starfish) Project has been supported by the donations of employees, customers, and friends of Garanti since 1998. Four schools that have been constructed aim to enroll 3,000 students annually.

Creating Value for Customers

Garanti Anatolian Meetings (GAS)

Since 2002, Garanti has been organizing a series of conferences called "Garanti Anatolian Meetings", aiming to gather owners of small & medium enterprises (SMEs) as well as local administrators. The meetings have paved the way for professionals and experts to discuss changing economic and market conditions, evaluating regional and international opportunities, exploring potential spheres of business, and finding regional solutions in cooperation with local businesses and officials. Garanti has met with 18,500 SMEs so far.

OPERATIONS OF GARANTİ FINANCIAL SERVICES GROUP COMPANIES

GarantiBank International N.V.

The greatest strength is being a "global boutique" bank that provides sophisticated, customized, fast and innovative services in all areas of specialization.

Objective for 2009 is to focus on sustainable long-term growth and prudent risk management maintaining its stable return-on-capital.

GarantiBank International (GBI), a fully owned subsidiary of Garanti Bank, was established in 1990. Headquartered in Amsterdam-Netherlands, GBI is also active in Germany, Romania, Turkey, Switzerland, Ukraine and Kazakhstan through its branches and representations.

As a "global boutique bank" GBI delivers fast, accurate, customized, innovative and country-specific financial solutions to its clients globally in the areas of trade finance, private banking and structured finance.

Transactional commodity finance, structured trade finance and trade banking products such as syndicated loans and forfaiting are covered under the Trade Finance Division and attract SMEs and corporate clients as well as financial institutions globally. GBI distinguishes itself by delivering seamless and superior service and by creating value around global trade flows.

In the private banking segment, GBI offers a broad range of global financial products and services to international high net worth individual and institutional clients with high level of service quality and product sophistication. The services are delivered in three forms: Discretionary Asset Management, Advisory Services and Direct Execution.

The Structured Finance Division targets specialization in project finance, Islamic finance and ship finance services

globally and aims to create synergies with other business lines of the Bank.

GBI has a Long Term Deposits Rating of 'A3' from Moody's. This rating, which is seven notches higher than the Turkish sovereign rating, reflects GBI's strong position in international trade and commodity finance segments, strong financial fundamentals and asset quality, historically low non-performing loan ratio, reliable funding profile and consistent profitability.

- GBI performed very successfully in 2008 compared to its peers of comparable size in Europe, despite the global financial turmoil. It managed to maintain net profit at the same level as in 2007.

- Due to its strategic focus on low risk fundamental banking activities such as Trade Finance and Private Banking, GBI maintained its high asset quality against the backdrop of persistently deteriorating credit markets, with a very low non-performing loans ratio.

- GBI had no exposure to the sub-prime market, asset-backed securities or any other leveraged instruments.

- Moody's reconfirmed GBI's Long-term Bank Deposits rating of "A3" with a stable outlook in October 2008.

- As of 2008, GBI became one of five Dutch banks ready for the BASEL II - IRB Approach. The smooth transition to BASEL-II reinforced GBI's capital base further.

- All business lines of the Bank performed well, despite adverse market conditions.

- A survey published by the *Trade& Forfaiting Review* in August 2008 revealed GBI's ranking among the best global trade finance banks, once again.

2008 Activities in Romania

GBI Romania opened eight more branches and reached a network of 49 branches throughout the country, 15 of which are in Bucharest.

Total assets doubled to € 500 million mainly due to the increase in retail loans, which increased almost six-fold compared to 2007 to € 400 million.

On the liabilities side, deposits from other banks and funds entrusted increased 2.5 times.

The number of customers reached 43,000, 90% of which are retail customers and the rest SMEs and large corporate clients.

In November 2008, the Bank launched the first 'pay-pass' credit card in Romania.

24,500 Bonus credit cards have been issued since its launch in late 2007.

GBI Romania concluded a partnership agreement with EximBank Romania. This agreement will provide the Bank with new opportunities to offer products such as guarantees and insurance, supporting SMEs and export finance.

GBI will continue to focus on its core business lines of trade finance, private banking and structured finance, which are inherently low risk activities, and create value for its clientele.

GBI will continue delivering steady returns on equity capital through its prudent and sustainable growth strategy.

GarantiBank Moscow

The greatest strength is its high service quality, compact structure and ability to adapt in a changing environment.

Objective for 2009 is to depict an operational structure compatible with crisis conditions and maintain this structure after the crisis.

GarantiBank Moscow (GBM), which began operations in 1996, is one of the 74 foreign banks operating in Russia. GBM has a full banking license and is a member of the Russian Deposit Insurance System. The Bank operates with 81 employees in one branch and three satellite branches.

Economic Developments

The Russian economy has been growing by 7-8% over the last few years. However, because of adverse global developments in the fourth quarter of 2008, the growth rate for the year dropped to 5.6% in 2008. The growth rate is expected to decline further to -2.2% in 2009 as the global crisis continues to weigh heavily on the Russian economy. The inflation rate is expected to pick up slightly to 14% in 2009 from 13.3% in 2008. In Russia, the outlook depends on commodity prices, especially oil and gas prices, which have fallen very sharply during the global financial crisis.

After strong capital inflow in the previous years, capital outflow reached US\$ 130 billion in the last few months of 2008. As a result of the Russian Central Bank's attempts to defend the ruble, international reserves declined by US\$ 171 billion. Despite these adverse developments, Russia still has the third largest foreign currency reserves in the world with US\$ 426 billion.

The government has implemented significant anti-crisis measures totaling US\$ 200 billion to help refinance upcoming external debt obligations in addition to providing liquidity to the banking system.

The Russian equity market has lost 75% of its value since its peak in May 2008. Local money and corporate bond markets are not functioning properly. The market for ruble-denominated and US\$-denominated corporate bonds, which had become significant markets in terms of size and liquidity, is almost completely frozen. Term money rates have increased significantly.

2009 is expected to be a very tough year for the Russian economy as it is deeply integrated into the global financial system. The path of the Russian economy in 2009 will be determined by the length and the depth of the global recession.

Activities in 2008

GBM is focused on delivering sound corporate and commercial banking services in Russia. GBM's client base consists of more than 600 corporate and commercial customers out of which 82% are Russian companies in various sectors and remaining 18% are non-resident companies doing business in Russia. Number of large and medium size, active loan customers of GBM amounted to 117 in 2008 and 73% of loans were extended to Russian companies.

The unprecedented global financial crisis is changing the operating and competitive landscape for all companies in Russia; GBM is no exception. GBM has an ability to quickly adapt to dramatic changes in the business environment, such as the ongoing liquidity crunch that all Russian banks has been facing since September 2008, and the associated negative impact on the real sector of the national economy.

Since August 2008 the Bank has taken action to withstand the crisis environment.

The money market and especially securities market slowed down significantly since August 2008. GBM has gradually reduced the number of counterparties in interbank lending and reduced the tenure of its placements to a minimum. During the crisis, GarantiBank Moscow opted to work with a select number of international banks, Russian state banks and creditworthy, large Russian private sector banks. Financial analyses of the banks are performed on a monthly basis, plus other financial and non-financial information is constantly processed and decisions are made accordingly.

Since August 2008 the corporate bond market has not functioned normally. The prices, particularly those of ruble-denominated bonds, dropped down to levels that no longer reflect the borrowers' credit quality. On the other hand, number of companies defaulting on their bond payments on the option or maturity dates increased sharply. In this environment GBM made a decision to redeem the bonds in its portfolio on the option dates. Consequently, its corporate bond portfolio shrank 46% to US\$ 38 million at year-end 2008.

The conservative lending policy of GBM was reassessed during the crisis period maintaining its long-term customer relations principal. GBM's focus in the real sector is on companies that have strong capital structures, relatively low leverage, strong cash generation capability, relatively low short-term financing needs, strict financial discipline and a sound management. The Bank's lending priorities are revised toward increasing liquidity and strengthening the collateral requirements of its loans. GBM's total loan portfolio shrank by 40% from August 2008 to year-end 2008. New loans are extended very selectively with market-sensitive and variable interest rates, shorter maturities and better cross-selling conditions.

As a precaution taken in crisis period and additionally driven by a slowdown in lending activity, GBM intentionally reduced its total assets in 2008 by 38% from US\$ 503 million at year-end 2007 to US\$ 314 million at year-end 2008.

Considering the highest level that the assets reached during 2008, the realized level of the reduction in the asset size was around 50%. The decline started taking place mainly after August 2008. The cash loan portfolio was also reduced by 52% in 2008, from US\$ 286 million at year-end 2007 to US\$ 138 million at year-end 2008. Despite the shrinkage in GBM's balance-sheet, the Bank managed to increase fee and commission income by 46% to US\$ 5.7 million while its foreign exchange and currency revaluation gains rose by 49% to US\$ 4.2 million. Operational expenses were also reduced to a minimum as necessitated by the tough economic environment. Despite the ongoing crisis that has existed since August, GBM increased its pre-tax income by 12% compared to 2007, to US\$ 15.1 million as of year-end 2008.

The current environment gives GBM the opportunity to assess itself under adverse conditions and adapt to difficult conditions, while at the same time providing opportunities for GBM to get ready for establishing new relations with its existing and crisis-tested potential customers as well as for expanding its existing relations when market conditions return to normal. The unrelieved principle of GBM is "always being close to its customers". Aware that this principle is even more significant in the current environment, GBM conducts frequent customer visits and follows its customers more closely.

Garanti Securities

The greatest strength is its tailored approach to both corporate finance and brokerage services leading to total satisfaction in its clients and its other business partners, in accord with the prestigious Garanti brand.

Objective for 2009 is to increase market shares in a tough market environment by continuing to focus on its clients and contribute to the Turkish economy by bringing in foreign direct investment and increased portfolio flow to Turkey.

A subsidiary of Garanti Bank, Garanti Securities provides corporate finance, research and capital markets brokerage services to its domestic and foreign clients. Garanti Securities is Turkey's leading brokerage house and a major player in mergers and acquisitions, public offerings, privatizations, domestic and international brokerage services as well as settlement and custody services.

Corporate Finance

The total volume of corporate finance transactions advised by Garanti Securities since its inception reached US\$ 12.5 billion. Seven major transactions were finalized during 2008 and the total transaction volume was US\$ 3.5 billion.

Garanti Securities acted as the Joint Global Coordinator and the Sole Domestic Bookrunner in the initial public offering of Turkish Telecom in the second quarter of 2008. Quoted on the Istanbul Stock Exchange in May, the Turkish Telecom public offering was the largest IPO ever in Turkey with a total issue size of US\$ 1.9 billion.

Garanti Securities performed six merger and acquisition transactions in 2008. Garanti Securities acted as the sell-side advisor to the State Deposit Insurance Fund of Turkey (the "SDIF") in the sale of ATV-Sabah Media Group and the transaction closed for US\$ 1.1 billion. In March 2008, in a transaction Garanti Securities again acted as the sell-side advisor, an equal controlling stake in Çimko Cement Company was sold to Barbetti, an Italian cement company, at a

company valuation of US\$ 1.3 billion. In April 2008, Garanti Securities acted as the sell-side advisor to the SDIF in the sale of Esyem and Esen Machinery companies. In June 2008, Garanti Securities advised in the sale of Kral Media Group to Doğuş Media Group for US\$ 95 million. In September 2008, Garanti Securities also acted as the sell-side advisor to the SDIF during the sale of Adabank for US\$ 57 million.

Garanti Securities completed the mandatory tender offers of Boyner Holding AŞ and Acıbadem Sağlık Hizmetleri AŞ in January and May 2008, respectively, as well as the rights issue transactions of Tesco Kipa and Garanti Bank in February and May 2008, respectively.

In 2008, Garanti Securities was the lead arranger in the offering of the corporate bonds of Koç Finans, a leading consumer finance company in Turkey, with a nominal value of YTL 150 million.

Brokerage

Garanti Securities provides equity market brokerage services to both domestic and foreign clients. Garanti Securities captured a market share of 4% for ISE trading in 2008 with an average daily trading volume of YTL 104 million. Garanti Securities' total trading volume reached YTL 25 billion in 2008, while the Company served 190,000 clients in the same period. Garanti Securities' state-of-the-art technological infrastructure allows both retail and institutional clients to easily execute their transactions.

In addition, Garanti Securities has an experienced and highly-qualified research team, whose portfolio recommendations have consistently outperformed the index returns over the years. Garanti Securities' research reports are delivered to the extensive client base and investment centers of Garanti Bank, as well as to institutional international investors across the world.

Thanks to strong research and brokerage services, Garanti Securities is also widely acclaimed by foreign institutional investors, reflected in a 50% increase of the trading volume generated by these clients in 2008. The Institutional Sales Department of Garanti Securities delivers customized services to foreign institutional clients with a customer-oriented approach.

The technological infrastructure that enables foreign institutional clients to send their orders electronically to the ISE directly has been completed in 2008.

Garanti Securities effectively served both retail clients and foreign institutional clients with seamless allocation services and research support in the IPO of Turkish Telekom - the largest ever IPO in Turkey.

Garanti Asset Management

The greatest strength is its capability to deliver diversified products and services to its investors under changing market conditions; advanced business processes, highly-qualified human resources and effective audit function.

Objective for 2009 is to maintain its leading position in the sector and become a globally preferred asset management company thanks to its capability to manage change, performance, service, profitability and risk as a whole.

Garanti Asset Management (GAM), the first asset management company in Turkey, has been providing individual and institutional investors with mutual fund, pension fund and discretionary portfolio management as well as alternative investments solutions since 1997. With a management philosophy based on analytical thought, competent human resources and an advanced technological infrastructure, Garanti Asset Management is considered one of the best asset management service providers in Turkey.

YTL 4,400 million in mutual and pension funds...

In 2008, GAM managed 16 Garanti Bank mutual funds, three mutual funds from Garanti Securities, ten pension funds belonging to Garanti Pension and Life, and the Garanti Investment Trust portfolio.

At the end of December 2008, the total assets of mutual and pension funds under GAM's management was YTL 4,400 million.

Growing market share in a fluid year

After growing steadily for several consecutive years, the mutual fund

market contracted in 2008 as a result of the global financial crisis that began in mid-2007 and deepened in 2008. Assets under management of the overall mutual fund sector declined from YTL 26.1 billion to YTL 24.1 billion in 2008.

During this tumultuous period, Garanti Asset Management solidified its market position and increased its market share from 14.2% at year's end 2007 to 14.6% at year-end 2008.

Rapid growth in pension funds

Pension funds are one of the fastest growing investment products in Turkey today.

The strong and steady growth in the sector increases the importance of pension funds from the standpoint of market share. The share of pension funds in total assets under management continues to increase day by day. In the very near future this business line will be in a position to serve as a financial lever for the Turkish economy as a whole.

Garanti Asset Management works in close cooperation with its sister company, Garanti Pension and Life. During 2008, Garanti Asset Management provided Garanti Pension and Life with management services for its ten different types of pension funds. In 2008, the total value of assets under management in this segment was YTL 879 million, and the Company increased its market share to 13.8%.

Discretionary Portfolio Management

The global financial crisis has impacted discretionary portfolio management just like other business lines. The severe liquidity crunch in the markets led to capital outflows in the sector. In the business line of discretionary portfolio management, according to end-November 2008 figures published by the Capital Markets Board, the overall discretionary portfolio management market has assets under management of YTL 2.15 billion, whereas Garanti Asset Management had assets under management of YTL 310 million in this segment, corresponding to 14.44% market share.

Garanti Asset Management will benefit the most from difficult market conditions thanks to the advantage of being a pioneer in the asset management sector as well as the competitive and high-quality service approach of Garanti Bank.

Alternative Investment Products

In 2008, Alternative Investments Department began managing two new

funds, the Principal Protected Fund, and 10% Return and Principal Guaranteed Fund. The Capital Markets Board of Turkey has approved the Hedge Fund's prospectus in the middle of the year. Efforts are under way for the public offering of this hedge fund. All of these funds will be managed by Garanti Asset Management.

Due to the global financial crisis, the road show for the Hedge Fund has been postponed to the second quarter of 2009.

In 2008, Garanti Asset Management continued to educate Garanti Bank employees about its products through visits and training sessions, which allowed these products to be marketed more actively and consciously.

The Alternative Investments Department organized four promotion and information meetings, two in Istanbul and one in Ankara and Izmir each, for the Hedge Fund targeting qualified investors.

The main competitive advantage of Garanti Asset Management is its proactive business strategy and the synergetic and effective collaboration that the Company has developed with Garanti Bank and its branches, its main delivery channel.

Garanti Asset Management will remain the first choice of customers in 2009, displaying a performance worthy of the Garanti brand. In this period, the Company aims to increase its market share and further strengthen its market position by making efficient use of delivery channels and launching new products.

Garanti Leasing

The greatest strength is its strong funding sources and extensive sales network.

Objective for 2009 is to maintain profitability by delivering solution-oriented financial services to clients.

Garanti Leasing, with Garanti Bank as the major shareholder, is one of the pioneers in the leasing sector. Garanti Leasing is the only Turkish leasing company rated by two different credit rating agencies and has the highest ratings possible in

Turkey. Garanti Leasing is rated BB- by Standard & Poor's, whereas it has a foreign currency credit rating of BB and a local currency credit rating of BBB-, which is investment-grade, from Fitch Ratings. In addition, Garanti Leasing's national credit rating is AAA, the highest possible rating.

Garanti Leasing provides leasing-based financial solutions for commodity, equipment and real-estate purchases of customers. SMEs make up a significant portion of Garanti Leasing's customer base.

- Total assets of Garanti Leasing reached YTL 2.3 billion at the end of 2008. Total transaction volume was US\$ 799 million in 2008, and 3,349 new service contracts were signed.

- According to the year-end figures published by the Turkish Leasing Association, Garanti Leasing was the sector leader at the end of 2008 with 15.1% market share in transaction volume and 16.8% market share in number of contracts.

- According to independently audited financial statements prepared in accordance with the IAS, Garanti Leasing increased its profit by 31% in 2008, from YTL 56.7 million in 2007.

- Garanti Leasing has the advantage of an extensive distribution channel by utilizing branches of Garanti Bank as its main sales channel. Garanti Leasing uses this competitive advantage to continue to be always on the side of its clients with a solution-oriented approach.

- The amendments made to the VAT regulation effective in the beginning of 2008 resulted in the contraction of the leasing sector. Domestic political uncertainties and the financial crisis that originated abroad also contributed to the contraction within the sector. The impact of the financial crisis will continue in 2009 in an increasing manner. Nevertheless, Garanti Leasing aims to emerge even stronger from this period thanks to its funding capabilities and extensive sales network.

- The new leasing legislation that is awaiting approval by Parliament will allow leasing companies in Turkey to offer new products such as operational leasing, sale-and-lease-back and software leasing. The sector is likely to gain significant

momentum through these changes, while these products offer a potential new market for the sector.

- Operational leasing is a financial tool that differs from financial leasing in that the leased equipment is returned to the leasing company when the contract expires. This product has a considerable share in total leasing volumes overseas and, when launched in Turkey, presents a new financing method as a fresh perspective on investment decisions for companies, particularly in the SME and the commercial segment.

- As of end-September 2008, the penetration rate of leasing in Turkey was 4.49%, whereas it is in the 25-30% range in Europe and the US. As leasing becomes more widespread in line with the increased utilization of all financial products, the penetration rate of leasing in Turkey is expected to reach the level of developed countries in the medium term. Companies that never used leasing products before constitute a significant market opportunity for the solutions that the leasing sector will offer in the future.

- Recent developments offer new opportunities. High quality products, when supported by appropriate financial solutions, will enhance the market. For the coming period, Garanti Leasing aims to create a synergy with vendors by providing joint solutions for shared customers, on the basis of a win-win strategy.

Garanti Fleet Management Inc.

Garanti Filo Yönetimi AŞ (Garanti Fleet Management Inc.) was founded in 2007 as a fully-owned subsidiary of Garanti Leasing to serve corporate clients in the fleet management area that is a part of operational leasing transactions. Garanti Fleet Management attained its target service quality standard in 2008 and reached a fleet of 3,100 vehicles and a balance-sheet size of US\$ 70 million. The Company aims to create more stir in the fleet management market utilizing competitive advantage of the Garanti brand, strong funding capabilities, superior service quality and outstanding post-leasing services.

Garanti Factoring

The greatest strength is its ability to produce unique customized financial solutions with its highly-trained human resources.

Objective for 2009 is to assume sector leadership in technology and to become the first company people associate with factoring.

One of the first factoring companies in Turkey, Garanti Factoring was founded in 1990. Garanti Factoring provides, in a single package, the financing, guarantee and collection products required by both the domestic and international trade, with a particular focus on trade finance and receivable-based financing. 34.82% of the Company's common shares are traded on the ISE National Market.

Serving a wide customer base consisting primarily of SMEs, export and import oriented companies, and companies with extensive supplier and dealer networks, Garanti Factoring delivers factoring products and services on a countrywide scale.

Garanti Factoring raised its market share from 13.3% in 2007 to 14.7% in 2008 while the transaction volume increased from US\$ 2.9 billion in 2007 to US\$ 3.6 billion in 2008. Overall the factoring industry grew by 13% in terms of volume and Garanti Factoring grew by 25% continuing its trend of rapid growth.

Garanti Factoring's profit rose by 24% in 2008 to YTL 7.1 million and its net assets grew 16% to reach YTL 750 million.

The Company installed new early warning system techniques and made operational changes to the Credit Monitoring Systems, which resulted in a very low NPL ratio of 0.25%.

In 2008, Garanti Factoring launched an IT project that will play a significant role in the future of the Company and increase operational efficiency, minimize the fixed costs of operational expenses, and enable the Company to become the technology leader of the industry. The project is expected to be finalized in mid-June 2009.

Garanti Factoring continued to create value for its clients with its boutique foreign trade finance products. The

Company became the sector leader thanks in particular to its focus on the import financing and international supplier financing lines in its import factoring product.

Garanti Factoring enhanced its service portfolio with an innovative service launched in 2008 that performs and reports the collections of corporate clients by Garanti Factoring's Call Center using a professional collection system. The Company achieved a transaction volume of YTL 143 million with this product as a result of the service contracts executed during this year.

The cooperation between Garanti Bank and Garanti Factoring reached new levels, with factoring operations performed at nearly 300 Garanti Bank branches every month. In addition to the SME and commercial banking business lines, this cooperation achieved considerable levels in the corporate banking segment, with ongoing factoring services provided to the leading companies in Turkey.

Thanks to the legislation on leasing, factoring and finance companies that is expected to be approved by the Parliament in 2009, the operational area of the factoring industry will become more clearly defined and the sector will have a better path for growth.

Despite the increased foreign funding needs of the companies due to the global economic crisis that erupted in 2008, the severe global liquidity crunch is expected to boost the demand for receivable financing products. In this environment, Garanti Factoring will continue to side with the SMEs and maintain its focus on this segment.

As a result of the prevailing uncertainties in the overseas markets, the demand for export factoring transactions of the export-oriented companies, the driving force of the Turkish economy, is expected to increase.

New products designed to protect Turkey's exporters against risk in international markets and to finance their receivables will be added to the product portfolio of Garanti Factoring in 2009.

Becoming the sector leader in technology as well after the completion of its IT project, Garanti Factoring will have the necessary infrastructure to provide faster and more effective services to its clients via e-factoring solutions.

The cooperation with Garanti Bank will be taken further beyond the point reached in 2008, leading to an increase in the existing cooperation with the

branches and lines of business, and contributing to the customer satisfaction. Garanti Factoring's goal is to offer factoring transactions at every Garanti branch with a corporate client account.

Garanti Factoring aims to sustain the growth trend it has attained in commission income and client base along with its growing sales team irrespective of the macroeconomic conditions in 2009.

Garanti Factoring will further enhance its performance in 2009 and make significant headway toward becoming the leading factoring company in Turkey.

Garanti Factoring Credit Ratings:

FC Long-term Rating	BB
FC Short-term Rating	B
LC Long-term Rating	BBB-
LC Short-term Rating	F3

National Long-term Rating	AAA (tur)
Support Rating	3

Garanti Pension and Life

The greatest strength is its outstanding achievement in bancassurance as a result of the synergy created with Garanti Bank.

Objective for 2009 is to continue finding creative solutions to improve customer satisfaction, and to increase product penetration.

Founded in 1992, Garanti Pension and Life acquired a pension company license in 2002 and began operating in the pension sector in addition to life insurance activities.

Garanti Pension continues to lead the sector thanks to its exemplar bancassurance practice. The Company's goal is to provide outstanding services to customers with the synergy and cooperation generated with Garanti Bank, a partnership of Doğuş Group and General Electric, one of the largest conglomerates in the world, and Eureko B.V., one of the leading insurance companies in Europe.

Highly recognized and trusted Garanti brand as well as Garanti's extensive distribution channels, its strong capital

structure, technological infrastructure, customer database and highly-qualified human resources provides Garanti Pension a significant competitive edge in this intensely competitive sector. Garanti Pension has 590 employees, 382 of whom are employed in regional offices.

In 2008, Garanti Pension reached a market share of 19.32% with 336,500 participants. The Company also raised its market share by 1.5% points to 14.08% for pension funds asset size to YTL 890 million. This increase in market share represents the highest market share gain in the sector during 2008.

Garanti Pension concluded the year with a total life insurance premium production of YTL 124 million and 7.84% market share. The Company ranked first in the life insurance sector with 2.3 million policies and a 21.7% market share.

Garanti Pension broke new ground in the life insurance sector during the year and launched three new products; Income Protection, Payment Protection and Debt Cancellation, in May 2008 with additional unemployment coverage.

Income Protection Insurance maintains life standards by providing monthly fixed expenses in case of involuntary loss of employment. Payment Protection Insurance provides payments of all loan installments such as consumer loans, mortgage loans and auto loans with various maturities. Debt Cancellation Insurance provides payment of credit cards debts where the amount of coverage is determined according to the monthly credit card balances. Each of these three products is designed to serve a different customer need.

Supporting its customers and employees in enjoying their lives today as well as ensuring their happiness in the future, Garanti Pension launched the Hobby Clubs Project in 2008. Sixteen hobby clubs participate in this project. Individual pension policy holders participate in the activities of these clubs with up to 50% discounts offered by companies participating in the program.

Garanti Pension continues to gain market share and aims to increase pension funds asset size and the number of participants in the pension sector while maintaining its market share of the life insurance sector.

In 2009, Garanti Pension will concentrate on increasing the sales of its three new unemployment coverage-enhanced products that were launched in 2008, and targets at least a 35% share

of these new products in the Company's total premium production. A significant part of this production will be provided by alternative distribution channels such as the Garanti Bank Call Center, Garanti Online Branch and Garanti Pension Call Center.

The most significant development in the individual pension system for the period ahead is the products to be offered to retirees. The Company will launch de-accumulation and annuity products in 2009.

Garanti Payment Systems

The greatest strength is not only attaining quantitative achievements thanks to its vision of creating a cashless society and its customer-focused approach but also developing innovative products and applications that are considered exemplary all around the world.

Objective for 2009 is to manage the application, limit and collection stages most effectively in order to minimize non-performing loans induced by increasing unemployment as a result of the global crisis.

Garanti Payment Systems was established by Garanti Bank in 1999 to develop systems that will replace cash. Garanti Payment Systems renders chip-based, multi-brand and co-branded card programs as well as commercial and virtual cards, marketing and e-commerce services as the fastest and most effective service provider in Turkey's credit card market.

Pioneering the structure of the sector with its product implementations and projects diversified according to customer needs and financial dynamics, Garanti does an excellent job of analyzing customer demands thanks to its marketing-oriented payment systems team and state-of-the-art technology infrastructure. As a result, the Company strives to reach card users in each segment via products specially tailored to the needs of the segment.

The product portfolio of Garanti Payment Systems includes:

- Bonus Card for customers who like smart shopping in every segment,
- Flexi Card with its flexible payment options for customers who demand customized services to suit their spending habits,
- Shop&Miles for customers who frequently travel abroad and spend a lot for entertainment and restaurants both at home and overseas,
- American Express Centurion Line as a global brand that offers high standards for customers who spend a lot on entertainment abroad,
- Paracard and Bonus Kontör for customers who prefer to use debit card instead of cash for shopping,
- Bonus Trink making life easier for customers who don't want to carry change, also offered in the form of watches, key chains and stickers as well as a regular card,
- Business card portfolio consisting of Bonus Business Card, Shop&Miles Business Card, Partner Card, Corporate Card, Fleet Card, Ekin Card, Corporate Travel Card, and American Express Business Card for customers who prefer to make payments on behalf of their companies in a secure and easy manner as well as for customers who have diverse needs,
- Virtual Shop&Miles and Bonus Cards for customers who wish to shop online,
- Garanti e-commerce services for companies that wish either to shop online or to set up an online store.

Having completed 2008 as leader in the areas of the number of plastic cards, the number of POS terminals, international issuing volume, domestic and international acquiring volume, international and domestic acquiring retail volume, international and domestic debit card retail volume, Garanti is the only bank in Turkey that accepts all VISA, MasterCard, JCB, American Express, CUP and Diners cards.

Garanti Payment Systems provides POS Matik, Kolay Vezne (Easy Teller), Ödeme Noktası (Payment Point and Card Application Point) services to merchants. Fully satisfying all payment needs of all businesses, Garanti Payment Systems also provides e-tailing services via e-commerce applications and www.garantialisveris.com, and offers various payment solutions including dial-up POS, ADSL POS, Mobile POS and Virtual POS.

Garanti Technology

The greatest strength is its experienced personnel who can deploy flexible, open and scalable technology in business applications, and can analyze customer activities and strategies correctly and provide customized solutions.

Objective for 2009 is to continue to invest in the latest technology, uninterrupted transaction capability and infrastructure security, and to maintain its leadership in technology.

An information technology services provider, Garanti Technology (GT) delivers technology infrastructure, software development, internet applications, integration, system management, security management, project management and office application services as well as consultancy services primarily for companies in the banking and financial services, automotive, construction, media and tourism industries.

GT operates as a full-function IT Center with a technological architecture providing real-time and uninterrupted system resources, an infrastructure executing millions of on-line transactions, and an operational control system ensuring that the entire system functions perfectly 24/7. With a strong communications backbone, infrastructure-based video and data communications services, and design and engineering efforts at global standards, GT manages all of the hardware and communication software of Garanti. With locations throughout Turkey, GT provides field support services at more than 2,900 points.

GT develops IT strategies for the institutions it serves, turns solutions into value-added services, creates and manages change and quality and ensures sustainability. GT's corporate governance is based on the ITIL process model and built on the principle of Design-Operate-Support. Every single project is developed in accordance with

quality standards such as COBIT and ISO to ensure the most appropriate solutions that meet the requirements of the institutions served.

At the end of 2008, Garanti Technology had 720 employees, competent in all platforms and equipped with the ability to provide creative technological solutions.

Sample Activities in 2008

- **Customer Centricity Index:** In line with Garanti Bank's customer centric service approach, branch and regional office performances are tracked based on teller line wait time, uninterrupted service, customer complaints, customer information quality, and transaction durations.

- **Indexed Deposit:** Indexed to the return of different investment tools, this product with no risk of losing the initial investment, aims at reaching the customers in search of alternative investment products as well as increasing the deposit volume.

- **Supplier Financing:** Companies with a large supply chain try to postpone the payments to their suppliers, which negatively impacts the suppliers' cash flow and production operations. With this product, Garanti aims at providing discounted payments before the due date and gain interest income. Garanti was the first in Turkey to integrate this practice into its systems infrastructure.

- **Mini Branch:** With this supplemental branch model that does not have its own products but rather forwards the transactions to the main branch, the Bank aims to reduce branch openings and operating costs while increasing the number of points where the Bank reaches its customers.

- **OGS/KGS:** With Automatic Payment Orders, pre-determined funds can be transferred to OGS/KGS accounts when the account balance falls under a certain limit and customers can travel freely without having to worry about their OGS/KGS balances. Payments made by using Garanti credit cards will accumulate Bonus, Amex Reward Points (MR) or mileage points.

- **Ekin Kart:** Ekin Card is a commercial credit card developed to cater to the special needs and cash flows of farmers. It offers various advantages in the agricultural sector through agreements with member companies. Garanti

customers engaged in agricultural businesses will benefit from Ekin Card's flexible installment payment plans when paying for their commercial purchases and collect Bonus points from all transactions.

- **NFC Payment:** The pilot project developed in conjunction with Turkcell is a first in Europe and a third in the world. With the Mobile Wallet Project, credit cards were integrated into cell phones for the first time in Turkey. The application, which decreases the payment time to less than half a second, utilizes cellular phones using Turkcell SIM cards and MasterCard PayPass technology.

Some of the Other Software Projects:

- Consumer Loan Application Process
- E-sequestration Integration
- Mortgage with Grace Period Option
- Japanese Yen Indexed Commercial Loan

- Electronic Customs Duty Payments
- Yaşar University Card Program
- Multiple Campaign Offers to Customers via POS

- Barcode Loyalty
- POS Loan
- Instant Store Card
- Şekerbank Issuing / Acquiring
- ING Bonus
- Multi Merchant
- Amex Bonus Card
- Miles for your Word

In addition;

- Processing power increased 53% to 18,568 MIPS (Million Instructions per Second) and data storage capacity increased 28% to 57.6 TB for the mainframe.

- The mainframes were upgraded from Z9-2094 to Z10-2097 that utilizes IBM's 4-core technology, which provided increased performance.

- All backups in native tape units are now encrypted.

- The Call Center was converted to an IP-based contact center.

- IP phone infrastructure was implemented within 160 branches.

As a pioneering institution, Garanti Technology has adopted the mission of keeping Garanti Bank, its subsidiaries and other companies of the Doğuş Group one step ahead at all times.

RESEARCH AND DEVELOPMENT ACTIVITIES

CUSTOMER AND MARKET RESEARCH

The greatest strength is its focus on listening to customers and improving experience delivery based on customer needs.

Objective for 2009 is to maintain the leadership position in customer loyalty and customer experience management.

With its customer-oriented service culture and innovative approach, Garanti Bank has defined its business philosophy as establishing long-term relationships with customers by providing products and services designed according to their needs. In accordance, Garanti Bank gives a major importance to customer and market research and conducts its research activities according to the following principles:

- Increase customer experience to utmost level and make customers feel the Garanti difference
- Measure customer satisfaction and loyalty
- Evaluate the position of the Garanti brand vis-a-vis the competition

Net Promoter Score (NPS), a survey used by many financial institutions abroad to measure customer satisfaction and loyalty, was conducted with 4,000 retail banking and 4,000 SME banking customers in order to measure their recommendation levels of Garanti Bank. Adremarker, an advertising and brand image survey, and other research activities to understand customer expectations and satisfaction in different business lines were continued during this period.

The Customer Centricity Index (CCI) was launched in 2008 to measure and sustain service quality, which differentiates Garanti Bank in the eyes of its customers. The CCI score, which is calculated quarterly, aims to standardize

customer centric, fast and continuous service in every branch. Mystery Shopping, which provides input for the CCI, is also started to be conducted across all Garanti branches in 2008.

Research activities conducted in 2008 are listed below:

- Advertising and Brand Image Research (Adremarker)
- Brand Perception Research (Brand Index)
- Brand Research (Censydiam)
- Sponsorship Research
- Human Resources Campus Activities Research
- Human Resources Internal Communication Research
- Retail Banking Net Promoter Score Research (NPS)
- SME Banking Net Promoter Score Research (NPS)
- SME Banking Employee Survey
- Mystery Shopping Research
- Mortgage Mystery Shopping Research
- Mortgage After Sales Satisfaction Research
- Mortgage Customer Needs and Expectations Research
- National Customer Satisfaction Index Research

As a result of the various researches conducted, the main reasons for customers to prefer Garanti and to differentiate it from the rest of the competition arose as;

- Customer centric products and services
- Focus on customer needs
- Strong technological infrastructure
- Innovative approach

Advanced online banking services and advantageous credit card programs were also noted as key reasons for customers to prefer Garanti.

Findings from the research were used as inputs in developing products and services aligned to customer needs as well as in guiding the Bank for many new projects and applications to enhance customer experience.

PRODUCT DEVELOPMENT

The greatest strength is its competence in developing innovative products focused on customer needs.

Objective for 2009 is to continue to offer products and services that make a difference for the customers and make their lives easier in making investment and financing decisions and conducting banking transactions.

The pioneer of many innovative products not only in Turkey but across the world, Garanti continued to develop new products and services with a customer-oriented perspective in 2008.

- Garanti expanded its wide range of Consumer Loans and Mortgages by offering new products with flexible payment terms to address different customer needs in a changing market environment.

Mortgage Basket for Indecisive Mortgagers

Mortgage Basket, a basket of mortgage products in different currencies or with different types of interest rates, is developed for customers who want to make use of the advantages of different products while diversifying their interest and currency risk.

Payment Holiday to Postpone Loan Installments

Garanti launched Payment Holiday, the "option to postpone a number of loan installments each year" to support performing consumer loan customers in managing their cash flow at times of a temporary rise in expenses.

- Garanti developed new commercial loan products that provide customers easy, fast and low-cost funding to meet the diverse needs of SME and Commercial customers.

A Global First: Loans via POS

Garanti was the first bank in the world to offer Loans via POS, allowing customers to quickly and easily apply for and get a commercial installment loan via a POS terminal.

Low-cost Loans for Exporters: Interbank-indexed Export Loan

A revolving export loan, whose rate is

indexed to TRLIBOR and updated daily, can be launched to finance the short-term capital needs of exporters.

- Garanti launched innovative deposit products that allow customers with different market expectations to invest without risking their capital.

Structured Deposits for Alternative Investment Product Seekers

Garanti developed Structured Deposits, an alternative investment product category with capital protection and minimum return guarantee, providing an added return based on the increase or decrease in the value of the underlying index chosen at account opening. Garanti was the first in the market to offer a return lock-in option on Structured Deposits, whereby customers can lock in the return rate before their account matures.

- Garanti, confirming its stand to assist customers at hard times, introduced new insurance products developed by Garanti Pension and Eureko Insurance.

Debt Cancellation, Payment Protection and Income Protection to Ease Unemployment Worries

Garanti launched an array of insurance products that cover customers' credit card balances, loan installments and other regular payments such as rent, school tuition and utility bills in case of unemployment. All three unemployment coverage-enhanced insurance products are made available to Garanti customers by the affiliated Garanti Pension Company.

Pay-as-you-drive: Kaskometre

Kaskometre, developed by Eureko Insurance, is the first "pay-as-you-drive" auto insurance policy in Turkey, where monthly premiums are calculated based on the number of kilometers driven during the month, as measured by a device installed in the policyholder's car.

First Aid in Emergencies: Emergency Treatment Insurance

Emergency Treatment Insurance, which covers the cost of emergency treatments and provides medical consulting and ambulance services, is made available to Garanti customers by Eureko Insurance.

In the light of global and domestic economic developments and changing market conditions in 2009, Garanti plans to offer new products, services and practices; it will enhance the features of existing products to "make life easier" for its customers.

2008 MACROECONOMIC OVERVIEW

Massive capital loss due to the turbulence in global financial markets was the major macroeconomic event in 2008. The downward trend in housing prices and high leverage ratios led the value of mortgage backed securities to decline sharply. In addition, banks and hedge funds which had invested on those assets have lost their values significantly. The first major problem emerged in financial markets was in Bear Stearns which was acquired by JP Morgan in cooperation with the US government. The US government took over Fannie Mae and Freddie Mac and lent US\$ 85 billion to AIG. The problems in financial markets became more pronounced after the bankruptcy of Lehman Brothers. The liquidity squeeze and crisis of confidence led many governments to announce bailout plans and central banks to take several measures (liquidity injections, rate cuts) to alleviate the impact of the problems experienced in the global credit markets. FED fund rate which was 4.25% at the beginning of 2008 was cut to 0-0.25% interval while policy rates were reduced to 2.5% from 4.0% in Eurozone.

The impact of the turmoil in world financial markets on economy was more severe in the second half of 2008. The financial crisis is perceived as the worst after 1930s and the crisis is expected to cause a deep slowdown in the world economy. The contraction in the Eurozone and Japan economies for the two consecutive quarters in 2008 indicated the start of a technical recession in these countries while the recession has began in US economy after December 2007. Until the end of 2008 there was no sign of an upturn in housing market and consumer confidence remained at its lowest levels.

The spread of the financial turbulence in advanced countries into emerging market economies was very fast, affecting the Turkish economy deeply. Capital markets have declined significantly, while YTL has depreciated against other currencies due to capital outflows. Through the year YTL/US\$ rose to 1.7 level at the highest. Measures taken by the governments and central banks helped concerns regarding financial markets diminish, leading YTL to reappreciate against US\$, falling to

1.52 at the end of 2008. Despite the fall through the year-end YTL depreciated against US\$ by approximately 30% in nominal terms in 2008. Uneasiness for global financial markets caused the risk premium of Turkey to rise together with emerging markets. The risk premium index EMBI+ Turkey (the spread between Turkish bonds and US Treasury bonds) rose by 300 basis points in 2008.

The initial impact of global slowdown on Turkish economy was considerable on foreign trade due to falling global demand. Exports which increased by 38% in January-September 2008 compared to the year before, contracted sharply (October: -1.8%, November: -17.1%, December: -20.7%) in the last quarter of 2008. Despite the deceleration in exports to EU countries overall 2008, the acceleration in exports to emerging market economies especially to neighbor countries supported the export performance in 2008. However, exports to those countries started to slowdown as a result of turbulence in global financial markets in late 2008.

The sharp rise in Brent crude prices to US\$ 140 per barrel in 2008 and the appreciation of YTL against other currencies until September caused imports to accelerate in 2008. Oil prices plummeted below US\$ 40 per barrel at the end of the year due to deep slowdown in global economy leading a sharp decrease in Turkey's energy bill through the year end. In addition to the shrinking energy bill, the investment and consumption slowdown pulled imports of Turkey down compared to the year before. Accordingly, foreign trade deficit narrowed in the fourth quarter of 2008 on year on year basis. The exports of Turkey reached US\$ 132 billion and imports US\$ 202 billion, while foreign trade deficit was US\$ 70 billion as of 2008 year-end.

Rising imports due to record highs in oil prices in 2008 led current account deficit to widen. On twelve month cumulative terms, current account deficit which reached US\$ 49 billion as of August started to narrow to US\$ 41.6 billion as of 2008 year-end in line with the slowdown in imports.

Rising political uncertainties due to the case opened at Constitutional Court to ban the ruling party AKP worsened consumption indices sharply in 2008. Despite the decision not to ban AKP in late July 2008, rising concerns regarding global economic activities led a further

deterioration in expectations. As a result, Turkish economy moved into a sharp slowdown period starting from the second quarter of 2008. The slowdown in economic activity was significant especially in investment expenditures stemming from loss of confidence and rising uncertainties. In 2008 quarterly growth rates at annual rates were 6.7%, 2.3% and 0.5%, respectively. The third quarter of 2008 was the first quarter since 2001 in which domestic demand contributed to economic growth negatively (1 point).

The other adverse impact of rising energy cost in 2008 was on inflation. The food price hike in 2008 accelerated the rise in inflation, pushing the annual CPI inflation to 12.1% in July. Despite the depreciation of YTL towards the end of 2008, falling oil prices and the deceleration in food price hikes led inflationary pressures to subside gradually and inflationary trend to move downwards. The annual inflation was 10.1% for CPI in 2008. The annual PPI inflation which was 5.9% at the end of 2007 rose to 8.1% in 2008 due to growing costs.

Central Bank of Turkey (CBT) continued its tight monetary policy implementations, raising overnight borrowing interest rates to 16.75% in July from 15.25% in February 2008 due to the upward trend in inflation in 2008. Towards the year end CBT, announced several measures such as increasing limits of banks in the FX market and reducing FX required reserves ratio to prevent liquidity squeeze in FX market due to rising uneasiness in global financial markets. Noting the downward pressures on inflation and the possibility of a prolonged deceleration in domestic and foreign demand CBT decided to ease monetary policy by cutting overnight borrowing rates in total by 175 basis points in November and December to 15% at the end of 2008.

BOARD OF DIRECTORS AND AUDITORS

Ferit Faik Şahenk

Chairman

Ferit Faik Şahenk earned an undergraduate degree in Marketing and Human Resources from Boston College and is a graduate of the "Owner/President" Management Program at Harvard Business School. He was the founder and Vice President of Garanti Securities, CEO of Doğuş Holding and Chairman of Doğuş Otomotiv. Currently, Şahenk is the Chairman of Doğuş Group. He served as Chairman of the Turkish-American Business Council of the Foreign Economic Relations Board (DEİK), and currently serves as the Chairman of the Turkish-German Business Council as well as a member of the Executive Committee of the Turkish-United Arab Emirates Business Council. In addition, he is the Vice President of the Turkish Industrialists' and Businessmen's Association (TÜSİAD) and the President of Economic and Financial Affairs Commission in the same association and an active member of the World Economic Forum and the Alliance of Civilizations Initiative. In addition, Şahenk is a member of the Massachusetts Institute of Technology (MIT) Sloan School of Management Europe, Middle East, South Asia and Africa Regional Executive Committee.

Süleyman Sözen

Vice Chairman

Süleyman Sözen is a graduate of Ankara University Faculty of Political Sciences and has worked as a Chief Auditor at the Ministry of Finance. Since 1981, he has served in various positions in the private sector, mainly in financial institutions. Sözen has been serving on the Board of Directors of various Doğuş Holding and Garanti affiliates since 1997. He holds a Certified Public Accountant license.

Ahmet Kamil Esirtgen, PhD

Board Member

After graduating from Istanbul University Faculty of Economics, Ahmet Kamil Esirtgen earned his MBA from Stanford Graduate School of Business and his PhD from Istanbul University School of Business Administration. He worked at

various private sector companies after concluding his academic career in 1975. In 1987, he joined the Doğuş Group as Finance Group President. He currently is a Board Member of several subsidiaries of Garanti, as well as some other companies in the private sector.

Dmitri Lysander Stockton

Board Member

Dmitri Lysander Stockton earned his undergraduate degree in Accounting from North Carolina A&T State University. He started his career at GE and served in executive positions at various group companies. In 2005, Stockton became the President and CEO of Central and Eastern European Operations for GE Money. Effective January 2009, he was appointed President and CEO for GE Capital Global Banking Group.

Des O'Shea

Board Member

Des O'Shea received his undergraduate degree and PhD from Irish University College Cork. After working at an audit firm, he assumed positions in risk management at various banks. O'Shea joined GE Consumer Finance Europe in 1998 as Risk Management Director and worked at several positions including Chief Commercial Officer, Head of Business Development and Chief Risk Officer. His current role is Senior Vice President of GE Capital Global Banking Group responsible for Global Partnerships, Distribution, Sales and Business Development. O'Shea is a board member of seven other foreign banks as well.

Denis Arthur Hall

Board Member

Denis Arthur Hall is a graduate of Spalding Grammar School. After a 33-year career in finance and banking, he joined GE Money in 2007 as Chief Risk Officer, and became the Chief Risk Officer for GE Capital Global Banking Group in January 2009.

M. Cüneyt Sezgin, PhD

Board Member

M. Cüneyt Sezgin received his undergraduate degree from Middle East Technical University Department of Business Administration, his MBA from Western Michigan University and his PhD from Istanbul University Faculty of Economics. He served in executive positions at several private banks. Sezgin

is the Country Director of the Global Association of Risk Professionals. He is a Board Member at Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Eureka Insurance, Garanti Bank Pension Fund Foundation and the World Wildlife Fund-Turkey.

Ergun Özen

Board Member, President and CEO

Ergun Özen earned a BA in Economics from New York State University and is a graduate of the Advanced Management Program at Harvard Business School. He joined Garanti in 1992 where he has been serving as President, CEO and Board Member since April 1, 2000. He is a Board member of Garanti Bank Moscow, Garanti Bank International NV, the Banks Association of Turkey, the Institute of International Finance (IIF), the Turkish Industrialists' and Businessmen's Association (TÜSİAD), the Istanbul Foundation for Culture and Arts (IKSV), and a Member of Board of Trustees of TED İstanbul Koleji Foundation. He is also Chairman of the Board of Directors of Garanti Securities, Garanti Asset Management, Garanti Pension and Life, Eureka Insurance, Garanti Factoring and Garanti Leasing.

Altan Reha Göksu

Auditor

Altan Reha Göksu graduated from Istanbul University Law School and was an attorney after graduation. He joined Doğuş Group in 1972 and serves as Legal Advisor for the Doğuş-GE Real Estate Investment Trust.

Murat İnan

Auditor

Murat İnan graduated from Istanbul University Faculty of Economics. After serving in various positions at the Ministry of Finance and at private companies, he joined the Doğuş Group in 1998.



01 Ergun Özen
President and CEO

Please see page 39 for his biography.

02 Tolga Egemen

Executive Vice President -

Financial Institutions and Corporate Banking

1969. Tolga Egemen graduated from the Middle East Technical University Department of Mechanical Engineering. He began his banking career in 1992 and joined Garanti as the Head of Cash Management Unit in 1996. He was appointed to his current position in 2000. Egemen is a Board Member of Garanti Securities.

03 Ali Fuat Erbil

Executive Vice President-

Retail Banking and Distribution Channels

1968. Ali Fuat Erbil graduated from the Middle East Technical University Department of Computer Engineering. He earned his MBA from Bilkent University and his PhD in Banking and Finance from Istanbul Technical University. After working as an executive at various private companies and banks, he joined Garanti as the Distribution Channels Unit Manager in 1997. Mr. Erbil was appointed to his current position in 1999 and is a Board Member of Garanti Pension and Life, Garanti Asset Management and Garanti Bank Pension Fund Foundation.

04 Hüsnü Erel

Executive Vice President - Technology, Operational Services and Central Marketing

1952. Hüsnü Erel graduated from Istanbul Technical University Department of Electronics and Communications Engineering. He served as an executive at various private companies and

banks. In 1994, he joined Garanti Technology as General Manager and was appointed to his current position in 1997. Erel is a Board member of Garanti Payment Systems.

05 Uruz Ersözöglü

Executive Vice President - Treasury

1966. Uruz Ersözöglü graduated from Middle East Technical University Department of Economics. After serving as an executive at various private banks and the Istanbul offices of foreign banks, he joined Garanti as Head of Treasury Marketing, Trading and Asset-Liability Management in 2003. He was appointed to his current position in 2006 and is a Board member of Garanti Asset Management.

06 Gökhan Erün

Executive Vice President -

Human Resources / Investment Banking

1968. Gökhan Erün earned his undergraduate degree from Istanbul Technical University Department of Electronics and Communications and his graduate degree from the Business Administration Department of Yeditepe University. He joined Garanti Bank's Treasury Department in 1994 and served as the Manager of the Commercial Marketing and Sales Unit between 1999 and 2004. He became the CEO of Garanti Pension and Life in September 2004 and was appointed to his current position in August 2005. Erün is Vice Chairman of Garanti Pension and Life and a Board member of Eureka Insurance, Garanti Asset Management and Garanti Securities. He is also the Chairman of the Board of Directors of Garanti Bank Pension Fund Foundation.

07 Turgay Gönensin

Executive Vice President - Commercial Banking

1962. Turgay Gönensin graduated from Boğaziçi University Department of Business Administration. In 1987 he joined Garanti Bank, where he worked at various departments. He served as the CEO of Garanti Bank International between 1997 and 2000 and CEO of Ottoman Bank between 2000 and 2001. Gönensin was appointed to his current position in 2002 and is the Vice Chairman of the Board of Garanti Leasing and Garanti Factoring and a Board member of Garanti Bank International.

08 Nafiz Karadere

Executive Vice President -

SME Banking / Corporate Brand Management and Marketing Communication

1957. Nafiz Karadere graduated from the Faculty of Political Sciences' Department of International Relations at Ankara University. He worked as a senior executive at various private banks and was appointed to his current position in 1999. Karadere is a Board member of Garanti Pension and Life, Garanti Payment Systems, and the Teachers Academy Foundation.

09 Adnan Memiş

Executive Vice President -

Support Services

1955. Adnan Memiş earned his undergraduate degree from Istanbul University Faculty of Economics and his graduate degree from the Managerial Economics Institute of the same university. He joined Garanti Audit Board as an Assistant Inspector in 1978, served as the Manager of Loans Department and then was appointed to his current position in 1991.



Memiş is currently the President of the Financial Restructuring Working Group of the Banks Association of Turkey and a Board member of Garanti Bank Pension Fund Foundation and Darüşşafaka Society. He is also the Group Leader of Deniz Yıldızları (Starfish) Project.

10 Murat Mergin

Strategic Planning Executive Director

1963. Murat Mergin graduated from the City University of New York Departments of Economics and Finance. He assumed executive responsibilities at various private banks before joining Garanti in 1994. Mergin was appointed to his current position in 2002.

11 Afzal M. Modak

Executive Vice President - CFO

1958. Afzal M. Modak earned his undergraduate degree from Mechanical Engineering Department of the Indian Institute of Technology and his graduate degree from Computer Sciences Department of Pace University, New York. He joined GE in 1985 and assumed senior executive positions in many GE companies including GE Mortgage Services (US), GE Capital Bank (Hong Kong) and GE Capital International Services (India). He was appointed to his current position at Garanti Bank in 2007.

12 Zekeriya Öztürk

Executive Vice President - International Business Development

1967. Zekeriya Öztürk earned his undergraduate degree from Istanbul Technical University Faculty of Engineering, Department of Marine Engineering, graduate degree from the Robotics

Department of the same university, and his MBA from Edinburgh University. After working as a senior executive at various national and international private investment banks, he joined Garanti in 2006. Öztürk is a Board member of Garanti Securities and Garanti Asset Management.

13 Mehmet Sezgin

Garanti Payment Systems - CEO

1962. Mehmet Sezgin graduated from Middle East Technical University Department of Business Administration and earned his MBA from the University of Massachusetts. He worked at various private banks and at MasterCard Europe. Sezgin has been serving as the CEO of Garanti Payment Systems since 1999. He is a Board member of Garanti Pension and Life, Board member of MasterCard Europe, President of Mastercard Turkey Coordination Committee, and Supreme Board Member of Visa Turkey.

14 Aydın Şenel

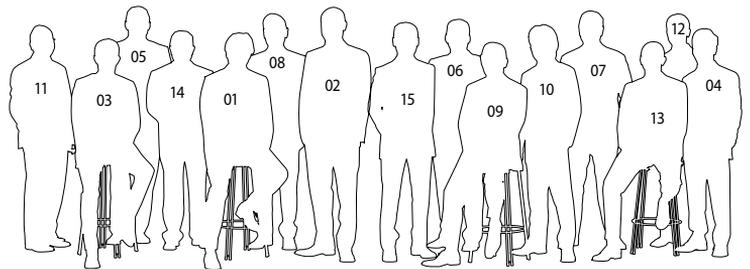
Executive Vice President - General Accounting

1961. Aydın Şenel is a graduate of Marmara University Faculty of Commercial Sciences. Between 1981 and 1984, he worked as Auditor, Human Resources Group Manager, Credit Cards Manager, Financial Analysis Coordination Manager and Financial Monitoring Manager at Garanti. Şenel was appointed Head of General Accounting in 1999 and promoted to his current position in 2006. He is the Vice Chairman of the Board of Directors of Garanti Bank Pension Fund Foundation.

15 Ali Temel

Executive Vice President - Loans

1968. Ali Temel graduated from Boğaziçi University Department of Electrical-Electronic Engineering. He worked as an executive at various private banks and served as Cash Management Unit Manager of Garanti between 1997 and 1999. He was appointed to his current position in 1999. Temel is a Board member of Garanti Leasing and Garanti Factoring.



COMMITTEES AND COMMITTEE MEETING ATTENDANCE

Credit Committee

In accordance with the Banking Law, the Board of Directors of Garanti Bank has delegated a certain amount of its loan approval authority to the Bank's Credit Committee, comprised of four Board members and the Chief Executive Officer.

The Credit Committee holds weekly meetings to review appropriate loan proposals from among those sent by the branches to the Head Office but exceed the loan limit of the Head Office. The Credit Committee reviews these loan proposals and decides on those that are within its authorization limits. It then submits the remaining proposals that are outside of its authorized limits to the Board of Directors for further approval.

Members of the Committee

Ergun Özen (President and CEO, Board Member), **Süleyman Sözen** (Vice Chairman), **Ahmet Kamil Esirtgen**, PhD (Board Member), **Dmitri Lysander Stockton** (Board Member), **Denis Arthur Hall** (Board Member)

The following people may attend meetings with a view to communicate decisions, although they are not members of the Credit Committee.

Ali Temel (Executive Vice President), **Turgay Gönensin** (Executive Vice President), **Tolga Egemen** (Executive Vice President), **Gökhan Erün** (Executive Vice President), **Ufuk Tandoğan** (Coordinator), **Fulya Göyenci** (Senior Vice President in charge of Corporate Banking Coordination), **Recep Baştuğ** (Coordinator in charge of Commercial Banking Marketing), **Ebru Betül Edin** (Coordinator in charge of Project Finance)

Assets and Liabilities Committee

The mission of the Assets and Liabilities Committee, charged with managing the assets and liabilities of the Bank, is to assess rate risk, be it interest, exchange, liquidity, or market risk. This is accomplished by taking into account Bank strategies and competitive conditions, making decisions for the management of the Bank's balance-sheet executed by the relevant units and monitor the implementations. The Committee is chaired by the Chief Executive Officer.

Members of the Committee

Ergun Özen (President and CEO, Board Member), **Tolga Egemen** (Executive Vice President), **Ali Fuat Erbil** (Executive Vice President), **Hüsnü Erel** (Executive Vice President), **Uruz Ersözöğlü** (Executive Vice President), **Gökhan Erün** (Executive Vice President), **Turgay Gönensin** (Executive Vice President), **Nafiz Karadere** (Executive Vice

President), **Murat Mergin** (Strategic Planning Executive Director), **Afzal Modak** (Executive Vice President, Chief Financial Officer), **Zekeriya Öztürk** (Executive Vice President), **Cüneyt Sezgin** (Board Member), **Mehmet Sezgin** (CEO of Garanti Payment Systems), **Aydın Şenel** (Executive Vice President), **Ali Temel** (Executive Vice President), **Didem Dinçer Başer** (Coordinator), **Recep Baştuğ** (Coordinator), **Tunç Daşar** (Executive Vice President, Garanti Payment Systems), **Ebru Betül Edin** (Coordinator), **Nihan Turgay** (Senior Vice President), **Ali İhsan Gelberi** (Senior Vice President), **Fulya Göyenci** (Senior Vice President), **Aydın Güler** (Senior Vice President), **Cenk Kaan Gür** (Coordinator), **Metin Kılıç** (Senior Vice President), **Ebru Ogan** (Senior Vice President), **Çağrı Meşişoğlu** (Senior Vice President)

Note: Managers of corporate branches and regional managers attend committee meetings on a rotation basis.

Risk Management Committees

Audit Committee

This Committee is comprised of two members of the Board of Directors who do not have any executive functions.

Committee Members: **Dr. M. Cüneyt Sezgin** PhD (Board Member), **Des O'Shea** (Board Member)

Committee Activities

The Audit Committee was set up to assist the Board of Directors in the performance of its audit and supervision functions. The Committee is responsible for:

- Monitoring the effectiveness and adequacy of the Bank's internal control, risk management and internal audit systems, the operation of these systems and accounting and reporting systems in accordance with applicable regulations and the integrity of resulting information;
- Performing the preliminary studies required for the election of independent audit firms and regularly monitoring their activities;
- Ensuring that the internal audit functions of organizations that are subject to consolidation are performed in a consolidated and coordinated manner.

In this context, the Audit Committee is charged and authorized to:

- Monitor compliance with internal control regulations and internal policies and procedures approved by the Board of Directors and to advise the Board of Directors on measures that are deemed necessary,
- Monitor the Audit Department's compliance with its obligations under internal policies,
- Verify that the internal audit system covers

existing and planned activities of the Bank, as well as risk arising from these activities, and to review internal audit regulations that are going to become effective upon the approval of the Board of Directors,

- Advise the Board of Directors on the election and dismissal of the managers of internal systems units reporting to the Audit Committee,
- Confirm that auditors are performing their duties in an independent, unbiased manner,
- Review internal audit plans,
- Monitor the measures taken by senior management and affiliated units about issues identified by auditors and independent auditors,
- Confirm that methods, tools and procedures are in place to identify, measure, monitor and control Bank risk,
- Review and evaluate the independent audit firm's conclusions in relation to the compliance of the Bank's accounting practices with applicable legislation,
- Confirm that the rating firms, independent audit firms and valuation firms with which the Bank is going to sign contracts (including their managers and employees) are able to act independently in their relationship with the Bank and to confirm that adequate resources have been set aside for these purposes,
- Evaluate risk involved in the support service to be obtained by the Bank and monitor the adequacy of the support service provided by the relevant firm,
- Confirm that the financial reports of the Bank are accurate, contain all necessary information and are prepared in accordance with applicable legislation and to ensure that errors and irregularities are resolved.

In 2008, the Audit Committee held six meetings, all of which were attended by the entire committee.

Liquidity Risk Management Committee (LRMC)

Committee Members

Ergun Özen (CEO and Board Member), **Cüneyt Sezgin** (Board Member), **Uruz Ersözöğlü** (Executive Vice President), **Barış Karaayvaz** (Senior Vice President), **Ebru Ogan** (Senior Vice President), **Metin Kılıç** (Senior Vice President)

Committee Activities

- Determining the excess liquidity the Bank holds in foreign currencies;
- Periodically monitoring the liquidity report and early-warning signals;
- Determining the stress level of the Bank and monitoring internal and external data that might affect the Bank's liquidity in case of a liquidity crisis;
- Ensuring that the action plan specified

in the Liquidity Crisis Plan is properly implemented;

• Determining measures required by the Bank's customer confidence, cost of funding and liquidity-enhancement strategies and ensuring communication and coordination within the Bank with regard to the implementation of committee decisions.

Anti-Fraud Committee

This Committee is chaired by a Board member without executive functions. The Committee members are; Senior Vice Presidents and Executive Vice Presidents of technology and operation services, alternative delivery channels and retail loans, CEO of Garanti Payment Systems, Board Member in charge of Risk Management, Senior Vice President of Fraud Department, Director of Audit Department and Senior Vice President of Internal Control Unit.

Committee Members

Cüneyt Sezgin (Board member), **Hüsnü Erel** (Executive Vice President), **Mehmet Sezgin** (CEO of Garanti Payment Systems), **Ali Fuat Erbil** (Executive Vice President), **Ali Temel** (Executive Vice President), **Beyhan Kolay** (Senior Vice President), **Osman Bahri**

Turgut (Director of Audit Department), **Faruk Ergin** (Senior Vice President), **Tunç Daşar** (Executive Vice President, Garanti Payment Systems), **Barbaros Uygun** (Senior Vice President), **Erdoğan Yılmaz** (Senior Vice President), **Feridun Aktaş** (Senior Vice President)

Committee Activities

- To provide views and suggestions regarding the strategies and precautionary actions performed by the Fraud Department to prevent external based fraud attempts and actions;
- To declare views on the strategies and measures that are implemented or planned to be implemented in order to prevent fraud attempts and actions and to minimize resulting financial and non-financial losses;
- To assess the impact of new products and processes dealing with fraud risk and to provide suggestions when necessary;
- To communicate all decisions regarding strategies and precautionary actions performed by the Fraud Department to the business lines in a timely and comprehensive manner;
- To establish a corporate culture and

awareness of fraud throughout the Bank.

Other Committees

Sub-committees for market, credit and operational risk have been set up to facilitate exchange of information and views with the relevant units of the Bank and to promote the use of risk management and internal audit systems within the Bank.

The Market Risk Committee monitors market risk arising from trading activities, the interest rate risk arising from maturity mismatches, the liquidity risk, risk limits and limit utilizations of the trading portfolio. This Committee ensures flow of information on changes in the positions exposed to market risk.

The Credit Risk Committee monitors the effectiveness of the methods and models that are used to measure credit risk, evaluates measurement results and ensures flow of information on changes in the positions exposed to credit risk

The Operational Risk Committee performs activities related to the control and management of the operational risk loss database and the follow-up of actions to be taken.

SUMMARY OF THE BOARD OF DIRECTORS' ANNUAL REPORT

Thanks to its highly-liquid and sound balance-sheet structure and strong equity position, Garanti was the most profitable private bank in Turkey in 2008, a year of uncertainties domestically and one of the biggest financial crises in the history of the world.

Excluding the non-recurring income from share sales of the Bank's insurance subsidiaries and the sale of its custody services in 2007, the consolidated net income of Garanti rose 15% in 2008 to YTL 1.9 billion. The Bank's return on equity and return on assets for the year were 23% and 2.2%, respectively.

Garanti's consolidated total assets increased by 30% to reach YTL 99 billion. Garanti increased its cash and non-cash loans by 27% to YTL 67.3 billion and continued to be the largest bank lender in Turkey. The branch network expanded with an additional 138 new branches; nearly 2,000 employees were recruited. As a result of the strong trust in the Garanti brand, the Bank's deposits grew significantly faster than the sector average and reached YTL 58 billion.

Continuing its investments in order to provide higher quality service and further present the Garanti difference, the Bank increased the total number of its branches to 730 at year-end 2008. Thanks to its strong branchless banking infrastructure, Garanti

has the second largest ATM network in Turkey with nearly 2,600 ATMs and the largest member company network in Turkey with more than 325,000 POS terminals. The Bank increased the number of its customers by 1.2 million within the last year. One out of every four online banking users in Turkey conducts their banking transactions via www.garanti.com.tr. The exceptional growth and service performance displayed by Garanti while maintaining its quality was recognized not just by its customers, but also in the international arena. Garanti was selected Turkey's Best Bank for the ninth time by Euromoney, while it was deemed worthy of the Bank of the Year award by The Banker thanks to its sound management and prudent risk approaches. Garanti Bank's strong financial structure was also confirmed by the Highest Investment Grade long-term national rating assessed by JCR-Eurasia Rating in August.

Garanti extended its pioneering approach in banking to an important social responsibility project by signing an agreement with the Ministry of National Education to organize personal and career development training programs for the teachers. As part of the "No Limits to Teach(er)" project, for which the Bank set aside YTL 15 million in five years, 100,000 teachers will be given training.

According to Garanti's year-end 2008

consolidated financial statements prepared in accordance with the Banking Regulation and Supervision Agency (BDDK):

- Total assets reached YTL 99 billion with 30% increase over year-end 2007.
 - Support provided to the economy via cash and non-cash loans grew by 27% and reached YTL 67.3 billion.
 - Cash loans rose 32% to reach YTL 52.7 billion.
 - Turkish lira loans grew by 24%, while FC loans increased 8% on US dollar basis.
 - Total deposits reached YTL 58 billion, representing 33% growth on year-end 2007.
 - Shareholders' equity grew by 37% to reach YTL 9.7 billion.
 - Normalized gross profit before tax and provisions increased 22% to YTL 3 billion, whereas pre-tax profit increased 13% to YTL 2.3 billion.
 - Excluding last year's non-recurring income from the share of sales of the Bank's insurance subsidiaries and the sale of its custody services, consolidated net income rose 15% to YTL 1.9 billion.
 - Return on equity stood at 23% as of year-end 2008.
 - Return on assets stood at 2.2% as of year-end 2008.
 - Capital adequacy ratio was 14.9%
- Respectfully yours,
Board of Directors

AUDIT COMMITTEE ASSESSMENT OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

The global crisis that began in 2007 with the escalating default rate on mortgages in the United States undermined the stability of the international financial markets in 2008. Mortgage-backed securities, a widely marketed derivative, lost their underlying value, straining funding and liquidity sources of major financial institutions in the US and Europe. The collapse of giants of world finance sent markets reeling. Stock markets throughout the world registered record losses while foreign exchange and interest rate volatility increased.

The global economic slowdown began to be felt in Turkey in the third quarter of 2008. The restructuring of the Turkish banking sector after the 2000-2001 crisis, combined with the limited use of derivatives delayed the impact of the crisis on Turkey until the fourth quarter when currency and interest rate risks began to surface and economic growth contracted. The impact on the economy is likely to deepen in the period ahead due to the high foreign borrowing rate of the real sector and soft export demand. A worldwide recession will put further pressure on foreign trade and economic activity, thus negatively affecting both the real and banking sector.

From a market risk perspective, Garanti Bank continued to manage interest-rate risk on the balance sheet using interest-rate swaps, relatively long-term borrowings and floating rate notes. Maturity mismatch and structural interest-rate risk of the Bank have been regularly monitored by senior management through duration and gap analyses and the necessary measures were taken in a timely manner. A balance of fixed and floating rate securities limited the effect of interest rate risk. Sensitivity analyses monitored the potential risks of the interest rate on balance-sheet and off-balance-sheet items. The interest rate risk of the trading portfolio and derivative products were measured using the value-at-risk model and were monitored with limits set based on the Bank's capital. The Bank did not have a significant currency risk stemming from its foreign currency position as the position on both ends has been kept at limited levels. The recent economic crisis has demonstrated the importance of liquidity risk management once again. Monitoring the early warning signals through the activities of the Liquidity Risk Committee as well as the daily cash flows, the Bank successfully managed all liquidity risks. The syndicated loan that matured in November 2008 was renewed, providing a significant source of funding for the Bank in current market conditions.

During 2008, the Bank has continued to expand its loan portfolio. In the consumer loan portfolio, housing and general purpose loans registered an increase over the previous year while automobile loans contracted in line with the sector-wide trend. Due to the systematic annual reviews of the loan approval processes, existing credit policies and the risk rating system, there was no significant increase in non-performing loans despite the increase in the loan portfolio. As a result of the importance attached to financial rating of borrowers, collateralization and constant monitoring in the loan approval process, the increase in the non-performing loan ratio was limited and below the sector average. With the support of its system infrastructure, the Bank set aside special provisions for overdue receivables. Due to these practices, The Banker magazine designated Garanti Bank as the "Bank of the Year" based on "sound management and prudent approach to risk".

Operational risk has been monitored and proactively managed by the Audit Department and the Internal Control Unit. The Bank continued its balanced growth in 2008 thanks to credit limit-monitoring systems, centralized controls and processes established in the internal control, audit and risk management systems supported by the IT infrastructure. Being an important part of the internal control system, the Internal Control Unit performs its monitoring activities using both on-site and centralized controls. Furthermore, as part of the risk-based audit approach, head office departments, branches and subsidiaries are graded according to a scale based on risk assessments and are periodically audited locally as well as process-based. The Anti Money Laundering Officer and his team, who constitute an independent function reporting to the Board of Directors, act in accordance with internal and external regulations and are responsible for functions such as; recognition and identification of the Bank's customers, reporting of suspicious transactions, creation and implementation of the necessary training programs, preparation of requested information and documents and offering consultancy services in this field.

As part of effective operational risk management, Fraud Department which is centrally managing and coordinating all fraud prevention-related activities continued its functions to ensure internet banking security, card security, member merchant security and credit card and consumer loan application security. The software purchased for these activities was partially implemented during 2008; efforts are under way to complete the whole in 2009.

In 2008, the Bank continued to improve its existing internal audit and risk management systems, to integrate all risks and to increase the effectiveness of risk-return-capital management on a portfolio basis. Within the scope of the new software, implementation of the Basel II compliant internal operational loss database and trading risk module has been completed in 2008. Existing credit scoring models were back-tested and projects were undertaken to create behavioral scorecards in addition to the application scorecards already in use for the consumer loan portfolio.

Assessing potential risks for the coming period, credit risk is expected to be one of the major risks as a result of the adverse impact of overall economic contraction on consumers and the real economy. It is likely that loan volume will shrink and the non-performing loan ratio will rise. The securities portfolios of the banks can be expected to grow due to the decrease in loan volume, which in turn is a result of the adverse impact of rising cost of funds, contraction in foreign trade volume and uncertainties with regard to investment and consumption decisions. Thus, on the market risk side, balance sheet management will be important in terms of associated liquidity and interest rate risks due to the expected growth of the securities portfolio and the negative impact of the global crisis on domestic banks' borrowing costs from abroad and on their long-term borrowing opportunities. Furthermore, fraudulent activities are likely to surge during such periods, thus monitoring and control of these will be an important aspect of operational risk management.

The Turkish banking sector will probably grow at a slower pace in 2009 than in previous years; yet it is expected to have a sound and a relatively favorable year compared to the financial sectors in developed countries due to its sound capital structure and liquidity level as well as the timely actions of regulatory authorities.

Garanti will continue to proactively carry out effective risk management and audit activities in 2009, gaining further prominence both in the banking sector and the real economy.



Des O'Shea
Board Member
Audit Committee Member



Dr. M. Cüneyt Sezgin
Board Member
Audit Committee Member

HUMAN RESOURCES PRACTICES

Recruitment and Promotion Criteria:

Decisions regarding the recruitment of new employees are based on the qualifications and skills required by the position. When recruitments are divided into the categories of new graduates and experienced personnel, the following common criteria are used:

New graduates are required:

- To have obtained a two-year or four-year university degree,
- Not to be older than 27 years of age and
- To have completed military service or to have postponed it for at least one year (for male applicants).

Experienced employees are required:

- To have obtained a two-year or four-year university degree and
- To have completed military service (for male applicants).

Various combinations of the following tools are used to measure the competencies required by the relevant position during the recruitment process:

- Skill Tests
- Foreign Language Tests
- Personality inventories
- Group Interviews
- Competence-based interviews

Job applications can be submitted online (www.garanti.com.tr/garantilikariyer) and all applicants who take part in this process are notified of the results, negative or positive.

Career Maps: A Career Map Handbook has been prepared and distributed to

all employees to highlight the career opportunities available at the Bank. It aims to standardize the criteria applicable for promotions, inter-departmental movements and intra-departmental movements within the context of career planning and to offer career consultations to employees.

The Career Map Handbook provides a transparent and standard resource that defines available positions, types of transfer and criteria applicable to transfers.

These definitions are not meant to limit the career planning options available to employees, but rather to communicate overall tendencies applicable to transfers and provide guidance in this regard.

Career Opportunities: Garanti Bank uses its internal resources to find qualified employees for top positions. In addition to performance and experience requirements, some promotions involve written exams to assess such prerequisites as knowledge as well as competency-based interviews related to the new position. Especially for sales-related positions, candidates must pass certification programs to prove their knowledge and skill level as required by the new position.

The Career Opportunities Program gives employees the opportunity to manage their own careers. As part of this program, open positions are announced to the entire Bank through intranet. Those who satisfy the criteria specified in the Career Map Handbook

apply to the Career Opportunities Program to shape their own careers. All applicants who apply for the positions that have been announced in advance must take standard exams and competency-based interviews. Those employees, who passed the exams and interviews but cannot be placed due to the fact that there are more eligible applicants than openings, are included in a pool for future needs. During 2008, 417 promotions were given under the Career Opportunities Program.

Career Consulting: Human Resource specialists hold one-on-one meetings annually and provide career consulting services to support and guide employees with their career development. As part of this effort, the Human Resources Department conducted 11,652 career interviews during 611 branch visits in 2008.

Assessment and Development Center:

Assessment and development efforts continue as new branches are opened. Branch manager candidates participate in the activities of the Assessment and Development Center to be assessed in terms of the competencies their new position requires. Experience, performance and executive potential are taken into consideration for participation in these activities. As part of this effort, 132 employees participated in the Assessment and Development Center application in 2008 and 117 new managers were appointed during the same year.

RELATED PARTY RISKS

Loans and other receivables

(YTL thousands)

Current Period Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the Beginning of Period	953,386	61,690	1	1,090	65,794	168,482
Balance at the End of Period	1,729,413	122,864	25	1,661	220,662	183,932
Interest and Commission Income	70,863	108	18	8	7,346	1,114

Prior Period Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the Beginning of Period	668,516	22,923	224,108	8,253	25,793	41,793
Balance at the End of Period	953,386	61,690	1	1,090	65,794	168,482
Interest and Commission Income	33,165	91	38	70	2,774	702

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 the Beginning of Period	154,208	204,325	86,051	75,693	235,532	126,686
Balance at the End of Period	240,915	154,208	300,582	86,051	183,763	235,532
Interest Expense	30,081	31,179	21,885	29,354	20,929	9,874

Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading						
Beginning of the Period	-	-	-	-	-	-
End of the Period	331,010	-	-	-	-	-
Total Profit/Loss	17,843	-	-	-	-	-
Transactions for Hedging						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

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

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

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

The cash loans of the risk group amounting YTL 667,071 thousands (December 31, 2007: YTL 449,373 thousands) compose 1.34% (December 31, 2007: 1.21%) of the Bank's total cash loans and 0.75% (December 31, 2007: 0.66%) of the Bank's total assets. The total loans and similar receivables amounting YTL 1,950,100 thousands (December 31, 2007: YTL 1,019,181 thousands) compose 2.19% (December 31, 2007: YTL 1.51%) of the Bank's total assets. The non-cash loans of the risk group amounting YTL 308,457 thousands (December 31, 2007:

YTL 231,262 thousands) compose 2.17% (December 31, 2007: 1.87%) of the Bank's total non-cash loans. The deposits of the risk group amounting YTL 752,260 thousands (December 31, 2007: YTL 475,791 thousands) compose 1.38% (December 31, 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 23,357 thousands (December 31, 2007: YTL 58,403 thousands) from the transactions carried out with related parties. As a result of these transactions, a leasing expense of YTL 7,934 thousands (December 31, 2007: YTL 7,187 thousands) is recorded. Furthermore, there is a credit card (POS) payable amounting YTL 25,987 thousands (December 31, 2007: YTL 37,502 thousands) to related parties.

Operating expenses of YTL 16,885 thousands (December 31, 2007: YTL 17,139 thousands) for IT services rendered by related parties and rent income of YTL 1,462 thousands (December 31, 2007: YTL 1,319 thousands) for the real estates rented to related parties, are recorded.

The Bank made a total payment of YTL 58,742 thousands (December 31, 2007: YTL 29,616 thousands) to its top management considered as key management as of December 31, 2008.

Other matters not required to be disclosed

None.

Transactions accounted under the equity method

Please refer to Notes 5.1.7 and 5.1.8. (about the subsidiaries and affiliates) of the Unconsolidated Financial Report prepared as of December 31, 2008.

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 March 11, 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 US\$ 35,000,000 (equivalent of YTL 42,693 thousands). The sale price, of which US\$ 15 millions was collected immediately at the date of sale, was fully collected. A gain of YTL 2,112 thousands was recognized as income on this transaction.

SUPPORT SERVICES PROVIDERS

Companies providing support services to banks and the authorization of support service providers are indicated below, together with the type of service procured:

- Garanti Bilişim Teknolojisi ve Ticaret TAŞ: Consulting services for network management, system management, infrastructure management and support services, software applications, security services, policy and procedure management.
- Garanti Ödeme Sistemleri AŞ: Consulting, product development and promotion services related to payment systems.
- Garanti Konut Finansmanı Danışmanlık Hizmetleri AŞ: Consulting services for the promotion and marketing of housing finance and mortgage finance products to retail and corporate clients as well as product/system development.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

During the fiscal year that ended on December 31, 2008, Garanti implemented and complied with all four parts of the corporate governance principles published by the Capital Markets Board (CMB). The Bank accordingly updates its Annual Reports and website, making them available to stakeholders. Stakeholders can access detailed information at Garanti's continuously updated website and ask questions to the Investor Relations Department.

PART I – SHAREHOLDERS

2. Shareholder Relations Division

Investor Relations Department is in charge of managing relations with foreign investors and shareholders. In addition, to facilitate the follow-up of shareholder rights, Garanti operates a Subsidiaries and Shareholders Service at its General Accounting Department.

Investor Relations Department is mainly responsible for:

- Carrying out relations with existing and potential investors,
- Informing shareholders regularly about current developments and responding to their questions,
- Preparing corporate presentations, organize international road shows and other informational meetings and regularly attending such organizations.

As part of its activities, the Department has participated in 23 domestic and

foreign investor conferences in 2008 and had one-on-one meetings with more than 750 investment companies. In addition, questions about the Bank were answered via telephone and e-mail. The aim of the Department is to provide complete and timely responses to all incoming inquiries and to represent and promote Garanti in the best possible way.

The Subsidiaries and Shareholders Service is mainly responsible for the following:

- To organize the Annual Shareholders' Meetings of the Bank,
- To carry out capital increases of the Bank,
- To facilitate the use of bonus and rights offerings after the capital increase,
- To facilitate the dividend payments as specified in article 45 of Articles of Association in case the General Assembly resolves to make a dividend distribution to shareholders,
- To send the public announcements of the Bank to the Istanbul Stock Exchange in Material Event Disclosure format,
- To respond to the questions of branches and shareholders about share certificates in a timely manner or to forward the questions to the related departments.

3. Exercise of Shareholders' Rights to Obtain Information

The Subsidiaries and Shareholders Service receives an average of 200 inquiries from shareholders every month in relation to share certificate procedures, general shareholders' meetings, capital increases, and dividend distributions.

In addition, for the fiscal year that ended on December 31, 2008, requests of shareholders and third parties related to matters such as annual reports, the current status of share certificates and

Investor Relations Department:

Name Surname	Title	Phone	E-mail
Handan Saygin	SVP	+90 212 318 23 50	HandanSay@garanti.com.tr
Oğuz Aslaner	VP	+90 212 318 23 58	OguzA@garanti.com.tr
Sinem Güçhan	VP	+90 212 318 23 57	SinemGuc@garanti.com.tr
Hande Tunaboğlu	VP	+90 212 318 23 54	HandeT@garanti.com.tr
Gökay Böbek	AVP	+90 212 318 23 55	GokayB@garanti.com.tr
Mustafa Kemal Genç	AVP	+90 212 318 23 53	KemalG@garanti.com.tr
Ekin Karaevli	AVP	+90 212 318 23 59	EkinKa@garanti.com.tr

Fax: +90 212 216 59 02

Subsidiaries and Shareholders Service of the General Accounting Department:

Name Surname	Title	Phone	E-mail
Hakan Özdemir	Manager	+90 212 318 19 47	HakanOz@garanti.com.tr
Sevgi Demiröz	VP	+90 212 318 19 45	SevgiD@garanti.com.tr
Ülkü Singin Toprak	AVP	+90 212 318 19 46	UlkuSi@garanti.com.tr

Fax: +90 212 216 64 21

the inheritance of share certificates were answered in writing.

The Investor Relations Department receives an average of 300 inquiries by telephone or e-mail per month. It organizes 60 or more one-on-one or group meetings each month with existing and potential investors and bank analysts, thus responding to all questions about Garanti.

Garanti has two investor relations websites, in Turkish and in English.

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

These websites contain information about shares, corporate information, periodically published financial statements and annual reports, information about corporate governance, social responsibility projects, presentations that provide information about the Bank and press releases about the Bank.

Material event disclosures (press releases) that contain information material to the value of the Bank's shares are submitted to the Istanbul Stock Exchange throughout the year. The appointment of a special auditor is not required by the Articles of Association of the Bank and so far no request regarding the appointment of a special auditor has been submitted to Garanti.

4. Information on the General Shareholders' Assembly

The General Shareholders' Assembly Meeting is held in accordance with a resolution adopted by the Board of Directors. Before these meetings, information about the date, the place and the agenda are provided to shareholders through Material Event Disclosures sent to the Istanbul Stock Exchange in accordance with the general principles, as well as the Turkish Trade Registry Gazette and national newspapers.

Balance sheets, income statements and annual reports are prepared prior to the General Shareholders' Assembly Meeting and made available to shareholders 15 days before the meeting via the website, at the branches and at the Head Office of the Bank.

At General Shareholders' Assembly Meetings, agenda items are discussed and submitted for the shareholders' approval. Shareholders are entitled to ask questions, express their opinions and submit proposals. Questions are handled and answered in accordance with the principles

and procedures specified in the Turkish Commercial Code. Proposals are submitted for the approval of the General Assembly and become resolutions if approved by the specified majority. Shareholders can access the minutes and the list of attendants of the General Shareholders' Assembly Meetings at the Turkish Trade Registry Gazette as well as the Bank's and Istanbul Stock Exchange websites and through the Subsidiaries and Shareholders Service.

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

5. Voting Rights and Minority Rights
Shareholders' rights for voting and execution of these rights are specified in articles 38 and 39 of the Articles of Associations. At the General Shareholders' Assembly Meetings, there are no privileged voting rights. Companies controlled by the majority shareholder of the Bank vote in the General Shareholders' Assembly Meetings. Minority shares are not represented in management. Garanti's Articles of Association do not specify regulation on cumulative voting procedures.

6. Dividend Policy and Dividend Distribution Period

Details of dividend distributions are specified in articles 45, 46, and 47 of Articles of Association. As witnessed in past years, the Bank can add its profit to its capital base and distribute it to shareholders in the form of bonus shares. In accordance with article 46 of the Articles of Association, dividend proposals are submitted for approval at General Shareholders' Assembly Meetings based on a decision by the Board of Directors. The proposed resolution becomes effective if approved in the General Shareholders' Assembly and the Istanbul Stock Exchange is informed about the resolution on the same day.

7. Transfer of Shares

The Articles of Association of the Bank do not contain any provisions that restrict the transfer of shares. The transfer of shares is executed in accordance with the Articles of Association and regulations including the article 5411 of the Banking Law.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Information Policy

Garanti has not published a disclosure policy as defined in Article 1.2.2,

Section II of the Corporate Governance Principles. However, the Investor Relations Department of the Bank regularly holds proactive meetings with investors to share detailed analyses, latest developments and forecasts, strategy, the competitive environment and market expectations, in addition to others mandated by legislation, making an effort to establish open, transparent, consistent and timely communication.

In order to ensure accurate and timely flow of information, a presentation is prepared about the Bank's financial statements announced quarterly. This presentation is shared with investors through the internet and by e-mail and also announced during a live teleconference. The Investor Relations Department regularly attends investor meetings organized by brokerage firms, providing information on recent developments at Garanti in particular and in the sector in general. The Department also responds to questions and inquiries by phone or e-mail on a daily basis.

9. Material Event Disclosures

In accordance with the Capital Markets Board's "Communiqué Related to the Disclosure of Special Events to the Public", 85 Material Event Disclosures were sent to the Istanbul Stock Exchange in 2008. Neither the Capital Markets Board (CMB) nor the Istanbul Stock Exchange (ISE) requested any additional explanation regarding the material event disclosures the Bank made in accordance with CMB regulations during the year. Garanti has made all material event disclosures on time. With respect to Garanti's Depository Receipts issued in the U.S. and listed on the London Stock Exchange and with a view toward informing foreign investors, the English translation of some material event disclosures are also sent to the capital markets regulators in New York and London. These disclosures are also posted on the Investor Relations website simultaneously.

10. Company's Website and Its Content

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

- The Turkish website is available at www.garanti.com.tr and
- The English website is available at www.garantibank.com

In addition to general information about the Bank, the websites contain detailed information on banking, credit cards, investment, insurance, leasing, factoring, pension and e-commerce products and

services, while the Online Branch offers customers the opportunity to perform their banking transactions online.

Prepared in both Turkish and English, the websites feature an Investor Relations section, offering detailed information about shares such as listing information, financial data on stock performance, capital increases, dividend ratios, lists of analysts, credit ratings, the quarterly investor bulletin Stockwatch, latest ownership and management structure, periodic financial statements, reports and presentations prepared in accordance with international accounting standards and Banking Regulation and Supervision Agency (BRSA) regulations, reports and presentations on macroeconomic developments, corporate information, annual reports, material event disclosures, social responsibility projects, corporate governance information and awards.

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

The Bank does not make any public disclosures about individuals who are ultimate controlling shares after eliminating the indirect-shareholding and cross-shareholding relations.

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

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

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

PART III – STAKEHOLDERS

13. Informing Stakeholders

Stakeholders of Garanti receive information on a constant basis through material event disclosures sent to the Istanbul Stock Exchange, press bulletins, newspaper announcements, annual reports, meetings and internal announcements. All information regarding the stakeholders can be accessed on the Bank's website allowing instant reach to the latest data. All Garanti departments respond to customers' needs and requests for any information about Garanti's services and products immediately.

A Corporate Portal has been created as an employee information sharing system. Since access to all corporate information

including the procedures, announcements and documents can be accomplished over this system, employees can instantly access the information they seek from different entry points in the most effective manner. In addition, at Vision Meetings held at the beginning of every year, Garanti's CEO shares the past year's assessment and next year's targets with the employees.

14. Participation of Stakeholders in Management

The Bank, taking into consideration all stakeholders, aims to improve product and service quality and to achieve internal and external customer satisfaction. In order to achieve this, the Bank bases all its systems so that they can be open to further and continuous improvement. The stakeholders can participate in management through these specially designed systems and meetings.

In addition to responding to customer inquiries, to receive their advice and to respond to their complaints, the "Customer is Always Right Line" was established to provide services to the customers. Garanti customers can submit their demands, complaints, ideas and suggestions about management anytime through our website or Call Center 444 0 338.

To have employees participate in management, the Bank has organized meetings where both parties can share their ideas. Participation in management is always encouraged and employees' suggestions for improving the Bank's business are collected via the suggestion system. Through this system employees can share their suggestions to improve services; the appropriate suggestions are evaluated carefully and rewarded. The Topic of the Month is part of this proposal system used as a channel to solicit employee views about the ongoing projects.

15. Human Resources Policy

The pillar of Garanti's approach to human resources is investing in human capital. Aware that the human capital is the driving force behind all progress, the Bank builds systems to continuously recruit, train and develop young and creative individuals, to offer its employees a working environment that encourages full utilization of their skills, to offer them a wide range of opportunities, and to recognize and award their accomplishments.

Garanti human resources are committed to prioritizing people, ensuring continuous investment, deploying sufficient resources for training, giving priority to internal promotions, undertaking

training programs for this purpose, developing human resources systems, maximizing participation by pioneering an environment of open communication, being fair and objective, and developing practices at international standards.

The mission of the Human Resources Department is to play a strategic role implementing efficient human resource policies to assist the organization to achieve its business objectives.

Accordingly, this Department operates in accordance with Garanti's ethical values and based on the principles of recognizing the Bank's business objectives, closely cooperating with business units and those in the field, employing objective measurement and rating tools and methods in that match the right person with the right job, developing human resources applications in accordance with the Bank's strategies, making efforts to improve employee motivation, creating communication forums that allow employees to openly express themselves, providing "career consulting" for employees in accordance with their competencies, knowledge, skills, needs and expectations, and ensuring that employees receive proper training for personal development.

For the past nine years, a unit managing Employer Brand Management and Internal Relations has been established to handle relationships with the employees.

Standard criteria (experience, seniority, performance, competency evaluation, tests, interview, etc.) have been identified for all internal promotions and transfers between positions. These have been transparently announced throughout the Bank via career maps as employees are guided and supported in accordance with the career path of their choice.

The compensation system of the Bank is based on salaries that fit the positions; employees who are employed in similar jobs receive similar compensation. Jobs are rated and receive compensation according to objective criteria such as required competency, risk involved and number of employees supervised.

The performance evaluation system at Garanti measures employee performance by evaluating their objectives and their success in reaching these objectives. Employees of the Bank receive bonuses based on EVA (Economic Value Added) financial accomplishment metrics and the "Self-Earn" bonus system. As a result of these and other similar systematic approaches, discrimination related

complaints from employees have been eliminated.

Systematic bonus and performance models have been major and effective management tools for achieving cost management and efficiency while ensuring fairness among the employees. Since 2003, bonus payments made as part of the EVA model based on Profit and Risk Management have developed a significant level of awareness of these criteria among all employees at branch level.

With the help of quarterly sector analyses, issues on compensation, number of employees at branches and head office and turnover rates of branches are monitored, and the effects of sector dynamics on human resources strategies are taken into account. Garanti holds a pioneering position in the sector thanks to its low turnover rates and controlled personnel costs per capita.

As part of the controlled growth strategy for 2009, transfers within and between regions will be the first priority for the new branch openings and open positions. For the long/permanent departures such as military service, maternity leave, unpaid leave and transfers, the workload will be met with the present staff instead of new recruitment.

16. Information on Relationships with Customers and Suppliers

The Customer Satisfaction Department was established on January 1, 2001 to "build a culture of customer satisfaction throughout the Bank and keep customer loyalty at the highest level".

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

The quality of the Complaint Management System of "Customer is Always Right Line" has been documented with the ISO 10002:2004 certificate issued by the British Standards Institution (BSI). Garanti is the first Turkish bank to receive an international certificate for its system of complaint management, which aims to maximize customer satisfaction.

Garanti customers can use a variety of channels to submit their questions and complaints to the Customer is Always Right Line.

Telephone: 444 0 338

Internet: http://www.garanti.com.tr/hakli_musteri_hatti/

E-mail: haklimusteri@garanti.com.tr

Mail: PK 338 AVPİM/İSTANBUL

Fax: (+90 212) 630 16 68

Complaint Box: located at all branches

Satisfaction measurement is performed for customers who submit a complaint to the

Customer is Always Right Line. The customer satisfaction survey available on the Customer is Always Right Line pages of www.garanti.com.tr aims to determine customers' satisfaction with the Bank's services; the results of this survey are regularly reported.

Moreover, after the complaint is resolved, the customer is sent an SMS asking if he/she was satisfied with the service that has been provided and responses are reported. Customers who are not satisfied with the service after submitting the survey and receiving the SMS are called once again to ensure satisfaction.

Customer messages are entered into the 3mweb application. This application tracks message opening dates, delivery channels, reply channels and group-channel-category subjects. Other attributes recorded by this application include the codes and names of the branches, ATMs and employees involved and on the solution side, the legitimacy of the complaint, degree of satisfaction, source of the problem, amount of interest cancellation or loss compensation, if any, type of gift, if any, sent to the customer as an apology or gesture of goodwill, and the applicability of the customer's proposals, if any.

Demographic details, contact information, profitability and branch-portfolio information of the customer can be accessed automatically by entering the customer number. Based on this information and available data in this application, the Business Objects application can produce a choice of on-line reports at various detail levels.

These reports are grouped as follows: In order to share information about frequent complaint areas and customers' sensitivities with all employees of the Bank, the number of messages received each month is announced by group, channel, category and subject. Detailed reports are sent to and regular meetings held with the relevant units to ensure that corrective measures are taken to resolve frequent complaints, especially those related to credit cards, the Call Center, the online branch and employee messages.

Complaints related to branches or employees are immediately communicated to the relevant branch managers to ensure rapid action. In some cases, instead of contacting the Customer is Always Right Line, customers send their complaints to certain consumer websites, government agencies or media outlets. The Bank monitors these websites daily; complaints sent to media outlets are resolved in coordination with the Advertising and Public Relations Department and those sent to government agencies are resolved in coordination with

the Legal Department. If customers are harmed because of the fault or negligence of the Bank, then these customers are compensated by the cancellation of charged interest or reimbursement of the loss. Senior Vice Presidents are authorized for up to YTL 1,000 in this regard. For amounts that exceed this limit, the approval of an Executive Vice President is required.

In addition to effectively and rapidly resolving customers' problems and complaints within a centralized system and in accordance with quality standards, Customer is Always Right Line also makes efforts to establish a customer satisfaction culture throughout the Bank.

For this purpose;

- Employees who receive appreciation or messages of thanks from customers are rewarded under the success program.

- Visits are paid to all Garanti branches to communicate the Bank's vision, business approach and expectations from the employees.

- Pioneered by the Department and supported by Garanti employees from all departments, Garanti put together a Customer Satisfaction Constitution, whose proper implementation is being monitored by the Customer Satisfaction Department.

17. Social Responsibility

Garanti pursues an efficient, profitable, long-term and sustainable growth strategy while designing banking services that create value for the economy and society. Firmly believing that its corporate mission extends beyond just banking, Garanti provides continuous support for the cultural, artistic, environmental, educational and athletic fields with the same approach and aims to deploy financial and other know-how to enhance quality of life and meet its social responsibilities. For this purpose, Garanti designs long-term national and international projects that improve the vision of the individual and society and create value through its own culture-oriented companies. It also provides long-term sponsorship support to national and international projects.

Garanti prioritizes Social Responsibility Projects that are part of its corporate values. Garanti chooses the projects to undertake or support based on the criteria of sustainability, ability to work as a partner with the institution it has teamed up with, contributes to the social quality of life, and most importantly, compatibility with the corporate identity. With all the projects it supports, Garanti strives to improve its own corporate culture along with the cultural know-how of society.

PART IV - BOARD OF DIRECTORS

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

The Board of Directors has eight members. The executive members are the Chairman of the Board of Directors Ferit Faik Şahenk, Chief Executive Officer Ergun Özen, Süleyman Sözen, Ahmet Kamil Esirtgen, Denis Arthur Hall and Dmitri Lysander Stockton.

There are two non-executive members, Muammer Cüneyt Sezgin and Des O'Shea, on the Board of Directors in accordance with the Banking Law.

Rules and/or restrictions regarding Board members taking on additional duties outside the Bank are subject to practices that comply with the Turkish Commercial Code and other applicable legislation.

19. Qualifications of the Members of the Board of Directors

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

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

Garanti's vision is to be the best bank in Europe. Its mission is to continuously and noticeably increase the value it creates for its customers, shareholders, employees, society and the environment by utilizing its influence, agility and organizational efficiency.

The vision and the mission of Garanti are publicly announced on the Bank's English

and Turkish websites. In addition, both the Board of Directors and senior management disseminate the mission and vision of the Bank at meetings, interviews and other communications through print and visual media channels.

Information regarding Garanti's strategy and the main pillars of its strategy are presented on page 6 of the Annual Report.

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

21. Risk Management and Internal Control Mechanisms

The Board of Directors is ultimately responsible for developing and monitoring the Bank's internal audit and risk management policies and strategies. Accordingly, the following units directly report to the Board of Directors: the Audit Department, which performs internal audit functions; the Internal Control Unit, which performs internal control functions; the Risk Management Department, which performs risk management functions; the Fraud Department, which monitors and takes action to prevent external fraud; and the Compliance Officer, who acts to prevent money laundering. The departments that

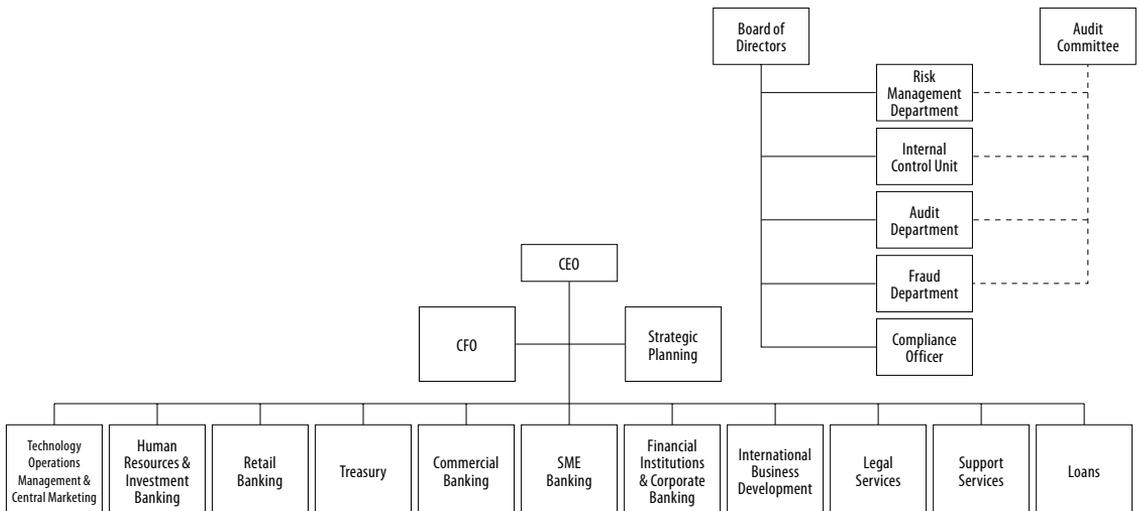
perform these functions are structured in accordance with the separation of powers principle. They are independent of executive functions and directly report to the Board of Directors.

The current system is structured within the organization of the Bank as given below.

The Internal Control System consists of continuous control activities and the related mechanisms that the Bank employees at all levels must comply with and implement in order to ensure the execution of the Bank's operations in accordance with applicable legislation and internal regulations, the integrity and reliability of accounting and reporting systems and the timely availability of information, within the framework provided by the Board of Directors.

The Audit Department performs systematic audits that cover all activities and units of the Bank in accordance with applicable legislation and especially the Banking Law and Bank regulations. These audits are performed independently of day-to-day activities and mainly focus on internal control and risk management systems. In this context, audit work is carried out in the domestic and international branches of the Bank, in the head office departments and in the subsidiaries that are subject to consolidation.

The Internal Control Unit ensures that a sound internal control environment is in place at the Bank and performs necessary coordination work in this regard and guarantees that activities are performed regularly, efficiently, effectively and in accordance with the management strategy and policies of the Bank and applicable



rules and regulations and monitors the integrity and reliability of accounting and recording systems. In this context, the Internal Unit creates infrastructures based on the functional separation of tasks, the sharing of authorities and responsibilities, the establishment of a sound reconciliation system, the integration of self-control mechanisms and systemic controls into processes and the identification and monitoring of risk to which the Bank is exposed. In addition, a Compliance Control Department was established within the Internal Control Unit to execute compliance functions. This Department coordinates the existing control mechanisms geared toward ensuring the compliance of all of the Bank's transactions with the laws, the Bank's internal policies and rules, and banking practices. As part of the compliance control, new products, services and processes related to new products and services are controlled before launch.

The Risk Management System consists of the standardization, information flow, compliance monitoring, decision-making and implementation mechanisms specified by the Board of Directors in order to monitor, control and, when necessary, changing the risk-return structure of the Bank's future cash flows and the nature and level of resulting activities. Duties of the Risk Management Department include the establishment of an integrated risk management system that measures and manages all risks arising from the activities of the Bank, including the risks of the subsidiaries, in accordance with applicable-legislation and to set up a structure throughout the Bank that will ensure an optimum risk-return-capital balance to maximize the value of Garanti in accordance with the above-mentioned system.

The Bank has adopted an "enterprise fraud prevention" approach to find more effective solutions and measures to take against fraudulent activities that are becoming increasingly complicated and dependent on advanced technology. As part of a new and pioneering approach and structure in the field of fraud prevention, credit cards, internet banking and application fraud teams that were previously working under different organizations and departments were brought together under the Fraud Department. The purpose of this Department is to prevent fraudulent acts with an enterprise approach, to minimize the risks arising from such acts, to reduce the losses incurred by the Bank in this regard, and to establish more effective operational security measures. The Department also aims to save

time and labor by reducing error rates in the identification of suspicious transactions and applications, to improve operational efficiency and to establish a corporate culture and awareness of fraud throughout the Bank.

These departments directly report to a Board member. The Audit Committee also regularly evaluates their activities and prepares action plans.

22. Duties and Responsibilities of Board of Directors and Executives

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

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

Agendas from Board of Directors meetings mainly consist of issues that the Chief Executive Officer has requested to be discussed and any other issues requested by Board members.

The Board of Directors meets monthly and the meeting schedules are circulated to all members at the beginning of the year.

A secretarial office has been set up to facilitate communication between the members of Board of Directors and the Head Office.

Board members may voice any opinion and discuss any explanations at Board of Directors meetings or add reservations to decisions. In accordance with legal provisions, the Board of Directors of Garanti does not have any independent members.

24. Non-compete and Non-transaction Rules

Garanti adopted principles in compliance with Articles 334 and 335 of the Turkish Commercial Code to make decisions regarding the non-compete and non-transaction issues between Garanti and its Board members.

25. Rules of Ethics

In accordance with the Bank's commitment to corporate governance principles and ethical values, the Human Resources Department issued a handbook of Ethical Principles and a related announcement to govern employee behavior and professional relations of the employees.

The Handbook of Ethical Principles includes ethical principles on such issues as the Bank's resources, relationships, risk, equal opportunity, responsibilities and sexual harassment. It defines managerial responsibilities regarding the creation of a working environment consistent with these ethical principles and specifies the penalties the Disciplinary Board of the Bank is authorized to impose in case of a violation

of ethical principles. Such violations include all actions that breach the laws, social values, Garanti's values, or the rights of employees or customers, or increase the Bank's operating expenses and reduce its efficiency.

Garanti believes that total quality can only be achieved through a strict implementation of human resources policies, business principles and ethical principles that are based on integrity, honesty and respect. In addition to the Handbook of Ethical Principles, core values are published on the intranet, which is open to all employees, as well as on the internet that is available to the public. Garanti has also compiled its customer-focus principles and values in a booklet entitled the Customer Satisfaction Constitution, which is available to all employees and customers.

26. Number, Structure and Independence of Committees under the Board of Directors

In line with its commitment to corporate governance principles, Garanti, at a time when no such legal obligation existed, set up an Audit Committee to assist the Board of Directors in its audit and supervision activities and to more effectively serve the interests of the Bank and investors.

The Committee has been active since 2001, with primary and ultimate responsibility in the hands of the Board of Directors. Efforts undertaken to fully align the Committee's duties and responsibilities with the Banking Law and relevant regulations have been completed.

Detailed information regarding the establishment and operation of Audit Committee and other committees is given in the Committees and Committee Meeting Attendance section of this report.

27. Remuneration of the Board of Directors

Members of the Board of Directors are paid attendance fees. The amount of this attendance fee is determined by the General Shareholders' Assembly and is reported to the Istanbul Stock Exchange.

The loans extended to the members of the Board of Directors or managers are restricted as per provisions of Article 50 of the Banking Law. The Bank does not extend loans to the members of the Board of Directors or managers outside of this framework.



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

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**CONVENIENCE TRANSLATION OF THE AUDITORS' REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH (SEE NOTE 3.1.1)**

TO THE BOARD OF DIRECTORS OF TÜRKİYE GARANTI BANKASI AŞ:

We have audited the unconsolidated balance sheet of Türkiye Garanti Bankası AŞ ("the Bank") as of 31 December 2008 and the related unconsolidated income statement, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no.26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditors' Opinion:

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası AŞ as of 31 December 2008 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and the statements and guidances published by the BRSA on accounting and financial reporting principles.

İstanbul,
12 February 2009

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat ALSAN

Partner

Certified Public Accountant

Additional paragraph for convenience translation to English:

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2008

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The Unconsolidated Year-End Financial Report prepared in accordance with the communique of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

The unconsolidated financial statements and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances and in compliance with the financial records of our Bank 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:
Name-Surname/Title: Handan SAYGIN/Senior Vice President of Investor Relations

Phone no : 90 212 318 23 50
Fax no : 90 212 216 59 02

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Türkiye Garanti Bankası AŞ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2008

(Thousands of New Turkish Lira [YTL])

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 721 domestic branches, five foreign branches and four representative offices abroad. The Bank's head office is located in Istanbul.

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

As of 31 December 2008, the 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 20.500 employees. The Group operates partnerships and has distribution, management and franchise agreements with internationally recognized brand names, such as Volkswagen, Audi, Bentley, Porsche, Seat, Scania, ITT Sheraton, Hyatt Regency, Jeeves, Armani, Gucci and CNBC. In the construction sector, the Group has an important role in certain ongoing projects such as Araklı-lyidere 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, Eureka 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 Sahenk	Chairman	18.04.2001	University	18 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	26 years
Muammer Cüneyt Sezgin	Member of BOD and Audit Committee	30.06.2004	PhD	20 years
Dr. Ahmet Kamil Esirtgen	Member	19.03.1992	PhD	34 years
Denis Arthur Hall	Member	08.10.2008	College	24 years
Des O'Shea	Member of BOD and Audit Committee	02.11.2006	University	31 years
Dmitri Lysander Stockton	Member	22.12.2005	University	17 years
Sait Erqun Özen	Member and CEO	14.05.2003	University	21 years

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

Türkiye Garanti Bankası AŞ**Unconsolidated Financial Report as of and for the Year Ended 31 December 2008**

(Thousands of New Turkish Lira [YTL])

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 Erun	EVP-Human Resources & Investment Banking	18.08.2005	Master	14 years
Faruk Nafiz Karadere	EVP-SME Banking	01.05.1999	University	26 years
Halil Hüsnü Erel	EVP-Operational Services	16.06.1997	University	23 years
Uruz Ersözöçlü	EVP-Treasury	03.04.2006	University	17 years
Tolga Egemen	EVP-Financial Institutions & Corporate Banking	21.09.2000	University	16 years
Turqay Gönensin	EVP-Commercial Banking	15.12.2001	University	23 years
Aydın Şenel	EVP- General Accounting & Financial Reporting	02.03.2006	University	27 years
Zekeriya Öztürk	EVP- International Business Development	02.03.2006	Master	13 years
Avni Aydın Düren	EVP-Legal Services	15.01.2009	Master	14 years

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

1.4 Information on the bank's qualified shareholders

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

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

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

1.5 Summary information on the bank's activities and services

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

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits set forth by the Banking Law;
- Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,
- Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by 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 31 December 2008

2 UNCONSOLIDATED FINANCIAL STATEMENTS

ASSETS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2008			31 December 2007		
	YTL	FC	Total	YTL	FC	Total	
I. CASH AND BALANCES WITH CENTRAL BANK	(5.1.1)	2,575,050	2,956,524	5,531,574	3,186,964	4,040,903	7,227,867
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	509,347	156,750	666,097	71,478	74,162	145,640
2.1 Financial assets held for trading		14,463	15,599	30,062	31,327	64,928	96,255
2.1.1 Government securities		4,663	15,599	20,262	21,552	64,928	86,480
2.1.2 Equity securities		600	-	600	-	-	-
2.1.3 Other securities		9,200	-	9,200	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		494,884	141,151	636,035	40,151	9,234	49,385
III. BANKS	(5.1.3)	1,425,450	3,375,585	4,801,035	804,865	2,328,118	3,132,983
IV. INTERBANK MONEY MARKETS		40,552	-	40,552	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 İstanbul Stock Exchange money market placements		40,552	-	40,552	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	(5.1.4)	14,887,550	2,458,231	17,345,781	9,760,509	3,325,681	13,086,190
5.1 Equity securities		25,679	44,989	70,668	28,467	37,674	66,141
5.2 Government securities		14,550,954	755,085	15,306,039	9,598,339	2,104,697	11,703,036
5.3 Other securities		310,917	1,658,157	1,969,074	133,703	1,183,310	1,317,013
VI. LOANS	(5.1.5)	28,030,439	21,876,968	49,907,407	22,491,701	14,726,185	37,217,886
6.1 Performing loans		27,580,293	21,876,968	49,457,261	22,184,686	14,726,185	36,910,871
6.1.1 Loans to bank's risk group	(5.7)	128,749	538,322	667,071	143,007	306,366	449,373
6.1.2 Others		27,451,544	21,338,646	48,790,190	22,041,679	14,419,819	36,461,498
6.2 Loans under follow-up		1,239,739	-	1,239,739	846,538	-	846,538
6.3 Specific provisions (-)		789,593	-	789,593	539,523	-	539,523
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	(5.1.6)	6,054,289	1,563,008	7,617,297	3,294,938	648,827	3,943,765
8.1 Government securities		6,054,289	1,563,008	7,617,297	3,291,736	648,827	3,940,563
8.2 Other securities		-	-	-	3,202	-	3,202
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	27,705	-	27,705	27,596	-	27,596
9.1 Associates consolidated under equity accounting		-	-	-	-	-	-
9.2 Unconsolidated associates		27,705	-	27,705	27,596	-	27,596
9.2.1 Financial investments in associates		25,991	-	25,991	25,882	-	25,882
9.2.2 Non-financial investments in associates		1,714	-	1,714	1,714	-	1,714
X. INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.8)	229,368	582,760	812,128	249,646	327,762	577,408
10.1 Unconsolidated financial investments in subsidiaries		219,005	582,760	801,765	241,370	327,762	569,132
10.2 Unconsolidated non-financial investments in subsidiaries		10,363	-	10,363	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)	-	69,161	69,161	-	31,960	31,960
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	69,161	69,161	-	31,960	31,960
13.3 Net foreign investment hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.12)	1,083,517	1,179	1,084,696	1,024,233	725	1,024,958
XV. INTANGIBLE ASSETS (Net)	(5.1.13)	15,764	-	15,764	11,885	1	11,886
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		15,764	-	15,764	11,885	1	11,886
XVI. INVESTMENT PROPERTY (Net)	(5.1.14)	-	-	-	-	-	-
XVII. TAX ASSET	0	34,255	-	34,255	58,166	-	58,166
17.1 Current tax asset		70	-	70	5,222	-	5,222
17.2 Deferred tax asset		34,185	-	34,185	52,944	-	52,944
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.1.16)	81,304	-	81,304	112,850	-	112,850
18.1 Assets held for sale		81,304	-	81,304	112,850	-	112,850
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.17)	844,459	61,645	906,104	892,499	86,828	979,327
TOTAL ASSETS		55,839,049	33,101,811	88,940,860	41,987,330	25,591,152	67,578,482

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

Türkiye Garanti Bankası Anonim Şirketi

Balance Sheet At 31 December 2008

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2008			31 December 2007		
		YTL	FC	Total	YTL	FC	Total
I. DEPOSITS	(5.2.1)	29,006,986	23,708,295	52,715,281	20,012,623	19,085,479	39,098,102
1.1 Deposits from bank's risk group	(5.7)	311,435	413,825	725,260	304,065	171,726	475,791
1.2 Others		28,695,551	23,294,470	51,990,021	19,708,558	18,913,753	38,622,311
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.2.2)	296,508	118,588	415,096	428,635	22,642	451,277
III. FUNDS BORROWED	(5.2.3)	2,076,975	8,766,471	10,843,446	1,282,828	7,275,816	8,558,644
IV. INTERBANK MONEY MARKETS		10,452,524	250,419	10,702,943	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		10,452,524	250,419	10,702,943	7,447,905	728,986	8,176,891
V. SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Others		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		1,932,052	17,679	1,949,731	1,819,991	11,574	1,831,565
VIII. OTHER EXTERNAL FUNDINGS PAYABLE	(5.2.4)	627,284	225,365	852,649	862,906	292,951	1,155,857
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	(5.2.5)	597	22,760	23,357	3,075	51,663	54,738
10.1 Financial lease payables		631	24,176	24,807	3,379	55,024	58,403
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		34	1,416	1,450	304	3,361	3,665
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(5.2.6)	-	4,871	4,871	-	249	249
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	4,871	4,871	-	249	249
11.3 Net foreign investment hedges		-	-	-	-	-	-
XII. PROVISIONS	(5.2.7)	781,480	22,951	804,431	541,116	20,222	561,338
12.1 General provisions		409,543	19,256	428,799	265,965	14,695	280,660
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		197,372	-	197,372	140,372	-	140,372
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-
12.5 Other provisions		174,565	3,695	178,260	134,779	5,527	140,306
XIII. TAX LIABILITY	(5.2.8)	378,236	107	378,343	210,225	77	210,302
13.1 Current tax liability		378,236	107	378,343	210,225	77	210,302
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.2.9)	-	-	-	-	-	-
14.1 Assets held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED DEBTS	(5.2.10)	-	781,638	781,638	-	596,400	596,400
XVI. SHAREHOLDERS' EQUITY	(5.2.11)	9,291,133	177,941	9,469,074	6,736,584	146,535	6,883,119
16.1 Paid-in capital		4,200,000	-	4,200,000	2,100,000	-	2,100,000
16.2 Capital reserves		1,600,696	169,436	1,770,132	893,304	144,014	1,037,318
16.2.1 Share premium		11,880	-	11,880	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		288,033	104,484	392,517	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)		(71,314)	64,952	(6,362)	(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		772,554	-	772,554	772,554	-	772,554
16.3 Profit reserves		1,739,949	8,505	1,748,454	1,427,664	2,521	1,430,185
16.3.1 Legal reserves		268,796	4,097	272,893	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		429	4,408	4,837	(1,715)	-	(1,715)
16.4 Profit or loss		1,750,488	-	1,750,488	2,315,616	-	2,315,616
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		1,750,488	-	1,750,488	2,315,616	-	2,315,616
16.5 Minority interests		-	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		54,843,775	34,097,085	88,940,860	39,345,888	28,232,594	67,578,482

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

Türkiye Garanti Bankası Anonim Şirketi

Off-Balance Sheet Items At 31 December 2008

		THOUSANDS OF NEW TURKISH LIRA (YTL)						
		CURRENT PERIOD 31 December 2008			PRIOR PERIOD 31 December 2007			
OFF-BALANCE SHEET ITEMS	Footnotes	YTL	FC	Total	YTL	FC	Total	
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		31,399,717	38,058,985	69,458,702	23,134,813	22,191,738	45,326,551	
I. GUARANTEES AND SURETIES	(5.3.1)	4,231,196	10,034,868	14,266,064	3,925,972	8,429,994	12,355,966	
1.1. Letters of guarantee		4,120,918	6,790,151	10,911,069	3,924,978	5,749,874	9,674,852	
1.1.1. Guarantees subject to State Tender Law		238,990	541,707	780,697	306,986	423,552	730,538	
1.1.2. Guarantees given for foreign trade operations		312,563	330,871	643,434	303,752	265,210	568,962	
1.1.3. Other letters of guarantee		3,569,365	5,917,573	9,486,938	3,314,240	5,061,112	8,375,352	
1.2. Bank acceptances		-	123,807	123,807	600	115,887	116,487	
1.2.1. Import letter of acceptance		-	108,097	108,097	600	107,622	108,222	
1.2.2. Other bank acceptances		-	15,710	15,710	-	8,265	8,265	
1.3. Letters of credit		278	3,120,910	3,121,188	394	2,564,233	2,564,627	
1.3.1. Documentary letters of credit		-	82	82	-	1,649	1,649	
1.3.2. Other letters of credit		278	3,120,828	3,121,106	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		110,000	-	110,000	-	-	-	
1.9. Other sureties		-	-	-	-	-	-	
II. COMMITMENTS	(5.3.1)	14,325,782	3,577,545	17,903,327	13,163,846	3,489,188	16,653,034	
2.1. Irrevocable commitments		14,325,782	3,576,891	17,902,673	13,163,846	3,488,798	16,652,644	
2.1.1. Asset purchase commitments		101,953	635,532	737,485	48,248	1,560,461	1,608,709	
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-	
2.1.3. Share capital commitments to associates and subsidiaries		812	-	812	812	-	812	
2.1.4. Loan granting commitments		2,787,561	1,535,359	4,322,920	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		1,356,364	-	1,356,364	1,852,451	-	1,852,451	
2.1.8. Tax and fund obligations on export commitments		25,834	-	25,834	24,398	-	24,398	
2.1.9. Commitments for credit card limits		8,789,048	-	8,789,048	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	1,406,000	2,670,210	1,264,210	1,015,000	2,279,210	
2.2. Revocable commitments		-	654	654	-	390	390	
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-	
2.2.2. Other revocable commitments		-	654	654	-	390	390	

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

Türkiye Garanti Bankası Anonim Şirketi

Off-Balance Sheet Items At 31 December 2008

		THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD 31 December 2008			PRIOR PERIOD 31 December 2007		
OFF-BALANCE SHEET ITEMS	Footnotes	YTL	FC	Total	YTL	FC	Total
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2)	12,842,739	24,446,572	37,289,311	6,044,995	10,272,556	16,317,551
3.1. Derivative financial instruments held for risk management		-	110,523	110,523	-	58,282	58,282
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	110,523	110,523	-	58,282	58,282
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		12,842,739	24,336,049	37,178,788	6,044,995	10,214,274	16,259,269
3.2.1. Forward foreign currency purchases/sales		1,842,879	2,509,939	4,352,818	583,139	859,775	1,442,914
3.2.1.1. Forward foreign currency purchases		835,846	1,346,064	2,181,910	320,360	384,789	705,149
3.2.1.2. Forward foreign currency sales		1,007,033	1,163,875	2,170,908	262,779	474,986	737,765
3.2.2. Currency and interest rate swaps		9,282,041	14,428,281	23,710,322	4,328,262	6,811,744	11,140,006
3.2.2.1. Currency swaps-purchases		5,342,075	6,590,355	11,932,430	1,181,840	4,132,508	5,314,348
3.2.2.2. Currency swaps-sales		3,939,966	7,799,523	11,739,489	3,143,966	2,676,084	5,820,050
3.2.2.3. Interest rate swaps-purchases		-	17,990	17,990	417	1,581	1,998
3.2.2.4. Interest rate swaps-sales		-	20,413	20,413	2,039	1,571	3,610
3.2.3. Currency, interest rate and security options		1,683,016	6,523,740	8,206,756	1,015,157	1,907,105	2,922,282
3.2.3.1. Currency call options		658,260	1,580,783	2,239,043	366,159	896,609	1,262,768
3.2.3.2. Currency put options		990,950	1,451,277	2,442,227	630,600	515,233	1,145,833
3.2.3.3. Interest rate call options		-	1,799,040	1,799,040	-	81,200	81,200
3.2.3.4. Interest rate put options		-	1,692,640	1,692,640	-	-	-
3.2.3.5. Security call options		33,806	-	33,806	10,563	113,283	123,846
3.2.3.6. Security put options		-	-	-	7,855	300,780	308,635
3.2.4. Currency futures		27,209	33,537	60,746	114,417	82,650	197,067
3.2.4.1. Currency futures-purchases		24,833	24,967	49,800	83,070	2,219	85,289
3.2.4.2. Currency futures-sales		2,376	8,570	10,946	31,347	80,431	111,778
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sales		-	-	-	-	-	-
3.2.6. Others		7,594	840,552	848,146	4,000	553,000	557,000
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		149,828,729	108,222,111	258,050,840	129,941,310	67,163,648	197,104,958
IV. ITEMS HELD IN CUSTODY		38,828,829	15,588,198	54,417,027	46,920,619	12,856,015	59,776,634
4.1. Customers' securities held		18,299,861	3,913,486	22,213,347	21,162,119	3,625,534	24,787,653
4.2. Investment securities held in custody		13,804,387	932,508	14,736,895	20,241,857	1,385,719	21,627,576
4.3. Checks received for collection		4,869,700	895,721	5,765,421	4,204,954	494,980	4,699,934
4.4. Commercial notes received for collection		1,822,785	1,776,262	3,599,047	1,281,717	1,631,219	2,912,936
4.5. Other assets received for collection		9,649	7,665,813	7,675,462	7,197	5,402,214	5,409,411
4.6. Assets received through public offering		-	25,454	25,454	-	18,805	18,805
4.7. Other items under custody		22,447	378,954	401,401	22,775	297,544	320,319
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		110,999,900	92,633,913	203,633,813	83,020,691	54,307,633	137,328,324
5.1. Securities		77,210	-	77,210	169,805	-	169,805
5.2. Guarantee notes		16,424,680	6,927,507	23,352,187	11,971,031	4,942,492	16,913,523
5.3. Commodities		157	-	157	157	-	157
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		19,469,018	20,275,144	39,744,162	13,345,519	7,900,332	21,245,851
5.6. Other pledged items		75,028,665	65,430,814	140,459,479	57,534,009	41,464,466	98,998,475
5.7. Pledged items-depository		170	448	618	170	343	513
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		181,228,446	146,281,096	327,509,542	153,076,123	89,355,386	242,431,509

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

Türkiye Garanti Bankası Anonim Şirketi**Income Statement For the Year Ended 31 December 2008**

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)	
		CURRENT PERIOD 1 January 2008- 31 December 2008	PRIOR PERIOD 1 January 2007- 31 December 2007
I. INTEREST INCOME	(5.4.1)	9,378,392	7,216,606
1.1 Interest income on loans		5,757,266	4,254,452
1.2 Interest income on reserve deposits		218,100	184,252
1.3 Interest income on banks		261,715	265,118
1.4 Interest income on money market transactions		7,120	5,538
1.5 Interest income on securities portfolio		2,955,527	2,214,573
1.5.1 Trading financial assets		24,908	17,214
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		2,111,947	1,565,595
1.5.4 Investments held-to-maturity		818,672	631,764
1.6 Financial lease income		-	-
1.7 Other interest income		178,664	292,673
II. INTEREST EXPENSE	(5.4.2)	6,200,432	4,412,503
2.1 Interest on deposits		4,318,410	3,073,561
2.2 Interest on funds borrowed		713,554	618,733
2.3 Interest on money market transactions		1,159,115	712,517
2.4 Interest on securities issued		-	-
2.5 Other interest expenses		9,353	7,692
III. NET INTEREST INCOME (I - II)		3,177,960	2,804,103
IV. NET FEES AND COMMISSIONS INCOME		1,441,128	1,197,703
4.1 Fees and commissions received		1,915,070	1,612,011
4.1.1 Non-cash loans		114,210	95,153
4.1.2 Others		1,800,860	1,516,858
4.2 Fees and commissions paid		473,942	414,308
4.2.1 Non-cash loans		453	322
4.2.2 Others		473,489	413,986
V. DIVIDEND INCOME	(5.4.3)	102,470	49,399
VI. NET TRADING INCOME/LOSSES (Net)	(5.4.4)	251,295	(135,904)
6.1 Trading account income/losses (Net)		529,426	(335,029)
6.2 Foreign exchange gains/losses (Net)		(278,131)	199,125
VII. OTHER OPERATING INCOME	(5.4.5)	297,971	1,017,870
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		5,270,824	4,933,171
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(5.4.6)	566,446	337,644
X. OTHER OPERATING EXPENSES (-)	(5.4.7)	2,542,390	1,823,411
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		2,161,988	2,772,116
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	(5.4.8)	2,161,988	2,772,116
XVI. PROVISION FOR TAXES (±)	(5.4.9)	411,500	456,500
16.1 Current tax charge		399,213	466,608
16.2 Deferred tax charge/(credit)		12,287	(10,108)
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	(5.4.10)	1,750,488	2,315,616
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from assets held for sale		-	-
18.2 Income from sale of associates, subsidiaries and joint-ventures		-	-
18.3 Others		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expenses on assets held for sale		-	-
19.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-
19.3 Others		-	-
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)	(5.4.8)	-	-
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	(5.4.9)	-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge/(credit)		-	-
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)	(5.4.10)	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(5.4.11)	1,750,488	2,315,616
EARNINGS PER SHARE (full YTL amount per YTL'000 face value each)		588	1,103

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 Year Ended 31 December 2008

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF NEW TURKISH LIRA (YTL)	
	CURRENT PERIOD	PRIOR PERIOD
	31 December 2008	31 December 2007
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	31,407	71,224
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	84,412	(30,887)
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	32,591	27,614
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(64,240)	23,292
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	80,122	22,883
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(6,472)	4,648
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	157,820	118,774
XI. CURRENT PERIOD PROFIT/LOSSES	1,750,488	2,315,616
1.1 Net changes in fair value of securities (transferred to income statement)	61,271	10,219
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	1,689,217	2,305,397
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	1,908,308	2,434,390

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

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

	Reserves from		Share Cancellation	Share Premium	Share Profts	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase/Fund	Revolution Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Sup. on Assets Held for Sale and Assets of Discont. Ops	Total Shareholders' Equity
	Retained Earnings	Capital															
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																	
I. Balances at beginning of the period	2,800,000	772,554	-	-	92,184	-	523,672	(481)	-	1,063,663	-	133,119	2,147	4,698	(27,218)	-	4,670,393
II. Correction made as per IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at beginning of the period (I+II)	2,800,000	772,554	-	-	92,184	-	523,672	(481)	-	1,063,663	-	133,119	2,147	4,698	(27,218)	-	4,670,393
Changes during the period																	
IV. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Market value changes of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Hedding reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G.1. Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G.2. Hedging instruments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation differences	-	-	-	-	-	(938)	-	-	(1,234)	-	(23,492)	-	-	(2,245)	-	-	(25,984)
XI. Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of changes in requirements of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2. Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Changes in reserves from inflation adjustments to paid in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current period net profit/loss	-	-	-	-	-	64,615	752,012	-	752,012	2,315,616	(209,319)	-	2,717	-	-	-	2,315,616
20.1. Dividends	-	-	-	-	-	-	-	-	-	-	(209,319)	-	-	-	-	-	(209,319)
20.2. Transfers to reserves	-	-	-	-	-	64,615	752,012	-	752,012	2,315,616	(209,319)	-	2,717	-	-	-	2,315,616
20.3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV+V+...+XIII+XIV+XV+XVI+XVII+XVIII+XIX)	2,800,000	772,554	-	-	156,211	-	1,275,689	(1,715)	-	2,315,616	-	208,657	29,864	2,453	24,390	-	6,883,119
CURRENT PERIOD (31/12/2008)																	
I. Balances at beginning of the period	2,800,000	772,554	-	-	156,211	-	1,275,689	(1,715)	-	2,315,616	-	208,657	29,864	2,453	24,390	-	6,883,119
Changes during the period																	
II. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Hedding reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1. Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Hedging instruments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences	-	-	-	-	-	907	-	-	3,211	-	64,240	-	-	-	-	-	68,352
IX. Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes in requirements of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase	2,000,000	11,880	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,111,880
12.1. Cash	2,000,000	11,880	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,111,880
12.2. Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Changes in reserves from inflation adjustments to paid in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current period net profit/loss	-	-	-	-	-	115,781	1,629,268	3,241	-	1,750,488	(2,315,616)	-	567,236	-	-	-	1,750,488
XVIII. Profit distribution	-	-	-	-	-	115,781	1,629,268	3,241	-	1,750,488	(2,315,616)	-	567,236	-	-	-	1,750,488
18.1. Dividends	-	-	-	-	-	115,781	1,629,268	3,241	-	1,750,488	(2,315,616)	-	567,236	-	-	-	1,750,488
18.2. Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (I+II+III+...+XVI+XVII+XVIII)	4,200,000	772,554	11,880	-	272,993	-	1,407,274	4,837	-	1,750,488	-	392,517	597,090	2,453	6,360	-	9,469,074

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

Türkiye Garanti Bankası Anonim Şirketi**Statement of Cash Flows For the Year Ended 31 December 2008**

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF NEW TURKISH LIRA (YTL)	
		CURRENT PERIOD 31 December 2008	PRIOR PERIOD 31 December 2007
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating losses before changes in operating assets and liabilities		(296,987)	3,312,966
1.1.1 Interests received		7,574,346	6,775,077
1.1.2 Interests paid		(5,931,586)	(4,268,323)
1.1.3 Dividend received		102,470	49,399
1.1.4 Fees and commissions received		2,054,089	1,701,336
1.1.5 Other income		116,554	880,578
1.1.6 Collections from previously written-off loans and other receivables		25,323	17,676
1.1.7 Payments to personnel and service suppliers		(1,964,574)	(1,454,334)
1.1.8 Taxes paid		(73,282)	(58,374)
1.1.9 Others	(5.6)	(2,200,327)	(330,069)
1.2 Changes in operating assets and liabilities		7,795,240	379,041
1.2.1 Net (increase) decrease in financial assets held for trading		65,861	38,999
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		(1,518,419)	(1,682,698)
1.2.4 Net (increase) decrease in loans		(11,979,155)	(9,923,267)
1.2.5 Net (increase) decrease in other assets		3,260,282	(2,319,020)
1.2.6 Net increase (decrease) in bank deposits		77,234	577,956
1.2.7 Net increase (decrease) in other deposits		13,408,117	8,343,180
1.2.8 Net increase (decrease) in funds borrowed		2,353,243	1,185,288
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(5.6)	2,128,078	4,158,603
I. Net cash flow from banking operations		7,498,253	3,692,007
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		(7,013,989)	(2,700,418)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-	(187)
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		(37,883)	55,238
2.3 Purchases of tangible assets		(348,771)	(297,507)
2.4 Sales of tangible assets		144,244	44,665
2.5 Cash paid for purchase of financial assets available-for-sale		(11,690,440)	(8,884,570)
2.6 Cash obtained from sale of financial assets available-for-sale		4,449,682	5,805,053
2.7 Cash paid for purchase of investments held-to-maturity		-	(1,118)
2.8 Cash obtained from sale of investments held-to-maturity		469,179	578,008
2.9 Others	(5.6)	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		552,727	(310,070)
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		(124,920)	(90,751)
3.6 Others (payments for founder shares repurchased)	(5.6)	(1,434,233)	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(5.6)	577,238	(251,324)
V. Net increase/(decrease) in cash and cash equivalents		1,614,230	430,195
VI. Cash and cash equivalents at beginning of period		3,417,495	2,987,300
VII. Cash and cash equivalents at end of period		5,031,725	3,417,495

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

Türkiye Garanti Bankası Anonim Şirketi

Statement of Profit Distribution At 31 December 2008

STATEMENT OF PROFIT DISTRIBUTION	THOUSANDS OF NEW TURKISH LIRA (YTL)	
	CURRENT PERIOD 31 December 2008	PRIOR PERIOD 31 December 2007
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1 CURRENT PERIOD PROFIT	2,161,988	2,772,116
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	411,500	456,500
1.2.1 Corporate tax (income tax)	411,500	456,500
1.2.2 Withholding tax	-	-
1.2.3 Other taxes and duties	-	-
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	1,750,488	2,315,616
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	87,524	115,781
1.5 OTHER STATUTORY RESERVES (-)	4,407	570,567
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	1,658,557	1,629,268
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of redeemed shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of redeemed shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	1,629,268
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of redeemed shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE (per YTL'000 face value each)		
3.1 TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	417	1,103
3.2 TO OWNERS OF ORDINARY SHARES (%)	42	110
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

Decision regarding to profit distribution will be held at General Assembly meeting.

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

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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.

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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.

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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.

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

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

Tangible assets purchased before 2005 are depreciated over their estimated useful lives on a straight-line basis from the date of their acquisition. 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 Liabilities for 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:

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

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

Retirement Benefit Obligations

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

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

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

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

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

a) Benefits transferable to SSF

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

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

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, will be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the 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.

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.

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.

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In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The tax applications for foreign branches;

NORTHERN CYPRUS

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

MALTA

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

LUXEMBOURG

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

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.

3.18.3 Transfer pricing

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

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

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

3.19 Funds borrowed

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.

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3.20 Shares and share issuances

None.

3.21 Confirmed bills of exchange and acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

3.22 Government incentives

As of 31 December 2008, the Bank 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, TL and foreign currency deposits, investment accounts, internet banking and call-center, debit card and bill payment.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

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

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Total Operating Profit	1,372,178	2,234,643	1,252,389	309,144	5,168,354
Other	-	-	-	-	-
Total Operating Profit	1,372,178	2,234,643	1,252,389	309,144	5,168,354
Net Operating Profit	1,055,989	1,305,972	272,938	(575,381)	2,059,518
Income from Associates, Subsidiaries and Joint-Ventures	-	-	-	102,470	102,470
Net Operating Profit	1,055,989	1,305,972	272,938	(472,911)	2,161,988
Provision for Taxes	-	-	-	411,500	411,500
Net Profit	1,055,989	1,305,972	272,938	(884,411)	1,750,488
Segment Assets	16,457,561	33,449,846	35,401,934	2,791,686	88,101,027
Investments in Associates, Subsidiaries and Joint-Ventures	-	-	-	839,833	839,833
Undistributed Items	-	-	-	-	-
Total Assets	16,457,561	33,449,846	35,401,934	3,631,519	88,940,860
Segment Liabilities	31,339,548	21,941,581	24,473,329	1,717,328	79,471,786
Shareholders' Equity	-	-	-	9,469,074	9,469,074
Undistributed Items	-	-	-	-	-
Total Liabilities and Shareholders' Equity	31,339,548	21,941,581	24,473,329	11,186,402	88,940,860
Other Segment Items					
Capital Expenditure	-	-	-	341,855	341,855
Depreciation Expenses	-	-	-	172,459	172,459
Impairment Losses	-	-	770	565,677	566,447
Other Non-Cash Income/Expenses	125,983	348,770	1,228,051	(3,936)	1,698,868
Restructuring Costs	-	-	-	-	-

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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".

Equity securities amounting YTL 16,284 thousands classified under "financial assets available-for-sale" as of 31 December 2007, are reclassified to "investments in associates".

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

4 FINANCIAL POSITION AND RESULTS OF OPERATIONS

4.1 Capital adequacy ratio

The Bank's unconsolidated capital adequacy ratio is 16.14%.

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".

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4.1.2 Capital adequacy ratio

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

4.1.3 Summary information related to capital adequacy ratio

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

(**) VaCR: Value at Credit Risk

VaMR: Value at Market Risk

VaOR: Value at Operational Risk

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4.1.4 Components of shareholders' equity items

	Current Period	Prior Period
CORE CAPITAL		
Paid-in Capital	4,200,000	2,100,000
Nominal Capital	4,200,000	2,100,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	772,554	772,554
Share Premium	11,880	-
Share Cancellation Profits	-	-
Legal Reserves	272,893	156,211
I. Legal Reserve (Turkish Commercial Code 466/1)	254,103	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	-	-
Profit	1,750,488	2,315,616
Current Period Profit	1,750,488	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 (-)	295,671	231,262
Intangible Assets (-)	15,764	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 (-)	-	-
Total Core Capital	9,095,482	6,679,787
SUPPLEMENTARY CAPITAL		
General Provisions	428,799	280,660
45% of Revaluation Surplus on Movables	-	-
45% of Revaluation Surplus on Immovables	966	966
Bonus shares of Associates, Subsidiaries and Joint-Ventures	2,453	2,453
Primary Subordinated Debt excluding the Portion included in Core Capital	-	-
Secondary Subordinated Debt	760,000	580,000
45% of Securities Value Increase Fund (*)	142,608	85,510
Associates and Subsidiaries	46,593	(5,312)
Investment Securities Available for Sale	96,015	90,822
Other Reserves	4,837	(1,715)
Total Supplementary Capital	1,339,663	947,874
TIER III CAPITAL	-	-
CAPITAL	10,435,145	7,627,661
DEDUCTIONS FROM CAPITAL	387,428	421,091
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at 10% or more	13,110	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	62,883	81,085
Others	-	-
TOTAL SHAREHOLDERS' EQUITY	10,047,717	7,206,570

(*) 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.

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4.2 Credit risk

Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary. The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is reviewed periodically in compliance with the legislation by the internal risk rating models. The credit limits are revised and further collateral is required if the risk level of debtor deteriorates. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the Bank's lending policies, the debtor's creditworthiness is analysed and the satisfactory collateral is required based on the financial position of the company and the lending terms demanded; like cash collateral, bank guarantees, mortgages, pledges, bills and corporate guarantees.

The Bank has control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed under the risk from market fluctuations. The Bank follows up the risk arising from such instruments and takes the necessary actions to decrease it when necessary.

The liquidated non-cash loans are subject to the same risk weighting with the overdue loans.

The Bank performs foreign trade finance and other interbank credit transactions through widespread correspondents network. Accordingly, the Bank assigns limits to domestic and foreign banks and other financial institutions examining their credit worthiness, periodically.

The Bank's largest 100 cash loan customers compose 30.85% of the total cash loan portfolio.

The Bank's largest 100 non-cash loan customers compose 53.63% of the total non-cash loan portfolio.

The Bank's largest 100 cash and non-cash loan customers represent 12.38% of the total "on and off balance sheet" assets.

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

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

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Customer and regional concentration of credit risks:

	Loans to Individuals and Corporates		Balances with Banks and Central Bank of Turkey		Securities*		Other Credits**		Off-Balance Sheet Commitments and Contingencies	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Customer concentration										
Private Sector	32,021,835	22,408,711	-	-	654,424	287,365	187,317	104,100	31,887,765	27,862,123
Public Sector	1,268,795	1,034,439	-	-	22,908,162	15,609,360	308	458	2,305	75,062
Banks	103,865	104,579	9,690,329	9,842,501	1,359,286	1,163,344	422,808	643,507	18,815,380	8,611,037
Retail Customers	16,512,912	13,670,157	-	-	-	-	-	-	127,546	253,871
Equity Securities	-	-	-	-	71,268	66,141	839,833	605,004	-	-
Total	49,907,407	37,217,886	9,690,329	9,842,501	24,993,140	17,126,210	1,450,266	1,353,069	50,832,996	36,802,093
Regional concentration										
Domestic	49,062,370	36,064,997	5,709,534	7,104,157	23,410,847	15,952,153	866,841	1,020,016	31,442,005	28,215,163
European Union (EU) Countries	667,477	727,378	3,042,197	2,299,893	1,277,785	1,039,423	515,047	292,394	10,895,571	5,777,665
OECD Countries ***	6,617	10,367	12,044	5,824	-	-	-	-	1,008,121	541,434
Off-Shore Banking Regions	90,103	5,227	57,151	67,495	226,765	13,915	212	964	30,461	24,196
USA, Canada	17,948	3,871	688,655	274,441	77,743	120,719	-	-	7,103,945	2,028,612
Other Countries	62,892	406,046	180,748	90,691	-	-	68,166	39,695	352,893	215,023
Total	49,907,407	37,217,886	9,690,329	9,842,501	24,993,140	17,126,210	1,450,266	1,353,069	50,832,996	36,802,093

* includes financial assets at fair value through profit or loss, financial assets available-for-sale and investments held-to-maturity

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

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

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4.2.1 Geographical concentration

	Assets	Liabilities	Non-cash Loans	Capital Expenditures	Net Profit/(Loss)
Current Period					
Domestic	81,915,736	74,770,923	11,500,025	341,854	1,674,576
EU Countries	5,532,362	6,511,645	1,635,450	-	73,356
OECD Countries*	18,661	836,228	433,287	-	-
Off-Shore Banking Regions	377,949	207,015	30,461	-	2,556
USA, Canada	784,346	6,421,186	314,583	-	-
Other Countries	311,806	193,863	352,258	-	-
Unallocated Assets/Liabilities**	-	-	-	-	-
Total	88,940,860	88,940,860	14,266,064	341,854	1,750,488
Prior Period					
Domestic	62,247,270	55,486,173	10,346,161	272,545	2,295,452
EU Countries	4,291,589	5,496,322	1,227,937	-	16,595
OECD Countries*	15,782	780,097	232,657	-	-
Off-Shore Banking Regions	86,743	206,350	24,196	-	3,569
USA, Canada	396,446	5,223,800	310,342	-	-
Other Countries	540,652	385,740	214,673	-	-
Unallocated Assets/Liabilities**	-	-	-	-	-
Total	67,578,482	67,578,482	12,355,966	272,545	2,315,616

* OECD countries other than EU countries, USA and Canada

** Assets, liabilities and equity items that can not be allocated on a consistent basis

4.2.2 Sectoral distribution of cash loans

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	276,174	1.00	72,527	0.33	194,622	0.87	67,105	0.45
Farming and Stockbreeding	265,942	0.96	61,230	0.28	189,456	0.85	63,035	0.43
Forestry	4,937	0.02	-	-	410	-	424	-
Fishery	5,295	0.02	11,297	0.05	4,756	0.02	3,646	0.02
Manufacturing	3,871,969	14.04	7,511,040	34.33	2,979,181	13.43	5,068,092	34.42
Mining	121,982	0.44	246,644	1.13	109,773	0.49	135,543	0.92
Production	3,537,887	12.83	5,885,970	26.90	2,528,660	11.40	4,088,742	27.77
Electricity, Gas, Water	212,100	0.77	1,378,426	6.30	340,748	1.54	843,807	5.73
Construction	953,983	3.46	1,348,629	6.16	842,137	3.80	1,072,745	7.28
Services	4,568,160	16.57	10,261,707	46.90	3,948,314	17.80	7,120,547	48.35
Wholesale and Retail Trade	3,178,646	11.53	2,562,118	11.71	2,633,025	11.87	1,626,111	11.04
Hotel, Food and Beverage Services	208,057	0.75	974,713	4.46	248,316	1.12	581,469	3.95
Transportation and Telecommunication	575,719	2.09	3,693,885	16.88	534,167	2.41	2,549,713	17.31
Financial Institutions	283,019	1.03	2,269,082	10.37	291,397	1.31	1,943,569	13.20
Real Estate and Renting Services	70,624	0.26	373,717	1.71	69,913	0.32	206,285	1.40
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Educational Services	72,763	0.26	31,401	0.14	56,473	0.25	28,093	0.19
Health and Social Services	179,332	0.65	356,791	1.63	115,023	0.52	185,307	1.26
Other	17,910,007	64.93	2,683,065	12.28	14,220,432	64.10	1,397,696	9.50
Total	27,580,293	100.00	21,876,968	100.00	22,184,686	100.00	14,726,185	100.00

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4.2.3 Credit risk by business segments

Loan Groups	Corporate Loans	Retail Loans	Credit Cards	Others	Total
Performing Loans					
Cash Loans	32,859,116	9,221,273	6,769,819	5,888,948	54,739,156
Non-Cash Loans	14,236,350	4,322,920	8,789,048	4,790,705	32,139,023
Loans under Follow-Up					
Cash Loans	102,521	279,280	225,252	-	607,053
Non-Cash Loans	13,813	-	-	-	13,813
Non-Performing Loans					
Cash Loans	434,365	348,151	457,223	-	1,239,739
Non-Cash Loans	15,901	-	-	-	15,901
Total					
Cash Loans	33,396,002	9,848,704	7,452,294	5,888,948	56,585,948
Non-Cash Loans	14,266,064	4,322,920	8,789,048	4,790,705	32,168,737
Provision Types					
Specific Provision					
Cash Loans	232,482	166,194	390,917	-	789,593
Non-Cash Loans	2,459	-	-	-	2,459
General Provision					
Cash Loans	228,445	68,310	48,007	46,753	391,515
Non-Cash Loans	17,603	3,802	11,474	4,405	37,284

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 set its activities related with market risk management in accordance with "Regulation on Bank's Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

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

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

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

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

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

The capital requirement for general market risk and specific risks is calculated using the standard method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

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4.3.1 Value at market risk

	Amount
(I) Capital Obligation against General Market Risk-Standard Method	154,390
(II) Capital Obligation against Specific Risks-Standard Method	31,698
(III) Capital Obligation against Currency Risk-Standard Method	3,674
(IV) Capital Obligation against Stocks Risks-Standard Method	-
(V) Capital Obligation against Exchange Risks-Standard Method	-
(VI) Capital Obligation against Market Risks of Options-Standard Method	12,138
(VII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(VIII) Total Capital Obligation against Market Risk (I+II+III+IV+V+VI)	201,900
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	2,523,750

4.3.2 Monthly average values at market risk

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	2,236,147	2,562,612	1,413,975	687,656	792,174	518,613
Common Share Risk	157,298	189,025	115,725	3,667	14,700	-
Currency Risk	109,942	268,725	12,963	136,017	360,925	9,000
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	175,148	316,100	122,113	83,433	204,950	24,250
Total Value at Risk	2,678,535	3,336,462	1,664,776	910,773	1,372,749	551,863

The value at market risk as of 31 December 2006 is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and the "Regulation on Equities of Banks" published in Official Gazette no.26333 dated 1 November 2006.

4.4 Operational risk

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

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

Basic Indicator Method	31 December 2007	31 December 2006	31 December 2005
(I) Net Interest Income	2,804,103	1,901,806	1,674,660
(II) Net Fees and Commissions Income	1,197,703	1,014,451	737,637
(III) Dividend Income	49,399	46,945	3,141
(IV) Net Trading Income/(Losses)	(135,904)	(56,272)	133,434
(V) Other Operating Income	1,017,870	212,746	184,580
(VI) Gain/(Loss) on Securities Available-for-Sale and Held-to-Maturity	47,375	50,081	55,676
(VII) Extraordinary Income	1,021,942	240,613	143,419
(VIII) Insurance Claim Collections	-	-	-
(IX) Gross Income (I+II+III+IV+V+VI+VII+VIII)	3,863,854	2,828,982	2,534,357
(X) Capital Obligation (IX * 15%)	579,578	424,347	380,154
(XI) Average Capital Obligation against Operational Risk		461,360	
(XII) Value at Operational Risk (XI * 12.5)		5,766,996	

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4.5 Currency risk

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2008, the Bank's net 'on balance sheet' foreign currency long position amounts to YTL 1,684,034 thousands (31 December 2007: YTL 1,099,543 thousands, foreign currency short position), net 'off-balance sheet' foreign currency short position amounts to YTL 1,928,664 thousands (31 December 2007: YTL 983,320 thousands, foreign currency long position), while net foreign currency short position amounts to YTL 244,630 thousands (31 December 2007: YTL 116,223 thousands).

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

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

	US\$	EUR	Yen (100)	GBP
Foreign currency purchase rates at balance sheet date	1.5200	2.1158	1.6733	2.2094
Rates for the days before balance sheet date;				
Day 1	1.5000	2.1215	1.6607	2.1655
Day 2	1.4950	2.1309	1.6583	2.1812
Day 3	1.4850	2.0865	1.6381	2.1842
Day 4	1.4850	2.0868	1.6383	2.1842
Day 5	1.4950	2.0962	1.6514	2.1902
Last 30-days arithmetical average rates	1.5227	2.0600	1.6711	2.2611

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Currency risk:

	Euro	USD	Yen	Other FCs	Total
Current Period					
Assets					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	149,735	2,769,347	309	37,133	2,956,524
Banks	1,041,132	2,097,283	2,514	234,656	3,375,585
Financial Assets at Fair Value through Profit/Loss	30,109	39,877	-	41	70,027
Interbank Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale	217,953	2,240,278	-	-	2,458,231
Loans (*)	7,714,815	16,091,162	47,037	533,655	24,386,669
Investments in Associates, Subsidiaries and Joint Ventures	487,273	95,487	-	-	582,760
Investments Held-to-Maturity	5,657	1,557,351	-	-	1,563,008
Derivative Financial Assets Held for Risk Management	68,537	624	-	-	69,161
Tangible Assets	-	1,179	-	-	1,179
Intangible Assets	-	-	-	-	-
Other Assets	12,229	27,216	1	284	39,730
Total Assets	9,727,440	24,919,804	49,861	805,769	35,502,874
Liabilities					
Bank Deposits	349,703	728,431	35	42,980	1,121,149
Foreign Currency Deposits	8,572,028	13,473,769	39,990	379,805	22,465,592
Interbank Money Market Takings	-	250,419	-	-	250,419
Other Fundings	2,892,007	6,654,953	1,149	-	9,548,109
Securities Issued	-	-	-	-	-
Miscellaneous Payables	5,013	3,280	-	9,386	17,679
Derivative Financial Liabilities Held for Risk Management	808	4,062	-	1	4,871
Other Liabilities (**)	107,768	175,701	1,183	126,369	411,021
Total Liabilities	11,927,327	21,290,615	42,357	558,541	33,818,840
Net 'On Balance Sheet' Position	(2,199,887)	3,629,189	7,504	247,228	1,684,034
Net 'Off-Balance Sheet' Position	2,029,201	(3,707,044)	(8,155)	(242,666)	(1,928,664)
Derivative Assets	3,750,886	5,234,213	2,914	418,432	9,406,445
Derivative Liabilities	1,721,685	8,941,257	11,069	661,098	11,335,109
Non-Cash Loans	-	-	-	-	-
Prior Period					
Total Assets	10,231,019	16,278,547	27,217	413,608	26,950,391
Total Liabilities	9,100,595	18,341,518	63,301	544,520	28,049,934
Net 'On Balance Sheet' Position	1,130,424	(2,062,971)	(36,084)	(130,912)	(1,099,543)
Net 'Off-Balance Sheet' Position	(1,086,320)	1,893,946	36,273	139,421	983,320
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 2,509,701 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 121,554 thousands.

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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
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	1,788,512	-	-	-	-	3,743,062	5,531,574
Banks	1,726,588	838,406	1,291,601	-	-	944,440	4,801,035
Financial Assets at Fair Value through Profit/Loss	33,270	75,827	425,675	118,116	12,609	600	666,097
Interbank Money Market Placements	40,552	-	-	-	-	-	40,552
Financial Assets Available-for-Sale	1,047,424	6,043,297	5,341,045	4,599,420	243,928	70,667	17,345,781
Loans	22,242,366	5,343,243	7,907,471	9,662,075	4,302,106	450,146	49,907,407
Investments Held-to-Maturity	514,932	2,307,180	148,422	3,332,449	1,314,314	-	7,617,297
Other Assets	82,616	301	5,052	6,338	21,056	2,915,754	3,031,117
Total Assets	27,476,260	14,608,254	15,119,266	17,718,398	5,894,013	8,124,669	88,940,860
Liabilities							
Bank Deposits	775,069	88,219	25,784	-	-	777,477	1,666,549
Other Deposits	37,713,758	4,003,826	1,485,572	28,946	-	7,816,630	51,048,732
Interbank Money Market Takings	10,130,907	325	-	571,711	-	-	10,702,943
Miscellaneous Payables	-	-	-	-	-	1,949,731	1,949,731
Securities Issued	-	-	-	-	-	-	-
Other Fundings	6,613,701	3,848,308	1,150,546	12,529	-	-	11,625,084
Other Liabilities	40,441	82,510	185,000	111,581	23,791	11,504,498	11,947,821
Total Liabilities	55,273,876	8,023,188	2,846,902	724,767	23,791	22,048,336	88,940,860
On Balance Sheet Long Position	-	6,585,066	12,272,364	16,993,631	5,870,222	-	41,721,283
On Balance Sheet Short Position	(27,797,616)	-	-	-	-	(13,923,667)	(41,721,283)
Off-Balance Sheet Long Position	3,116	2,155	6,022	-	-	-	11,293
Off-Balance Sheet Short Position	(50)	(16,701)	(43,725)	-	-	-	(60,476)
Total Position	(27,794,550)	6,570,520	12,234,661	16,993,631	5,870,222	(13,923,667)	(49,183)

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Average interest rates on monetary financial instruments:

Current Period	Euro	US\$	Yen	YTL
	%	%	%	%
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	12.00
Banks	2.98	1.75	-	2.07
Financial Assets at Fair Value through Profit/Loss	6.06	6.76	-	16.37
Interbank Money Market Placements	-	-	-	18.88
Financial Assets Available-for-Sale	5.25	6.52	-	19.16
Loans	7.86	6.86	5.51	24.53
Investments Held-to-Maturity	9.25	7.98	-	18.48
Liabilities				
Bank Deposits	4.39	4.27	-	18.11
Other Deposits	4.35	3.96	0.35	17.55
Interbank Money Market Takings	-	3.65	-	15.26
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	5.05	4.85	2.33	14.50

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
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
Total Assets	17,837,022	13,868,263	10,805,507	15,019,961	4,353,794	5,693,935	67,578,482
Liabilities							
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
Total Liabilities	38,907,238	6,200,684	3,347,251	992,236	113,152	18,017,921	67,578,482
On Balance Sheet Long Position	-	7,667,579	7,458,256	14,027,725	4,240,642	-	33,394,202
On Balance Sheet Short Position	(21,070,216)	-	-	-	-	(12,323,986)	(33,394,202)
Off-Balance Sheet Long Position	2,596	82	731	-	-	-	3,409
Off-Balance Sheet Short Position	(72)	(20,686)	(3,777)	-	-	-	(24,535)
Total Position	(21,067,692)	7,646,975	7,455,210	14,027,725	4,240,642	(12,323,986)	(21,126)

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Average interest rates on monetary financial instruments:

Prior Period	Euro	USD	Yen	YTL
	%	%	%	%
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	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
Liabilities				
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 diversifies funding resources as customer deposits and foreign borrowings, considers the maturity mismatch between assets and liabilities and maintains liquid assets to guarantee sufficient liquidity during market fluctuations.

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

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

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + YTL	FC	FC + YTL
Average (%)	168.14	149.56	110.42	108.99
Maximum (%)	215.04	179.94	126.94	119.49
Minimum (%)	137.44	126.82	95.14	100.70
Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + YTL	FC	FC + YTL
Average (%)	205.49	188.04	127.36	123.78
Maximum (%)	251.92	212.33	147.16	130.54
Minimum (%)	158.32	148.21	112.59	116.03

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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
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	3,743,062	1,788,512	-	-	-	-	-	5,531,574
Banks	944,440	1,418,906	12,431	167,966	1,480,873	776,419	-	4,801,035
Financial Assets at Fair Value through Profit/Loss	600	33,267	72,389	425,443	121,730	12,668	-	666,097
Interbank Money Market Placements	-	40,552	-	-	-	-	-	40,552
Financial Assets Available-for-Sale	70,668	59,805	1,094,374	2,103,498	12,141,051	1,876,385	-	17,345,781
Loans	134,381	10,006,406	5,600,642	8,061,056	14,587,050	11,067,726	450,146	49,907,407
Investments Held-to-Maturity	-	-	-	148,422	6,154,561	1,314,314	-	7,617,297
Other Assets	422,808	220,957	301	5,052	6,338	21,056	2,354,605	3,031,117
Total Assets	5,315,959	13,568,405	6,780,137	10,911,437	34,491,603	15,068,568	2,804,751	88,940,860
Liabilities								
Bank Deposits	777,477	728,010	88,219	7,370	59,730	5,743	-	1,666,549
Other Deposits	7,816,630	37,699,538	3,974,712	1,337,753	112,668	107,431	-	51,048,732
Other Fundings	-	121,484	401,731	3,279,063	3,773,072	4,049,734	-	11,625,084
Interbank Money Market Takings	-	10,130,907	325	-	571,711	-	-	10,702,943
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	134,503	1,815,228	-	-	-	-	-	1,949,731
Other Liabilities (**)	493,140	299,593	125,002	185,000	111,581	23,791	10,709,714	11,947,821
Total Liabilities	9,221,750	50,794,760	4,589,989	4,809,186	4,628,762	4,186,699	10,709,714	88,940,860
Liquidity Gap	(3,905,791)	(37,226,355)	2,190,148	6,102,251	29,862,841	10,881,869	(7,904,963)	-
Prior Period								
Total Assets	3,326,073	14,406,520	4,925,991	8,466,366	24,227,672	9,893,815	2,332,045	67,578,482
Total Liabilities	8,410,696	35,546,329	4,365,228	4,817,482	2,039,978	4,662,149	7,736,620	67,578,482
Liquidity Gap	(5,084,623)	(21,139,809)	560,763	3,648,884	22,187,694	5,231,666	(5,404,575)	-

(*) 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.

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4.8 Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	84,560,814	64,106,626	84,574,331	64,398,611
Interbank Money Market Placements	40,552	-	40,552	-
Banks (*)	9,649,777	9,842,501	9,649,777	9,842,501
Financial Assets Available-for-Sale	17,345,781	13,102,474	17,345,781	13,102,474
Investments Held-to-Maturity	7,617,297	3,943,765	7,626,548	3,943,151
Loans	49,907,407	37,217,886	49,911,673	37,510,485
Financial Liabilities	66,290,096	58,261,600	66,290,096	58,261,600
Bank Deposits	1,666,549	1,587,551	1,666,549	1,587,551
Other Deposits	51,048,732	37,510,551	51,048,732	37,510,551
Other Fundings	11,625,084	17,331,935	11,625,084	17,331,935
Securities Issued	-	-	-	-
Miscellaneous Payables	1,949,731	1,831,563	1,949,731	1,831,563

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

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

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

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

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

The Bank provides buying, selling and custody services and management and advisory services in financial matters for its customers.

The Bank is not involved in trust activities.

5 DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

5.1 Assets

5.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Cash in YTL/Foreign Currency	312,466	341,436	244,772	200,258
Central Bank of Turkey	2,258,831	2,589,911	2,939,012	3,770,506
Others	3,753	25,177	3,180	70,139
Total	2,575,050	2,956,524	3,186,964	4,040,903

Balances with the Central Bank of Turkey:

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

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in YTL and USD or EUR at the rates of 6% and 9%, respectively as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey. The interest rate applied by the Central Bank of Turkey for YTL reserves is 12%. The FC reserves do not earn any interests.

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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	58,900	3,640	8,479	5,837
Swap Transactions	424,753	115,354	12,741	1,923
Futures	-	14	-	-
Options	11,231	22,143	18,931	1,474
Other	-	-	-	-
Total	494,884	141,151	40,151	9,234

5.1.3 Banks

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks				
Domestic banks	82,934	737,306	13,317	381,322
Foreign banks	1,342,516	2,638,279	791,548	1,946,796
Foreign headoffices and branches	-	-	-	-
Total	1,425,450	3,375,585	804,865	2,328,118

Due from foreign banks:

	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,478,907	1,209,261	1,563,290	1,090,632
USA and Canada	380,290	183,406	308,365	91,035
OECD Countries (*)	12,044	5,824	-	-
Off-Shore Banking Regions	41,198	50,843	15,953	16,652
Other	180,748	90,691	-	-
Total	2,093,187	1,540,025	1,887,608	1,198,319

(*) OECD countries other than the EU countries, USA and Canada

The placements at foreign banks include blocked accounts amounting YTL 1,887,608 thousands of which YTL 235,507 thousands, YTL 154,263 thousands and YTL 15,953 thousands are kept at the central banks of Luxembourg, Malta and NCTR, respectively as reserve deposits, and YTL 1,481,885 thousands as collateral against funds borrowed.

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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 2,421,747 thousands (31 December 2007: YTL 671,758 thousands) is YTL 2,364,979 thousands (31 December 2007: YTL 673,136 thousands). The related accrued interests and impairment losses amount to YTL 125,357 thousands (31 December 2007: YTL 54,535 thousands) and YTL 1,743 thousands. 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 252,550,000 (31 December 2007: USD 407,350,000) is USD 251,524,241 (31 December 2007: USD 404,473,448). The related accrued interests and impairment losses amount to USD 8,680,426 (31 December 2007: USD 16,445,220) and USD 368,200 (31 December 2007: USD 34,938).

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Collateralised/Blocked Assets	2,488,593	394,951	727,621	488,225
Assets subject to Repurchase Agreements	6,491,961	104,557	5,867,904	527,840
Total	8,980,554	499,508	6,595,525	1,016,065

5.1.4.2 Details of financial assets available-for-sale

	Current Period	Prior Period
Debt Securities	15,917,927	12,172,484
Quoted at Stock Exchange	14,363,860	11,011,197
Unquoted at Stock Exchange	1,554,067	1,161,287
Common Shares	33,531	15,212
Quoted at Stock Exchange	21,062	12,743
Unquoted at Stock Exchange	12,469	2,469
Value Increases/Impairment Losses (-)	1,394,323	898,494
Total	17,345,781	13,086,190

As of 31 December 2008, the Bank's "financial assets available-for-sale" portfolio includes private sector bonds with "credit linked notes" at a total face value of USD 875,000,000 (2007: USD 875,000,000) and a total carrying value of YTL 1,355,529 thousands (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
Direct Lendings to Shareholders	25	1,661	1	1,090
Corporates	25	1,661	1	1,090
Individuals	-	-	-	-
Indirect Lendings to Shareholders	216,995	183,922	61,738	168,482
Loans to Employees	47,155	-	50,014	-
Total	264,175	185,583	111,753	169,572

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5.1.5.2 Loans and other receivables classified in groups I and II and restructured or rescheduled

Cash Loans	Performing Loans and Other Receivables (Group I)		Loans under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Loans	48,794,640	-	607,054	55,567
Discounted Bills	131,464	-	12	-
Export Loans	3,166,922	-	1,295	4,567
Import Loans	3,191	-	-	-
Loans to Financial Sector	1,076,740	-	-	-
Foreign Loans	774,028	-	-	-
Consumer Loans	9,221,114	-	279,280	-
Credit Cards	6,769,819	-	225,252	-
Precious Metal Loans	236,175	-	-	-
Other	27,415,187	-	101,215	51,000
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	48,794,640	-	607,054	55,567

Collaterals received for loans under follow-up:

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

Delinquency periods of loans under follow-up:

	Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	72,740	211,764	150,864	435,368
61-90 days	29,782	67,516	74,388	171,686
Total	102,522	279,280	225,252	607,054

5.1.5.3 Maturity analysis of cash loans

	Performing Loans and Other Receivables (Group I)		Loans under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Short-term Loans	17,500,465	-	276,189	53,167
Loans	17,500,465	-	276,189	53,167
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	31,294,175	-	330,865	2,400
Loans	31,294,175	-	330,865	2,400
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans-YTL	394,752	7,549,107	7,943,859
Housing Loans	15,452	4,290,040	4,305,492
Automobile Loans	19,718	770,641	790,359
General Purpose Loans	359,582	2,488,426	2,848,008
Other	-	-	-
Consumer Loans-FC-indexed	14,961	1,011,616	1,026,577
Housing Loans	2,793	891,132	893,925
Automobile Loans	2,104	46,769	48,873
General Purpose Loans	10,064	73,715	83,779
Other	-	-	-
Consumer Loans-FC	38	24,482	24,520
Housing Loans	-	6,764	6,764
Automobile Loans	1	16,635	16,636
General Purpose Loans	37	1,083	1,120
Other	-	-	-
Retail Credit Cards-YTL	6,752,629	37,793	6,790,422
With Installment	2,891,182	37,784	2,928,966
Without Installment	3,861,447	9	3,861,456
Retail Credit Cards-FC	16,704	2	16,706
With Installment	10,674	2	10,676
Without Installment	6,030	-	6,030
Personnel Loans-YTL	14,256	8,855	23,111
Housing Loan	-	1,715	1,715
Automobile Loans	20	296	316
General Purpose Loans	14,236	6,844	21,080
Other	-	-	-
Personnel Loans-FC-indexed	-	512	512
Housing Loans	-	289	289
Automobile Loans	-	223	223
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	38	62	100
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	38	62	100
Other	-	-	-
Personnel Credit Cards-YTL	23,042	177	23,219
With Installment	17,818	177	17,995
Without Installment	5,224	-	5,224
Personnel Credit Cards-FC	213	-	213
With Installment	132	-	132
Without Installment	81	-	81
Deposit Accounts – YTL (real persons)	481,715	-	481,715
Deposit Accounts – FC (real persons)	-	-	-
Total	7,698,348	8,632,606	16,330,954

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5.1.5.5 Installment based commercial loans and corporate credit cards

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

5.1.5.6 Allocation of loans by customers

	Current Period	Prior Period
Public Sector	1,268,795	1,034,439
Private Sector	48,188,466	35,876,432
Total	49,457,261	36,910,871

5.1.5.7 Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	48,683,233	35,738,668
Foreign Loans	774,028	1,172,203
Total	49,457,261	36,910,871

5.1.5.8 Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Lending	450,799	388,214
Indirect Lending	-	-
Total	450,799	388,214

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5.1.5.9 Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables-Limited Collectibility	62,160	23,734
Doubtful Loans and Receivables	179,505	90,827
Uncollectible Loans and Receivables	547,928	424,962
Total	789,593	539,523

*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 Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period			
(Gross Amounts before Specific Provisions)	-	-	54,285
Restructured Loans and Receivables	-	-	54,285
Rescheduled Loans and Receivables	-	-	-
Prior Period			
(Gross Amounts before Specific Provisions)	-	-	54,424
Restructured Loans and Receivables	-	-	54,424
Rescheduled Loans and Receivables	-	-	-

Movements in non-performing loans and other receivables:

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Balances at Beginning of Period	148,942	200,640	496,956
Additions during the Period (+)	848,224	50,721	62,839
Transfer from Other NPL Categories (+)	-	588,381	401,250
Transfer to Other NPL Categories (-)	588,381	401,250	-
Collections during the Period (-)	170,595	143,858	121,997
Write-offs (-)	2	20	132,111
Corporate and Commercial Loans	2	-	14,305
Retail Loans	-	3	15,712
Credit Cards	-	17	102,094
Others	-	-	-
Balances at End of Period	238,188	294,614	706,937
Specific Provisions (-)	62,160	179,505	547,928
Net Balance on Balance Sheet	176,028	115,109	159,009

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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(+)	104,617	137,273	347,185	589,075
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	30,341	60,934	115,830	207,105
Write-offs (-)	14,181	15,616	102,103	131,900
Balances at End of Period	232,482	166,194	390,917	789,593

Non-performing loans and other receivables in foreign currencies:

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period			
Balance at End of Period	7,071	3,594	126,058
Specific Provisions (-)	467	526	95,401
Net Balance at Balance Sheet	6,604	3,068	30,657
Prior Period			
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

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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
Current Period (Net)	176,028	115,109	159,009
Loans to Individuals and Corporates (Gross)	238,188	294,614	698,954
Specific Provision (-)	62,160	179,505	539,945
Loans to Individuals and Corporates (Net)	176,028	115,109	159,009
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	7,672
Specific Provision (-)	-	-	7,672
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	125,208	109,813	71,994
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	163	209	-	372
Loans Collateralized by Mortgages	229,602	65,644	-	295,246
Loans Collateralized by Pledged Assets	64,664	77,877	-	142,541
Loans Collateralized by Cheques and Notes	68,215	139,849	-	208,064
Loans Collateralized by Other Collaterals	24,364	10,526	-	34,890
Unsecured Loans	47,357	54,046	457,223	558,626
Total	434,365	348,151	457,223	1,239,739

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5.1.5.11 Liquidation policy for uncollectible loans and receivables

Uncollectible loans and receivables legally qualified as “uncollectible” by way of the “incapability document”, are written off. In 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.

5.1.5.12 “Write-off” policies

Please refer to Note 5.1.5.11 above.

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	1,508,226	65,263	283,506	27,897
Investments subject to Repurchase Agreements	4,354,254	174,759	2,645,615	353,973
Total	5,862,480	240,022	2,929,121	381,870

5.1.6.2 Government securities held-to-maturity

	Current Period	Prior Period
Government Bonds	6,054,289	3,823,946
Treasury Bills	-	-
Other Government Securities	1,563,008	116,617
Total	7,617,297	3,940,563

5.1.6.3 Investments held-to-maturity

	Current Period	Prior Period
Debt Securities	7,337,175	3,819,441
Quoted at Stock Exchange	7,337,175	3,816,239
Unquoted at Stock Exchange	-	3,202
Impairment Reversals/Impairment Losses (-)	280,122	124,324
Total	7,617,297	3,943,765

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	66,130	(140,382)
Purchases during the Period	3,935,987	1,118
Disposals through Sales/Redemptions	(484,383)	(427,744)
Value Increases/Impairment Losses (-)	15,203	(9,884)
Change in Redeemed Costs	140,595	(98,190)
Balances at End of Period	7,617,297	3,943,765

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

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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
2 Bankalarası Kart Merkezi AŞ	Istanbul/Turkey	10,15	10,15
3 Yatırım Finansman Menkul Değerler AŞ ⁽¹⁾	Istanbul/Turkey	0,77	0,77
4 IMKB Takas ve Saklama Bankası AŞ ⁽¹⁾	Istanbul/Turkey	5,83	5,83
5 Vadeli İşlem ve Opsiyon Borsası AŞ	Istanbul/Turkey	6,00	6,00
6 KKB Kredi Kayıt Burosı AŞ ⁽¹⁾	Istanbul/Turkey	9,09	9,09
7 Gelişen İşletmeler Piyasaları AŞ	Istanbul/Turkey	5,00	5,00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (if available)
1	491,110	201,711	20,811	29,495	7,919	59,947	37,735	-
2	15,271	12,004	4,544	1,665	-	1,139	2,075	-
3	146,400	53,593	1,417	-	-	(1,962)	3,725	-
4	1,721,903	262,251	11,064	34,336	12,982	34,664	53,253	-
5	31,706	29,816	2,333	3,615	64	15,988	2,854	-
6	22,347	17,068	1,821	2,420	1	4,361	-	-
7	7,338	7,325	2	1,320	2	1,030	-	-

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

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

5.1.7.2 Movement of investments in associates

	Current Period	Prior Period
Balance at Beginning of Period	27,596	16,081
Movements during the Period	109	11,515
Acquisitions and Capital Increases	-	-
Bonus Shares Received	109	203
Dividends from Current Year Profit	-	-
Sales/Liquidations (-)	-	-
Reclassifications (*)	-	11,312
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	27,705	27,596
Balance at End of Period	-	-
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 on 21 June 2007, the remaining 20% shares are reclassified to Investments in Associates. In the prior period.

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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	14,679	14,570
Other Associates	1,714	1,714

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	27,705	27,596
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

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	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	16,412	9,885	514	-	8	2,040	(99,458)	-
2	16,243	8,908	996	35	1,853	2,413	5,917	-
3	641	486	15	-	96	121	-	-
4	531	219	44	-	2	46	(171)	-
5	395	329	-	-	18	133	8	-
6	2,228,841	285,640	18,230	246,920	-	74,357	128,035	-
7	750,337	41,428	1,975	96,276	1,702	7,082	14,264	31,071
8	27,568	24,939	3,043	2,052	1,338	110	10,140	-
9	17,513	14,194	1,194	2,063	241	966	440	-
10	1,204,852	156,862	11,187	29,042	5,014	64,565	25,078	-
11	7,690,641	483,610	100,827	357,629	103,357	65,953	13,606	487,273
12	477,206	87,342	1,235	35,968	8,621	13,511	29,545	90,864
13	10,618	10,228	-	85	-	(725)	6,188	27,324
14	93	-	-	-	-	-	(267)	-

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

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	234,720	(26,744)
Acquisitions and Capital Increases	-	187
Bonus Shares Received (*)	72,284	45,605
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	(55,238)
Reclassifications	-	(11,312)
Increase/(Decrease) in Market Values	80,122	22,884
Currency Differences on Foreign Subsidiaries	80,227	(29,069)
Impairment Reversals/(Losses)	2,087	199
Balance at End of Period	812,128	577,408
Capital Commitments	562	562
Share Percentage at the End of Period (%)	-	-

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

As per the decision made at the general assembly 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 share capital from EUR 134,750,000 to EUR 159,470,000 through appropriation from its retained earnings at 17 April 2007. Garanti Faktoring Hizmetleri AŞ increased its share capital from YTL 15,989 thousands to YTL 16,849 thousands through appropriation from its retained earnings at 8 August 2007.

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5.1.8.3 Sectoral distribution of investments in subsidiaries

Subsidiaries	Current Period	Prior Period
Banks	555,439	310,612
Insurance Companies	56,545	56,545
Factoring Companies	17,215	39,580
Leasing Companies	76,169	76,169
Finance Companies	96,397	86,226
Other Subsidiaries	10,363	8,276

5.1.8.4 Quoted subsidiaries

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

5.1.8.5 Valuation methods of investments in subsidiaries

Subsidiaries	Current Period	Prior Period
Valued at Cost	202,049	202,049
Valued at Fair Value	599,975	367,341
Valued by Equity Method of Accounting	10,104	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

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	-	69,161	-	31,960
Net foreign investment hedges	-	-	-	-
Total	-	69,161	-	31,960

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".

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5.1.12 Tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at End of Prior Period					
Cost	884,348	357,163	36,965	729,089	2,007,565
Accumulated Depreciation	(196,717)	(235,742)	(22,393)	(527,755)	(982,607)
Net Book Value at End of Prior Period	687,631	121,421	14,572	201,334	1,024,958
Balance at End of Current Period					
Additions	55,104	77,147	929	200,846	334,026
Disposals-Costs	(54,533)	(45,221)	(2,604)	(198,695)	(301,053)
Disposals-Accumulated Depreciation	1,740	46,572	1,869	137,965	188,146
Reversal of/Impairment Losses (-)	6,264	-	-	-	6,264
Depreciation Expense for Current Period	(20,799)	(63,066)	(5,856)	(77,924)	(167,645)
Currency Translation Differences on Foreign Operations	-	-	-	-	-
Cost at End of Current Period	891,183	389,089	35,290	731,240	2,046,802
Accumulated Depreciation at End of Current Period	(215,776)	(252,236)	(26,380)	(467,714)	(962,106)
Net Book Value at End of Current Period	675,407	136,853	8,910	263,526	1,084,696

5.1.12.1 Disclosure for impairment losses or releases individually material for financial statements

Conditions for allocating/releasing any impairment:

None.

Amount of impairment losses provided or released in financial statements during current period:

None.

5.1.12.2 Other impairment losses provided or released in current period that are immaterial for the financial statement individually

A total provision of YTL 6,265 thousands made for the impairment in values of certain real estates in prior periods in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets", is reserved in 2008.

5.1.13 Intangible assets

5.1.13.1 Useful lives and amortisation rates

Intangible assets include pre-operating expenses, softwares and intangible rights. The estimated useful lives of such assets vary between 5 and 15 years.

5.1.13.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation.

5.1.13.3 Balances at beginning and end of current period

	Beginning of Period		End of Period	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Intangible Assets	60,995	45,231	53,166	41,280

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5.1.13.4 Movements of intangible assets for the current period

	Current Period	Prior Period
Net Book Value at End of Prior Period	11,886	10,618
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	7,829	6,290
Disposals (-)	-	5
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	3,951	5,017
Currency Translation Differences on Foreign Operations	-	-
Other Movements	-	-
Net Book Value at End of Current Period	15,764	11,886

5.1.13.5 Details for any individually material intangible assets

None.

5.1.13.6 Intangible assets capitalised under government incentives at fair values

None.

5.1.13.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates

None.

5.1.13.8 Net book value of intangible asset that are restricted in usage or pledged

None.

5.1.13.9 Commitments to acquire intangible assets

None.

5.1.13.10 Disclosure on revalued intangible assets

None.

5.1.13.11 Research and development costs expensed during current period

None.

5.1.13.12 Goodwill

None.

5.1.13.13 Movements in goodwill during current period

None.

5.1.14 Investment property

None.

5.1.15 Deferred tax asset

As of 31 December 2008, the Bank has a deferred tax asset of YTL 34,185 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 31 December 2008. However, there is a deferred tax asset of YTL 107,145 thousands (31 December 2007: YTL 103,883 thousands) and deferred tax liability of YTL 72,960 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.

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5.1.16 Assets held for sale and assets of discontinued operations

	Current Period	Prior Period
End of Prior Period		
Cost	115,599	117,255
Accumulated Depreciation	(2,749)	(2,101)
Net Book Value	112,850	115,154
End of Current Period		
Additions	6,917	24,962
Disposals (Cost)	(39,867)	(26,618)
Disposals (Accumulated Depreciation)	1,780	746
Impairment Losses (-)	487	-
Depreciation Expense for Current Period	(863)	(1,394)
Currency Translation Differences on Foreign Operations	-	-
Cost	83,136	115,599
Accumulated Depreciation	(1,832)	(2,749)
Net Book Value	81,304	112,850

As of 31 December 2008, the rights of repurchase on various assets held for sale amount to YTL 13,714 thousands (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	29,530	31,412
Sale of Real Estates	455	1,427
Sale of Other Assets	2,863	2,843
Total	32,848	35,682

5.1.17.2 Prepaid expenses, taxes and similar items

	Current Period	Prior Period
Prepaid Expenses	295,671	231,262
Prepaid Taxes	70	5,222

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	51,629	8,645	38,920	11,802
Financial Assets at Fair Value through Profit or Loss	721	3,180	873	3,020
Banks	35,237	32,122	61,067	32,654
Interbank Money Markets	552	-	-	-
Financial Assets Available-for-Sale	1,360,541	47,847	723,009	125,391
Loans	755,777	343,165	288,420	205,706
Investments Held-to-Maturity	287,324	24,870	170,780	819
Other Accruals	13,351	2	13,509	2,749
Total	2,505,132	459,831	1,296,578	382,141

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5.2 Liabilities**5.2.1 Maturity profile of deposits**

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	1,263,502	-	6,626,686	10,082,104	111,230	82,761	72,599	-	18,238,882
Foreign Currency Deposits	4,161,413	-	9,087,581	6,854,269	418,274	1,086,744	766,434	90,877	22,465,592
Residents in Turkey	3,858,891	-	8,739,310	6,595,492	396,877	519,663	556,614	89,588	20,756,435
Residents in Abroad	302,522	-	348,271	258,777	21,397	567,081	209,820	1,289	1,709,157
Public Sector Deposits	426,693	-	283,600	516,009	25	272	63	-	1,226,662
Commercial Deposits	1,711,753	-	3,220,581	3,612,242	48,451	13,975	95,574	-	8,702,576
Other	159,815	-	54,414	77,756	705	569	207	-	293,466
Precious Metal Deposits	93,443	-	1	2,002	-	24,020	2,088	-	121,554
Bank Deposits	777,477	-	367,317	299,213	142,162	6,757	73,623	-	1,666,549
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	8,019	-	66,930	68,751	125,692	462	-	-	269,854
Foreign Banks	324,151	-	300,387	230,462	16,470	6,295	73,623	-	951,388
Special Purpose Financial Institutions	445,307	-	-	-	-	-	-	-	445,307
Other	-	-	-	-	-	-	-	-	-
Total	8,594,096	-	19,640,180	21,443,595	720,847	1,215,098	1,010,588	90,877	52,715,281

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	-	-	-	-	-	-	-	-	-
Total	7,375,740	-	13,301,964	15,989,457	798,256	834,410	731,329	66,946	39,098,102

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

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

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	8,435,686	6,011,198	9,545,348	6,261,780
Foreign Currency Saving Deposits	2,977,501	2,987,805	7,851,492	6,578,805
Other Saving Deposits	20,544	1,969	83,909	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

None.

5.2.1.3 Saving deposits not covered by insurance limits

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

5.2.2 Negative differences on derivative financial liabilities held for trading

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward deals	54,361	10,273	9,657	4,384
Swaps	179,673	87,163	404,811	17,476
Futures	-	996	-	482
Options	62,474	20,156	14,167	300
Other	-	-	-	-
Total	296,508	118,588	428,635	22,642

5.2.3 Funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	251,138	126,591	203,445	56,930
Foreign Banks, Institutions and Funds	1,825,837	8,639,880	1,079,383	7,218,886
Total	2,076,975	8,766,471	1,282,828	7,275,816

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5.2.3.1 Maturities of funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-Term	560,393	2,894,570	203,445	1,579,378
Medium and Long-Term	1,516,582	5,871,901	1,079,383	5,696,438
Total	2,076,975	8,766,471	1,282,828	7,275,816

5.2.3.2 Disclosures for concentration areas of bank's liabilities

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced YTL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad and YTL funds obtained through repurchase transactions.

5.2.4 Other external funds

Funds provided through repurchase transactions:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Domestic Transactions	9,878,528	-	6,667,163	-
Financial Institutions and Organizations	9,810,615	-	6,591,635	-
Other Institutions and Organizations	19,774	-	32,920	-
Individuals	48,139	-	42,608	-
Foreign Transactions	573,996	250,419	780,742	728,986
Financial Institutions and Organizations	571,711	250,419	780,157	728,986
Other Institutions and Organizations	1,749	-	125	-
Individuals	536	-	460	-
Total	10,452,524	250,419	7,447,905	728,986

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	21,359	20,194	47,588	44,712
1-4 Years	3,448	3,163	10,815	10,026
More than 4 Years	-	-	-	-
Total	24,807	23,357	58,403	54,738

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	-	4,871	-	249
Net foreign investment hedges	-	-	-	-
Total	-	4,871	-	249

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5.2.7 Provisions**5.2.7.1 General provisions**

	Current Period	Prior Period
General Provision for	428,799	280,660
Loans and Receivables in Group I	378,581	250,216
Loans and Receivables in Group II	12,934	65
Non-Cash Loans	37,284	30,379
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	9,441	22,284
Medium and Long-Term Loans	1,855	94,562
Total	11,296	116,846

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

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

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	197,372	140,372
Recognized Liability for Defined Benefit Obligations	102,601	-
Provision for Promotion Expenses of Credit Cards (*)	36,206	49,219
Other Provisions	14,994	57,324
Total	351,173	246,915

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

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Recognized liability for defined benefit plan obligations

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

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

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

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

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

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

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

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

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

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

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5.2.8 Tax liability**5.2.8.1 Current tax liability****5.2.8.1.1 Tax liability**

As of 31 December 2008, the Bank had a current tax liability of YTL 119,191 thousands (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	119,191	104,582
Taxation on Securities Income	191,148	56,827
Taxation on Real Estates Income	1,137	980
Banking Insurance Transaction Tax	37,189	27,097
Foreign Exchange Transaction Tax	12	2,991
Value Added Tax Payable	2,449	1,513
Others	25,981	15,314
Total	377,107	209,304

5.2.8.1.3 Premiums

	Current Period	Prior Period
Social Security Premiums-Employees	-	3
Social Security Premiums-Employer	-	-
Bank Pension Fund Premium-Employees	5	16
Bank Pension Fund Premium-Employer	27	29
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	427	342
Unemployment Insurance-Employer	777	608
Others	-	-
Total	1,236	998

5.2.8.2 Deferred tax liability

None.

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

None.

5.2.10 Subordinated debts

On 5 February 2007, the Bank obtained a subordinated debt of US\$ 500 millions from foreign markets with an interest of 6.95% and maturity of 10 years with a repayment option for the Bank at the end of the fifth year. This debt is qualified as the secondary subordinated debt to be included in the supplementary capital by BRSA in the calculation of the Bank's capital adequacy ratio as of 5 February 2007 in compliance with the conditions set in the legislation on "Banks' Equities" issued by BRSA and published in the Official Gazette no.26333 dated 1 November 2006.

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	781,638	-	596,400
Total	-	781,638	-	596,400

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5.2.11 Shareholders' equity

5.2.11.1 Paid-in capital

	Current Period	Prior Period
Common Shares	4,200,000	2,100,000
Preference Shares	-	-

5.2.11.2 Registered share capital system

Capital	Paid-in Capital	Ceiling per Registered Share Capital
Common Shares	4,200,000	7,000,000
Preference Shares	-	-

5.2.11.3 Capital increases in current period

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

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

5.2.11.4 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	
	YTL	FC	YTL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	31,099	124,089	(14,755)	20,985
Valuation difference	(9,247)	124,089	9,138	20,985
Exchange rate difference	40,346	-	(23,893)	-
Securities Available-for-Sale	256,934	(19,605)	110,262	91,565
Valuation difference	256,934	(19,605)	110,262	91,565
Exchange rate difference	-	-	-	-
Total	288,033	104,484	95,507	112,550

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5.2.11.9 Revaluation surplus

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Movables	-	-	-	-
Real Estates	2,147	-	2,147	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates to be used for Capital Increases	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; Doğuş GE Gayrimenkul Yatırım Ortaklığı AŞ by YTL 23 thousands, Euroko Sigorta AŞ by YTL 561 thousands, Garanti Ödeme Sistemleri AŞ by YTL 401 thousands, Garanti Yatırım Menkul Değerler AŞ by YTL 942 thousands, Kredi Kartları Bürosu by YTL 481 thousands, Tat Konserve AŞ by YTL 36 thousands and Yatırım Finansman Menkul Değerler AŞ by YTL 9 thousands.

5.2.11.11 Legal reserves

	Current Period	Prior Period
I. Legal Reserve	254,103	137,421
II. Legal Reserve	18,790	18,790
Special 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	-	-

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	250,628	80,405	150,404	48,801
Funds Borrowed	183,331	99,278	85,367	80,446
Interbank Money Markets	45,021	6,787	57,620	3,963
Other Accruals	23,902	9,978	26,959	2,982
Total	502,882	196,448	320,350	136,192

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	6,790,151	5,749,874
Letters of Guarantee in YTL	4,120,918	3,924,978
Letters of Credit	2,311,731	1,919,538
Bills of Exchange and Acceptances	123,807	116,487
Others	-	-
Total	13,346,607	11,710,877

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

A specific provision of YTL 2,459 thousands (2007: YTL 1,763 thousands) is made for unliquidated non-cash loans of YTL 15,901 thousands (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 31 December 2008, in the Bank's "other irrevocable commitments", there are commitments for "credit linked notes" with a total face value of USD 925,000,000 (2007: USD 875,000,000).

5.3.1.3 Non-cash loans

	Current Period	Prior Period
Non-Cash Loans against Cash Risks	225,228	268,951
With Original Maturity of 1 Year or Less	15,067	77,737
With Original Maturity of More Than 1 Year	210,161	191,214
Other Non-Cash Loans	14,040,836	12,087,015
Total	14,266,064	12,355,966

5.3.1.4 Sectoral risk concentration of non-cash loans

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	20,699	0.48	18,119	0.18	17,690	0.44	8,884	0.11
Farming and Stockbreeding	19,224	0.45	18,119	0.18	16,681	0.42	8,884	0.11
Forestry	461	0.01	-	-	95	-	-	-
Fishery	1,014	0.02	-	-	914	0.02	-	-
Manufacturing	1,444,368	34.14	3,027,583	30.17	1,448,464	36.89	2,816,681	33.42
Mining	329,968	7.80	21,024	0.21	333,357	8.49	12,660	0.15
Production	896,224	21.18	2,433,660	24.25	937,944	23.89	2,360,167	28.00
Electricity, Gas, Water	218,176	5.16	572,899	5.71	177,163	4.51	443,854	5.27
Construction	616,200	14.56	2,125,443	21.18	569,081	14.50	1,774,171	21.05
Services	1,819,846	43.01	4,585,181	45.69	1,664,509	42.39	3,311,615	39.27
Wholesale and Retail Trade	1,137,920	26.89	1,585,914	15.80	1,086,892	27.68	1,131,353	13.42
Hotel, Food and Beverage Services	60,126	1.42	152,716	1.52	72,771	1.85	99,706	1.18
Transportation and Telecommunication	127,545	3.01	890,931	8.88	92,621	2.36	541,619	6.42
Financial Institutions	452,129	10.69	1,922,241	19.16	367,594	9.36	1,509,308	17.90
Real Estate and Renting Services	8,179	0.19	6,126	0.06	14,327	0.36	7,344	0.09
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Educational Services	8,677	0.21	3,766	0.04	5,694	0.15	1,656	0.02
Health and Social Services	25,270	0.60	23,487	0.23	24,610	0.63	20,629	0.24
Other	330,083	7.81	278,542	2.78	226,228	5.78	518,643	6.15
Total	4,231,196	100.00	10,034,868	100.00	3,925,972	100.00	8,429,994	100.00

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5.3.1.5 Non-cash loans classified under Group I and II

Current Period	Group I		Group II	
	YTL	FC	YTL	FC
Non-Cash Loans	4,219,436	10,016,914	4,120	9,693
Letters of Guarantee	4,109,158	6,784,258	4,120	334
Bills of Exchange and Bank Acceptances	-	113,162	-	9,359
Letters of Credit	278	3,119,494	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	110,000	-	-	-

Prior Period	Group I		Group II	
	YTL	FC	YTL	FC
Non-Cash Loans	3,921,097	8,427,528	1,017	492
Letters of Guarantee	3,920,103	5,748,363	1,017	492
Bills of Exchange and Bank Acceptances	600	115,887	-	-
Letters of Credit	394	2,563,278	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	-	-	-

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5.3.2 Financial derivative instruments

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Hedging Derivatives						
A. Total Hedging Derivatives	5,406	27,520	77,597	-	-	110,523
Fair Value Hedges	-	-	-	-	-	-
Cash Flow Hedges	5,406	27,520	77,597	-	-	110,523
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency Related Derivative Transactions (I)	17,538,493	6,906,906	6,505,406	948,948	867,000	32,766,753
Currency Forwards-Purchases	958,092	432,737	603,602	187,479	-	2,181,910
Currency Forwards-Sales	955,765	444,281	585,220	185,642	-	2,170,908
Currency Swaps-Purchases	6,956,078	2,335,056	2,072,516	264,780	304,000	11,932,430
Currency Swaps-Sales	6,786,634	2,264,419	1,865,937	259,499	563,000	11,739,489
Currency Options-Purchases	909,385	663,848	641,857	23,953	-	2,239,043
Currency Options-Sales	972,539	714,914	727,179	27,595	-	2,442,227
Currency Futures-Purchases	-	40,705	9,095	-	-	49,800
Currency Futures-Sales	-	10,946	-	-	-	10,946
Interest Rate Related Derivative Transactions (II)	242	9,680	168,687	3,385,280	-	3,563,889
Interest Rate Swaps-Purchases	122	4,881	12,987	-	-	17,990
Interest Rate Swaps-Sales	120	4,799	15,494	-	-	20,413
Interest Rate Options-Purchases	-	-	106,400	1,692,640	-	1,799,040
Interest Rate Options-Sales	-	-	-	1,692,640	-	1,692,640
Securities Options-Purchases	-	-	33,806	-	-	33,806
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	-	-	-	-	-
Other Trading Derivatives (III)	128,010	20,683	669,053	30,400	-	848,146
B. Total Trading Derivatives (I+II+III)	17,666,745	6,937,269	7,343,146	4,364,628	867,000	37,178,788
Total Derivative Transactions (A+B)	17,672,151	6,964,789	7,420,743	4,364,628	867,000	37,289,311

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Hedging Derivatives						
A. Total Hedging Derivatives	3,764	41,230	13,288	-	-	58,282
Fair Value Hedges	-	-	-	-	-	-
Cash Flow Hedges	3,764	41,230	13,288	-	-	58,282
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency Related Derivative Transactions (I)	6,857,680	4,306,364	3,099,565	124,371	795,000	15,182,980
Currency Forwards-Purchases	455,994	93,039	146,019	10,097	-	705,149
Currency Forwards-Sales	489,156	95,705	141,433	11,471	-	737,765
Currency Swaps-Purchases	2,518,866	1,652,933	869,949	40,600	232,000	5,314,348
Currency Swaps-Sales	2,434,492	1,656,482	1,106,583	59,493	563,000	5,820,050
Currency Options-Purchases	568,803	295,392	397,300	1,273	-	1,262,768
Currency Options-Sales	390,369	320,309	433,718	1,437	-	1,145,833
Currency Futures-Purchases	-	83,070	2,219	-	-	85,289
Currency Futures-Sales	-	109,434	2,344	-	-	111,778
Interest Rate Related Derivative Transactions (II)	345,494	90,020	83,775	-	-	519,289
Interest Rate Swaps-Purchases	554	153	1,291	-	-	1,998
Interest Rate Swaps-Sales	2,175	151	1,284	-	-	3,610
Interest Rate Options-Purchases	-	-	81,200	-	-	81,200
Interest Rate Options-Sales	-	-	-	-	-	-
Securities Options-Purchases	78,235	45,611	-	-	-	123,846
Securities Options-Sales	264,530	44,105	-	-	-	308,635
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	-	-	-	-	-
Other Trading Derivatives (III)	483,422	73,578	-	-	-	557,000
B. Total Trading Derivatives (I+II+III)	7,686,596	4,469,962	3,183,340	124,371	795,000	16,259,269
Total Derivative Transactions (A+B)	7,690,360	4,511,192	3,196,628	124,371	795,000	16,317,551

5.3.3 Contingent liabilities and assets

None.

5.3.4 Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

5.4 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	2,489,237	209,179	2,297,343	145,514
Medium and long-term loans	1,949,825	1,083,701	1,035,879	757,443
Loans under follow-up	25,324	-	18,273	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	4,464,386	1,292,880	3,351,495	902,957

(*) Includes also the fee and commissions income on cash loans

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5.4.1.2 Interest income from banks

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	10,624	775	28,520	-
Domestic Banks	9,859	2,676	14,060	5,213
Foreign Banks	152,457	85,324	126,864	90,461
Foreign Head Offices and Branches	-	-	-	-
Total	172,940	88,775	169,444	95,674

5.4.1.3 Interest income from securities portfolio

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Trading Financial Assets	21,163	3,745	12,211	5,003
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	1,917,237	194,710	1,254,112	311,483
Investments Held-to-Maturity	770,629	48,043	585,006	46,758
Total	2,709,029	246,498	1,851,329	363,244

5.4.1.4 Interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest received from Investments in Associates and Subsidiaries	65,110	22,962

5.4.2 Interest Expenses**5.4.2.1 Interest expenses (*) on funds borrowed**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	279,491	408,496	149,192	426,075
Central Bank of Turkey	-	-	-	1
Domestic Banks	34,875	4,799	31,302	2,826
Foreign Banks	244,616	403,697	117,890	423,248
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	25,567	-	43,466
Total	279,491	434,063	149,192	469,541

(*) Includes also the 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	30,081	31,179

5.4.2.3 Interest expenses on securities issued

None.

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5.4.2.4 Maturity structure of interest expense on deposits

Account Description	Demand Deposits	Time Deposits					1 Year and Over	Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months				
Turkish Lira									
Bank Deposits	7,854	89,267	-	-	-	-	-	-	97,121
Saving Deposits	1,830	1,128,143	1,191,316	22,278	15,270	11,713	-	-	2,370,550
Public Sector Deposits	31	16,860	53,012	22	260	9	-	-	70,194
Commercial Deposits	19,633	573,107	348,519	48,581	14,801	5,773	-	-	1,010,414
Other	5,745	8,937	19,630	231	48	28	-	-	34,619
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
Total YTL	35,093	1,816,314	1,612,477	71,112	30,379	17,523	-	-	3,582,898
Foreign Currency									
Foreign Currency Deposits	16,195	336,706	281,200	18,117	29,695	22,885	2,614	-	707,412
Bank Deposits	-	27,744	-	-	-	-	-	-	27,744
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	2	-	354	-	-	-	356
Total FC	16,195	364,450	281,202	18,117	30,049	22,885	2,614	-	735,512
Grand Total	51,288	2,180,764	1,893,679	89,229	60,428	40,408	2,614	-	4,318,410

5.4.2.5 Interest expense on repurchase agreements

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Interest paid on Repurchase Agreements	1,139,018	20,069	683,683	28,783

5.4.2.6 Financial lease expenses

	Current Period	Prior Period
Financial Lease Expenses	7,934	7,187

5.4.2.7 Interest expenses on factoring payables

None.

5.4.3 Dividend income

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	29,307	2,477
Others	73,163	46,922
Total	102,470	49,399

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5.4.4 Trading income/losses (Net)

	Current Period	Prior Period
Income	34,524,216	3,828,773
Trading Account Income	2,648,282	1,359,918
Derivative financial instruments	2,564,968	1,279,891
Others	83,314	80,027
Foreign Exchange Losses	31,875,934	2,468,855
Losses (-)	34,272,921	3,964,677
Trading Account Losses	2,118,856	1,694,947
Derivative financial instruments	2,084,907	1,662,568
Others	33,949	32,379
Foreign Exchange Losses	32,154,065	2,269,730
Total	251,295	(135,904)

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	418,629	190,874
Loans and receivables in Group III	241,587	113,312
Loans and receivables in Group IV	44,938	37,398
Loans and receivables in Group V	132,104	40,164
General Provisions	143,578	125,113
Provision for Possible Losses	-	17,000
Impairment Losses on Securities	770	310
Financial assets at fair value through profit or loss	683	310
Financial assets available-for-sale	87	-
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	-	9
Associates	-	-
Subsidiaries	-	9
Joint Ventures	-	-
Investments Held-to-Maturity	-	-
Others	3,469	4,338
Total	566,446	337,644

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5.4.7 Other operating expenses

	Current Period	Prior Period
Personnel Costs	962,916	699,515
Reserve for Employee Termination Benefits	-	6,661
Deficit Provision for Pension Fund	102,601	-
Impairment Losses on Tangible Assets	1	62
Depreciation Expenses of Tangible Assets	167,645	145,974
Impairment Losses on Intangible Assets	-	-
Amortisation Expenses of Intangible Assets	3,951	24,036
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses of Assets to be Disposed	863	1,394
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	1,001,658	754,819
Operational Lease related Expenses	109,035	77,209
Repair and Maintenance Expenses	28,691	21,605
Advertisement Expenses	104,139	94,889
Other Expenses	759,793	561,116
Loss on Sale of Assets	8,279	9,043
Others	294,476	181,907
Total	2,542,390	1,823,411

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

The profit before taxes includes a net interest income of YTL 3,177,960 thousands, a net fees and commissions income of YTL 1,441,128 thousands and operating expenses of YTL 2,542,390 thousands. The Bank's profit before taxes realized at YTL 2,161,988 thousands decreasing by 22% comparing to the prior year. In prior period income, there were a gain of YTL 762,384 thousands from the sale of certain shares in insurance subsidiaries and a gain of YTL 140,386 thousands from the sale of custody services rendered for foreign institutions.

5.4.9 Provision for taxes including taxes from discontinued operations

As of 31 December 2008, the Bank recorded a tax expense of YTL 399,213 thousands (2007: YTL 466,608 thousands) and a deferred tax income of YTL 12,287 thousands (2007: YTL 10,108 thousands).

Deferred tax income/expense on timing differences:

Deferred tax income/(expense) on timing differences	Current Period
Increase in tax deductible timing differences (+)	54,402
Decrease in tax deductible timing differences (-)	41,041
Increase in taxable timing differences (-)	27,319
Decrease in taxable timing differences (+)	1,671
Total	(12,287)

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)	13,361
(Increase)/decrease in taxable timing differences (net)	(25,648)
Increase/(decrease) in tax losses (net)	-
Increase/(decrease) in tax deductions and exemptions (net)	-
Total	(12,287)

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

None.

5.4.11 Net profit/loss

5.4.11.1 Any further explanation on operating results needed for better understanding of 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

5.5.1 Any increases arising from application of accounting for financial instruments

5.5.1.1 Increases from valuation of financial assets available-for-sale

As of 31 December 2008, the revaluation of financial assets available-for-sale at fair value netted with the related deferred tax liability effect has resulted in an increase by YTL 82,337 thousands that is presented as the current period movement in "securities value increase fund" in the statement of changes in shareholders' equity. The gains transferred to income statement from "securities value increase fund" are YTL 10,219 thousands and YTL 61,271 thousands for the year ended 31 December 2007 and 2008, respectively.

5.5.1.2 Increases due to cash flow hedges

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. Gains of YTL 33,488 thousands and YTL 28,316 thousands after netting with the related deferred tax effect on such effective hedging contracts are classified directly under shareholders' equity within "other profit reserves" in the current and prior periods, respectively.

5.5.1.3 Reconciliation of foreign exchange differences at beginning and end of current period

The Bank applied hedge accounting for its investments in foreign subsidiaries in compliance with the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement" using its foreign borrowings in foreign currencies obtained to finance such investments.

The effective portion of net foreign investment hedges is recorded in shareholders' equity as shown in the statement of changes in shareholders' equity and the ineffective portion, if any, is recorded directly in the income statement.

The effective loss of YTL 80,300 thousands on net foreign investment hedge after netting with the related tax effect of YTL 16,060 thousands as net YTL 64,240 thousands is recorded under the shareholders' equity. The balance sheet leg of this net foreign investment hedge is under "funds borrowed".

5.5.2 Any decreases arising from application of accounting for financial instruments

5.5.2.1 Decreases from valuation of financial assets available-for-sale

None.

5.5.2.2 Decreases due to cash flow hedges

None.

5.5.3 Transfers to legal reserves

	Current Period	Prior Period
Transfers to Legal Reserves from Prior Year Profits	115,781	64,615
Transfers to Extraordinary Reserves from Prior Year Profits	1,629,268	752,012

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.

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5.5.4 Issuance of share certificates

Please refer to Note 5.2.11.3.

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

Please refer to Note 3.24.

5.5.6 Compensation of prior period losses

None.

5.6 Statement of Cash Flows

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

In 2008, the net cash inflows arising from banking operations amount to YTL 7,498,253 thousands. YTL 7,795,240 thousands of this amount is generated from the change in operating assets and liabilities and YTL 296,987 thousands from operating losses. The "net increase in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to YTL 2,128,078 thousands for the year 2008. The "others" item under operating losses, composes of fees and commissions paid, foreign exchange losses, other operating income and other operating expenses excluding employee costs, and amounts to YTL 2,200,327 thousands for the year 2008.

The net cash inflow from financing activities for the year 2008, is YTL 552,727 thousands. The "others" item amounting YTL 1,434,233 thousands under net cash flow from financing activities includes the payments for founder shares repurchased as explained in Note 1.4

The effect of change in foreign exchange rate on cash and cash equivalents includes the foreign exchange difference resulted from the translation of cash and cash equivalents in foreign currency into YTL at the exchange rates valid at the beginning and end of the year, and amounts to YTL 577,238 thousands for the year 2008.

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

None.

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

None.

5.6.4 Cash and cash equivalents at beginning of period

	Current Period	Prior Period
Cash on Hand	445,030	327,734
Cash in YTL	244,772	181,169
Cash in Foreign Currency	200,258	146,565
Cash Equivalents	2,972,465	2,659,566
Other	2,972,465	2,659,566
TOTAL	3,417,495	2,987,300

5.6.5 Cash and cash equivalents at end of period

	Current Period	Prior Period
Cash on Hand	653,902	445,030
Cash in YTL	312,466	244,772
Cash in Foreign Currency	341,436	200,258
Cash Equivalents	4,377,823	2,972,465
Other	4,377,823	2,972,465
TOTAL	5,031,725	3,417,495

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

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

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

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5.6.7 Additional information

5.6.7.1 Restrictions on the Bank's potential borrowings

None.

5.6.7.2 Cash inflows presenting increase in operating capacity of the Bank

None.

5.7 Related Party Risks

5.7.1 Transactions with the Bank's risk group; lendings and deposits and other related party transactions outstanding at period end and income and expenses from such transactions incurred during the period

5.7.1.1 Loans and other receivables

Current Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	953,386	61,690	1	1,090	65,794	168,482
Balance at end of period	1,729,413	122,864	25	1,661	220,662	183,932
Interest and Commission Income	70,863	108	18	8	7,346	1,114

Prior Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	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
Interest and Commission Income	33,165	91	38	70	2,774	702

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	154,208	204,325	86,051	75,693	235,532	126,686
Balance at end of period	240,915	154,208	300,582	86,051	183,763	235,532
Interest Expense	30,081	31,179	21,885	29,354	20,929	9,874

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5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading:						
Beginning of Period	-	-	-	-	-	-
End of Period	331,010	-	-	-	-	-
Total Profit/Loss	17,843	-	-	-	-	-
Transactions for Hedging:						
Beginning of Period	-	-	-	-	-	-
End of Period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

5.7.2 The Bank's risk group

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

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

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

The cash loans of the risk group amounting YTL 667,071 thousands (31 December 2007: YTL 449,373 thousands) compose 1.34% (31 December 2007: 1.21%) of the Bank's total cash loans and 0.75% (31 December 2007: 0.66%) of the Bank's total assets. The total loans and similar receivables amounting YTL 1,950,100 thousands (31 December 2007: YTL 1,019,181 thousands) compose 2.19% (31 December 2007: YTL 1.51%) of the Bank's total assets. The non-cash loans of the risk group amounting YTL 308,457 thousands (31 December 2007: YTL 231,262 thousands) compose 2.17% (31 December 2007: 1.87%) of the Bank's total non-cash loans. The deposits of the risk group amounting YTL 752,260 thousands (31 December 2007: YTL 475,791 thousands) compose 1.38% (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 23,357 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 7,934 thousands (31 December 2007: YTL 7,187 thousands) is recorded. Furthermore, there is a credit card (POS) payable amounting YTL 25,987 thousands (31 December 2007: YTL 37,502 thousands) to related parties.

Operating expenses of YTL 16,885 thousands (31 December 2007: YTL 17,139 thousands) for IT services rendered by related parties and rent income of YTL 1,462 thousands (31 December 2007: YTL 1,319 thousands) for the real estates rented to related parties, are recorded.

The Bank made a total payment of YTL 58,742 thousands (31 December 2007: YTL 29,616 thousands) to its top management considered as key management as of 31 December 2008.

5.7.2.3 Other matters not required to be disclosed

None.

5.7.2.4 Transactions accounted under equity method

Please refer to Notes 5.1.7 and 5.1.8.

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

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ, 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 Doğuş Holding AŞ at a sale price of USD 35,000,000 (equivalent of YTL 42,693 thousands). The sale price, of which USD 15 millions was collected immediately at the date of sale, was fully collected. A gain of YTL 2,112 thousands was recognized as income on this transaction.

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5.8 Domestic, Foreign and Off-Shore Branches or Investments and Foreign Representative Offices

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

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

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

5.9 Significant Events and Matters Arising Subsequent to Balance Sheet Date

- By the decision of the Council of Ministers no.2007/11963 at 4 April 2007, the "new" expression in the New Turkish Lira (YTL), the currency of the Turkish Republic, is cancelled effective from 1 January 2009. The currency of the Turkish Republic is the Turkish Lira (TL).
- The financial reporting currency of the Bank's Luxembourg branch is changed from USD to EUR effective from 1 January 2009. The capital of USD 89,500,000 allocated to the branch is converted into EUR 64,309,837.
Besides, the capital allocated to the Luxembourg branch increased by EUR 335,690,163 to EUR 400,000,000 at 13 January 2009 by the decision of the board of directors no.2226 at 4 December 2008 that gives the authorization to the head office to be able to increase the amount of the capital allocated to the Luxembourg branch upto EUR 400,000,000.

6 OTHER DISCLOSURES ON ACTIVITIES OF THE BANK

6.1 Other disclosures

None.

6.2 The Bank's latest international risk ratings

MOODY'S (January 2009*)

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

STANDARD AND POORS (January 2009*)

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

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FITCH RATINGS (June 2008*)

Foreign Currency	
Long Term	BB
Short Term	B
Outlook	Stable
Individual	C
Support	4
Turkish Lira	
Long Term	BBB-
Short Term	F3
Outlook	Stable
National	
Outlook	AAA
Outlook	Stable

CAPITAL INTELLIGENCE (December 2008*)

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

JCR EURASIA RATINGS (August 2008*)

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

(*) Latest dates in risk ratings or outlooks.

6.3 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)	-

7 INDEPENDENT AUDITORS' REPORT**7.1 Disclosure on independent auditors' report**

The Bank's unconsolidated financial statements as of 31 December 2008, have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International) and an unqualified opinion has been issued in their independent auditors' report dated 12 February 2009.

To the General Shareholders' Assembly of Garanti Bank Incorporated

We have audited the calendar year 2008 transactions and accounts of Garanti Bank Incorporated with respect to the Banking Law No. 5411, Turkish Commercial Code, Capital Markets Law, generally-accepted accounting principles, related legislation and the provisions of the Bank's Articles of Association. We determined that the Bank's Balance-Sheet and Profit and Loss Statements comply with accounting records, and the records comply with underlying documents. Consequently, we recommend approval of the Bank's Balance-Sheet and Profit and Loss Statement for year 2008 as submitted by the Board of Directors. We also state that we agree with the allocation of the net profit within the principles proposed by the Board of Directors.

Sincerely,



MURAT İNAN
Auditor



ALTAN REHA GÖKSU
Auditor

PROFIT DISTRIBUTION

The Bank ended its 63rd fiscal year with a profit of YTL 1,750,488,198.54. We propose our esteemed shareholders the transfer of remaining profit to the Extraordinary Reserves, following setting aside the "Legal Reserves" and "Other Statutory Undistributable Reserves".

PROFIT DISTRIBUTION STATEMENT FOR YEAR 2008 – (YTL)

NET PROFIT FOR THE YEAR	1,750,488,198.54
First Legal Reserves (TCC 466/1) 5%	87,524,409.93
Other Statutory Undistributable Reserves	4,406,970.52
Extraordinary Reserves	1,658,556,818.09

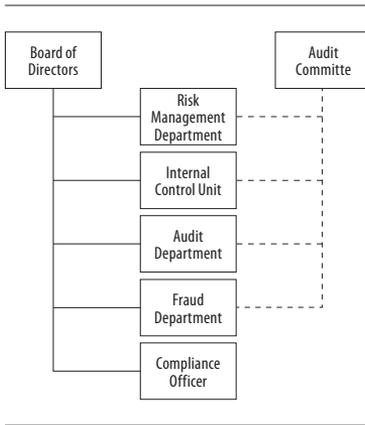
Sincerely,

Board of Directors

RISK MANAGEMENT POLICIES

Risk Management and Internal Audit Organization

At Garanti Bank, risk management, internal audit and control functions are carried out in compliance with applicable legislation and independent of executive functions through an organization that reports directly to the Board of Directors. The Board of Directors is ultimately responsible for establishing and ensuring the effective functioning of risk management and internal audit and control systems, and for devising, implementing and maintaining risk management and internal audit strategies and policies that are compatible with the Bank's capital and risk level.



In accordance with the importance given to corporate governance principles, the Audit Committee continues its activities to enable the Board of Directors to carry out audit and supervision functions. The Audit Committee receives information from Internal Control, Audit, Risk Management and Fraud departments with regard to their activities, confirms that adequate methods are in place to identify, control and monitor bank risk. This Committee regularly informs the Board of Directors of its activities and their results and also advises the Board of Directors on activity resulting from the responsible departments. Actions that must be taken and other issues deemed important for the safety of the Bank's activities is also monitored by the Audit Committee.

Risk Management Activities

Garanti measures and monitors market and credit risk using methods that comply with international standard. In 2007, the Bank has already begun to implement advanced risk management software to be used throughout the entire risk management system and Basel II applications. Implementation of trading risk module and operational risk loss database has been completed in 2008.

Market Risk

Market risk is measured, effectively managed and evaluated within a continuously improving structure in accordance with local and international regulations, the Bank's policies and procedures and internationally accepted methodologies appropriate to the Bank's structure.

For market risk management and limit allocation, the Bank uses such measurements as Value-at-Risk (VaR), stress tests, scenario analyses, duration gap and sensitivity analyses and economic capital.

Market risk is managed by measuring and limiting risk in accordance with international standards, providing sufficient capital and mitigating risk through hedging transactions.

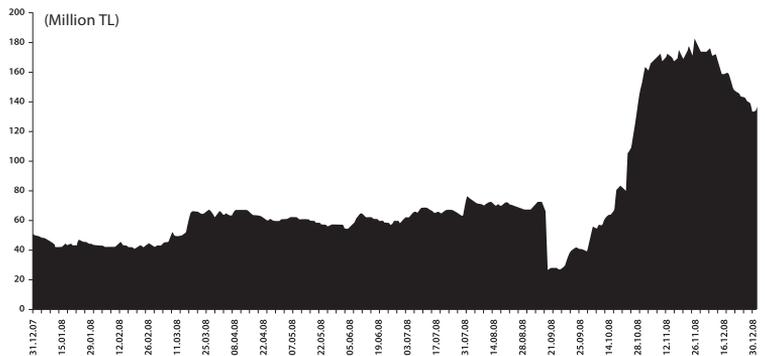
Trading risk, defined as the risk the Bank faces as a result of fluctuations in market prices in relation to the positions it carries on or off its balance-sheet for trading purposes, is calculated daily using

the VaR model and economic capital is determined in accordance with the VaR. Value-at-Risk is a measure of the maximum expected loss of market value of a portfolio of a certain maturity as a result of market price fluctuations, for a certain confidence interval and a certain probability. VaR is calculated using the parametric method and 260-day historical data at 99% confidence interval. It is then adjusted for kurtosis and liquidity, in order to achieve a better representation of market conditions; the resulting value is used to manage the trading transactions of the Treasury. VaR limits are specified in accordance with the capital allocation approved by the Board of Directors and dynamically updated at the end of each six-month period depending on changes in the Bank's shareholders' equity. These limits are monitored daily and reported by the Risk Management Department.

Calculated for the entire trading portfolio including securities available for sale, VaR stood at YTL 137 million at the end of 2008; its average value for 2008 was YTL 76.13 million. Despite rising of VaR in response to the increased volatility of the market, this figure does not represent a material risk for the Bank, considering the magnitude of the Bank's shareholders' equity.

In order to identify risk that might arise from major market fluctuations, regular stress tests and scenario analyses are conducted using the VaR model.

Parametric VaR Adjusted for Liquidity and Kurtosis at 99% CI



Note: The Value-at-Risk figure calculated with the internal model is currently used for internal management purposes of the Bank. In accordance with applicable regulations, reports sent to the Banking Regulation and Supervision Agency use the standard method.

Structural Interest Rate Risk: Reports on duration/gap and sensitivity analyses are prepared to determine the interest rate risk the Bank faces as a result of maturity mismatches on its balance-sheet. The Assets and Liabilities Committee and the Asset-Liability Management Department use the duration/gap reports to manage balance-sheet interest rate risk and for liquidity management. For managing basis interest rate, funding and country credit spread risk the instruments such as interest rate swaps, futures, long-term repos and credit default swaps (CDS) have been used and the long-term fundings such as syndication and securitization have been provided. Approval of the Assets and Liabilities Committee is required for hedging transactions that are related to the Bank's balance-sheet.

Liquidity Risk: The Asset/Liability Management Department, the Liquidity Risk Management Committee and the Assets and Liabilities Committee manage liquidity risk with a view toward taking appropriate measures without delay in case of a liquidity crisis arising from market conditions or the Bank's balance-sheet structure. The Bank uses a corporate procedure to monitor liquidity risk within the context of written early warning signals, stress levels and possible action to be taken.

Deposits are an important balance-sheet item in terms of liquidity management and perform core-deposit analyses. The Bank complies with the regulatory liquidity ratio requirements.

Day-to-day cash management is carried out by the Asset/Liability Management Department.

Credit Risk

Credit risk management is a process for consistently evaluating and monitoring credit risk and covers all loan portfolios.

The internal risk rating model, which was developed for the corporate and commercial loan portfolio, was aligned with the Bank's systems in January 2003; its use at the loan approval stage was incorporated into the policies and procedures used in the lending process. This model was developed using statistical methods on historical data to rate customers using objective criteria. The internal risk rating model calculates the default probability for each client.

Scorecards are used in the application and approval stages of the consumer loan and credit card portfolios. In addition, Garanti is in the process of developing a

behavioural scorecard model for these portfolios.

Within the context of treasury operations, the credit risk that may arise from money market, repo and derivatives transactions are calculated based on counterparty default probability.

Operational Risk

All of the Bank's operational risk is managed under the supervision of the Board of Directors and the Audit Committee, with emphasis on the identification, evaluation, monitoring and control/mitigation of risks. The Audit Committee monitors and evaluates the results of the operational risk monitoring activities of the Audit Department and the Internal Control Unit. The Bank is undertaking the necessary efforts to measure operational risk in accordance with its scale, internal control systems and databases, as well as local and international regulations (Basel II).

As part of this effort to measure and manage operational risk, the Bank has prepared a sample risk matrix that uses Basel II categories to classify existing and potential operational risk and the related business units, reasons and cause and effect types. The audit status, impact and probability of each risk are evaluated within this matrix with a view toward controlling risk. The risk matrix is monitored, updated and used by the Internal Control Unit and the Audit Department, and forms the basis of the audits.

As part of its efforts to implement risk management software, the Bank has completed an internal database to gather operational risk loss data in a more systematic centralized environment in accordance with Basel II standards. The Bank began to collect and evaluate operational risk data centrally using this system.

Activities of the Internal Control Unit

The Internal Control Unit ensures that a sound internal control environment is in place at the Bank and performs necessary coordination work in this regard and guarantees that activities are performed regularly, efficiently, effectively and in accordance with the management strategy and policies of the Bank and applicable rules and regulations and monitors the integrity and reliability of accounting and recording systems. In this context, the Internal Unit creates infrastructures based on the functional

separation of tasks, sharing of authorities and responsibilities, establishment of a sound reconciliation system, integration of self-control mechanisms and systemic controls into processes and the identification and monitoring of risk to which the Bank is exposed.

The control activities and improvement efforts of the Internal Control Unit are centered on the operational risk matrix. This allows the Bank to monitor operational risk within an integrated risk-based system that combines impact, probability and current processes. Internal controllers reporting to the Internal Control Unit perform monitoring tasks using centralized and on-site control methods;

- In Centralized Controls, the compliance of accounting and MIS records is daily monitored throughout the Bank.
- In On-site Controls, selected units of the head office and branches, which have been selected based on risk, undergo proactive or reactive controls for the compliance of their transactions and documents with internal regulations and applicable legislation.

In addition, tools such as risk reporting and self-assessment applications are used to enable all branches and units to manage their operational risk.

On the other hand, the scope of centralized control activities have been improved and expanded in parallel to the Bank's activities. The objective is to increase the number of branches covered by the internal control system and to increase the control rate on credit operational risk, by ensuring that operational risk controls on the loan transactions of branches are performed by a centralized team.

Compliance Controls

In accordance with Article 18 of the Regulation on the Internal Systems of Banks, issued by the Banking Regulation and Supervision Agency on November 1, 2006, a Compliance Controls Department was set up under the Internal Control Unit. This Unit performs compliance tasks complying with applicable laws, organizational standards and ethical principles, in an effort to prevent events that would cause the Bank to suffer financial losses, cancellation of authorization or loss of reputation.

The Compliance Controls Department coordinates existing control mechanisms regarding the compliance of the Bank's actions with laws, internal rules and

regulations and banking practice, ensures that processes are updated in accordance with changes in legislation, monitors efforts to communicate such changes to employees and gives its opinion of new products and transactions before they are implemented.

Other basic responsibilities of the compliance function include the monitoring of international branches and consolidated partnerships for compliance risk arising from foreign legislation and the continuous improvement of the compliance culture and awareness within the Bank.

Emergency Plan

Regular tests are being conducted with the relevant units to ensure that in case of an emergency the critical processes of the Bank, as specified in the Emergency and Business Continuity Plan, can be activated at the quality and time specified in the plan. It also ensures that the necessary backup systems and alternative working areas are ready for such emergencies.

Audit Department Activities

The auditing of the Bank's head office departments, branches and subsidiaries is performed by the Audit Department.

During audits, the Board inspects and evaluates the effectiveness of the internal control systems of the relevant units, with special emphasis on the following:

- Compliance of activities with applicable legislation and internal regulations,
- Accuracy and reliability of all financial and non-financial data,
- Effectiveness of asset protection practices and
- Efficiency and effectiveness of operations.

The Audit Department is also responsible for conducting investigations into fraud, swindling and counterfeiting activities of Bank employees or third parties.

In order to effectively perform all these functions, the Audit Department has divided its activities into the categories of on-spot audits, centralized audits, investigations and examinations and IT audits and has arranged its structure accordingly.

On-site audits involve field work at the subsidiaries, head office departments, regional offices and branches of the Bank. These are prioritized according to risk weights and use various audit techniques.

The Audit Department adopts a risk-focused approach to ensure the efficient

use of existing resources and to maximize the benefit the Bank derives from its activities. Annual on-site audit plans are prepared and implemented with this approach in mind.

The Department also conducts centralized audits that use remote monitoring techniques aimed at identifying systematic deficiencies and errors in banking products, applications and processes. It also inspects and investigates all types of counterfeiting activities and frauds. It sets up early warning systems that can identify such activities before they cause any damage. The activities to prevent external fraud attempts are carried out in coordination with the Fraud Department.

Additionally, in accordance with its risk-focused approach, the Audit Department conducts IT audits as part of general and application controls.

The scope and frequency of audits, the risk assessments to be performed by the Audit Department and the resources and priorities of the Board are determined in accordance with the targets and strategies of the Bank.

The previous audit results are used as an input to plan subsequent audits.

Compliance Officer

In accordance with Law No. 5549 on the Prevention of Laundering Proceeds of Crime and Combating Terrorist Financing Relating to Compliance to the Liabilities Program, the Compliance Officer of the Bank has the following duties and responsibilities:

- To manage all necessary efforts for the Bank to comply with the regulations of Law 5549 and to provide necessary coordination and communication with MASAK (Financial Crimes Investigation Board),
- To ensure that the Compliance Program is carried out, to form policies and procedures within this scope, to execute risk management, monitoring and control activities, to follow up the results of internal audit and training activities,
- To present to the approval of the Board, the studies with regard to the training program about Prevention of Laundering Proceeds of Crime and Combating Terrorist Financing and to ensure that the approved training program is carried out effectively,
- Evaluate information in suspicious transactions and according to the evaluation if the transaction has

been deemed suspicious, report the transaction to the MASAK,

- To manage relations with relevant official and private organizations.

In performing the above duties and responsibilities, the Compliance Officer cooperates with the Audit Department, the Internal Control Unit, Training Department and Legal Department and meets regularly with the relevant executives to review ongoing activities.

Activities of the Fraud Department

The Fraud Department is a new structure that brings together credit card, Internet and application fraud teams that were previously working under different organizations in order to counteract fraud, in accordance with the "enterprise fraud prevention" approach.

Within the scope of monitoring and controlling operational risks that the Bank is exposed to, the Fraud Department develops strategies to monitor, detect, control and prevent external fraud actions with the aim of minimizing the Bank's and customers' losses due to fraud incidents. For this purpose, the Department performs forward looking forecasts and process and product-based trend analysis with regard to external fraud actions. The Department develops views and suggestions by means of assessing new products and services with regard to external fraud risks in order to manage operations to detect fraud events on time and more effectively. Within the scope of intelligence management, the Department carries out all necessary investigations about external fraud actions, sharing information regarding external fraud actions within the Bank and with other banks. In addition to that, it performs training and awareness efforts in order to help Bank personnel understand the importance of operational security against external fraud events and to establish this culture throughout the Bank.

Within the scope of prevention and monitoring of fraud, the Department works to make products and services provided by Alternative Delivery Channels and card payment systems more reliable, and to detect and prevent attempts of account takeover and fraud with regard to credit card and consumer loan applications. For this purpose, it takes the most efficient and effective actions in a short period of time, by means of following technological developments and developing strategies that comply with the Bank's policies.

Managers of Internal Systems Units

Name, Length of Service, Responsibilities, Education and Professional Experience

Ebru Ogan

Ebru Ogan graduated from the Middle East Technical University's Department of Business Administration. She held executive positions at various private companies and banks between 1991 and 2001. Having joined the Subsidiaries Risk Management Department of Garanti in 2001, Ogan has been the Manager of Garanti Bank's Risk Management Department since 2003.

The responsibilities of the Risk Management Senior Vice President are summarized below:

- To ensure that risk management culture is recognized and risk management applications are widespread throughout the Bank and its subsidiaries,
- To set up an integrated risk management system in compliance with regulations and where market, credit and operational risk are measured together, and to ensure that the Bank's capital is used in a way to maximize the Bank's value,
- To determine the Bank's risk management strategies and policies and to present these to the Board of Directors.

Osman Bahri Turgut

Osman Bahri Turgut graduated from the Department of Economics from Marmara University, and has 18 years of banking experience. He joined Garanti in 1990 and served as Assistant Auditor, Auditor, Branch Manager, Assistant Director of Audit Department, Commercial Loans Senior Vice President and Internal Control Unit Manager. He has been serving as the Director of the Audit Department since October 4, 2006.

The responsibilities of the Director of the Audit Department are summarized below:

- To determine internal audit policies and procedures and to implement these after obtaining the necessary approvals,
- To monitor and guide internal audit activities, policies, programs, processes and practices,
- To confirm that Department members possess the qualifications required by their authorities and responsibilities,
- To confirm that Department members perform their duties in an independent, diligent and unbiased manner.

Erdoğan Yılmaz

Erdoğan Yılmaz graduated from Ankara University's Faculty of Political Sciences,

Department of International Relations and joined Garanti in 1994 as an Assistant Auditor. In 2000, he was promoted to Assistant Director of Audit Department. Yılmaz has 15 years of experience in banking and has been serving as the Internal Control Unit Manager since October 4, 2006.

The responsibilities of the Internal Control Unit Manager are summarized below:

- To ensure the establishment of the Bank's internal control system in accordance with applicable legislation and the Bank's targets and policies,
- To collaborate with senior management to define the rules and procedures governing the division of internal control tasks between operational employees and internal control employees,
- To prepare the annual business plans of the Internal Control Unit and to ensure that activities are performed in accordance with these plans,
- To confirm that internal control employees possess the qualifications required by their authorities and responsibilities,
- To confirm that internal control employees perform their duties in an independent, diligent and unbiased manner.

Beyhan Kolay

Beyhan Kolay graduated from the Middle East Technical University, Department of Public Administration. She joined Garanti in 1994 as an Assistant Auditor and was promoted to Assistant Director of Audit Department in 2005. She has 15 years of experience in banking and has been serving as Fraud Senior Vice President since September 15, 2006.

The responsibilities of the Fraud Senior Vice President are:

- To develop and ensure the implementation of strategies for the minimization of financial and non-financial losses that may arise from external fraud,
- To prepare the annual business plans of the Fraud Department and to ensure that activities are performed in accordance with these plans,
- To confirm that the Department's employees possess the qualifications required by their authorities and responsibilities,
- To confirm that the employees of the Fraud Department perform their duties in an independent, diligent and unbiased manner.



**Akis Bağımsız Denetim ve Serbest
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**CONVENIENCE TRANSLATION OF THE AUDITORS' REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH (SEE NOTE 3.1.1)**

To the Board of Directors of Türkiye Garanti Bankası AŞ

We have audited the consolidated balance sheet of Türkiye Garanti Bankası AŞ ("the Bank") and its financial affiliates as of 31 December 2008 and the related consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in shareholders' equity and a summary of significant accounting policies and notes to the financial statements.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm

Our responsibility, as independent auditors, is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no.26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditors' Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası AŞ and its financial affiliates as of 31 December 2008 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and Article 38 of (Turkish) Banking Law No 5411 and the statements and guidances published by the BRSA on accounting and financial reporting principles.

İstanbul,
12 February 2009

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat Alsan
Partner
Certified Public Accountant

Additional paragraph for convenience translation to English:

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL AFFILIATES

CONSOLIDATED FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2008

Levent Nispetiye Mah. Aytar Cad.
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The consolidated interim financial report for the year ended 31 December 2008 prepared in accordance with the communique of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

Subsidiaries	Associates
1. Garanti Bank International NV	1. Eureka Sigorta AŞ
2. Garanti Finansal Kiralama AŞ	
3. Garanti Bank Moscow	
4. Garanti Faktoring Hizmetleri AŞ	
5. Garanti Emeklilik ve Hayat AŞ	
6. Garanti Yatırım Menkul Kıymetler AŞ	
7. Garanti Portföy Yönetimi AŞ	
8. Garanti Financial Services Plc	
9. Garanti Fund Management Co Ltd	

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

Ferit F. Şahenk
Board of Directors
Chairman

M. Cüneyt Sezgin
Audit Committee
Member

Des O'Shea
Audit Committee
Member

S. Ergun Özen
General Manager

Aydın Şenel
Executive Vice
President Responsible
of Financial Reporting

Aylin Aktürk
Coordinator

The authorized contact person for questions on this financial report:

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

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Türkiye Garanti Bankası AŞ and Its Financial Affiliates

Consolidated Financial Report as of and for the Year Ended 31 December 2008

(Thousands of New Turkish Lira [YTL])

1 GENERAL INFORMATION

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

Türkiye Garanti Bankası Anonim Şirketi (the Bank) was established by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and its "Articles of Association" was issued in the Official Gazette dated 25 April 1946. The Bank provides banking services through 721 domestic branches, five foreign branches and four representative offices abroad. The Bank's head office is located in Istanbul.

1.2 Parent bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during period and information on its risk group

As of 31 December 2008, group of companies under Doğu Holding AŞ that currently owns 30.52% shares of the Bank, is called as the Doğu Group (the Group). On 22 December 2005, Doğu Holding AŞ had completed the sale of 53,550,000,000 shares composing 25.5% of the Bank's issued share capital to "GE Araştırma ve Müşavirlik Limited Şti." of General Electric (GE) group. Accordingly, GE acquired a joint control on the Bank's management. On 27 December 2007, GE Araştırma ve Müşavirlik Limited Şti. has sold 9,765,000,000 shares of the Bank at a nominal value of YTL 97.650 each to Doğu Holding AŞ, representing 4.65% of the issued share capital of Türkiye Garanti Bankası AŞ.

Doğu Group

The Group was established in 1951 as a construction and contracting firm. Today, in addition to the construction sector, the Group operates in a variety of business consisting of financial services, automotive, media, tourism and service sectors with more than 20,500 employees. The Group operates partnerships and has distribution, management and franchise agreements with internationally recognized brand names, such as Volkswagen, Audi, Bentley, Porsche, Seat, Scania, ITT Sheraton, Hyatt Regency, Jeeves, Armani, Gucci and CNBC. In the construction sector, the Group has an important role in certain ongoing projects such as Araklı-İyidere and Sinop-Boşabat motorways, Kadıköy-Kartal and Otogar-Bağcılar subways, Yusufeli and Artvin dams, Ukraine Dnyeper bridge. The Group has tourism investments such as Sheraton Voyager, Club Aldiana and Paradise Side Apart Otel and five marinas which are adjudicated by "build, operate and transfer model" such as Dalaman, Didim, Turgutreis, Bodrum and Antalya.

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

General Electric Group

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

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

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

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ferit Faik Şahenk	Chairman	18.04.2001	University	18 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	26 years
Muammer Cüneyt Sezgin	Member of BOD and Audit Committee	30.06.2004	PhD	20 years
Dr. Ahmet Kamil Esirtgen	Member	19.03.1992	PhD	34 years
Denis Arthur Hall	Member	08.10.2008	College	24 years
Des O'Shea	Member of BOD and Audit Committee	02.11.2006	University	31 years
Dmitri Lysander Stockton	Member	22.12.2005	University	17 years
Sait Ergun Özen	Member and CEO	14.05.2003	University	21 years

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

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

(Thousands of New Turkish Lira [YTL])

CEO and Executive Vice Presidents:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Sait Ergun Özen	CEO	01.04.2000	University	21 years
Adnan Memiş	EVP-Support Services	03.06.1991	Master	30 years
Afzal Mohammed Modak	EVP-Finance & Accounting	20.07.2007	Master	23 years
Ali Fuat Erbil	EVP-Retail Banking	30.04.1999	PhD	16 years
Ali Temel	EVP-Loans	21.10.1999	University	18 years
Gökhan Erun	EVP-Human Resources & Investment Banking	18.08.2005	Master	14 years
Faruk Nafiz Karadere	EVP-SME Banking	01.05.1999	University	26 years
Halil Hüsnü Erel	EVP-Operational Services	16.06.1997	University	23 years
Uruz 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
Avni Aydın Düren	EVP-Legal Services	15.01.2009	Master	14 years

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

1.4 Information on parent bank's qualified shareholders

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

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

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

1.5 Summary information on parent bank's activities and services

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

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits 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 31 December 2008****2 CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

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

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

OFF-BALANCE SHEET ITEMS		THOUSANDS OF NEW TURKISH LIRA (YTL)						
		Footnotes	CURRENT PERIOD 31 December 2008			PRIOR PERIOD 31 December 2007		
			YTL	FC	Total	YTL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		32,184,579	48,697,088	80,881,667	23,960,000	32,425,848	56,385,848
I.	GUARANTEES AND SURETIES	5.3.1	4,228,584	10,338,550	14,567,134	3,921,013	8,881,279	12,802,292
1.1.	Letters of guarantee		4,118,306	6,894,220	11,012,526	3,920,019	5,849,586	9,769,605
1.1.1.	Guarantees subject to State Tender Law		238,990	541,707	780,697	306,986	423,552	730,538
1.1.2.	Guarantees given for foreign trade operations		312,563	422,149	734,712	303,752	326,670	630,422
1.1.3.	Other letters of guarantee		3,566,753	5,930,364	9,497,117	3,309,281	5,099,364	8,408,645
1.2.	Bank acceptances		-	123,807	123,807	600	115,887	116,487
1.2.1.	Import letter of acceptance		-	108,097	108,097	600	107,622	108,222
1.2.2.	Other bank acceptances		-	15,710	15,710	-	8,265	8,265
1.3.	Letters of credit		278	3,320,523	3,320,801	394	2,915,806	2,916,200
1.3.1.	Documentary letters of credit		-	82	82	-	1,649	1,649
1.3.2.	Other letters of credit		278	3,320,441	3,320,719	394	2,914,157	2,914,551
1.4.	Guaranteed prefinancings		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Underwriting commitments		-	-	-	-	-	-
1.7.	Factoring related guarantees		-	-	-	-	-	-
1.8.	Other guarantees		110,000	-	110,000	-	-	-
1.9.	Other sureties		-	-	-	-	-	-
II.	COMMITMENTS		14,376,973	4,743,412	19,120,385	13,139,200	3,764,471	16,903,671
2.1.	Irrevocable commitments		14,376,973	4,742,758	19,119,731	13,139,200	3,764,081	16,903,281
2.1.1.	Asset purchase commitments		153,483	1,418,639	1,572,122	50,554	1,689,412	1,739,966
2.1.2.	Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries		812	-	812	812	-	812
2.1.4.	Loan granting commitments		2,787,561	1,853,327	4,640,888	2,327,523	1,013,639	3,341,162
2.1.5.	Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Commitments for cheque payments		1,356,288	-	1,356,288	1,852,451	-	1,852,451
2.1.8.	Tax and fund obligations on export commitments		25,834	-	25,834	24,398	-	24,398
2.1.9.	Commitments for credit card limits		8,788,785	31,274	8,820,059	7,619,252	-	7,619,252
2.1.10.	Commitments for credit cards and banking services related promotions		-	-	-	-	-	-
2.1.11.	Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12.	Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		1,264,210	1,439,518	2,703,728	1,264,210	1,061,030	2,325,240
2.2.	Revocable commitments		-	654	654	-	390	390
2.2.1.	Revocable loan granting commitments		-	-	-	-	-	-
2.2.2.	Other revocable commitments		-	654	654	-	390	390

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates

Consolidated Off-Balance Sheet Items

At 31 December 2008

		THOUSANDS OF NEW TURKISH LIRA (YTL)						
		CURRENT PERIOD 31 December 2008			PRIOR PERIOD 31 December 2007			
	Footnotes	YTL	FC	Total	YTL	FC	Total	
III.	DERIVATIVE FINANCIAL INSTRUMENTS	5.3.2	13,579,022	33,615,126	47,194,148	6,899,787	19,780,098	26,679,885
3.1.	Derivative financial instruments held for risk management	-	110,523	110,523	-	58,282	58,282	
3.1.1.	Fair value hedges	-	-	-	-	-	-	
3.1.2.	Cash flow hedges	-	110,523	110,523	-	58,282	58,282	
3.1.3.	Net foreign investment hedges	-	-	-	-	-	-	
3.2.	Trading derivatives	13,579,022	33,504,603	47,083,625	6,899,787	19,721,816	26,621,603	
3.2.1.	Forward foreign currency purchases/sales	1,937,437	2,904,909	4,842,346	863,438	1,217,606	2,081,044	
3.2.1.1.	Forward foreign currency purchases	934,191	1,490,485	2,424,676	340,766	665,557	1,006,323	
3.2.1.2.	Forward foreign currency sales	1,003,246	1,414,424	2,417,670	522,672	552,049	1,074,721	
3.2.2.	Currency and interest rate swaps	9,923,766	20,708,428	30,632,194	4,840,279	10,157,286	14,997,565	
3.2.2.1.	Currency swaps-purchases	5,472,200	9,895,595	15,367,795	1,215,757	6,023,664	7,239,421	
3.2.2.2.	Currency swaps-sales	4,451,566	10,772,760	15,224,326	3,622,066	4,123,014	7,745,080	
3.2.2.3.	Interest rate swaps-purchases	-	18,612	18,612	417	5,401	5,818	
3.2.2.4.	Interest rate swaps-sales	-	21,461	21,461	2,039	5,207	7,246	
3.2.3.	Currency, interest rate and security options	1,683,016	9,017,177	10,700,193	1,077,653	7,711,274	8,788,927	
3.2.3.1.	Currency call options	658,260	2,816,859	3,475,119	370,616	3,798,693	4,169,309	
3.2.3.2.	Currency put options	990,950	2,696,475	3,687,425	635,057	3,417,318	4,052,375	
3.2.3.3.	Interest rate call options	-	1,799,040	1,799,040	-	81,200	81,200	
3.2.3.4.	Interest rate put options	-	1,692,640	1,692,640	-	-	-	
3.2.3.5.	Security call options	33,806	10,642	44,448	37,344	113,283	150,627	
3.2.3.6.	Security put options	-	1,521	1,521	34,636	300,780	335,416	
3.2.4.	Currency futures	27,209	33,537	60,746	114,417	82,650	197,067	
3.2.4.1.	Currency futures-purchases	24,833	24,967	49,800	83,070	2,219	85,289	
3.2.4.2.	Currency futures-sales	2,376	8,570	10,946	31,347	80,431	111,778	
3.2.5.	Interest rate futures	-	-	-	-	-	-	
3.2.5.1.	Interest rate futures-purchases	-	-	-	-	-	-	
3.2.5.2.	Interest rate futures-sales	-	-	-	-	-	-	
3.2.6.	Others	7,594	840,552	848,146	4,000	553,000	557,000	
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	149,828,729	108,801,912	258,630,641	129,941,310	67,836,609	197,777,919	
IV.	ITEMS HELD IN CUSTODY	38,828,829	15,720,224	54,549,053	46,920,619	12,856,015	59,776,634	
4.1.	Customers' securities held	18,299,861	3,913,486	22,213,347	21,162,119	3,625,534	24,787,653	
4.2.	Investment securities held in custody	13,804,387	932,508	14,736,895	20,241,857	1,385,719	21,627,576	
4.3.	Checks received for collection	4,869,700	895,721	5,765,421	4,204,954	494,980	4,699,934	
4.4.	Commercial notes received for collection	1,822,785	1,776,262	3,599,047	1,281,717	1,631,219	2,912,936	
4.5.	Other assets received for collection	9,649	7,665,813	7,675,462	7,197	5,402,214	5,409,411	
4.6.	Assets received through public offering	-	25,454	25,454	-	18,805	18,805	
4.7.	Other items under custody	22,447	510,980	533,427	22,775	297,544	320,319	
4.8.	Custodians	-	-	-	-	-	-	
V.	PLEDGED ITEMS	110,999,900	93,081,688	204,081,588	83,020,691	54,980,594	138,001,285	
5.1.	Securities	77,210	24,354	101,564	169,805	5,555	175,360	
5.2.	Guarantee notes	16,424,680	6,927,507	23,352,187	11,971,031	4,942,492	16,913,523	
5.3.	Commodities	157	-	157	157	-	157	
5.4.	Warranties	-	335,011	335,011	-	463,776	463,776	
5.5.	Real estates	19,469,018	20,275,144	39,744,162	13,345,519	7,900,332	21,245,851	
5.6.	Other pledged items	75,028,665	65,519,224	140,547,889	57,534,009	41,668,096	99,202,105	
5.7.	Pledged items-depository	170	448	618	170	343	513	
VI.	CONFIRMED BILLS OF EXCHANGE AND SURETIES	-	-	-	-	-	-	
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		182,013,308	157,499,000	339,512,308	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 Year Ended 31 December 2008

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

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 Year Ended 31 December 2008

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

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates

Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended 31 December 2008

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	CAPITAL RESERVES				Share Cancellation Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Intangible Assets	Bonus Shares of Equity	Hedging Reserves	Assets of discontinued Operations	Shareholders' Equity before Minority Interest	Total Shareholders' Equity	
	Footnotes	Paid-in Capital	Adjustments to Paid-in Capital	Reserves from Inflation																
PROPERIOD: 31 December 2007																				
I. Balance at beginning of the period	2,100,000	772,554	-	188,653	-	58,745	36,923	-	58,745	36,923	-	1,165,311	122,704	2,147	950	(19,270)	-	4,816,617	2,770	4,824,387
II. Transfers made in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balance at beginning of the period (I+II)	2,100,000	772,554	-	188,653	-	58,745	36,923	-	58,745	36,923	-	1,165,311	122,704	2,147	950	(19,270)	-	4,816,617	2,770	4,824,387
Changes during the period																				
IV. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Market value changes of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Revaluations surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Bonus shares of associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in classification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current period net profit/loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX. Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXI. Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXII. Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXIII. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXIV. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of the period (III+IV+V+...+XXIII+XXIV)	2,100,000	772,554	-	168,367	-	1,388,561	5,935	-	1,388,561	5,935	-	2,413,778	189,537	29,864	1,509	32,238	-	7,102,343	23,334	7,125,677
CURRENT PERIOD: 31 December 2008																				
I. Balance at beginning of the period	2,100,000	772,554	-	168,367	-	1,388,561	5,935	-	1,388,561	5,935	-	2,413,778	189,537	29,864	1,509	32,238	-	7,102,343	23,334	7,125,677
Changes during the period																				
II. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1. Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluations surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Effect of change in classification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in classification of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.2. Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.3. Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.2. Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of the period (I+II+III+...+XVIII)	2,100,000	772,554	-	285,651	-	1,681,728	102,797	-	1,681,728	102,797	-	1,879,378	177,996	597,090	1,509	2,468	-	9,707,655	35,125	9,742,580

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

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

		THOUSANDS OF NEW TURKISH LIRA (YTL)	
		CURRENT PERIOD	PRIOR PERIOD
		31 December 2008	31 December 2007
		Footnotes	
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	5.6	2,619,095
1.1.1	Interests received		9,326,315
1.1.2	Interests paid		(6,366,874)
1.1.3	Dividend received		29,472
1.1.4	Fees and commissions received		1,578,335
1.1.5	Other income		909,909
1.1.6	Collections from previously written-off loans and other receivables		25,323
1.1.7	Payments to personnel and service suppliers		(2,427,788)
1.1.8	Taxes paid		(455,597)
1.1.9	Others		-
1.2	Changes in operating assets and liabilities	5.6	7,140,829
1.2.1	Net (increase) decrease in financial assets held for trading		405,513
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss		-
1.2.3	Net (increase) decrease in due from banks and other financial institutions		1,815,904
1.2.4	Net (increase) decrease in loans		(13,744,573)
1.2.5	Net (increase) decrease in other assets		(698,201)
1.2.6	Net increase (decrease) in bank deposits		(310,214)
1.2.7	Net increase (decrease) in other deposits		14,432,747
1.2.8	Net increase (decrease) in funds borrowed		5,240,354
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities		(701)
I.	Net cash flow from banking operations	5.6	9,759,924
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash flow from investing activities	5.6	(7,352,046)
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures		95
2.3	Purchases of tangible assets		(394,925)
2.4	Sales of tangible assets		166,529
2.5	Cash paid for purchase of financial assets available-for-sale, net		(12,369,975)
2.6	Cash obtained from sale of financial assets available-for-sale, net		4,653,806
2.7	Cash paid for purchase of investments held-to-maturity		-
2.8	Cash obtained from sale of investments held-to-maturity		592,519
2.9	Others		-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flow from financing activities		677,559
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		-
3.5	Payments for financial leases		(88)
3.6	Others (payments for founder shares repurchased)		(1,434,233)
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		(233,267)
V.	Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	2,852,170
VI.	Cash and cash equivalents at beginning of period	5.6	4,293,819
VII.	Cash and cash equivalents at end of period (V+VI)	5.6	7,145,989

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

Türkiye Garanti Bankası AŞ and Its Financial Affiliates

Consolidated Financial Report as of and for the Year Ended 31 December 2008

(Thousands of New Turkish Lira [YTL])

3 ACCOUNTING POLICIES

3.1 Basis of presentation

As per the Articles 37 and 38 of "Accounting and Recording Rules" of the Turkish Banking Law No 5411 published on the Official Gazette no.25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its consolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulation and Supervision Agency (BRSA) and in effect since 1 November 2006, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances.

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

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

3.1.1 Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

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

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

The fundamental strategy to manage the liquidity risk is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The widespread and effective branch network, advantage of primary dealership and strong market share in the treasury and capital markets, are the most effective tools in the realisation of this strategy. For this purpose, serving customers by introducing new products and services continuously and reaching the customers satisfaction are very important.

Another influential factor in the management of the interest and liquidity risk on balance sheet is product diversification both on asset and liability sides.

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

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

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

3.2.2 Foreign currency transactions

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the income statement.

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

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

3.3 Information on consolidated subsidiaries

As of 31 December 2008, Türkiye Garanti Bankası Anonim Şirketi and the following financial affiliates are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Bank Moscow (Garanti Moscow), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring Hizmetleri AŞ (Garanti Faktoring), Garanti Fund Management Co Ltd (GFM) ve Garanti Financial Services Plc (GFS).

Garanti Sigorta AŞ was established in 1989 to perform insurance activities. In 1992, it was decided to operate life and health branches under a different company and accordingly Garanti Hayat Sigorta AŞ was established. Garanti Hayat Sigorta AŞ was converted into a private pension company in compliance with the legislation early in 2003 and its name was changed as Garanti Emeklilik ve Hayat AŞ. Following the sale transactions that took place on 21 June 2007, the Bank owns 20% of Garanti Sigorta AŞ that its name has been changed as Euroko Sigorta AŞ at 1 October 2007 and 84.91% of Garanti Emeklilik. Euroko Sigorta AŞ is accounted under equity accounting method in the accompanying consolidated financial statements. The head offices of these companies are in Istanbul.

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Garanti Finansal Kiralama was established in 1990 to perform financial lease activities. The company's head office is in Istanbul. The Bank owns 98.94% of the company's shares through direct and indirect shareholdings.

Garanti Faktoring was established in 1990 to perform import, export and domestic factoring activities. The company's head office is in Istanbul. The Bank and T. İhracat Bankası AŞ own 55.40% and 9.78% of the company's shares, respectively. The remaining 34.82% shares are held by public.

GBI was established in 1990 by the Bank to perform banking activities in abroad. The head office of this bank is in Amsterdam. It is wholly owned by the Bank.

Garanti Yatırım was established in 1991 to perform brokerage activities for marketable securities, valuable papers and documents representing financial values or financial commitments of issuing parties other than securities. The company's head office is in Istanbul. It is wholly owned by the Bank.

Garanti Moscow was established in 1996 to perform banking activities in abroad. This bank's head office is in Moscow. The Bank and Garanti Financial Services PLC own 75.02% and 24.86% of the company shares, respectively.

Garanti Portföy was established in June 1997 to manage the customer portfolios by using the capital market products in compliance with the principles and rules of the regulations regarding the company's purpose of establishment and the portfolio management agreements signed with the customers. The company's head office is in Istanbul. It is wholly owned by the Bank.

Liquidation or sales of the associates and subsidiaries:

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

The liquidation processes of GFM ve GFS continue.

3.4 Forwards, options and other derivative transactions

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contacts.

In accordance with the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement"; forward foreign currency purchases/sales, swaps, options and futures are classified "hedging purposes" and "trading purposes". Derivatives are initially recorded in off-balance sheet accounts at their purchase costs including the transaction costs. Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively. Subsequent fair value changes for trading derivatives are recorded under income statement. Whereas, the effective portions of hedging derivatives are recorded under shareholders' equity while their ineffective portions are posted through income statement.

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

3.5 Interest income and expenses

General

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

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

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

Financial lease operations

Total of minimum rental payments including interests and principals are recorded under "financial lease receivables" as gross. The difference, i.e. the interest, between the total of rental payments and the cost of the related tangible asset is recorded under "unearned income". When the rent payment incurs, the rent amount is deducted from "financial lease receivables"; and the interest portion is recorded as interest income in the income statement.

3.6 Fees and commissions

Fees and commissions received and paid, and other fees and commissions paid to financial institutions are calculated according to either accrual basis of accounting or effective interest rate method depending on nature of fees and commissions, incomes derived from agreements and asset purchases from third parties are recognized as income when realized.

3.7 Financial assets

3.7.1 Financial assets at fair value through profit or loss

Such assets are valued at their fair values and gain/loss arising is recorded in the income statement. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the income statement. In case of sales of such securities before their maturity, the gains/losses on such sales are recorded under trading income/losses.

3.7.2 Investments held-to-maturity, financial assets available-for-sale and loans and receivables

Financial assets are recorded at their purchase costs including the transaction costs.

Investments held-to-maturity are financial assets with fixed maturities and pre-determined payment schedules that the Bank and its financial affiliates have the intent and ability to hold until maturity, excluding originated loans and receivables.

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

Specific allowances for non-performing loan and other receivables are provided in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. Such allowances are deducted from loans under follow-up on the asset side.

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

3.10 Repurchase and resale agreements and securities lending

Securities sold under repurchase agreements are recorded on the balance sheet in compliance with the Uniform Chart of Accounts for Banks. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as "Investments Subject to Repurchase Agreements" and valued based on the Bank management's future intentions, either at market prices or using discounting method with internal rate of return. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis.

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

3.11 Assets held for sale and discontinued operations 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.

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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.

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3.15 Provisions and contingent liabilities

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

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

3.16 Contingent assets

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

3.17 Liabilities for employee benefits

Severance Indemnities and Short-Term Employee Benefits

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

Accordingly, the Bank and its financial affiliates subject to the labour law, reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits" for all its employees who retired or whose employment is terminated, called up for military service or died. The major actuarial assumptions used in the calculation of the total liability are as follows:

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

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

Retirement Benefit Obligations

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

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

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

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

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

a) Benefits transferable to SSF

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

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

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

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

b) Other benefits not transferable to SSF

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

The consolidated affiliates do not have retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated affiliates are subject to the SF 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 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Tax applications for foreign branches

NORTHERN CYPRUS

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

MALTA

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

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LUXEMBOURG

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

Tax applications for foreign financial affiliates

HOLLAND

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

Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final 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.

RUSSIA

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

3.18.2 Deferred taxes

According to the Turkish Accounting Standard 12 (TAS 12) "Income Taxes", deferred tax assets and liabilities are recognized, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

If transactions and events are recorded in the income statement, then the related tax effects are also recognized in the income statement. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.

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

3.18.3 Transfer pricing

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

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

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

3.19 Funds borrowed

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

There are no convertible bonds or any other securities issued.

3.20 Shares and share issuances

None.

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3.21 Confirmed bills of exchange and acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

3.22 Government incentives

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

3.23 Segment reporting

The Bank operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; custody services, time and demand deposits, accumulating deposit accounts, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account (ELMA), cheques, safety boxes, bill payments, tax collections, payment orders. GarantiCard, BonusCard, Shop&Miles, BusinessCard under the brand name of Visa and Mastercard, and also American Express credit cards and Maestro ve Electron Garanti24 cards are available.

The Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers' needs effectively and efficiently. The Bank also utilizes alternative delivery channels intensively.

The Bank provides corporate banking products to international and national holdings in Turkey by coordinating regional offices, suppliers and intermediaries, utilizing cross-selling techniques. Mainly, it provides services through its commercial and mixed type of branches to export-revenue earning sectors like tourism and textile and exporters of Turkey's traditional agricultural products.

Additionally, the Bank provides "small business" banking service to enterprises in retail and service sectors. Products include overdraft accounts, POS machines, credit cards, cheque books, YTL and foreign currency deposits, investment accounts, internet banking and call-center, debit card and bill payment.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

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

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

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3.24 Other disclosures

3.24.1 Reclassifications

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

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

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

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

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

4 CONSOLIDATED FINANCIAL POSITION AND RESULTS OF OPERATIONS

4.1 Consolidated capital adequacy ratio

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

4.1.1 Risk measurement methods in calculation of consolidated capital adequacy ratio

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

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

The items deducted from the capital base are not included in the calculation of risk weighted assets, non-cash loans and commitments. In calculation of risk weighted assets, impairments, depreciation and amortisation, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

In the calculation of the risk based values of the derivative financial instruments, such instruments are weighted once more and classified according to the related risk groups after being multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

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

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4.1.2 Consolidated capital adequacy ratio

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

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

4.1.3 Summary information related to consolidated capital adequacy ratio

	Parent Bank Only	
	Current Period	Prior Period
Value at Credit Risk (VaCR)	53,973,934	41,927,303
Value at Market Risk (VaMR)	2,523,750	579,538
Value at Operational Risk (VaOR)	5,766,996	4,520,072
Shareholders' Equity	10,047,717	7,206,570
Shareholders' Equity/(VaCR+VaMR+VaOR) * 100	16.14%	15.32%
	Consolidated	
	Current Period	Prior Period
Value at Credit Risk (VaCR)	59,687,917	46,859,414
Value at Market Risk (VaMR)	4,120,450	1,550,094
Value at Operational Risk (VaOR)	6,621,287	5,299,036
Shareholders' Equity	10,467,025	7,506,982
Shareholders' Equity/(VaCR+VaMR+VaOR) * 100	14.86%	13.98%

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4.1.4 Components of consolidated shareholders' equity

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

(*) 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.

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DEDUCTIONS FROM CAPITAL	461,243	488,448
Unconsolidated Investments in Banks and Financial Institutions	42,813	29,955
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-	-
Banks and Financial Institutions' Assets and Liabilities that are not Fully Consolidated but Included Using Equity Accounting	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained more than Five Years	62,925	81,085
Others	-	-
TOTAL SHAREHOLDERS' EQUITY	10,467,025	7,506,982

4.2 Consolidated credit risk

Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is reviewed periodically in compliance with the legislation by the internal risk rating models. The credit limits are revised and further collateral is required if the risk level of debtor deteriorates. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the lending policies, the debtor's creditworthiness is analysed and the satisfactory collateral is required based on the financial position of the company and the lending terms demanded; like cash collateral, bank guarantees, mortgages, pledges, bills and personal or corporate guarantees.

There are control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed under the risk from market fluctuations. The risk arising from such instruments are followed up and the necessary actions are taken to decrease it when necessary.

The liquidated non-cash loans are subject to the same risk weighting with the overdue loans.

Foreign trade finance and other interbank credit transactions are performed through widespread correspondents network. Accordingly, limits are assigned to domestic and foreign banks and other financial institutions examining their credit worthiness, periodically.

The Bank and its financial affiliates' largest 100 cash loan customers compose 28.63% of the total cash loan portfolio.

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

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

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

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

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4.2.1 Customer and regional concentration of credit risks

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

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

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

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

4.2.2 Geographical concentration

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

(1) OECD countries other than EU countries, USA and Canada

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

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4.2.3 Sectoral distribution of cash loans

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

4.2.4 Credit risk by business segments

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

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4.3 Consolidated market risk

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

In order to comply with the regulations, the Bank set its activities related with market risk management in accordance with "Regulation on Bank's Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

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

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

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

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

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

The capital requirement for general market risk and specific risks is calculated using the standard method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

4.3.1 Value at market risk on a consolidated basis

	Amount
(I) Capital Obligation against General Market Risk-Standard Method	196,221
(II) Capital Obligation against Specific Risks-Standard Method	103,154
(III) Capital Obligation against Currency Risk-Standard Method	18,106
(IV) Capital Obligation against Stocks Risks-Standard Method	-
(V) Capital Obligation against Exchange Risks-Standard Method	-
(VI) Capital Obligation against Market Risks of Options-Standard Method	12,155
(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)	329,636
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	4,120,450

4.3.2 Average values at market risk

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

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4.4 Consolidated operational risk

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

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

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

4.5 Consolidated currency risk

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

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

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

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

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The Bank's consolidated currency risk:

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

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

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

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4.6 Consolidated interest rate risk

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

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

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

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Average interest rates on monetary financial instruments (%):

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

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
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	918,877	13,534,971
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	3,007,502	5,460,633
Total Assets	19,566,134	14,133,166	12,875,912	17,224,284	4,434,751	7,914,246	76,148,493
Liabilities							
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
Total Liabilities	41,689,911	6,702,646	5,558,046	1,656,005	6,654	20,535,231	76,148,493
On Balance Sheet Long Position	-	7,430,520	7,317,866	15,568,279	4,428,097	-	34,744,762
On Balance Sheet Short Position	(22,123,777)	-	-	-	-	(12,620,985)	(34,744,762)
Off-Balance Sheet Long Position	2,596	82	731	-	-	-	3,409
Off-Balance Sheet Short Position	(72)	(20,686)	(3,777)	-	-	-	(24,535)
Total Position	(22,121,253)	7,409,916	7,314,820	15,568,279	4,428,097	(12,620,985)	(21,126)

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Average interest rates on monetary financial instruments (%):

Prior Period	Euro	USD	Yen	YTL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	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
Liabilities				
Bank Deposits	3.50-7.08	3.75-6.72	-	13.00-16.65
Other Deposits	1.50-5.00	1.00-6.50	0.48	14.73
Interbank Money Market Takings	4.11	5.06-5.20	-	15.44
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	4.91-5.85	5.52-6.54	1.85	13.66-18.38

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

4.7 Consolidated liquidity risk

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

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

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

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

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

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

(*) 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.

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4.8 Fair values of financial assets and liabilities

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

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

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

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

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

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

The Bank and its financial affiliates provide buying, selling and custody services and management and advisory services in financial matters for its customers.

There is no involvement in trust activities.

5 DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS**5.1 Consolidated assets****5.1.1 Cash and balances with Central Bank**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Cash in YTL/Foreign Currency	312,476	359,882	244,778	209,416
Central Bank of Turkey	2,258,831	2,589,911	2,939,012	3,770,506
Others	3,753	25,177	3,180	70,139
Total	2,575,060	2,974,970	3,186,970	4,050,061

Balances with the Central Bank of Turkey:

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

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in YTL and USD or EUR at the rates of 6% and 9%, respectively as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey. The interest rate applied by the Central Bank of Turkey for YTL reserves is 12%. The FC reserves do not earn any interests.

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5.1.2 Financial assets at fair value through profit/loss

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

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

5.1.2.2 Positive differences on trading derivative instruments

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

5.1.3 Banks

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

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

Due from foreign banks:

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

(1) OECD countries other than the EU countries, USA and Canada

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5.1.4 Financial assets available-for-sale**5.1.4.1 Financial assets subject to repurchase agreements and provided as collateral/blocked**

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

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

5.1.4.2 Details of financial assets available-for-sale

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

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

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

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

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

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5.1.5.2 Loans and other receivables classified in groups I and II and restructured or rescheduled

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

Collaterals received for loans under follow-up

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

Delinquency periods of loans under follow-up

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

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5.1.5.3 Maturity analysis of cash loans

	Performing Loans and Other Receivables (Group I)		Loans under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Short-Term Loans	18,983,390	-	276,189	53,167
Loans	18,983,390	-	276,189	53,167
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans	32,653,543	-	330,865	2,400
Loans	32,653,543	-	330,865	2,400
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	51,636,933	-	607,054	55,567

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

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

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5.1.5.5 Installment based commercial loans and corporate credit cards

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

5.1.5.6 Allocation of loans by customers

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

5.1.5.7 Allocation of domestic and foreign loans

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

5.1.5.8 Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Lending	6,954	201
Indirect Lending	-	-
Total	6,954	201

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5.1.5.9 Specific provisions for loans

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

*5.1.5.10 Non-performing loans(NPLs) (net)**Non-performing loans and other receivables restructured or rescheduled:*

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

Movements in non-performing loan groups:

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

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Movements in specific loan provisions

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

Non-performing loans in foreign currencies

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

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

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Individuals and Corporates (Gross)	238,188	294,614	724,039
Specific Provision (-)	62,160	179,505	565,030
Loans to Individuals and Corporates (Net)	176,028	115,109	159,009
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	7,672
Specific Provision (-)	-	-	7,672
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	125,208	109,813	72,019
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)	-	-	-

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Collaterals received for non-performing loans

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

5.1.5.11 Liquidation policy for uncollectible loans and receivables

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

5.1.5.12 Write-off policy

Please refer to Note 5.1.5.11 above.

5.1.6 Factoring receivables

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

*5.1.7 Investments held-to-maturity**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	1,508,226	65,263	283,506	27,897
Investments subject to Repurchase Agreements	4,354,254	254,746	2,645,615	500,243
Total	5,862,480	320,009	2,929,121	528,140

5.1.7.2 Government securities held-to-maturity

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

5.1.7.3 Investments held-to-maturity

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

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5.1.7.4 Movement of investments held-to-maturity

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

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

5.1.8 Investments in associates**5.1.8.1 Unconsolidated investments in associates**

Associates	Address (City/Country)	Parent Bank's Share-If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Emeklilik Gözetim Merkezi AŞ	Istanbul/Turkey	-	9.00
2 Bankalararası Kart Merkezi AŞ	Istanbul/Turkey	10.15	10.15
3 Yatırım Finansman Menkul Değerler AŞ(1)	Istanbul/Turkey	0.77	0.77
4 İMKB Takas ve Saklama Bankası AŞ(1)	Istanbul/Turkey	5.83	5.83
5 Vadeli İşlem ve Opsiyon Borsası AŞ	Istanbul/Turkey	6.00	6.00
6 KKB Kredi Kayıt Bürosu AŞ(1)	Istanbul/Turkey	9.09	9.09
7 Gelişen İşletmeler Piyasaları AŞ	Istanbul/Turkey	5.00	5.00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss and Extraordinary Reserves	Company's Fair Value (if available)
1	5,545	3,479	398	581	65	215	584	-
2	15,271	12,004	4,544	1,665	-	1,139	2,075	-
3	146,400	53,593	1,417	-	-	(1,962)	3,725	-
4	1,721,903	262,251	11,064	34,336	12,982	34,664	53,253	-
5	31,706	29,816	2,333	3,615	64	15,988	2,854	-
6	22,347	17,068	1,821	2,420	1	4,361	-	-
7	7,338	7,325	2	1,320	2	1,030	-	-

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

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

Unconsolidated investments in associates sold during the current period

None.

Unconsolidated investments in associates acquired during the current period

None.

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5.1.8.2 Consolidated investments in associates

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

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss and Extraordinary Reserves	Company's Fair Value (if available)
1	491,110	201,711	20,811	29,495	7,919	59,947	37,735	-

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

5.1.8.3 Movement of consolidated investments in associates

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

Valuation methods of consolidated investments in associates

Associates	Current Period	Prior Period
Valued at Cost	-	-
Valued at Fair Value	-	-
Valued by Equity Method of Accounting	40,342	28,997

Sectoral distribution of consolidated investments and associates

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

Quoted consolidated investments in associates

None.

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

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5.1.9 Investments in subsidiaries**5.1.9.1 Unconsolidated investments in subsidiaries**

	Subsidiaries	Address (City/Country)	Parent Bank's Share-If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. AŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.92	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	93.40	96.40
4	Garanti Kültür AŞ (**)	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoy Real Estate Company	Bucharest/Romani	-	100.00
7	Participation GBI Custody	Amsterdam/Holland	-	100.00
8	Participation United Custodian	Amsterdam/Holland	-	100.00
9	Trifoy Investments	Amsterdam/Holland	-	100.00
10	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss and Extraordinary Reserves	Company's Fair Value (if available)
1	16,412	9,885	514	-	8	2,040	(99,458)	-
2	16,243	8,908	996	35	1,853	2,413	5,917	-
3	641	486	15	-	96	121	-	-
4	531	219	44	-	2	46	(171)	-
5	395	329	-	-	18	133	8	-
6	132	81	124	-	-	-	(37)	-
7	267	264	-	-	-	-	-	-
8	264	264	-	-	-	-	-	-
9	2	2	-	-	-	-	-	-
10	103,566	5,739	82,194	-	-	(5,154)	893	-

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

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

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

As of 31 December 2008, the investments in Trifoy Real Estate Company, Participation GBI Custody, Participation United Custodian and Trifoy Investments classified as financial subsidiaries are not consolidated as their total assets are less than 1% of the Bank's total assets, instead they are valued at cost.

The non-financial investments in Garanti Bilişim Teknolojisi ve Tic. AŞ, Garanti Ödeme Sistemleri AŞ, Garanti Hizmet Yönetimi AŞ, Garanti Kültür AŞ, Garanti Filo Yönetim Hizmetleri AŞ and Garanti Konut Finansmanı Danışmanlık Hizmetleri AŞ are accounted under equity method of accounting.

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

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

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

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

Valuation methods of consolidated investments in subsidiaries

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

Sectoral distribution of consolidated investments in subsidiaries

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

Quoted consolidated investments in subsidiaries

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

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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	2,228,841	285,640	18,230	246,920	-	74,357	128,035	-
2	750,337	41,428	1,975	96,276	1,702	7,082	14,264	31,071
3	27,568	24,939	3,043	2,052	1,338	110	10,140	-
4	17,513	14,194	1,194	2,063	241	966	440	-
5	1,204,852	156,862	11,187	29,042	5,014	64,565	25,078	-
6	7,690,641	483,610	100,827	357,629	103,357	65,953	13,606	487,273
7	477,206	87,342	1,235	35,968	8,621	13,511	29,545	90,864
8	10,618	10,228	-	85	-	(725)	6,188	27,324
9	93	-	-	-	-	-	(267)	-

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

Consolidated investments in subsidiaries disposed during the current period

None.

Consolidated investments in subsidiaries acquired during the current period

None.

5.1.10 Investments in joint-ventures

None.

5.1.11 Lease receivables

5.1.11.1 Financial lease receivables according to remaining maturities

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

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5.1.11.2 Net financial lease receivables

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

5.1.11.3 Financial lease agreements

The criterias applied for the financial lease agreements are as follows:

The customer applied for a financial lease is evaluated based on the lending policies and criterias taking into account the legal legislation. A "customer analysis report" according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as "customer risk rating" and "equipment rating/scoring" are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

The followings are monitored for the financial lease agreements signed:

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the credit monitoring unit even for the performing customers.

The reports prepared by the credit monitoring unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

5.1.12 Derivative financial assets held for risk management

5.1.12.1 Positive differences on derivative financial instruments held for risk management

Derivative Financial Assets held for Risk Management	Current Period		Prior Period	
	YTL	FC	YTL	FC
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	69,161	-	31,960
Net Foreign Investment Hedges	-	-	-	-
Total	-	69,161	-	31,960

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.

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5.1.13 Tangible assets

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

5.1.13.1 Disclosure for impairment losses or releases individually material for financial statements

Conditions for allocating/releasing any impairment

None.

Amount of impairment losses provided or released in financial statements during current period

None.

5.1.13.2 Other impairment losses provided or released in current period that are immaterial for the financial statement individually but material for the financial statements aggregately

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

5.1.14 Intangible assets

5.1.14.1 Useful lives and amortisation rates

The consolidation goodwill classified under intangible assets is not amortized. The estimated useful lives of pre-operating expenses, softwares and intangible rights vary between 5 and 15 years.

5.1.14.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation. The consolidation goodwill is not amortized, however is subject to impairment testing regularly and if there is any impairment, a provision is made.

5.1.14.3 Balances at beginning and end of current period

	Current Period		Prior Period	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Intangible Assets	99,470	61,991	81,784	53,731

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5.1.14.4 Movements of intangible assets for the current period

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

5.1.14.5 Details for any individually material intangible assets

None.

5.1.14.6 Intangible assets capitalised under government incentives at fair values

None.

5.1.14.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates

None.

5.1.14.8 Net book value of intangible asset that are restricted in usage or pledged

None.

5.1.14.9 Commitments to acquire intangible assets

None.

5.1.14.10 Disclosure on revalued intangible assets

None.

5.1.14.11 Research and development costs expensed during current period

None.

5.1.14.12 Goodwill

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

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5.1.14.13 Movements in goodwill during current period

	Current Period
Net Book Value at Beginning Period	6,388
Movements in Current Period	-
Additions	-
Adjustments due to the Changes in Value of Assets and Liabilities	-
Disposals in Current Period due to a Discontinued Operation Or Partial or Complete Disposal of an Asset (-)	-
Amortisation Expense for Current Period (-)	-
Impairment Losses (-)	-
Reversal of Impairment Losses (-)	-
Other changes in Book Values	-
Net Book Value at End of Current Period	6,388

5.1.15 Investment property

None.

5.1.16 Deferred tax asset

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

There is no deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2008. However, there is a deferred tax asset of YTL 133,715 thousands (31 December 2007: YTL 112,882 thousands) and deferred tax liability of YTL 81,194 thousands (31 December 2007: YTL 54,530 thousands) presented as net in the accompanying consolidated financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

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

5.1.17 Assets held for sale and assets of discontinued operations

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

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

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5.1.18 Other Assets**5.1.18.1 Receivables from term sale of assets**

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

5.1.18.2 Prepaid expenses

	Current Period	Prior Period
Prepaid Expenses	318,026	257,923

5.2 Consolidated liabilities**5.2.1 Maturity profile of deposits**

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
Saving Deposits	1,288,447	-	6,734,053	10,090,399	115,387	87,261	77,063	-	18,392,610
Foreign Currency	5,956,954	-	9,665,986	7,104,105	519,367	2,000,870	1,812,773	90,877	27,150,932
Residents in Turkey	3,957,213	-	9,039,186	6,699,350	407,667	530,296	569,274	89,588	21,292,574
Residents in Abroad	1,999,741	-	626,800	404,755	111,700	1,470,574	1,243,499	1,289	5,858,358
Public Sector Deposits	426,693	-	283,600	516,009	25	272	63	-	1,226,662
Commercial Deposits	1,718,894	-	3,085,788	3,647,112	74,494	31,679	97,490	-	8,655,457
Others	159,815	-	54,414	77,756	705	569	207	-	293,466
Precious Metal Deposits	93,443	-	1	2,002	-	24,020	2,088	-	121,554
Bank Deposits	942,592	-	359,785	232,964	170,693	212,939	200,303	-	2,119,276
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	115,582	-	54,077	29,344	77,386	117,008	79,385	-	472,782
Foreign Banks	381,703	-	305,708	203,620	93,307	95,931	120,918	-	1,201,187
Special Purpose Financial Institutions	445,307	-	-	-	-	-	-	-	445,307
Others	-	-	-	-	-	-	-	-	-
Total	10,586,838	-	20,183,627	21,670,347	880,671	2,357,610	2,189,987	90,877	57,959,957

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Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
Saving Deposits	1,072,314	-	3,570,588	7,477,039	189,474	99,403	244,273	-	12,653,091
Foreign Currency	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
Public Sector Deposits	384,378	-	82,765	6,044	31	1,412	55	-	474,685
Commercial Deposits	1,644,869	-	2,293,188	1,741,392	130,100	93,931	17,467	-	5,920,947
Others	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	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	-	-	-	-	-	-	-	-	-
Total	8,856,131	-	14,565,716	16,480,119	1,105,208	1,486,763	1,128,647	66,946	43,689,530

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

5.2.1.1.1 Deposits exceeding insurance limit

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

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	8,456,294	6,033,763	9,677,592	6,492,904
Foreign Currency Saving Deposits	6,040,437	4,840,141	8,138,054	7,561,664
Other Saving Deposits	20,544	1,969	83,909	48,387
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

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

None.

5.2.1.3 Saving deposits not covered by insurance limits

5.2.1.3.1 Saving deposits of individuals not covered by insurance limits:

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

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5.2.2 Negative differences on derivative financial liabilities held for trading

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

5.2.3 Funds borrowed

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

5.2.3.1 Maturities of funds borrowed

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

5.2.3.2 Disclosures for concentration areas of bank's liabilities

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced YTL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad and YTL funds obtained through repurchase transactions.

5.2.4 Interbank money markets

Funds obtained through repurchase transactions:

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

5.2.5 Factoring payables

None.

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5.2.6 Lease payables

5.2.6.1 Financial lease payables

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

5.2.6.2 Operational lease agreements

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

5.2.7 Derivative financial liabilities held for risk management

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

5.2.8 Provisions

5.2.8.1 General provisions

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

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

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

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

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

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

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

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5.2.8.4.2 Other provisions for possible losses

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

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

Recognized liability for defined benefit plan obligations

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

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

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

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

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

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

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

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

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

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

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5.2.9 Tax liability**5.2.9.1 Current tax liability****5.2.9.1.1 Tax liability**

As of 31 December 2008, the tax liability amounts to YTL 126,911 thousands (31 December 2007: YTL 109,524 thousands). In cases where the differences between the carrying amounts and the taxable amounts of assets subject to tax, are related with certain items in the equity accounts, the current tax assets/liabilities are charged or credited directly to these accounts.

5.2.9.1.2 Taxes payable

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

5.2.9.1.3 Premiums payable

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

5.2.9.2 Deferred tax liability

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

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

None.

5.2.11 Subordinated debts

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

On 5 February 2007, the Bank obtained a subordinated debt of US\$ 500 millions from foreign markets with an interest of 6.95% and maturity of 10 years with a repayment option for the Bank at the end of the fifth year. This debt is qualified as the secondary subordinated debt to be included in the supplementary capital by BRSA in the calculation of the Bank's capital adequacy ratio as of 5 February 2007 in compliance with the conditions set in the legislation on "Banks' Equities" issued by BRSA and published in the Official Gazette no.26333 dated 1 November 2006.

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5.2.12 Shareholders' equity

5.2.12.1 Paid-in capital

	Current Period	Prior Period
Common Shares	4,200,000	2,100,000
Preference Shares	-	-

5.2.12.2 Registered share capital system

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Common Shares	4,200,000	7,000,000
Preference Shares	-	-

5.2.12.3 Capital increases in current period

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

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

5.2.12.4 Capital increases from capital reserves in current period

None.

5.2.12.5 Capital commitments for current and future financial periods

None.

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

None.

5.2.12.7 Information on privileges given to stocks representing the capital

None.

5.2.12.8 Securities value increase fund

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Securities Available-for-Sale	257,174	(79,268)	81,517	108,020
Valuation Difference	257,174	(79,268)	81,517	108,020
Exchange Rate Difference	-	-	-	-
Total	257,174	(79,268)	81,517	108,020

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	-	-	-	-
Total	597,090	-	29,864	-

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5.2.12.10 Bonus shares of associates, subsidiaries and joint-ventures

It includes the bonus shares received from the following investee companies; Doğu GE Gayrimenkul Yatırım Ortaklığı AŞ by YTL 23 thousands, Eureko 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	261,424	144,740
II. Legal Reserve	23,627	23,627
Special Reserves	-	-
Total	285,051	168,367

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	-	-
Total	1,681,758	1,388,561

5.2.12.13 Minority interest

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

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

5.3 Consolidated off-balance sheet items**5.3.1 Off-balance sheet contingencies****5.3.1.1 Irrevocable credit commitments**

	Current Period	Prior Period
Letters of Guarantee in Foreign Currency	6,894,220	5,849,586
Letters of Guarantee in YTL	4,118,306	3,920,019
Letters of Credit	2,511,344	2,271,110
Bills of Exchange and Acceptances	123,807	116,487
Pre-financings	-	-
Total	13,647,677	12,157,202

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

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

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

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

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5.3.1.3 Non-cash loans

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

5.3.1.4 Other information on non-cash loans

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

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

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

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

5.3.2 Financial derivative instruments

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

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

5.3.3 Contingent liabilities and assets

None.

5.3.4 Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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5.4 Consolidated income statement**5.4.1 Interest income****5.4.1.1 Interest income (*) from loans**

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

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

5.4.1.2 Interest income from banks

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

5.4.1.3 Interest income from securities portfolio

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

5.4.1.4 Interest income received from associates and subsidiaries

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

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5.4.2 Interest expenses**5.4.2.1 Interest expenses (*) on funds borrowed**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks				
Central Bank of Turkey	-	-	-	1
Domestic Banks	90,640	60,296	62,356	38,555
Foreign Banks	269,537	462,794	135,672	468,979
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	25,567	-	43,467
Total	360,177	548,657	198,028	551,002

(*) Includes also fees and commissions expenses on borrowings

5.4.2.2 Interest expenses paid to associates and subsidiaries

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

5.4.2.3 Interest expenses on securities issued

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

5.4.2.4 Maturity structure of interest expense on deposits

Account Description	Time Deposits							Accumulating Deposit Accounts	Total
	Demand Deposits	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over			
Turkish Lira									
Bank Deposits	8,107	84,897	254	396	319	251	-	94,224	
Saving Deposits	1,827	1,129,106	1,192,723	23,786	17,019	15,717	-	2,380,178	
Public Sector Deposits	31	16,860	53,012	22	260	9	-	70,194	
Commercial Deposits	21,847	564,920	340,351	47,732	16,466	7,349	-	998,665	
Others	5,745	8,937	19,630	231	48	28	-	34,619	
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	
Total YTL	37,557	1,804,720	1,605,970	72,167	34,112	23,354	-	3,577,880	
Foreign Currency									
Foreign Currency Deposits	23,651	376,232	325,680	51,881	66,143	40,094	2,614	886,295	
Bank Deposits	2,018	42,248	4,006	10,472	9,252	9,495	-	77,491	
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	
Precious Metal Deposits	-	-	2	-	352	-	-	354	
Total FC	25,669	418,480	329,688	62,353	75,747	49,589	2,614	964,140	
Grand Total	63,226	2,223,200	1,935,658	134,520	109,859	72,943	2,614	4,542,020	

5.4.2.5 Interest expense on repurchase agreements

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

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5.4.2.6 Financial lease expenses

	Current Period	Prior Period
Financial Lease Expenses	130	338

5.4.2.7 Interest expenses on factoring payables

None.

5.4.3 Dividend income

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	27,203	208
Others	2,269	2,658
Total	29,472	2,866

5.4.4 Trading income/losses (net)

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

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.

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5.4.6 Provision for losses on loans or other receivables

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

5.4.7 Other operating expenses

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

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

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

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5.4.9 Provision for taxes including taxes for discontinued operations

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

Deferred tax income/expense on timing differences:

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

Deferred tax income/expense in the income statement arising on timing differences, tax losses and tax deductions and exemptions:

Deferred tax income/(expense) arising on timing differences, tax losses and tax deductions and exemptions	Current Period
Increase/(Decrease) in Tax Deductable Timing Differences (net)	11,579
(Increase)/Decrease in Taxable Timing Differences (net)	(25,648)
Increase/(Decrease) in Tax Losses (net)	-
Increase/(Decrease) in Tax Deductions and Exemptions (net)	-
Total	(14,069)

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

None.

5.4.11 Net profit/loss

5.4.11.1 Any further explanation on operating results needed for better understanding of bank's performance

None.

5.4.11.2 Any changes in estimations that might have a material effect on current and subsequent period results

None.

5.4.11.3 Minority interest's profit/loss

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

5.4.12 Components of other items in income statement

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

5.5 Consolidated statement of changes in shareholders' equity

5.5.1 Any increases arising from application of accounting for financial instruments in current period

5.5.1.1 Increases from valuation of financial assets available-for-sale

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

5.5.1.2 Increases due to cash flow hedges

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

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5.5.1.3 Reconciliation of foreign exchange differences at beginning and end of current period

The Bank applied hedge accounting for its net investments in foreign subsidiaries in accordance with the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement" using its foreign borrowings in foreign currencies obtained to finance such investments.

The effective portion of net foreign investment hedges is recorded in shareholders' equity as shown in the statement of changes in shareholders' equity and the ineffective portion, if any, is recorded directly in the income statement.

The effective loss of YTL 80,300 thousands on net foreign investment hedge after netting with the related tax effect of YTL 16,060 thousands as net YTL 64,240 thousands is recorded under "other profit reserves" in shareholders' equity. The balance sheet leg of this net foreign investment hedge is under "funds borrowed".

5.5.2 Any decreases arising from application of accounting for financial instruments

5.5.2.1 Decreases from valuation of financial assets available-for-sale

None.

5.5.2.2 Decreases due to cash flow hedges

None.

5.5.3 Transfers to legal and extraordinary reserves

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

5.5.4 Issuance of share certificates

Please refer to Note 5.2.12.3.

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

Please refer to Note 3.24.

5.5.6 Compensation of prior period losses

None.

5.6 Consolidated statement of cash flows

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

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

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

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

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

None.

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

None.

5.6.4 Cash and cash equivalents at beginning of period

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

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5.6.5 Cash and cash equivalents at end of period

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

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

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

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

5.6.7 Additional information**5.6.7.1 Restrictions on the Bank's potential borrowings**

None.

5.6.7.2 Cash inflows presenting increase in banking activity related capacity

None.

5.7 Related Party Risks

5.7.1 Transactions with parent bank's risk group; lendings and deposits and other related party transactions outstanding at period end and income and expenses from such transactions incurred during the period

5.7.1.1 Loans and other receivables

Current Period:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	9,033	244	1	1,090	158,515	168,482
Balance at end of period	23,597	3,157	25	1,661	274,415	184,251
Interest and Commission Income	2,987	1	632	15	10,873	1,114

Prior Period:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	7,142	1,222	224,108	9,455	87,185	41,793
Balance at end of period	9,033	244	1	1,090	158,515	168,482
Interest and Commission Income	24	2	767	284	6,186	693

5.7.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	8,448	2,010	91,590	509,513	240,401	132,777
Balance at end of period	1,752	8,448	313,475	91,590	186,263	240,401
Interest Expenses	1	9,124	25,785	45,532	21,081	10,001

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5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit or Loss:						
Beginning of Period	-	2,790	-	-	-	-
End of Period	13,500	-	-	-	-	-
Total Profit/(Loss)	203	2	-	-	-	-
Transactions for Hedging:						
Beginning of Period	-	-	-	-	-	-
End of Period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

5.7.2 Bank's risk group

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

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

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

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

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

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

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

5.7.2.3 Other matters not required to be disclosed

None.

5.7.2.4 Transactions accounted under equity method

Please refer to Notes 5.1.8 and 5.1.9.

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

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

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

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

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5.8 Domestic, foreign and off-shore branches or investments and foreign representative offices**5.8.1 Domestic and foreign branches and representative offices**

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

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

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

5.8.3 Information on consolidated financial subsidiaries

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

Garanti Bank Moscow

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

Other consolidated foreign financial subsidiaries:

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

Consolidated domestic financial subsidiaries:

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

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

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

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

6 OTHER DISCLOSURES ON ACTIVITIES OF THE BANK

6.1 Other

None.

6.2 Parent bank’s latest international risk ratings

MOODY’S (January 2009)*	
Long Term FC Deposit	B1
Long Term YTL Deposit	A3
Short Term YTL Deposit	Prime-2
Short Term FC Deposit	NP
Long Term FC Deposit Outlook	Stable
Financial Strength Rate (FSR)	C
FSR Outlook	Stable
Long Term National	Aaa.tr
Short Term National	TR-1

FITCH RATINGS (June 2008)*	
Foreign Currency	
Long Term	BB
Short Term	B
Outlook	Stable
Individual	C
Support	4
Turkish Lira	
Long Term	BBB-
Short Term	F3
Outlook	Stable
National	
Outlook	Stable

JCR EURASIA RATINGS (August 2008)*	
Long Term International FC	BB+ (Stable)
Long Term International YTL	BBB (Stable)
Long Term International	AAA (Trk) (Stable)
Short Term International FC	B (Stable)
Short Term International YTL	A-3 (Stable)
Short Term National	A-1 (Trk) (Stable)
Support	1
Independency from Shareholders	A

STANDARD AND POORS (January 2009)*	
Long Term FC Obligations	BB-
Long Term YTL Deposit	BB-
Outlook	Negative

CAPITAL INTELLIGENCE (December 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

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6.2.1 Latest international risk ratings of Garanti Bank International NV, a consolidated subsidiary

MOODY'S (October 2008)*

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

(*) Latest date in risk ratings or outlooks.

6.2.2 Latest international risk ratings of Garanti Faktoring, a consolidated subsidiary

FITCH RATINGS (February 2009)*

Foreign Currency	
Long Term	BB
Short Term	B
Outlook	Stable
Support	3
Turkish Lira	
Long Term	BBB-
Short Term	F3
Outlook	Stable
National	
Outlook	AAA

(*) Latest date in risk ratings or outlooks.

6.2.3 Latest international risk ratings of Garanti Finansal Kiralama, a consolidated subsidiary

FITCH RATINGS (January 2008)*

Foreign Currency	
Long Term	BB
Short Term	B
Outlook	Stable
Support	3
Turkish Lira	
Long Term	BBB-
Short Term	F3
Outlook	Stable
National	
Outlook	AAA

STANDARD AND POORS (August 2008)*

FC Obligations	BB-
YTL Obligations	BB-
Outlook	Negative

(*) Latest dates in risk ratings or outlooks.

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6.2.4 Dividends

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

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)	-

7 INDEPENDENT AUDITORS' REPORT

7.1 Disclosure on independent auditors' report

The consolidated financial statements of the Bank and its financial affiliates as of 31 December 2008, have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International) and an unqualified opinion has been issued in their independent auditors' report dated 12 February 2009.

ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT PAYMENT CAPABILITY

The consolidated net profit of Garanti Bank reached YTL 1,891,178,000 in 2008. Excluding the non-recurring income from share sales of the Bank's insurance subsidiaries and the sale of its custody services in 2007, consolidated net income of Garanti rose 15% in 2008 on a year-on-year basis.

Always prepared for difficult times with its advanced risk management system and operational efficiency approach, Garanti Bank entered this period where the strengthening global crisis is beginning to be felt more forcefully in Turkey in a very strong position thanks to its extremely liquid, strong and stable balance-sheet structure and strong shareholders' equity. Increasing its total assets by 30% during the year and registering a growth rate above the sector average, Garanti's consolidated total assets reached YTL 99,038,413,000. Garanti continued to support the Turkish economy even through the most tumultuous days of the global crisis and became the largest lender in Turkey. The Bank's total cash and non-cash loans increased 27% in 2008 to YTL 67,316,834,000. The branch network expanded with an addition of 138 new branches; approximately 2,000 employees were recruited. Garanti increased its total deposits significantly above the sector average in 2008, to YTL 58 billion. Thanks to this remarkable 33% growth in deposits, the Bank's solid funding base got even stronger and further enhanced by the loan-to-deposit that reached 90% and Turkish lira loan-to-deposit ratio of 95% as of year-end 2008. The Bank's free capital increased 43% in 2008 over the previous year. Garanti now operates with a lower financial leverage compared to the previous year. Garanti continues to shine in the sector with its focus on sound and sustainable income, solid demand deposit base and dynamic balance-sheet structure. The capital increase in 2008 and retained earnings of previous years also solidified the Bank's capital base. As of year-end 2008, the Bank's consolidated capital adequacy ratio stood at 14.9%. As a result of its success in identifying and effectively managing risk, Garanti increased its net profit (excluding non-recurring income) by 15% despite narrowing margins in 2008. The Bank's return on equity and return on assets for the year were 23% and 2.2%, respectively.

PERFORMANCE OF GARANTİ SHARES

Garanti shares are traded on the Istanbul Stock Exchange (ISE) under the ticker symbol "GARAN". The shares are also quoted on the London Stock Exchange Main Market (LSE). Garanti shares were initially offered to public in 1990. In 1993, the Bank became the first Turkish company to offer its shares to international markets in the form of American/Global Depositary Receipts (ADR/GDR).

These international DRs are currently being traded on the International Order Book (IOB), which is the international market of the LSE.

The shareholder structure of the Bank as of December 31, 2008 is presented on page 5 of this Annual Report.

"GARAN" HIGH - LOW STOCK PRICE INFORMATION (As per closing prices)

Period	YTL		US\$	
	High	Low	High	Low
1Q08	6.01	3.53	5.14	2.69
2Q08	4.30	2.82	3.37	2.30
3Q08	4.06	2.68	3.41	2.17
4Q08	2.92	1.78	2.23	1.05

FIVE-YEAR FINANCIAL HIGHLIGHTS

GARANTİ'S FIVE-YEAR FINANCIAL HIGHLIGHTS (YTL millions)

	2008	2007	2006	2005	2004
Total Assets	99,038	76,148	57,120	41,250	30,185
Deposits	57,960	43,690	33,780	25,491	20,651
Loans	52,750	40,028	29,599	18,299	11,687
Shareholders' Equity	9,743	7,126	4,824	3,898	3,118
Net Income	1,891	2,422	1,167	752	401

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Garanti's family of employees and subsidiaries has joined together with the Ayhan Şahenk Foundation in Niğde, Marmaris, Bodrum and Istanbul to plant **537,000** saplings as part of the **Ayhan Şahenk Sevgi Ormanları (Love Forests) project**. The project aims to aid in the recovery of national forests destroyed by fires, and the rejuvenation of areas affected by deforestation.

Garanti Bank invites you to contribute for **"a more livable and sustainable planet"** by planting a sapling in Ayhan Sahenk Foundation Love Forest.

For donations:

Garanti Bankası, Maslak Bulvar Şubesi
Branch Code: 448
Account No: 6299494
Note: Garanti-Fidan

For detailed information:

www.ayhansahenkvakfi.org.tr

www.garantibank.com

