Mid-Year Report

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On a consolidated and inflation adjusted basis, total assets of Garanti Bank reached TL13,886,356 Billions (US$11,476 Millions) as at June 30, 2001, down by 7.2% as compared to the year-end 2000. Total shareholders' equity of the Bank was down to TL1,168,389 Billions (US$966 Millions) as at June 30, 2001, from TL1,584,860 Million (US$1,310 Millions) at FY2000. The Bank recorded a net loss of TL416,471 Billions (US$344 Millions) stemming from foreign exchange losses and unfavorable economic conditions.

I. Operating Performance

Garanti Bank posted a total interest income of TL2,039,416 Billions (US$1,685 Millions) as of H1/2001, up by 42.9% in real terms over TL1,426,931 Billions (US$1,179 Millions) as in H1/2000. During the first quarter, the Bank achieved high interest income from banks by maintaining its liquid position and also achieving strong growth in interest income from loans as a result of high interest rates. However, in Q2, Bank had strong interest income from securities as interest rates started to fall. Interest earned from securities, which constituted 34.1% of total interest income was TL695,032 Billions (US$574 Millions) as at June 30, 2001, whereas the same figure was TL820,310 Billions (US$678 Millions) and made up 57.5% of total interest income in H1/2000. On a quarterly basis, interest on securities which was TL408,521 Billions, made up 48.6% of interest income in Q2/2001 as compared to 23.6% (TL286,511 Billions) in the previous quarter. Interest on deposits at banks went up by 246.6% year-on-year to TL479,275 Billions (US$396 Millions) and composed 23.5% of total interest income on June 30, 2001. As interbank rates were much lower in the second quarter, this figure composed only 15.8% of the total interest income in Q2/2001 on a quarterly basis, indicating a decrease of 61.6% over the previous quarter. As of 30 June 2001, interest income from loans reached TL818,766 Billions (US$677 Millions), up by 81.7% as compared to TL450,541 Billions (US$372 Millions) as of June 30, 2000. Similarly, the share of interest on loans in total interest income also increased to 40.1% in H1/2001 as compared to 31.6% in H1/2000. Interest on loans went down by 49.0% during the second quarter over the first quarter as a result of falling interest rates.

On June 30, 2001, total interest expenses were up by 146.7% to TL1,774,293 Billions (US$1,685 Millions) from TL719,262 Billions (US$1,179 Millions) as on June 30, 2000. On a quarterly basis, total interest expenses were 24.1% lower as compared to Q1/2001. Interest paid on total deposits constituted 84.9% of total interest expenses and rose by 176.7% to TL1,506,300 Billions (US$1,245 Millions) as at June 30, 2001 as compared to TL544,347 Billions (US$450 Millions) as at June 30, 2000. This reflects higher funding costs relative to H1/2000 as well as expanding core deposit base, especially foreign currency deposits. During H1/2001, interest paid on saving, commercial and public deposits (core deposits) increased by 205.4% to TL726,505 Billions (US$600 Millions), whereas interest paid on bank deposits increased by 154.4% to TL779,795 Billions (US$644 Millions). Interest paid on bank deposits and core deposits composed 43.9% and 40.9% of total interest expenses in H1/2001, respectively as compared to 42.6% and 33.1% in H1/2000. Interest paid on borrowings was also up by 77.6% in real terms since H1/2000 to TL249,046 Billions (US$206 Millions). On a quarterly basis, the share of interest on borrowings in total interest expense went down to 12.4% during Q2/2001 from 15.3% as in Q1/2001, indicating a 38.3% decline.

Net interest income was TL265,123 Billions (US$219 Millions) at the end of H1/2001, as compared to TL707,669 Billions (US$585 Millions) as at June 30, 2000. During the second quarter, net interest income was TL75,300 Billions (US$62 Millions). Net interest margin (NIM) dropped to 4.7% in H1/2001, as compared to 9.4% in year-end 2000 and 13.8% in H1/2000. Accordingly, NIM after adjusting for foreign exchange losses was -3.2%, as compared to 7.4% in year-end and 11.2% in H1/2000. Net interest income after provisions for possible loan losses was realized as TL219,895 Billions (US$182 Millions) on June 30, 2001, 67.7% lower as compared to a year ago. On a consolidated basis, Ottoman Bank's poor interest income was a major factor in declining interest income.

Total other operating income, net of fees and commissions expense, was TL200,020 Billions (US$165 Millions), down by 41.1% from TL339,659 Billions (US$281 Millions) in H1/2000. However, on a quarterly basis, this figure soared by 559.1% during the second quarter over the first quarter, supported by Garanti's strong bank-only trading income figure. Net fees and commissions were TL57,770 Billions (US$48 Millions) in H1/2001, and was down by 18.1% on a year-on-year basis. Net fees and commissions constituted 28.9% of netted other operating income in H1/2001 as compared to 20.8% a year earlier. The Bank posted a net trading income of TL25,974 Billions (US$21 Millions) as of June 30, 2001 as compared to an income of TL133,330 Billions (US$110 Millions) a year earlier. However, on a quarterly basis, net trading income during Q2/2001 was realized as TL100,110 Billions (US$83 Millions) as compared to the trading loss of the previous quarter. Income generated by Garanti Insurance and Garanti Life Insurance was TL22,578 Billions (US$19 Millions), 40.8% above the figure in H1/2000. As a result of the decreased demand in the economy in general, income from retail business (Tansaş) was down by 29.8% year-on-year to TL29,914 Billions (US$25 Millions) as of June 30, 2001. Garanti posted an income of TL29,633 (US$24 Millions) from the sale of premises and equipment which made up of 14.8% of total net other operating income. Dividends received and other income reached TL34,151 Billion (US$29 Millions), and were down by 7.6% year-on-year. The share of dividends received and other income in netted other operating income was 17.1% as of June 30, 2000 as compared to 10.9% in June 30, 2000.

As of June 30, 2001, other operating expenses (excluding foreign exchange loss and fees and commissions expenses) increased by %6.3 to TL470,513 Billions (US$389 Millions) from TL442,617 Billions (US$366 Millions) as of June 30, 2000. On a quarterly basis net operating expenses (TL227,778 Billions) came down by 6.2% as compared to Q1/2001. This is the result of the Bank's comprehensive cost cutting program that is applied since November 2000. Salaries and wages decreased by 19.2% to TL123,652 Billions (US$102 Millions) and composed 26.3% of total net operating expenses on June 30, 2001, as compared to 30.8% at year-end 2000 and 34.6% on June 30, 2000. Depreciation and amortization expenses were TL71,845 Billions (US$59 Millions). Rent expenses were up by 24.3% year-on-year to TL23,178 Billions (US$19 Millions) at the end of H1/2001. About 33% of the rent expenses was due to Tansaş's expansion policy.

The Bank also provisioned TL30,906 Billions (US$26 Millions) as impairment in value of investments as a result of the losses generated by unconsolidated affiliates. On a year-on-year basis, other non interest expenses were down by 6.9% to TL81,363 Billions (US$67 Millions) in H1/2001 and made up 17.3% of netted operating expenses as compared to 19.7% in H1/2000.

Net other income (excluding the FX loss) was a negative TL270,493 Billion (US$224 Million) for the first half of 2001. On a quarterly basis, this figure improved to a negative TL54,106 Billion (US$45 Million) in the second quarter, down by 75.0% from a negative TL216,387 Billion (US$179 Million) during the first quarter.

Of the TL22,060 Billions (US$18 Millions) set aside for the extraordinary earthquake related taxes, only TL5,852 Billions (US$5 Millions) was for the second quarter of 2001. The one-time earthquake taxes which were as high as TL171,400 Billions in YE2000 were mostly covered and this item will further fall in the coming quarters. Loss on net monetary position declined by 35.1% y-o-y to TL53,506 Billions (US$44 Millions) as of June 30, 2001. Garanti's posted a loss before taxes of TL528,159 Billions (US$436 Millions), before adding TL19,679 Billion (US$16 Million) as minority interest and TL92,009 Billion (US$76 Million) as taxation credit.

According to IAS 29 (consolidated and inflation adjusted) financial statements, Garanti Bank has released a net loss of TL416,471 Billions (US$344 Millions) on June 30, 2001 as compared to a net income of TL166,961 Billions (US$138 Millions) on June 30, 2000. In summary, trading losses and negative interest margins stemming from consolidated affiliates during the second quarter of the year and Tansas' high FX loss originating from its foreign currency debt were the main factors behind the net loss figure.

II. Balance Sheet

Total assets of Garanti Bank was TL13,886,356 Billions (US$11,476 Millions) at the end of H1/2001. As at YE2000, assets were TL14,965,437 Billions (US$12,365 Millions). Cash, due from banks and interbank placings were TL2,170,032 Billions (US$1,793 Millions) by the end of H1/2001, up by 4.2% as compared to the year-end. Liquid assets to total assets ratio was 45.1% as at June 30, 2001, exactly the same as year-end 2000. Securities, which made up 29.5% of total assets on June 30, 2001, decreased by 12.3% year-to-date in real terms to TL4,091,848 Billions (US$3,382 Millions). As of December 31, 2000, securities were TL4,666,442 Billions (US$3,857 Millions) and composed 31.2% of total assets. In H1/2001, investment portfolio composed 60.7% of the total securities portfolio, up from 55.9% as at YE2000. The share of foreign currency securities was up to 73.0% in H1/2001 as compared to 48.6% in YE2000, as a result of the FX-indexed securities obtained after the swap transaction held in late June. Securities pledged under repurchase agreements with customers amounted to TL431,939 Billions (US$357 Millions), down by 45.2% as compared to TL788,229 Billions (US$651 Millions) on December 31, 2000. Repurchase agreements declined to 3.1% of total assets, down from 5.3% on December 31, 2000.

As compared to the year-end 2000, total cash loans were down by 16.0% in real terms during the first half of 2001, to TL4,710,888 Billions (US$3,893 Millions). Cash loans to total assets ratio was 33.9% as at June 30, 2001, down from 37.5% as at December 31, 2001. In line with Bank's expectations, non-performing loans to cash loans rose to 4.5% in the first half, up from 2.2% in year-end 2000, reaching TL217,676 Billions. Non-performing loans to total gross loans were 2.3% as of June 30, 2001. Allowances for loan losses to non-performing loans ratio was 69.8% as compared to 123.8% at YE2000. Loans extended to industrial sector made up 38.5% of the total performing loans, followed by consumer loans with 11.3% and foreign trade loans with 10.2%.

Deposits were up by 5.9% to TL7,565,350 Billions (US$6,252 Millions) in the first half of the year as compared to TL7,145,237 Billions (US$5,905 Millions) in YE2000. Share of deposits in total liabilities and shareholders' equity also rose to 54.5% on June 30, 2001, in comparison with 47.7% on December 31, 2000. Demand deposits constituted 26.6% of total deposits up from 21.1% as in year-end. Foreign currency deposits rose to TL5,182,047 Billions (US$4,283 Millions) and made up 68.5% of total deposits as compared to 58.1% at YE2000, which indicates a 24.9% growth year-to-date. 29.5% of the FC deposits and 27.9% of TL core deposits were demand deposits, as compared to 27.6% and 26.2% in YE2000, respectively. TL core deposits increased by 20.2% since YE2000 whereas total bank deposits decreased by 52.2%. Obligations under repurchase agreements were TL465,969 Billions (US$385 Millions), down by 42.1% as compared to the year-end. Total long and short-term borrowings including bonds payable were down by 6.6% year-to-date to TL3,790,976 Billions (US$3,133 Millions) on June 30, 2001. As the share of total borrowings in total liabilities stayed almost the same at 30% as compared to YE2000, the share of short-term borrowings and short-term bonds payable in total borrowings has fallen to 69.7% on June 30, 2001 from 75.9% on December 31, 2001. Total shareholders' equity was TL1,168,389 Billions (US$966 Millions), 26.3% lower as compared to the year-end. The ratio of total shareholders' equity to total assets was down to 8.4% as at June 30, 2001 from 10.6% as at December 31, 2001.

On June 30, 2001, the Bank had a short position before derivative contracts of TL340,086 Billions (US$281 Millions) which was down by 78.3% as compared to the year-end 2000. After derivative contracts of TL38,826 Billions (US$32 Millions), net short position on a consolidated and inflation adjusted basis was TL378,912 Billions (US$313 Millions) slightly lower than TL386,097 Billions (US$319 Millions) as on December 31, 2001. Majority of the short position stemmed from Tansas.

The capital adequacy ratio on a consolidated and constant basis was 10.64% as at June 30, 2001.

KEY RATIOS

	30.06.2001	31.12.2000	30.06.2000	31.12.1999
Asset Quality and Liquidity Ratios				
NPL / Cash Loans	4.5%	2.2%	1.8%	2.0%
NPL/ Cash +Non-Cash Loans	2.3%	1.2%	0.9%	1.1%
Allowance for Loan Losses/NPL	69.8%	123.8%	126.3%	103.2%
Deposits/Total Assets (1)	54.5%	47.7%	55.6%	48.1%
Cash Loans/Total Assets	33.9%	37.5%	34.4%	30.0%
Liquid Assets/Total Assets	45.1%	45.1%	45.6%	50.4%
Profitability Ratios				
NIM	4.7%	9.4%	13.8%	15.8%
Adjusted NIM	-3.2%	7.4%	11.2%	11.0%
Return on Average Assets	-5.8%	1.6%	2.5%	1.9%
Return on Average Equity	-60.5%	15.2%	23.1%	18.2%
Non-interest Income / Total Operating Income (2)	43.0%	39.4%	29.8%	26.7%
Other Operating Expense (excl. FX loss and extraordinary expenses)/Total Assets	6.5%	6.6%	6.7%	6.4%
Cost / Income (3)	**-1,120.3%**	**59.9%**	**47.9%**	**52.3%**
Cost / Income (4)	**-1,182.3%**	**72.0%**	**64.0%**	**57.8%**
Effective Tax Rate	17.4%	32.6%	47.2%	53.4%

(1) The assets and liabilities are re-adjusted including repurchase agreements. (Please see notes 3.3,5,7 and 14 in footnotes)
(2) Excluding income earned from sale of participations.
(3) Excluding the extraordinary items. (fees & comm. netted)
(4) Including the extraordinary items. (fees & comm. netted)

**Certain reclassifications have been made in the accompanying consolidated financial statements as at 31 December 2000 to conform with the current period presentation. Those reclassifications mainly relate to recognition of securities and obligation for repurchase transactions on the balance sheet, reclassification of securities to term deposits for resale transactions, lease receivables to loans and accrued interest on loans to accrued interest, prepaid expenses and other assets.*

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Consolidated Financial Statements
For The Six-Month Period Ended 30 June 2001
And The Year Ended 31 December 2000

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Consolidated Balance Sheets At 30 June 2001 And 31 December 2000

(As adjusted for the effects of inflation in TL units current at 30 June 2001 pursuant to IAS 29)

		30 June 2001 TL billions	31 December 2000 TL billions
ASSETS			
Cash and due from banks	(Note 5)	2,005,382	1,964,988
Interbank placings		164,650	118,073
Reserve deposits at Central Bank	(Note 6)	477,287	433,636
Securities	(Note 7)	4,091,848	4,666,442
Loans, advances and discounts, less allowance for possible losses	(Note 8)	4,710,888	5,605,227
Accrued interest, prepaid expenses and other assets	(Note 9)	1,133,865	849,570
Investments	(Note 10)	100,268	151,371
Bank premises and equipment, net	(Note 11)	1,001,572	1,031,036
Intangible assets, net	(Note 12)	129,886	145,094
Deferred tax asset	(Note 17)	70,710	-
TOTAL ASSETS		**13,886,356**	**14,965,437**

		30 June 2001 TL billions	31 December 2000 TL billions
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	(Note 13)		
Demand		2,012,545	1,510,327
Time		5,552,805	5,634,910
		7,565,350	7,145,237
Interbank takings		151,432	461,127
Obligations under repurchase agreements	(Note 14)	465,969	805,244
Short-term borrowings	(Note 15)	2,640,986	3,051,394
Short-term bonds payable	(Note 16)	36,038	30,808
Taxation on income	(Note 17)		
Current tax liability		55,766	43,738
Deferred tax liability		-	49,001
		55,766	92,739
Accrued interest and other liabilities	(Note 18)	661,855	772,444
Long-term debts	(Note 19)	1,113,952	977,750
Total liabilities		**12,691,348**	**13,336,743**
Minority interest		**26,619**	**43,834**
Shareholders' equity (Note 20) :-			
Share capital; authorized, issued and fully paid		1,166,884	1,166,884
Retained earnings and reserves		1,505	417,976
Total shareholders' equity		**1,168,389**	**1,584,860**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**13,886,356**	**14,965,437**
Commitments and contingencies	(Note 23)		

The accompanying notes form integral parts of these financial statements.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Consolidated Statements Of Operations
For The Six-Month Periods Ended 30 June 2001 And 2000
And The Three-Month Periods Ended 30 June 2001 And 2000

(As adjusted for the effects of inflation in TL units current at 30 June 2001 pursuant to IAS 29)

	Six-month period ended 30 June 2001 TL billions	Three-month period ended 30 June 2001 TL billions	Six-month period ended 30 June 2000 TL billions	Three-month period ended 30 June 2000 TL billions
Interest income:-				
Interest on loans	818,766	276,688	450,541	215,512
Interest on securities	695,032	408,521	820,310	307,844
Interest on deposits at banks	479,275	133,074	138,286	76,098
Interest on financial leases	12,868	9,146	5,875	3,057
Others	33,475	13,535	11,919	6,485
Total interest income	2,039,416	840,964	1,426,931	608,996
Interest expenses:-				
Interest on bank deposits	779,795	326,215	306,477	166,803
Interest on saving, commercial and public deposits	726,505	341,592	237,870	86,022
Interest on borrowings	249,046	95,016	140,214	66,952
Interest on bonds	4,858	1,162	7,150	55
Others	14,089	1,679	27,551	12,038
Total interest expenses	1,774,293	765,664	719,262	331,870
Net interest income	**265,123**	**75,300**	**707,669**	**277,126**
Provision for possible loan losses (Note 8)	**(45,228)**	**(30,164)**	**(27,851)**	**(6,005)**
Net interest income after provision for possible loan losses	**219,895**	**45,136**	**679,818**	**271,121**
Other operating income:-				
Fees and commissions	166,868	85,832	128,669	67,175
Retail business income, net	29,914	7,364	42,624	24,821
Income on sale of premises and equipment, net	29,633	21,113	1,291	646
Trading account income, net	25,974	100,110	133,330	95,484
Insurance business income, net	22,578	10,703	16,039	8,711
Dividends received from affiliated companies	3,183	1,448	3,056	1,294
Income on sale of interest in a consolidated affiliate (Note 1)	-	-	38,836	-
Other operating income	30,968	7,011	33,909	29,109
Total other operating income	309,118	233,581	397,754	227,240
Other operating expenses:-				
Foreign exchange loss, net	401,995	303,508	107,276	47,387
Salaries and wages	123,652	56,507	153,018	83,429
Fees and commissions	109,098	59,909	58,095	28,168
Depreciation and amortization	71,845	35,561	45,334	23,918
Employee benefits	34,878	17,555	43,857	22,006
Taxes and duties other than on income	31,550	12,840	23,371	11,404
Impairment in value of investments	30,906	10,687	-	-
Rent expenses	23,178	11,941	18,650	9,777
Saving deposits insurance fund	23,019	15,976	10,471	3,407
Advertising expenses	18,700	9,977	26,280	15,770
EDP expenses	15,940	7,712	13,499	6,428
Utility expenses	5,365	2,581	6,557	1,905
Repair and maintenance expenses	3,914	2,341	4,461	2,530
Stationary expenses	3,320	1,677	3,831	2,433
Research and development expenses	2,883	1,642	5,887	2,729
Other operating expenses	81,363	40,781	87,401	56,305
Total other operating expenses	981,606	591,195	607,988	317,596
Income/(loss) before extraordinary item	**(452,593)**	**(312,478)**	**469,584**	**180,765**
Extraordinary item (Note 21)	**(22,060)**	**(5,852)**	**(133,965)**	**(38,301)**
Income/(loss) before monetary loss	**(474,653)**	**(318,330)**	**335,619**	**142,464**
Loss on net monetary position	**(53,506)**	**(3,919)**	**(82,399)**	**(25,846)**
Income/(loss) before taxes	**(528,159)**	**(322,249)**	**253,220**	**116,618**
Taxation (charge)/credit (Note 17)	**92,009**	**63,386**	**(97,074)**	**(32,563)**
Net income/(loss) before minority interest	**(436,150)**	**(258,863)**	**156,146**	**84,055**
Minority interest	**19,679**	**(6,660)**	**10,815**	**5,993**
Net income/(loss) for the period	**(416,471)**	**(265,523)**	**166,961**	**90,048**
Weighted average number of shares with TL 500 value each; including those with TL 100 face value as expressed in terms of TL 500 face value (Notes 3.18 and 20)	**520,000,000,000**	**520,000,000,000**	**520,000,000,000**	**520,000,000,000**
Earning/(loss) per share (Full TL amount)	**(800.91)**	**(510.62)**	**321.08**	**173.17**

The accompanying notes form integral parts of these financial statements.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Consolidated Statements Of Changes In Shareholders' Equity
For The Six-Month Periods Ended 30 June 2001 And 2000

(As adjusted for the effects of inflation in TL units current at 30 June 2001 to IAS 29)

		Retained earnings and reserves			
	Share capital TL billions	Reserves TL billions	Unappropriated earnings/ (Accumulated losses) TL billions	Total TL billions	Shareholders' equity TL billions
Balances, 1 January 2000	**1,166,884**	**34,148**	**159,553**	**193,701**	**1,360,585**
Appropriation of retained earnings:					
Transfer to statutory and general banking reserves		14,876	(14,876)		
Net income for the six-month period			166,961	166,961	166,961
Balances, 30 June 2000	**1,166,884**	**49,024**	**311,638**	**360,662**	**1,527,546**
Appropriation of retained earnings:					
Transfer to statutory and general banking reserves		6,373	(6,373)		
Disposal of reserves of a consolidated affiliate sold during the year		(59)	59		
Restatement effect of reserves in TL unit current at 30 June 2001		(11,547)	11,547		
Net income for the six-month period			57,314	57,314	57,314
Balances, 31 December 2000	**1,166,884**	**43,791**	**374,185**	**417,976**	**1,584,860**
Appropriation of retained earnings:					
Transfer to statutory and general banking reserves		23,243	(23,243)		
Restatement effect of reserves in TL unit current at 30 June 2001		(14,866)	14,866		
Net loss for the six-month period			(416,471)	(416,471)	(416,471)
Balances, 30 June 2001	**1,166,884**	**52,168**	**(50,663)**	**1,505**	**1,168,389**

The accompanying notes form integral parts of these financial statements.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Consolidated Statements Of Cash Flows
For The Six-Month Periods Ended 30 June 2001 And 2000

(As adjusted for the effects of inflation in TL units current at 30 June 2001 pursuant to IAS 29)

	30 June 2001 TL billions	30 June 2000 TL billions
Cash flows from operating activities:-		
Net income/(loss) for the period	(416,471)	166,961
Components of net income not generating or using liquidity:-		
Taxation charge/(credit)	(92,009)	97,074
Minority interest	(19,679)	(10,815)
Impairment in value of investments	30,906	-
Provisions for and recoveries on possible loan losses	45,228	27,851
Provision for severance payment	2,117	4,748
Depreciation and amortisation	71,845	45,334
Provision for earthquake taxes	-	17,161
Change in accrued interest and other income	(254,159)	527,686
Change in accrued interest and other expense	(39,059)	25,339
Monetary loss effect of above corrections	(1,726)	(42,608)
Operating profit/(loss) before changes in operating assets and liabilities	**(673,007)**	**858,731**
Decrease in obligations under repurchase agreements	(339,275)	(424,143)
Increase in deposits	420,113	578,620
Decrease/(increase) in gross loans, advances and discounts	850,758	(545,703)
Increase in trading securities	(148,220)	(599,242)
Decrease/(increase) in term placements at banks	225,414	(15,891)
Increase/(decrease) in prepaid expenses and other assets	(37,925)	101,184
Increase in reserve deposits at Central Bank	(43,651)	(1,784)
(Decrease)/increase in other liabilities	(68,874)	209,911
Income taxes paid	-	(335,287)
Net cash provided by/(used in) operating activities	**185,333**	**(173,604)**
Cash flows from investing activities:-		
Decrease in investment securities-net	122,926	523,336
Increase in bank premises and equipment-net	(26,788)	(157,235)
Proceeds from issuance of share capital to minorities	3,701	13,510
Net cash provided by investing activities	**99,839**	**379,611**
Cash flows from financing activities:-		
Decrease in interbank takings	(309,695)	(75,982)
(Decrease)/increase in short-term borrowings	(410,408)	175,807
Increase/(decrease) in short-term bonds payable	5,230	(311,099)
Increase/(decrease) in long-term debts	136,202	(8,415)
Dividend paid	-	(196)
Net cash used in financing activities	**(578,671)**	**(219,885)**
Net decrease in cash and cash equivalents	**(293,499)**	**(13,878)**
Cash and cash equivalents at beginning of period	2,185,527	1,837,268
Cash and cash equivalents at end of period (Note 3.20)	**1,892,028**	**1,823,390**

The accompanying notes form integral parts of these financial statements.

1 Activities and ownership

Türkiye Garanti Bankası A.Ş. (the Bank) is principally engaged in wholesale and retail banking operations in Turkey. The Bank's head office is located in Istanbul. The Bank presently has 222 branches dispersed throughout the country; 2 branches in Luxembourg and Malta; and 60 "Open (Clover) Branches" which operate solely in credit card business.

The Bank has 100% ownership in United Garanti Bank International N.V., a bank established in late 1990 in Amsterdam; 80% ownership in Garanti Finansal Kiralama A.Ş., a leasing company also established in late 1990; 100% ownership in Garanti Bilişim Teknolojisi ve Ticaret T.A.Ş., formerly named as Garanti Ticaret T.A.Ş.; a company engaged in EDP services mainly for banks; 100% ownership in Garanti Bank Moscow, a bank established in late 1996; 100% indirect ownership in Osmanlı Bankası A.Ş.; a very well-known bank originally established as Imperial Ottoman Bank in 1863, acted as the State Bank until the formation of the Central Bank of Turkey and of which shares were acquired indirectly by the Bank in June 1996 by transferring all the shares of Compagnie Ottomane d'Investissement B.V. (COIBV), the Dutch parent of Osmanlı Bankası A.Ş., through the Bank's subsidiaries in Malta and Luxembourg, in October 1999, this structure was ceased and the Bank directly acquired COIBV; together with Osmanlı Bankası A.Ş.; 95% ownership in Garanti Portföy Yönetimi A.Ş., a company established in July 1997 and engaged mainly in providing portfolio management services; 100% ownership in Instruments Finance Company, a special purpose company organised under the laws of Cayman Islands in February 1997, for the purpose of issuance of the Floating Rate Certificates as explained in more detail in Note 18; 99.99% ownership in Garanti Financial Services plc, a company established in December 1997 and engaged in providing financial services to the customers in Ireland; 100% ownership in Garanti Fund Management Co Ltd, a fund managing company established in Malta in February 1998; 100% ownership in Ana Konut Danışmanlık A.Ş. a company acquired in February 1998; 100% ownership in Şahintur Şahinler Otelcilik Turz. Yat. İşl. A.Ş.; 99.99% ownership in Lasaş Lastikleri San. ve Tic. A.Ş.; 29% ownership in and majority voting rights in the Board of Directors of Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticaret A.Ş. (Tansaş), a company engaged in the sale of consumer products throughout Turkey through its distribution network consisting of 198 supermarkets, acquired in January 1999; 83.33% ownership in Doc Finance S.A. acquired in February 1999; 75.78% ownership in Garanti Yatırım Menkul Kıymetler A.Ş., a company engaged in providing brokerage and intermediary services in trading equity and debt securities, acquired in February 1999 and; 76.40% ownership in Doğuş Hava Taşımacılığı A.Ş., a company engaged in air transportation services, acquired in March 1999. In the last quarter of 1999, the Bank established Clover Bank Off-Shore Ltd under the laws of Turkish Republic of Northern Cyprus (TRNC) with ownership of 100% to be engaged in all the banking activities in TRNC; and acquired 99.99% and 100% ownerships in Garanti Sigorta A.Ş., an insurance company engaged in mainly all the insurance branches except for life and health and Garanti Hayat Sigorta A.Ş, an insurance company engaged in the branches of health and life, respectively. The financial statements of these affiliates are consolidated in the accompanying financial statements.

In December 1999, the Bank established Garanti Ödeme Sistemleri A.Ş., a separate entity for the management of the Bank's credit card business with ownership of 100%. This affiliate is not consolidated in the accompanying financial statements as it did not have any material operations as at 30 June 2001 and 31 December 2000. Also in December 1999, the Bank and its affiliates contributed to the share capital of a newly established joint venture between Volkswagen and Doğuş Groups, namely "Volkswagen Doğuş Tüketici Finansmanı A.Ş.", by TL5,118 billions representing 38% of the issued capital; this company is mainly engaged in the financing of the customers for their purchases of Volkswagen branded cars. Equity method of accounting is applied for this associate in the accompanying consolidated financial statements.

Note 1 – (Continued)

On 18 February 2000, the Bank sold a 10% stake in Tansaş to Start Investments Limited, a foreign investment company. Accordingly, the ownership interest of the Bank in this company decreased to 19%; however together with 3.30% ownership interest held by the Bank's 100% owned affiliate, Ana Konut Danışmanlık A.Ş., the aggregate ownership of 22.30% in Tansaş, is still sufficient to provide the majority voting rights in the Board of Directors of this Company. The net profit of TL38,836 billions arising from this sale is reflected in "income on sale on interests in consolidated affiliates, net", in the accompanying consolidated statements of income for the six-month period ended 30 June 2000.

In July 2000, Osmanlı Bankası A.Ş., a consolidated affiliate, fully divested all its interest in Sititur Turizm Temizlik Taşımacılık Organizasyon Bilgisayar Danışmanlık Yapı Sanayi ve Ticaret A.Ş. (Sititur). The net profit arising from this sale was TL4,695 billions.

In November 2000, Garanti Bilişim Teknolojisi ve Tic. T.A.Ş., a consolidated affiliate, sold its interest in Filiz Gıda ve Değirmencilik A.Ş. and Doğuş İnşaat ve Ticaret A.Ş.. The net loss arising from this sale was TL3,682 billions.

In November 2000, Lasaş Lastik San.ve Tic. A.Ş., a consolidated affiliate, sold its interest in Doğuş Yapı San. A.Ş., Gücüm Civata Tic. San. A.Ş. and Genoto İmalat ve San. A.Ş.. The net loss arising from this sale was TL395 billions.

In December 2000, the Bank fully divested all its interest in CI Finance Ltd. and CI Investments Ltd.. The net loss arising from this sale was TL30 billions.

The principal shareholders of the Bank are the Doğuş Group and its holding company, Doğuş Holding A.Ş., which currently holds 40.60% of the issued capital.

Doğuş Holding A.Ş., Doğuş İnşaat ve Ticaret A.Ş., Doğuş Otomotiv Sanayi ve Ticaret A.Ş. and Somtaş Tarım ve Ticaret A.Ş. have sold (i) an aggregate of 36.400.000.000 common shares in registered form each with nominal value of TL500 ("Shares") representing 7.0% of the share capital of Türkiye Garanti Bankası A.Ş. on 24 March 2000 and (ii) additional 5.460.000.000 shares in registered form each with nominal value of TL500 representing 1.05% of the share capital of the Bank by 31 March 2000 to foreign investors abroad at the price TL7,900 for each unit of two shares. Accordingly, the total ownership interest in the Bank of those shareholders other than the Doğuş Group Companies and the individuals controlling this Group increased to 31.51%.

2 Basis of presentation of the financial statements

The consolidated entities in Turkey, maintain their books of accounts and prepare their statutory financial statements in Turkish Lira in accordance with the Turkish Uniform Chart of Accounts, the Turkish Commercial Code (the "TCC") and tax legislation (collectively, "Turkish Practices"); while the other consolidated entities maintain their books of account and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

The accompanying consolidated financial statements (the IAS Financial Statements) are based on the statutory records, which are maintained under the historical cost convention, (except for trading securities valued at market prices and revaluation of tangible assets) with adjustments and reclassifications including restatement for the changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with Statements of International Accounting Standards ("IAS") issued by the International Accounting Standards Board except for IAS39 ("Financial Instruments; Recognition and Measurement") (Note 26).

Note 2 – (Continued)

The restatement for the changes in the general purchasing power of the Turkish lira (TL) as at 30 June 2001 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms.

One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Such indices and conversion factors used to restate the accompanying financial statements at 30 June 2001 and 2000, and 31 December 2000 and 1999, are given below:-

Date	Index	Conversion factor
30 June 2001	3,795.6	1.000
31 December 2000	2,626.0	1.445
30 June 2000	2,346.4	1.618
31 December 1999	1,978.5	1.918

The main guidelines for the above mentioned restatement are as follows: -

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.

- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.

- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant (monthly, yearly average, year end) conversion factors.

  For the restatement of transfers from retained earnings to share capital, the Bank transfers only up to the level of the restated amounts of such earnings if their nominal values per statutory books as restated are higher.

- All items in the statements of operations are restated by applying the monthly conversion factors except for those amounts deriving from non-monetary items, which are calculated based on the restated values of the related items.

- The effect of general inflation on the Bank's net monetary position is included in the statements of operations as monetary gain or loss.

3 Significant accounting policies

3.1 Income and expense recognition

General:-

The accrual basis of accounting is followed for the recognition of income and expense items, except for interest income on overdue loans, and dividends received from equity investments which are generally recognised only when received. Certain commissions, such as those deriving from letters of guarantee and other banking services, are also usually recognised as income only when received.

Insurance business:-

Earned premiums

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

In respect of life branches, earned premiums represent premiums accrued on policies issued and adjusted by the reserve for unearned policies during the period.

Unearned premium reserve

Provision for unearned premiums is provided for in respect of in-force policies for which the premium period does not end simultaneously with the accounting period. Unearned premiums are determined from premiums written during the year, less reinsurance on the basis that premiums are written on the middle day of each month (the twenty fourth basis).

Life assurance provision

In aggregate, life assurance provision must be sufficient to provide for future guaranteed benefits as they become due according to Turkish insurance regulations. The life assurance provision is based on the level of premiums, as adjusted by commissions, and administrative expenses and risk premiums that are computed on the basis of worldwide actuarial mortality assumptions as approved by the Insurance Supervisory Office which are applicable for Turkish insurance companies. Life assurance provision also includes the net rate of return on investments.

Claims and provision for claims

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

Along with the provisions for IBNR claims; the Bank’s affiliates in insurance business also provide provisions for general business risks at different rates determined separately for each insurance branch by the related legislation applicable to insurance business in Turkey (equalisation provision).

Note 3 – (Continued)

3.2 Securities

Debt securities, primarily government bonds and treasury bills intended to be held for not more than one year (trading securities), are valued at their market prices, whereas debt securities intended to be held to maturity (investment securities) are carried at cost as adjusted for amortisation of premium and accretion of discount. Designation as an investment security is made at the time of acquisition and is based on the intent to hold the security upto its maturity.

Equity share certificates that are quoted at the stock exchange and all other securities, are reflected at market values ruling at period end.

Earned interest and gains or losses on the sales of securities are included in current operations (Note 7). Accrued interests on zero coupon securities are included in the carrying amount of the corresponding securities while accrued interests on other marketable securities are included in "accrued interest, prepaid expenses and other assets".

Securities, where original maturity periods at the time of purchase is less than three months, are considered as cash equivalents for the purposes of the statements of cash flows.

3.3 Securities under repurchase and resale transactions

Securities sold under sale and repurchase agreements (repos) are accounted for as a financing transaction and related assets are reflected in securities (Note 7) at their carrying values with corresponding counterparty liability reflected as obligations under repurchase agreements (Note 14). Securities purchased under agreements to resell (reverse repos) are reflected in term deposits at banks (Note 5). The difference between sale and repurchase price in repo transactions or purchase and resale price in reverse repo transactions is treated as interest and accrued evenly over the life of the transaction. Such transactions are short-term and mainly involve government securities.

3.4 Loans, advances and discounts

Loans and advances are stated at the principal amounts outstanding. Accrual of interest is discontinued when payment of principal or interest by the borrower is considered doubtful. Discounts are stated at the amount disbursed plus a proportionate amount of the discount earned up to balance sheet date.

3.5 Allowance for possible loan losses

The Bank provides allowances for specific loan losses and losses under guarantees and commitments. Such allowance reflects the Bank's estimate of the amount of loans, which may ultimately be uncollectible due to borrowers' inability to repay and/or to shortfalls in the realisable value of collateral. The allowance also takes into account the Bank's exposure with respect to guarantees and other similar items issued on behalf of customers. Provision for possible losses is made on the allowance method and, accordingly, all provisions are credited to the allowance accounts and all write-offs and recoveries (reversals related to collection of prior periods' provisions credited to other income) are debited thereto. The amount required to maintain the allowance at the level considered adequate to cover the Bank's credit risk, is charged against income.

Note 3 – (Continued)

In addition to the allowance for specific loan losses explained in the above paragraph, the Bank also provides general provisions for inherent credit risk on loans and guarantees and commitments. The level of general provision is based on management's evaluation of the loan portfolio, including such factors as the volume and character of loans outstanding, past loan loss experience and general economic conditions.

Statutory and other regulatory loan loss reserve requirements that exceed the Bank's estimates for possible loan losses, are dealt with in the general banking reserve as an appropriation of retained earnings.

3.6 Investments in affiliated companies

The companies in which the direct and indirect ownership of Türkiye Garanti Bankası A.Ş. exceed 50% and/or which the Bank has controlling power over its operations through ownership of shares providing majority voting rights at the level of the Board of Directors or other similar incentives and rights as discussed in Note 1 above, are defined as consolidated affiliates. The financial statements include the accounts of the Bank and these affiliates which are consolidated. All material intercompany transactions and balances have been eliminated.

Investments in other affiliated companies are generally recorded at historical cost, reduced where necessary to reflect impairment in value. Dividends obtained from the non-consolidated affiliated companies are recorded as income when received. Such entities in which the Bank holds a 20% to 50% interest are equitised based on their financial statements which are prepared in accordance with International Accounting Standards, if there is significant influence. Otherwise, they are accounted for at cost.

3.7 Depreciation

The bank premises and equipment is depreciated over the estimated useful lives of the related assets from the date of purchase or the date of installation, on a straight-line basis. Leasehold improvements are amortised over the periods of the respective leases, also on a straight-line basis. Expenditures for major renewals and betterment of premises and equipment are capitalised and depreciated over the remaining useful lives of the related assets, whereas the costs of ordinary maintenance and repairs are expensed as incurred.

3.8 Financial leases

As lessee:-

Financial leases are recognised in the balance sheet by recording an asset and liability equal to the present value of minimum lease payments at the inception of the lease. Capitalised leased assets are depreciated in accordance with depreciation policy noted above, except where there is no reasonable certainty of obtaining ownership by the end of the lease term, in which case the asset is fully depreciated over the shorter of the lease term or its useful life. Lease liabilities are reduced by repayments of principal, while the finance charge component of the lease payment is charged directly to income.

As lessor:-

Assets leased under agreements that transfer substantially all the risks and rewards associated with ownership to customers, other than the legal title, are classified as finance leases. The leasing operations of the Bank's affiliate operating in leasing business, consist principally of the leasing of textile machinery, manufacturing machinery, printing, medical, construction, data processing, transportation and office equipment.

Note 3 – (Continued)

The sum of the minimum lease payments is recorded as gross investment in the leases. The difference between the gross investment and the cost of leased assets is recorded as unearned income and it is deducted from the gross investment in the leases. Income from finance leases is credited to the statement of income in a pattern reflecting a constant periodic rate of return on the net investments.

3.9 Goodwill/Negative goodwill

Positive and negative goodwill resulting from the indirect acquisition of 100% ownership in Osmanlı Bankası A.Ş. in 1996, the direct acquisition of 100% ownership in Ana Konut Danışmanlık A.Ş. in 1998 and; 19% ownership in Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticaret A.Ş., 83.33% ownership in Doc Finance S.A., 75.78% ownership in Garanti Yatırım Menkul Kıymetler A.Ş., 76.40% ownership in Doğuş Hava Taşımacılığı A.Ş., 99.99% ownership in Garanti Sigorta A.Ş. and 100% ownership in Garanti Hayat Sigorta A.Ş. in 1999 consist of the excess/shortage of the total acquisition costs over/under the net assets of these consolidated entities at the dates of acquisitions. Such goodwill amounts are amortised on a straight line basis over 20 years, the time during which benefits are expected to be consumed. Negative goodwill on the acquisition of Ana Konut Danışmanlık A.Ş., is included under ‘other liabilities’ in the accompanying consolidated financial statements and credited to income over 20 years, the time during which benefit is expected to be consumed.

3.10 Foreign currency transactions

Gains and losses arising from foreign currency transactions are reflected in the statement of income as realised during the course of the period. Foreign currency assets and liabilities have been translated into Turkish Lira at foreign exchange rates prevailing at the period-end, the effects of which are also reflected in the statement of income as foreign exchange gain or loss.

3.11 Items held in trust

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

3.12 Reserve for severance payments

Reserve for severance payments represent the present value of the estimated future probable obligation of the Bank and its affiliates arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government.

International Accounting Standards require actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, 7% discount rate and 82% turnover rate to estimate the probability of retirement assumptions were used in the calculation of the total liability in the accompanying consolidated financial statements.

3.13 Taxes on income

Taxes on income for the year comprises current tax and the change in the deferred taxes. Current taxes on income comprises tax payable calculated on the basis of expected taxable income for the year using the tax rates enacted by the balance sheet date and; any adjustment in taxes payable for previous years.

Note 3 – (Continued)

Deferred income tax is provided, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for differences relating to goodwill not deductible for tax purposes and initial recognition of assets and liabilities which effect neither accounting nor taxable profit (Note 17).

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Bank and its affiliates. Deferred tax assets are recognised to the extent it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Currently, enacted tax rates are used to determine deferred taxes on income.

3.14 Forward foreign exchange contracts

Forward foreign exchange contracts which are entered into in connection with loans and borrowings for hedging purposes are treated as spot exchange contracts and, consequently, are valued at the spot rate; discounts or premiums recorded at the date of transaction are posted to the statement of operations over the life of the contracts (Note 23).

3.15 Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in current market exchange.

The following methods and assumptions were used to estimate the fair value of the Bank’s and its affiliates’ financial instruments :-

<u>Financial assets</u>

Monetary assets for which fair value approximates carrying value:-

Balances denominated in foreign currencies are translated at period-end exchange rates.

The fair values of certain financial assets carried at cost, including cash and due from banks, deposits with banks, securities other than share certificates quoted at the stock exchange plus the respective accrued interest; share certificates quoted at the stock exchange, are reflected at their market values; and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

The fair value of loans is also considered to approximate the carrying value. The major portion of loans have interest rates that are fixed on an entry value basis. The management believes that the risk factors embedded in the entry value of interest rates, along with the related allowances for collectibility as explained in 3.5 above, result in a fair valuation of such loans on an entry value basis.

Note 3 – (Continued)

Financial liabilities

Monetary liabilities for which fair value approximates carrying value:-

The fair value of customer deposits, funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Trading liabilities, as well as derivatives and foreign exchange instruments are carried at their estimated fair value.

Long-term debt denominated in foreign currencies are in principle at variable rates and are translated at period-end exchange rates and accordingly their fair values approximate their carrying values. The carrying values of long-term debt in Turkish lira along with the related accrued interest are estimated to be their fair values.

Derivatives and hedging

The Bank uses derivative financial instruments to manage its exposures to foreign exchange, interest rate and commodity price risks arising from operational, financing and investing activities. In accordance with its treasury policy, in principle, the Bank does not currently hold or issue derivatives for trading purposes. The derivatives used for hedging purposes are accounted in the same way as the hedged transaction and offsetting gains and losses are recognised in the statement of operations in the same financial period.

Interest rate risk

The Bank is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities and interest rate swap contracts. Interest differentials under swap agreements are accrued and recorded in the statement of income against interest expenses of the hedged loans.

Funding risk

The Bank manages its ability to fund the existing and prospective debt requirements and liquidity mismatches by maintaining adequate committed funding lines from high quality lenders.

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by internal credit ratings and limiting the aggregate risk to any individual counterparty. The credit risk of the Bank is highly diversified due to the large number of entities comprising the customer bases and their dispersion across many different industries.

Foreign exchange risk

The Bank is exposed to foreign exchange risk through the impact of exchange rate changes on liabilities and assets denominated in foreign currencies. These exposures are managed by using natural hedges that arise from offsetting foreign exchange assets and liabilities and forward foreign exchange and currency swap contracts.

Forward foreign exchange and currency swap contracts are mainly entered into as hedges against foreign currency loans and borrowings. These contacts are treated as spot exchange contracts and, consequently, are valued at the spot rate; discounts or premiums recorded at the date of transaction are posted to the statement of operations over the life of the contract.

Note 3 – (Continued)

3.16 Offsetting

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

3.17 Capital increase

Capital increase pro-rata to existing shareholders are accounted for at par value as approved at the annual meeting of shareholders.

3.18 Earnings per share

Earnings per share disclosed in the accompanying consolidated statements of operations are determined by dividing net income/(loss) by the weighted average number of shares that have been outstanding during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares.

Additionally, considering the fact that the number of issued shares through bonus share issuances is increased without an increase in resources contributed by the shareholders; the number of issued shares outstanding before such bonus share issuances is adjusted for the proportionate change in the number of issued shares outstanding as if the event had occurred at the beginning of the earliest period reported.

3.19 Reclassifications

Certain reclassifications have been made in the accompanying consolidated financial statements as at 31 December 2000 to conform with the current period presentation.

3.20 Reporting of cash flows

Cash and cash equivalents include only cash and due from banks, interbank placings and securities with original maturity periods of less than three months. Cash and cash equivalents as at 30 June 2001 and 2000, included in the accompanying consolidated statements of cash flows, are as follows:

	2001 TL billions	2000 TL billions
Cash and due from banks and interbank placings	1,884,417	1,817,950
Securities	7,611	5,440
	1,892,028	1,823,390

4 Related parties

For the purpose of this report, the Bank's principal shareholders and affiliates and the Doğuş Group's (Note 1) non-financial and financial companies are referred to as related parties. During the course of the business, the Bank has made placements with and granted loans to related parties and also received deposits from them at various terms. As at 30 June 2001, interest rates applicable to foreign currency loans and deposits vary at ranges of 3.5-25% and 3.2-17%, and; for Turkish lira loans and deposits vary at ranges of 30-90% and 27.8-89.5% (31 December 2000: 3.5-30% and 2.7-40% and; for Turkish lira loans and deposits: 33-90% and 26-90%), respectively. Various commission rates are applied to transactions involving guarantees and commitments.

The Bank has the following balances outstanding from related parties:-

	30 June 2001 TL billions	31 December 2000 TL billions
Bank placements	62,081	32,787
Repurchase transactions	4,799	13,968
Loans granted	288,667	198,013
Bank takings	6,673	5,568
Deposits received	84,527	36,537
Commitments and contingencies		
Non-cash loans	127,723	121,709
Derivative transactions	49,782	113,324
	177,505	235,033

The Bank has the following transactions with related parties:-

	Six-month period ended 30 June 2001 TL billions	Three-month period ended 30 June 2001 TL billions	Six-month period ended 30 June 2000 TL billions	Three-month period ended 30 June 2000 TL billions
Interest income	25,156	13,834	29,997	6,724
Interest expense	8,703	2,700	2,517	1,193

5 Cash and due from banks

Cash and due from banks comprise of the following:-

	30 June 2001			31 December 2000		
	Turkish Lira	Foreign Currency	Total	Turkish Lira	Foreign Currency	Total
Cash at branches	15,846	61,673	77,519	34,791	50,111	84,902
Due from banks-demand						
Central Bank of Turkey	36,448	158,993	195,441	5,615	133,779	139,394
Domestic banks	916	8,194	9,110	10,708	15,609	26,317
Foreign banks	3	162,378	162,381	21	203,217	203,238
	37,367	329,565	366,932	16,344	352,605	368,949
Due from banks-time						
Central Bank of Turkey	-	42,350	42,350	-	-	-
Domestic banks	145,968	231,003	376,971	1,031,867	7,424	1,039,291
Foreign banks	-	1,141,610	1,141,610	57,753	414,093	471,846
	145,968	1,414,963	1,560,931	1,089,620	421,517	1,511,137
Total cash and due from banks	199,181	1,806,201	2,005,382	1,140,755	824,233	1,964,988

As at 30 June 2001, time deposits are almost all short-term, maturing within one year, with interest rates ranging between 3.7-30% per annum for foreign currency time deposits and 45-73% per annum for Turkish lira time deposits (31 December 2000: 4.27% and 30-145%, respectively).

As at 30 June 2001, TL26,071 billions (31 December 2000: TL78,114 billions) of term deposits at domestic banks are the funds lent against government securities received as collateral under contractual agreements to sell back (reverse repo) such securities at a predetermined sale price at the maturity dates.

As at 30 June 2001, demand deposits at foreign banks include blocked accounts of TL119,001 billions (31 December 2000: TL25,973 billions) against the securitisation transactions on cheques and credit card receivables.

6 Reserve deposits at Central Bank

Reserve deposits represent the minimum cash reserve maintained with the Central Bank, as required by the Turkish Banking Law, calculated on the basis of customer deposits taken at the rates determined by the Central Bank. In accordance with the current legislation, the reserve deposit rates for Turkish Lira and foreign currency deposits are 4% and 11%, respectively. These reserve deposit rates are applicable to both time and demand deposits.

7 Securities

Securities portfolios comprise of the following:-

	30 June 2001				31 December 2000
	Face value TL billions	Book value TL billions	Interest rate range %	Latest maturity	Book value TL billions
Trading portfolio					
Participating shares of mutual funds in foreign currency	966,790	869,302	-	2002	805,818
Government bonds floating rates	262,285	254,409	**(a)**	2003	15,101
Government bonds in Turkish lira	210,680	212,528	32.7-118	2003	515,082
Treasury bills Turkish lira	243,836	202,302	7.81-85.6	2002	3,165
Government bonds indexed to foreign currency	46,400	41,973	**(b)**	2006	-
Eurobonds	7,420	7,114	8.12-37.53	2030	6,666
Gold	-	-	-	-	490,470
Participating shares of mutual funds in Turkish lira	-	-	-	-	207,557
Others		21,042			14,687
Total trading portfolio		1,608,670			2,058,546
Investment portfolio					
Government bonds indexed to foreign currency	1,096,687	1,177,066	**(b)**	2006	-
Eurobonds	508,870	535,066	6-15	2030	569,272
Government bonds in Turkish lira	345,066	337,427	33-92.63	2003	802,376
Government bonds in foreign currency	283,753	292,288	11.75-12.38	2030	345,751
Government bonds- CPI	67,528	68,295	**(c)**	2003	-
Bonds issued by financial institutions	28,211	28,581	9.48-15	2005	-
Government bonds floating rates	20,380	14,918	**(a)**	2002	823,903
Euroyen	9,806	11,897	6	2002	30,187
Bonds issued by foreign governments	4,662	4,662	5.75-8.25	2007	4,407
Treasury bills	-	-	-	-	23,713
Others		12,978			8,287
Total investment portfolio		2,483,178			2,607,896
Total		4,091,848			4,666,442

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

(b) The interest rate applied on these securities are Libor+2.85% as fixed semiannually by the Turkish Treasury.

(c) The interest rate applied on these securities is the function of changes in consumer price index and a security coefficient described in the documents relating to the issuance of these bonds.

Net income on securities transactions amounting to TL25,974 billions for the six-month period ended 30 June 2001 and to TL100,110 billions for the three-month period ended 30 June 2001 (the six-month period ended 30 June 2000: TL133,330 billions and the three-month period ended 30 June 2000: TL95,484 billions) in total is included in trading account income.

Note 7 – (Continued)

As at 30 June 2001, unmatured interest accrued on securities amounting to TL81,008 billions (31 December 2000: TL77,529 billions) in total, is included in "other assets" (Note 9).

Included in government bonds and treasury bills were securities pledged under repurchase agreements with customers amounting to TL431,939 billions (31 December 2000: TL788,229 billions).

The following table summarizes securities that were deposited as collaterals with respect to various banking transactions (foreign currency amounts in millions):

	30 June 2001		31 December 2000	
	Nominal	Carrying value	Nominal	Carrying value
Eurobonds issued in USD	USD 306	USD 311	USD 337	USD 352
TL equivalent	-	376,682	-	341,805
Euroyens issued in JPY	-	-	JPY 1,976	JPY 2,333
TL equivalent	-	-	-	20,037
Eurobonds issued in Euro	-	-	EUR 26	EUR 26
TL equivalent	-	-	-	23,789
Deposited at Central Bank of Turkey (CBT) for foreign currency money market transactions	307,165	300,950	508,497	473,715
(coupon)	-	-	13,009	5,988
(coupon)	-	-	15,385	5,471
Deposited at the İstanbul Stock Exchange	-	-	43,281	39,407
(coupon)	-	-	2,891	439
(coupon)	-	-	12,494	900
Reserve requirements at CBT	220,000	216,200	229,962	221,255
(coupon)	-	-	2,891	208
Deposited at CBT for interbank transactions	194,073	113,455	197,930	195,263
Deposited at Clearing Bank (Takasbank)	119,492	109,852	102,355	109,954
Deposited at Central Bank of Luxembourg	EUR 5	EUR 5	EUR 5	EUR 5
TL equivalent		4,662		4,073
Salomon Brothers Inc.	-	-	17,417	14,558
Lehman Brothers Ltd.	-	-	954	1,052
		1,121,801		1,457,914

8 Loans, advances and discounts

Outstanding loans, advances and discounts are divided between economic sectors and loan types as follows:-

	30 June 2001 TL billions	31 December 2000 TL billions
Industrial	1,746,163	2,046,510
Consumer loans	512,763	654,128
Foreign trade	463,202	397,646
Construction	401,344	443,991
Service sector	394,224	384,749
Financial institutions	323,474	493,923
Tourism	205,183	202,271
Agriculture	161,186	189,532
Transportation	79,534	132,655
Media	34,903	32,116
Domestic commerce	29,489	40,991
Others	186,433	473,770
Total performing loans	4,537,898	5,492,282
Non-performing loans	217,627	127,720
Total gross loans	4,755,525	5,620,002
Financial lease receivables, net	107,188	143,390
Allowance for possible losses	(151,825)	(158,165)
Loans, advances and discounts	4,710,888	5,605,227

As at 30 June 2001, loans given to customers have interest rates between 2-24% (31 December 2000: 3.2-30%) per annum for foreign currency loans and 30-90% (31 December 2000: 21.7-103.6%) per annum for Turkish lira loans.

Gross performing loans comprise of collateralized and uncollateralized items as follows:-

	30 June 2001 TL billions	31 December 2000 TL billions
Collateralized loans	2,778,246	3,699,876
Uncollateralized loans	1,759,652	1,792,406
	4,537,898	5,492,282

The Bank generally seeks collateral security comprising real estate and other mortgages of varying ranking, charges on commodity inventories, letters of guarantee, promissory notes and similar items.

The specific allowance for possible losses is comprised of amounts for specifically identified problem and non-performing loans, advances and discounts plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers. In calculating the specific allowances, the Bank takes account of the rates of allowance for various categories of loans required by Turkish banking regulations.

Note 8 – (Continued)

In addition to the allowance for specific loan losses explained in the above paragraph, the Bank also provides general provisions for inherent credit risk on loans and guarantees and commitments. The level of general provision is based on management's evaluation of the loan portfolio, including such factors as the volume and character of loans outstanding, past loan loss experience and general economic conditions.

Movements in the allowance account during the six-month period ended 30 June 2001 and the year ended 31 December 2000, are as follows:-

	30 June 2001 TL billions	31 December 2000 TL billions
Balance, beginning of period/year	158,165	90,324
Restatement effect of the beginning balance and current period provision	(47,509)	(26,633)
Write-offs	(2,403)	(12,539)
Recoveries	(784)	(2,519)
Provision for the period/year	44,356	109,532
Balance, end of period/year	151,825	158,165

The loans, advances and discounts include financial lease receivables, which may be analysed as follows:-

	30 June 2001 TL billions	31 December 2000 TL billions
Financial lease receivables, gross:-		
Not later than 1 year	73,374	93,893
Later than 1 year and not later than 5 years	76,307	85,757
Later than 5 years	-	-
	149,681	179,650
Unearned income	(42,493)	(36,260)
Financial lease receivables, net	107,188	143,390

9 Accrued interest, prepaid expenses and other assets

Accrued interest, prepaid expenses and other assets comprise of the following items:-

	30 June 2001 TL billions	31 December 2000 TL billions
Accrued interest on loans	327,141	208,407
Assets held for resale	213,721	166,180
Other income accruals	209,002	84,845
Accrued interest on securities	81,008	77,529
Miscellaneous receivables	72,032	47,196
Retail business stocks	59,551	57,659
Prepaid expenses, insurance claims and similar items	53,911	60,597
Taxes and funds to be refunded	35,671	11,831
Insurance premium receivables	19,659	41,219
Purchased cheques	11,446	12,903
Advances for fixed asset purchases	2,540	4,303
Advances for foundation of investment funds	-	18,265
Others	48,183	58,636
	1,133,865	849,570

Assets held for resale comprise of real-estate acquired by the Bank against its overdue receivables. Such assets are required to be disposed within three years following their acquisitions per the Turkish Banking Law. This legal period can be extended upon receiving legal permission.

10 Investments in affiliated companies

The Bank holds investments in the following companies:-

	30 June 2001		31 December 2000	
	Carrying value TL billions	Ownership %	Carrying value TL billions	Ownership %
İksir Ulusl. El. Tic. Bilg.ve Hab. Hiz. A.Ş.	32,375	48.50	33,373	48.50
Garanti Turizm ve Yatırım İşl. A.Ş.	30,127	44.89	28,785	44.89
Petrotrans Nakliyat ve Ticaret A.Ş.	29,097	99.60	29,097	99.60
Doğuş Turizm Sağlık Yatırım İşl. Tic. A.Ş.	18,481	40.00	18,481	40.00
Sınai Yatırım Bankası A.O.	15,207	8.00	13,903	8.00
Aktif Finans Factoring Hizmetleri A.Ş.	14,791	19.56	14,791	19.56
Volkswagen Doğuş Tüketici Finansmanı A.Ş.	5,118	38.00	5,118	38.00
İ.M.K.B Takas ve Saklama Bankası A.Ş.	4,199	5.83	3,238	5.83
Others	3,768		4,585	
	153,163		151,371	
Impairment in value of investments	(52,895)		-	
	100,268		151,371	

Note 10 – (Continued)

Equity participations of 20% and over are equitised on the basis of their financial statements prepared in accordance with International Accounting Standards, if the Bank has any significant influence. Otherwise they are accounted for at cost.

The Bank had previously made available loans to Petrotrans Nakliyat Ticaret A.Ş.(Petrotrans) in an amount equal to USD29.5 millions. However due to fact that the financial condition of the company deteriorated, the Bank decided to takeover the shares of the company on 30 November 1997 at the same amount of TL equivalent of its outstanding loan receivable at that date. Petrotrans is the landlord of a very large area along the Mediterranean coast in Adana region.This area is considered to become the transshipment area for the terminals of the oil pipelines coming from Iraq and the Caspian Sea area and their access to Mediterranean Sea. Consequently, it is the Bank's opinion that the value of the company's property exceeds the outstanding carrying value of the investment. The financial statements of Petrotrans are not consolidated with those of the Bank because of the fact that Petrotrans is presently a dormant company.

11 Bank premises and equipment

Movement in bank premises and equipment for the period of 1 January – 30 June 2001 is as follows:-

	1January TL billions	Additions TL billions	Disposals TL billions	30 June TL billions
Costs				
Land and buildings	560,988	64,910	40,312	585,586
Furniture, fixture and equipments	626,674	63,730	66,980	623,424
Leasehold improvements	217,722	8,716	231	226,207
	1,405,384	137,356	107,523	1,435,217
Less: Accumulated depreciation				
Land and buildings	61,869	4,570	1,839	64,600
Furniture, fixture and equipments	328,610	35,335	14,229	349,716
Leasehold improvements	88,848	16,309	143	105,014
	479,327	56,214	16,211	519,330
Construction in progress	104,979			85,685
	1,031,036			1,001,572

Depreciation expense for the six-month period ended 30 June 2001 and for the three-month period ended 30 June 2001, amounts to TL56,214 billions and TL27,543 billions, respectively (the six-month period ended 30 June 2000: TL43,501 billions and the three-month period ended 30 June 2000: TL22,940 billions). Bank premises are depreciated at the annual rate of 2% and the rates applied to furniture, fixtures and equipment range from 8% to 25%.

12 Intangible asset

Intangible asset represents goodwill arising from the indirect acquisition of 100% ownership in Osmanlı Bankası A.Ş. in June 1996 and; the direct acquisitions of 19% ownership in and majority voting rights in the Board of Directors of Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticaret A.Ş., 83.33% ownership in Doc Finance S.A., 75.78% ownership in Garanti Yatırım Menkul Kıymetler A.Ş., 76.40% ownership in Doğuş Hava Taşımacılığı A.Ş., 99.99% ownership in Garanti Sigorta A.Ş. and 100% ownership in Garanti Hayat Sigorta A.Ş. in 1999, and consists of the excesses of the total acquisition costs over net assets of these consolidated entities at the dates of acquisition.

Note 12 – (Continued)

As at 30 June 2001, goodwill is amortised on a straight line basis over 20 years, the time during which benefits are expected to be consumed, and reflected as TL129,886 billions (31 December 2000: TL145,094 billions), net of accumulated amortisation, in the accompanying consolidated balance sheets.

13 Deposits

Deposits comprise of the following:-

	30 June 2001			31 December 2000
	Demand TL billions	Time TL billions	Total TL billions	Total TL billions
Foreign currency	1,530,304	3,651,743	5,182,047	4,147,679
Interbank **(a)**	42,484	761,773	804,257	1,684,076
Saving	107,573	757,725	865,298	793,588
Commercial	319,633	332,101	651,734	481,792
Public and other	12,551	49,463	62,014	38,102
	2,012,545	5,552,805	7,565,350	7,145,237

(a) Interbank deposits include both TL accounts of TL276,127 billions (31 December 2000: TL1,023,519 billions) and foreign currency accounts of TL528,130 billions (31 December 2000: TL660,557 billions).

As at 30 June 2001, interest rates applicable to Turkish lira deposits and foreign currency deposits vary at ranges of 28-90% and 3-17% (31 December 2000: 26-110% and 2.5-40%), respectively.

14 Obligations under repurchase agreements

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations for repurchase agreements. As at 30 June 2001, the maturities and interest rates of the obligations are within one month and between 6.49% and 311% (31 December 2000: 8.17-250%), respectively.

15 Short-term borrowings

Short-term borrowings comprise of the following:-

	30 June 2001 TL billions	31 December 2000 TL billions
Domestic banks	165,805	531,552
Foreign banks	2,475,181	2,519,842
	2,640,986	3,051,394

Note 15 – (Continued)

As at 30 June 2001, short-term borrowings from foreign banks included a syndicated pre-export credit facility available to Turkish exporters in the amount of EUR350 millions provided by thirtyfour international banks, signed in March 2001 for one-year through the arrangement of eighteen foreign banks. There was also a one-year pre-export loan facility in the amount of USD400 millions signed in July 2000 for one year and provided by sixtyfour international banks. The Bank completed the renewal of a 364-day Direct Pay Letter of Credit ve Reimbursement Facility in support of its US Commercial Paper Program for USD225 millions with the participation of twentyfive banks from twelve countries in October 2000 for one year.

As at 30 June 2001, short-term borrowings from foreign banks also included a club loan facility obtained by Osmanlı Bankası A.Ş., a consolidated affiliate, in the amount of USD120 millions provided by sixteen international banks through the agency of Deutsche Bank AG Luxembourg and maturing on 26 October 2001.

16 Short-term bonds payable

Short-term bonds payable comprise of the following:-

	30 June 2001			31 Decemcer 2000
	Amount in original currency in millions	Interest rates %	TL billions	TL billions
Indenture notes	USD 29	Libor+2	34,788	27,696
Other bonds			1,250	3,112
			36,038	30,808

As at 30 June 2001, accrued interest on bonds payable amounting to TL2,214 billions (31 December 2000: TL5,296 billions) in total is included in "other interest and expense accruals" (Note 18).

17 Taxation

As at 30 June 2001 and 31 December 2000, the corporation tax rate is 30%; contribution to a state fund is 10% of this tax which results in effective corporation tax rate of 33%. In addition, there will be an income tax charge; Council of Ministers is authorised to determine this income tax rate up to the level of 25%, contribution to state fund is 10% of this tax as well. Presently, this income tax charge is at the rate of 5% (for companies of which shares are not publicly traded; 15%) to be computed only on the amounts of dividend distribution and accrued only at the time of such payments.

Deferred income tax is provided, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for permanent differences not deductible for tax purposes and initial recognition of assets and liabilities which effect neither accounting nor taxable profit.

Note 17 – (Continued)

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

	30 June 2001 TL billions	%	30 June 2000 TL billions	%
Taxes on income per statutory tax rate	**(174,292)**	**33.00**	**83,562**	**33.00**
Income items exempt from tax or subject to different tax rates	(129,873)	24.59	(57,105)	(22.55)
Permanent differences relating to the restatement of non-monetary items per IAS29	158,917	(30.09)	57,410	22.67
Effect of permanent differences on consolidation adjustments	50,253	(9.51)	33,596	13.27
Effect of different tax rates applicable to the consolidated affiliates	(7,422)	1.40	(25,751)	(10.17)
Disallowable expenses	10,408	(1.97)	5,362	2.12
Taxation charge/(credit)	**(92,009)**	**17.42**	**97,074**	**38.34**

The taxation charge/(credit) comprise the following items:-

	30 June 2001 TL billions	30 June 2000 TL billions
Current taxes	27,702	45,064
Deferred taxes	(119,711)	52,010
Taxation charge/(credit)	**(92,009)**	**97,074**

In accordance with the related regulation for prepaid taxes on income, such advance payments during the year are being deducted from the final tax liability computed over current year operations. Accordingly, the taxation charge on income computed is not equal to the final tax liability appearing on the balance sheet. The movements of current taxes payable on income in the first half of 2001 and the year of 2000 are shown below:-

	30 June 2001 TL billions	31 December 2000 TL billions
Provision for current taxes payable on income before deductions	**(92,009)**	**96,513**
Add: Taxes carried forward	33,619	14,842
Add/(less): Deferred tax assets/liabilities	119,711	(61,067)
Less: Restatement effect on current taxes payable on income for the change in the general purchasing power of TL at 30 June 2001	(5,555)	(6,550)
Taxes payable on income	**55,766**	**43,738**

Note 17 – (Continued)

Deferred tax assets and liabilities as at 30 June 2001 and 31 December 2000 are attributable to the items detailed in the table below:-

	30 June 2001 TL billions	31 December 2000 TL billions
Deferred tax assets		
Tax losses carried forward	219,561	31,648
Specific and general allowance for loan losses	29,622	28,174
Capitalised expenses and leasing obligations	18,818	5,753
Reserve for retirement pay	3,059	3,789
General provision for banking and leasing risks	1,366	7,906
Others	4,961	3,054
Total deferred tax assets	277,387	80,324
Deferred tax liabilities		
Restatement of non-monetary items per IAS 29	135,865	76,599
Accrued interests and foreign exchange gains on securities	64,479	47,722
Others	6,333	5,004
Total deferred tax liabilities	206,677	129,325
Net deferred tax (assets)/liabilities	**(70,710)**	**49,001**

In Turkey, there are no procedures for the final agreement of tax assessments. Tax returns are filed within four months at the end of year to which they relate. The tax authorities may, however, examine the accounting records and/or revise assessments within five years.

18 Accrued interest and other liabilities

The principal components of these captions are as follows:-

	30 June 2001 TL billions	31 December 2000 TL billions
Transfer orders	177,256	111,641
Miscellaneous payables	138,246	174,471
Accrued interest on borrowings	84,785	86,608
Accrued interest on deposits	78,612	130,581
Withholding taxes	33,552	51,663
Interest and expense accruals other than on deposits and borrowings	29,643	14,910
Insurance technical provisions	23,877	30,190
Blocked accounts	23,304	23,995
Reserve for severance payment	12,813	15,111
Payables to insurance and reinsurance companies relating to insurance operations	10,377	23,246
Payables to suppliers relating to financial leasing activities	7,826	14,969
General provision for non-cash loans	5,355	5,708
Others	36,209	89,351
	661,855	772,444

19 Long-term debts

Long-term debts comprise of the following:-

	30 June 2001						31 December 2000
	Interest rate%	Maturity	Amount in original currency in millions		Short term portion TL billions	Medium and long-term portion TL billions	Long-term debts TL billions
Funds from financial institutions:							
Pera Financial Services Company	9.375	2002	USD	237	-	287,234	236,669
TPR Securitisation-I	9	2004	USD	150	54,319	127,323	123,559
Anatolia Finance Company	7.48	2004	USD	123	21,175	127,707	107,895
TPR Securitisation-II	8.75-Eurolibor+4	2004	EUR	100	-	102,584	89,406
International Finance Corporation	8.65	2005	USD	82	22,000	77,000	70,616
International Finance Corporation	8.59-Libor+2.5	2004	USD	73	25,300	63,250	60,429
International Finance Corporation	Libor+3.375	2004	USD	3	1,170	3,006	2,698
First Fidelity Bank	7.83	2002	USD	37	22,387	21,843	17,941
First Fidelity Bank	7.83-9.75	2002	USD	9	4,415	5,909	6,461
ABN Amro Bank	4-6.3	2004	NLG	57	-	26,720	29,279
DEG	7.7	2004	EUR	15	-	15,388	13,444
DEG	Fibor+3.5	2002	DEM	3	1,359	-	1,029
Others					20,691	207,004	166,946
Bonds:							
Bearer notes	8	2003	EUR	48	-	48,984	42,793
Indenture notes	Libor+2	2002	USD	29	34,788	-	8,585
					207,604	1,113,952	977,750

Short-term portions of funds from financial institutions and bonds are classified under short-term borrowings (Note 15) and short-term bonds payable (Note 16), respectively.

The Bank borrowed USD350 millions from Pera Financial Services Company, being the proceeds of an issue of 9 3/8 per cent notes by Pera Financial Services Company. Such notes are secured, by among other things, an assignment of the loan agreement between the Bank and Pera Financial Services Company in favour of a trustee for the benefit of the holders of such notes.

In February 1998, the Bank sold certain future credit card receivables due or to become due to the Bank from Visa International Service Association (Visa), MasterCard International Incorporated (MasterCard) and Europay International S.A. (Europay), to Anatolia Finance Company, a special purpose company (SPC) organized under the laws of the Cayman Islands for the amount of USD175 millions. The SPC sold to the Bank of New York, as trustee of the Credit Cards Receivables Trust 1998 - I (the Trust), which issued the trust certificates amounting to USD175 millions in total pursuant to the Trust Agreement dated 3 February 1998 between the SPC and the Bank of New York as trustee. The trust certificates will be repaid in the period from March 1998 to December 2004 on a quarterly basis. The property of the Trust includes, among other things, (i) the right to receive a specified amount of current and future US Dollar amounts owed or to be owed by Visa, MasterCard and Europay to or for the account of Türkiye Garanti Bankası A.Ş., in respect of credit and debit card merchant voucher receivables generated by the usage in Turkey of Visa, MasterCard ad Europay credit cards issued by non-Turkish financial institutions and acquisition of such voucher receivables by the Bank for processing and payment by Visa, MasterCard and Europay in accordance with their respective collection and settlement systems, subject to the pari-passu rights of the holders of the Prior Certificates, (ii) or funds collected or to be collected in respect of such receivables, (iii) or other payments by any other person in respect thereof and (iv) certain money on the deposit in certain accounts of the Trust.

Note 19 – (Continued)

The Bank borrowed USD115 millions as a 7-year private placement bond issue maturing at 2004. The loan which was arranged by JP Morgan was established as a single asset securitisation under the IFC umbrella.

First Fidelity Bank (FFB) loans correspond to the obligation arising from the sale to FFB of the Bank's future receivables in connection with its credit card securitisation program in which FFB is the Trustee bank. The proceeds received from these transactions are classified as obligation under long-term debts.

Indenture notes amounting to USD115 millions represent Garanti Grantor Trust 1997- "A" Floating Rate Certificates Due 2002. These notes are secured by substantially all of the assets of Instruments Finance Company, a special purpose company (SPC) wholly owned by the Bank and organized under the laws of Cayman Islands, which consists primarily of the SPC's rights and interests in the obligation of the Bank to sell to the SPC all of its right, title and interest in and to certain instruments, primarily comprised of the traveller's checks, eurocheques and cashier's checks or other checks which are (i) drawn on financial institutions or money-transfer service organisations located in and denominated in currencies of the United States of America, the Federal Republic of Germany or the United Kingdom or (ii) drawn on financial institutions located in any other jurisdiction that has an investment grade rating on its foreign-currency denominated sovereign debt and whose currency is freely convertible into US Dollars and which, in each case, have been encashed by the branches of the Bank located in Turkey.

An aggregate principle amount of USD100 millions was extended by International Finance Corporation (IFC) as a loan to Osmanlı Bankası A.Ş., a consolidated affiliate, in September 1998. This facility consisted of a direct loan by IFC (A Loan) in the amount USD15 millions and a B Loan in the amount of USD85 millions, which was securitised under the name of Osmanlı Bankası-IFC Trust I and II; were privately placed to United States insurance companies. Proceeds of this facility was used to on-lend to private Turkish companies for project finance, capital equipment financing, as well as short term trade financing. While the maturity of the facility is seven years, repayment terms involve a two-year grace period during which only interest is to be serviced.

In June 1999, the Bank obtained a fund in the amount of USD200 millions through its Trade Payment Rights Securitisation transaction (the "TPR Securitisation-I"). The TPR Securitisation-I consists of a floating and fixed tranche for an amount of USD29 millions and USD171 millions, respectively. The TPR Securitisation-I securitises the Bank's collection and reimbursement rights related to export transactions, specifically letters of credits and cash against documents transactions, and has a maturity of 5 years with an average life of 3.14 years. The TPR Securitisation-I was arranged by Bank of America Securities LLC, Bank of America International Limited and Credit Suisse First Boston Corporation (CSFB) was appointed as co-manager.

In December 1999, Osmanlı Bankası A.Ş., a consolidated affiliate, obtained a fund in the amount of EUR100 millions through its Trade Payment Rights Securitisation transaction (the "TPR Securitisation-II"). The TPR Securitisation-II consists of two tranches amounting to EUR81 millions and EUR19 millions. The TPR Securitisation-II securitises Osmanlı Bankası A.Ş.'s collection and reimbursement rights related to export transactions, specifically letters of credits and cash against documents transactions, and has a maturity of 5 years with an average life of 3.5 years. The TPR Securitisation-II was arranged under the management of Dresdner Bank AG and Banca d'Intermediazione Mobiliare IMI.

Note 19 – (Continued)

Bearer notes represent Euro notes bearing 8% interest per annum and payable annually in arrear on 21 March in each year commencing on 21 March 2001 and maturing in 2003 issued by United Garanti Bank International (UGBI), a consolidated affiliate, on 21 March 2000 through the arrangement of Goldman Sachs International. The notes comprising 4.575 units will be in the denomination of EUR10,000 each. Unless previously redeemed or canceled, the notes will be redeemed at their principal amount on 21 March 2003 and are subject to redemption in whole at their principal amount at the option of UGBI at any time in the event of certain changes affecting taxation in the Netherlands.

20 Shareholders' equity

The authorised and paid-in nominal share capital of the Bank is TL260,000 billions comprising 519.999.999.653 registered shares of five hundred Turkish liras each and 1.735 registered shares of one hundred Turkish liras each. The portion of share capital arising from the amounts paid in by the shareholders and the transfers from retained earnings were restated for the effects of inflation; however, the transfers from revaluation surplus on fixed assets for statutory purposes are not restated. Accordingly, the share capital is reflected at restated amounts in the accompanying consolidated financial statements and includes transfers from retained earnings in the amount of TL502,650 billions as at 30 June 2001 and 31 December 2000.

The legal reserve is established by annual appropriations amounting to 5% of income disclosed in the Bank's statutory accounts until it reaches 20% of paid-in share capital (first legal reserves). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital are to be appropriated to increase legal reserves (second legal reserves). The legal reserve is restricted and is not available for distribution as dividends. In the accompanying consolidated financial statements, legal reserves are included at their historical amounts.

21 Extraordinary item

Late 1999, Turkish Government has imposed one time only extraordinary tax measures to finance the public expenditures caused by the massive earthquakes on 17 August and 12 November 1999 in Marmara Region.

One of such tax measures is "additional income and corporate tax". In principal, all individuals, excluding wage earners, and corporate taxpayers are required to pay an additional income or corporate tax at 5% on their taxable bases filed for the year of 1998. The tax base for the 5% additional tax is just the same as the tax base on which the income or corporate tax was charged for the year 1998.

Another additional tax imposed by the Turkish Government is the withholding tax on interest income on government securities that will be held at maturity. The tax rate on such interest income changes from 4% to 19% according to maturities of the securities. Accordingly, in the accompanying consolidated statements of operations for the six-month period ended 30 June 2001, the Bank charged TL22,060 billions (30 June 2000: TL133,965 billions) for these taxes on accrued interest on government securities as "extraordinary item". As at 30 June 2001 and 31 December 2000, there is no unpaid portion of such taxes classified under "accrued interest and other liabilities" in the accompanying consolidated balance sheets (Note 18).

22 Maturity profiles

The maturity profiles of monetary assets and liabilities as at 30 June 2001 and 31 December 2000 were summarised as follows:-

	30 June 2001						31 December 2000					
	Up to 1 month TL billions	1 to 3 months TL billions	3 to 6 months TL billions	6 to 12 months TL billions	Over 1 year TL billions	Total TL billions	Up to 1 month TL billions	1 to 3 months TL billions	3 to 6 months TL billions	6 to 12 months TL billions	Over 1 year TL billions	Total TL billions
MONETARY ASSETS												
Turkish Lira												
Cash and due from banks	184,381	8,000	5,300	1,500	-	199,181	1,084,982	37,485	16,841	1,447	-	1,140,755
Interbank placings	25,500	-	-	-	-	25,500	-	-	-	-	-	-
Reserve deposits at Central Bank	47,056	-	-	-	-	47,056	49,954	-	-	-	-	49,954
Securities	129,080	89,590	44,066	351,676	490,442	1,104,854	83,687	463,220	328,182	339,535	1,185,248	2,399,872
Loans, advances and discounts	402,401	166,528	88,921	32,114	108,363	798,327	453,115	309,592	305,729	239,197	239,245	1,546,878
Other assets	97,239	45,867	12,973	14,079	315,399	485,557	108,091	80,499	35,450	56,916	46,750	327,706
Total Turkish Lira assets	885,657	309,985	151,260	399,369	914,204	2,660,475	1,779,829	890,796	686,202	637,095	1,471,243	5,465,165
Foreign currency												
Cash and due from banks	1,674,910	38,669	6	81,199	11,417	1,806,201	717,886	38,788	24,149	35,611	7,799	824,233
Interbank placings	139,150	-	-	-	-	139,150	118,073	-	-	-	-	118,073
Reserve deposits at Central Bank	430,231	-	-	-	-	430,231	383,682	-	-	-	-	383,682
Securities	3,567	55	13,429	881,199	2,088,744	2,986,994	335	294,393	19,703	354	1,951,785	2,266,570
Loans, advances and discounts	620,981	582,581	790,160	885,886	967,151	3,846,759	314,808	646,805	1,189,616	1,096,866	840,699	4,088,794
Other assets	134,826	40,904	51,989	69,818	53,830	351,367	41,763	35,402	62,661	45,771	35,695	221,292
Total foreign currency assets	3,003,665	662,209	855,584	1,918,102	3,121,142	9,560,702	1,576,547	1,015,388	1,296,129	1,178,602	2,835,978	7,902,644
Total Monetary Assets	3,889,322	972,194	1,006,844	2,317,471	4,035,346	12,221,177	3,356,376	1,906,184	1,982,331	1,815,697	4,307,221	13,367,809
MONETARY LIABILITIES												
Turkish Lira												
Deposits	1,660,287	71,961	77,033	3,636	4,148	1,817,065	1,731,740	523,137	50,581	15,570	204	2,321,232
Interbank takings	9,100	-	-	-	-	9,100	103,707	-	-	-	-	103,707
Obligations under repurchase agreements	305,838	-	-	-	-	305,838	544,153	-	-	-	-	544,153
Short-term borrowings	13,865	9,257	16,845	6	-	39,973	43,564	3,664	3,552	8	-	50,788
Short-term bonds payable	1,250	-	-	-	-	1,250	2,020	1,092	-	-	-	3,112
Long-term debts	-	-	-	-	36	36	-	-	-	-	61	61
Other liabilities	87,937	88,642	30,887	19,171	61,938	288,575	201,907	63,245	34,803	29,278	242,083	571,316
Total Turkish Lira liabilities	2,078,277	169,860	124,765	22,813	66,122	2,461,837	2,627,091	591,138	88,936	44,856	242,348	3,594,369
Foreign currency												
Deposits	4,829,311	531,474	150,607	127,256	109,637	5,748,285	3,992,327	509,331	99,794	152,150	70,403	4,824,005
Interbank takings	142,332	-	-	-	-	142,332	357,420	-	-	-	-	357,420
Obligations under repurchase agreements	160,131	-	-	-	-	160,131	261,091	-	-	-	-	261,091
Short-term borrowings	939,495	257,620	934,616	469,282	-	2,601,013	967,497	621,854	477,835	933,420	-	3,000,606
Short-term bonds payable	8,002	-	16,002	10,784	-	34,788	6,369	-	2,216	19,111	-	27,696
Long-term debts	-	-	-	-	1,113,916	1,113,916	-	-	-	-	977,689	977,689
Other liabilities	181,937	13,139	18,683	16,040	198,204	428,003	83,920	22,905	18,533	54,043	113,430	292,831
Total foreign currency liabilities	6,261,208	802,233	1,119,908	623,362	1,421,757	10,228,468	5,668,624	1,154,090	598,378	1,158,724	1,161,522	9,741,338
Total Monetary Liabilities	8,339,485	972,093	1,244,673	646,175	1,487,879	12,690,305	8,295,715	1,745,228	687,314	1,203,580	1,403,870	13,335,707

23 Commitments and contingencies

In the normal course of banking activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the accompanying consolidated financial statements, including letters of guarantee, acceptance credits and letters of credit.

Commitments and contingent liabilities arising in the ordinary course of business comprise of the following items:-

	30 June 2001 TL billions	31 December 2000 TL billions
Letters of guarantee	3,192,650	3,095,740
Letters of credit	1,099,841	1,247,637
Acceptance credits	403,943	292,551
Other guarantees and endorsements	24,689	55,513
	4,721,123	4,691,441

As at 30 June 2001, commitment for uncalled capital of affiliated companies amounts approximately to TL18,334 billions (31 December 2000: TL7,728 billions).

As at 30 June 2001, commitment for purchase and sale of foreign currencies under spot, forward, swap, future rate agreements (FRA) or options and for gold trading amounts to TL2,410,073 billions (31 December 2000: TL4,868,609 billions), almost all due within one year.

The breakdown of such commitments outstanding, by type, are presented as follows:-

	30 June 2001		31 December 2000	
	Purchases TL billions	Sales TL billions	Purchases TL billions	Sales TL billions
Forward agreements for customer dealing activities	24,632	29,816	211,202	127,158
Swap agreements for customer dealing activities	-	11,284	9,067	10,020
Spot foreign currency transactions for customer dealing activities	513	513	64,469	19
Forward agreements for hedging purposes	312,484	641,947	1,748,736	917,402
Forward agreements for gold trading	-	19,135	-	4,212
Currency swap agreements for hedging purposes	604,877	83,823	393,488	951,669
Interest rate swap agreements for hedging purposes	321	42	3,497	3,937
FRAs	-	-	46,231	105,488
Options	544,500	-	208,907	-
Spot foreign currency transactions	79,986	56,200	45,606	17,501
	1,567,313	842,760	2,731,203	2,137,406

24 Currency structure of assets and liabilities

Substantial volumes of business are conducted in foreign currencies. Assets denominated in foreign currencies are funded by foreign currency customer deposits and by deposits or loans taken from foreign banks.

The Bank's foreign currency assets and liabilities may be analysed as follows (TL equivalents):-

	30 June 2001 TL billions	31 December 2000 TL billions
Cash and due from banks and interbank placings	1,945,351	942,306
Reserve deposits at Central Bank	430,231	383,682
Securities	2,986,994	2,266,570
Loans, advances and discounts, less allowance for possible losses	3,844,644	4,089,274
Other assets	681,689	490,205
	9,888,909	8,172,037
Funding sources	9,801,068	9,447,646
Other liabilities	427,927	292,791
	10,228,995	9,740,437
Short position before derivative contracts	(340,086)	(1,568,400)
Derivative contracts **(a)**	(38,826)	1,182,303
Net short position	(378,912)	(386,097)

(a) As at 30 June 2001, the Bank hedged a portion of its short position amounting to 340,086 billions (31 December 2000: 1,568,400 billions) at TL equivalents by forward contracts almost all maturing in one year which represent total net commitment to buy approximately USD32 millions (US dollar equivalent of TL38,826 billions at exchange rate prevailing on 30 June 2001) (31 December 2000: USD1,227 millions) at varying exchange rates indicated in the corresponding contracts.

The major currencies included above are US Dollar, Euro, Deutsche Mark, Pounds Sterling and Swiss Francs. However, for the purposes of the evaluation of the table above, special emphasis should be given to the assets and liabilities denominated in Russian Roubles which are considered as foreign currency items. Russia is a highly inflationary environment as evidenced by a very high cumulative inflation rate of %268.6 for the three years ended 30 June 2001. The Russian Roubles denominated net assets as included in the above table at their TL equivalents at 30 June 2001 amounted to 39,975 billions (31 December 2000: 62,278 billions).

For the six-month period ended 30 June 2001, volume of transactions in foreign currency, comprising foreign exchange operations, workers' remittances, capital movements, etc. amounts approximately to USD25,462 millions (for the year ended 31 December 2000: USD83,071 millions).

25 Financial statements of consolidated affiliates

As discussed in greater detail in Notes 1 and 3, Osmanlı Bankası A.Ş. group of companies, United Garanti Bank International N.V., Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticareti A.Ş., Garanti Finansal Kiralama A.Ş., Ana Konut Danışmanlık A.Ş., Garanti Bank Moscow, Doğuş Hava Taşımacılığı A.Ş., D.O.C Finance S.A., Garanti Financial Services plc., Garanti Sigorta A.Ş., Instruments Finance Company, Lasaş Lastik San. ve Tic.A.Ş., Garanti Yatırım Menkul Kıymetler A.Ş., Garanti Hayat Sigorta A.Ş., Clover Investment Ltd, Marmo S.A., Clover Bank Off-Shore Ltd., Garanti Portföy Yönetimi A.Ş., Garanti Bilişim Teknolojisi ve Ticaret T.A.Ş., Şahinler Otelcilik A.Ş., Garanti Fund Management and Bosphorus Financial Services Ltd are consolidated in the accompanying financial statements.The summarised balance sheets of these affiliates at 30 June 2001 and 31 December 2000 which are consolidated, are as follows:-

	30 June 2001										
	Osmanlı Bankası A.Ş. Consolidated TL billions	United Garanti Bank Int. N.V. TL billions	Tansaş İzmir B.Ş.B. İ.ve D.Tic. A.Ş. TL billions	Garanti Finansal Kiralama A.Ş. TL billions	Ana Konut Danışmanlık A.Ş. TL billions	Garanti Bank Moscow TL billions	Doğuş Hava Taşımacılığı A.Ş. TL billions	D.O.C Finance S.A. TL billions	Garanti Financial Services TL billions	Garanti Sigorta A.Ş. TL billions	Instruments Finance Company TL billions
ASSETS											
Cash and due from banks	116,721	569,516	15,958	70,951	711	47,541	9,993	10,203	86	6,889	9,427
Interbank placings	140,650	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	117,815	-	-	-	-	-	-	-	-	-	-
Securities	1,668,494	11,184	-	3	4,650	8,436	-	-	4,485	7,855	-
Loans, advances and discounts - net	764,021	989,476	-	157,100	-	17,631	-	63,647	34,528	-	27,164
Accrued interest, prepaid expenses and other assets	200,841	19,147	95,083	16,754	5,693	4,334	18,180	4,706	1,785	20,922	597
Investments	35,448	140	538	1,200	353	-	6	-	-	2,658	-
Property and equipment, net	183,768	37,422	145,470	2,444	88,837	1,716	51,171	15	22	1,224	-
Intangible assets, net	73,982	-	-	-	-	-	-	-	-	-	-
Total Assets	**3,301,740**	**1,626,885**	**257,049**	**248,452**	**100,244**	**79,658**	**79,350**	**78,571**	**40,906**	**39,548**	**37,188**
LIABILITIES AND SHAREHOLDERS' EQUITY											
Deposits	1,702,042	1,246,388	-	-	-	32,983	-	-	32,169	-	-
Interbank takings	132,809	-	-	-	-	-	-	-	-	-	-
Obligations under repurchase agreements	155,315	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	887,055	10,505	103,826	124,268	1,363	-	15,681	14,547	-	-	-
Short-term bonds payable	-	-	-	-	-	-	-	-	-	-	34,788
Accrued interest and other liabilities	108,943	89,789	111,011	19,861	8,661	13,528	5,951	5,551	1,335	29,066	621
Long-term debts	185,925	127,049	49,190	84,295	25,486	-	41,643	55,380	-	-	-
Total Liabilities	3,172,089	1,473,731	264,027	228,424	35,510	46,511	63,275	75,478	33,504	29,066	35,409
Minority Interest	15,056	-	-	-	-	-	-	-	-	-	-
Shareholders' Equity:-											
Share capital	196,544	88,103	33,473	33,150	96,246	27,270	63,047	8,084	3,192	23,361	30
Legal reserves and retained earnings	(81,949)	65,051	(40,451)	(13,122)	(31,512)	5,877	(46,972)	(4,991)	4,210	(12,879)	1,749
Total Shareholders' Equity	114,595	153,154	(6,978)	20,028	64,734	33,147	16,075	3,093	7,402	10,482	1,779
Total Liabilities and Shareholders' Equity	**3,301,740**	**1,626,885**	**257,049**	**248,452**	**100,244**	**79,658**	**79,350**	**78,571**	**40,906**	**39,548**	**37,188**

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Notes to Consolidated Financial Statements
30 June 2001 and 31 December 2000

(As adjusted for the effects of inflation in TL unit current at 30 June 2001 pursuant to IAS 29)

Note 25 - (Continued)

	30 June 2001 (Continued)										
	Lasaş Lastik San ve Tic. A.Ş. TL billions	Garanti Yatırım Menkul Kıymetler A.Ş. TL billions	Garanti Hayat Sigorta A.Ş. TL billions	Clover Investment Ltd. TL billions	Marmo S.A. TL billions	Clover Bank Off-Shore Ltd. TL billions	Garanti Portföy Yönetimi A.Ş. TL billions	Garanti Bilişim Teknolojisi ve Tic. T.A.Ş. TL billions	Şahintur Şahinler Otelcilik A.Ş. TL billions	Garanti Fund Management TL billions	Bosphorus Financial Services Ltd. TL billions
ASSETS											
Cash and due from banks	17	2,600	7,518	76	127	9,407	4,135	530	293	922	56
Interbank placings	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	-	-	-	-	-	-	-	-	-	-	-
Securities	-	15,386	4,894	-	-	-	2,333	224	-	345	-
Loans, advances and discounts - net	-	-	-	-	13,068	-	-	-	-	-	-
Accrued interest, prepaid expenses and other assets	2,217	4,856	5,350	44	27	6	841	3,130	4	141	-
Investments	441	2,672	5	13,109	-	-	-	1,943	5	-	363
Property and equipment, net	30,744	2,957	2,165	-	-	30	364	812	2,891	123	-
Intangible assets, net	-	-	-	-	-	-	-	-	-	-	-
Total Assets	**33,419**	**28,471**	**19,932**	**13,229**	**13,222**	**9,443**	**7,673**	**6,639**	**3,193**	**1,531**	**419**
LIABILITIES AND SHAREHOLDERS' EQUITY											
Deposits	-	-	-	-	-	70	-	-	-	-	-
Interbank takings	-	-	-	-	-	-	-	-	-	-	-
Obligations under repurchase agreements	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	-	6,050	-	13,068	-	-	-	-	-	-	-
Short-term bonds payable	-	-	-	-	-	1,251	-	-	-	-	-
Accrued interest and other liabilities	5,840	10,253	10,084	34	53	1,375	1,640	2,451	732	779	9
Long-term debts	-	-	-	-	-	-	-	-	-	303	-
Total Liabilities	5,840	16,303	10,084	13,102	53	2,696	1,640	2,451	732	1,082	9
Minority Interest	-	-	-	-	-	-	-	-	-	-	-
Shareholders' Equity:-											
Share capital	25,936	16,358	10,097	363	13,109	5,445	2,553	52,583	4,310	121	121
Legal reserves and retained earnings	1,643	(4,190)	(249)	(236)	60	1,302	3,480	(48,395)	(1,849)	328	289
Total Shareholders' Equity	27,579	12,168	9,848	127	13,169	6,747	6,033	4,188	2,461	449	410
Total Liabilities and Shareholders' Equity	**33,419**	**28,471**	**19,932**	**13,229**	**13,222**	**9,443**	**7,673**	**6,639**	**3,193**	**1,531**	**419**

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Notes to Consolidated Financial Statements
30 June 2001 and 31 December 2000

(As adjusted for the effects of inflation in TL unit current at 30 June 2001 pursuant to IAS 29)

Note 25 - (Continued)

	31 December 2000										
	Osmanlı Bankası A.Ş. Consolidated TL billions	United Garanti Bank Int. N.V. TL billions	Tansaş İzmir B.Ş.B. İ.ve D.Tic. A.Ş. TL billions	Garanti Finansal Kiralama A.Ş. TL billions	Garanti Bank Moscow TL billions	Ana Konut Danışmanlık A.Ş. TL billions	D.O.C Finance S.A. TL billions	Garanti Financial Services TL billions	Garanti Sigorta A.Ş. TL billions	Doğuş Hava Taşımacılığı A.Ş. TL billions	Clover Investment Ltd. TL billions
ASSETS											
Cash and due from banks	320,551	421,049	30,041	55,662	41,235	118	230	143	6,379	471	32,177
Interbank placings	118,073	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	92,104	-	-	-	-	-	-	-	-	-	-
Securities	1,309,641	11,143	-	11,488	38,382	6,721	-	-	8,934	-	-
Loans, advances and discounts - net	1,057,702	925,030	-	153,196	17,308	-	75,103	71,355	-	-	-
Accrued interest, prepaid expenses and other assets	141,178	35,776	100,580	15,692	8,672	4,389	1,957	2,992	42,006	1,252	693
Investments	31,534	121	749	1,493	-	353	-	-	2,619	31	10,438
Property and equipment, net	192,022	20,745	150,852	2,366	1,222	83,417	16	20	1,241	59,419	-
Intangible assets, net	87,553	-	-	-	-	-	-	-	-	-	-
Total Assets	**3,350,358**	**1,413,864**	**282,222**	**239,897**	**106,819**	**94,998**	**77,306**	**74,510**	**61,179**	**61,173**	**43,308**
LIABILITIES AND SHAREHOLDERS' EQUITY											
Deposits	1,456,913	1,120,138	-	-	75,978	-	-	70,007	-	-	-
Interbank takings	135,819	-	-	-	-	-	-	-	-	-	-
Obligations under repurchase agreements	249,488	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	837,722	5,553	75,477	95,972	-	1,008	53,175	96	-	4,532	-
Short-term bonds payable	-	-	-	-	-	-	-	-	-	-	-
Accrued interest and other liabilities	130,921	56,988	165,598	30,419	6,948	4,872	2,638	2,226	51,870	5,324	1,663
Long-term debts	165,673	116,943	23,765	80,616	-	19,858	17,280	-	-	43,329	39,369
Total Liabilities	2,976,536	1,299,622	264,840	207,007	82,926	25,738	73,093	72,329	51,870	53,185	41,032
Minority Interest	16,014	-	(114)	-	-	-	-	-	-	-	-
Shareholders' Equity:-											
Share capital	171,296	55,685	32,523	33,150	19,891	85,463	7,072	2,541	23,361	56,146	289
Legal reserves and retained earnings	186,512	58,557	(15,027)	(260)	4,002	(16,203)	(2,859)	(360)	(14,052)	(48,158)	1,987
Total Shareholders' Equity	357,808	114,242	17,496	32,890	23,893	69,260	4,213	2,181	9,309	7,988	2,276
Total Liabilities and Shareholders' Equity	**3,350,358**	**1,413,864**	**282,222**	**239,897**	**106,819**	**94,998**	**77,306**	**74,510**	**61,179**	**61,173**	**43,308**

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Notes to Consolidated Financial Statements
30 June 2001 and 31 December 2000

(As adjusted for the effects of inflation in TL unit current at 30 June 2001 pursuant to IAS 29)

Note 25 - (Continued)

	31 December 2000 (Continued)										
	Garanti Yatırım Menkul Kıymetler A.Ş. TL billions	Instruments Finance Company TL billions	Lasaş Lastik San ve Tic. A.Ş. TL billions	Clover Bank Off-Shore Ltd. TL billions	Garanti Hayat Sigorta A.Ş. TL billions	Garanti Portföy Yönetimi A.Ş. TL billions	Marmo S.A. TL billions	Garanti Bilişim Teknolojisi ve Tic. T.A.Ş. TL billions	Şahintur Şahinler Otelcilik A.Ş. TL billions	Garanti Fund Management TL billions	Bosphorus Financial Services Ltd. TL billions
ASSETS											
Cash and due from banks	43	7,921	211	14,124	6,521	9,447	9,612	489	339	787	43
Interbank placings	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	-	-	-	-	-	-	-	-	-	-	-
Securities	30,697	-	-	5,161	5,877	1,402	-	-	-	234	-
Loans, advances and discounts - net	-	29,185	-	-	-	-	-	-	-	-	-
Accrued interest, prepaid expenses and other assets	3,319	1,130	3,003	4,922	5,820	3,021	61	3,893	20	53	2
Investments	3,663	-	439	-	3	-	-	1,915	3	4	289
Property and equipment, net	2,830	-	30,960	26	2,106	368	-	820	2,916	113	-
Intangible assets, net	-	-	-	-	-	-	-	-	-	-	-
Total Assets	**40,552**	**38,236**	**34,613**	**24,233**	**20,327**	**14,238**	**9,673**	**7,117**	**3,278**	**1,191**	**334**
LIABILITIES AND SHAREHOLDERS' EQUITY											
Deposits	-	-	-	8,189	-	-	-	-	-	-	-
Interbank takings	-	-	-	-	-	-	-	-	-	-	-
Obligations under repurchase agreements	14,598	-	-								
Short-term borrowings	4,879	-	-	-	-	-	-	-	-	-	-
Short-term bonds payable	-	27,696	-	3,110	-	-	-	-	-	-	-
Accrued interest and other liabilities	4,101	772	4,955	7,654	9,951	3,872	45	2,829	704	625	3
Long-term debts	-	8,585	-	-	-	-	-	-	-	241	-
Total Liabilities	23,578	37,053	4,955	18,953	9,951	3,872	45	2,829	704	866	3
Minority Interest	-	-	-	-	-	-	-	-	-	-	-
Shareholders' Equity:-											
Share capital	10,815	25	25,936	4,335	8,490	2,552	10,438	52,583	4,310	96	96
Legal reserves and retained earnings	6,159	1,158	3,722	945	1,886	7,814	(810)	(48,295)	(1,736)	229	235
Total Shareholders' Equity	16,974	1,183	29,658	5,280	10,376	10,366	9,628	4,288	2,574	325	331
Total Liabilities and Shareholders' Equity	**40,552**	**38,236**	**34,613**	**24,233**	**20,327**	**14,238**	**9,673**	**7,117**	**3,278**	**1,191**	**334**

26 Significant events

Significant economic difficulties have emerged in Turkey during the year 2001. These include, but are not limited to a steep decline in prices of domestic debt and equity securities and increasing rates on government and corporate borrowings. In an attempt to overcome the liquidity crisis in the banking system, on 22 February 2001, the government allowed Turkish Lira to float freely. This caused a 28% devaluation of the Turkish Lira against the US Dollar during the first day of floatation. The financial condition of the Bank and its affiliates and their future operations and cash flows could be adversely affected by continued economic difficulty.

On 15 March 1999, the International Accounting Standards Board issued International Accounting Standard 39 (IAS39). IAS39 is operative for the financial statements covering financial years beginning on or after 1 January 2001. IAS39, Financial Instruments; Recognition and Measurement, covers a wide range of instruments, including all derivatives, investment in debt and equity securities, financial assets and liabilities held for trading and a bank's own debt. This standard presents significant and complex changes in a bank's treasury, lending and other processes, operations and systems. Considering that the Bank is currently operating in an instable economic environment as stated above, and that the market indicators are not yet reliable, management of the Bank decided not to apply IAS39 in the accompanying consolidated financial statements as at 30 June 2001.

Based on the decision of the Board of Directors dated 23 February 2001, the Bank's paid-in nominal share capital has increased to TL750,000 billions from TL260,000 billions on 16 July 2001. Capital increase has been realized through transfers of TL465,963 billions from "extraordinary reserves", of TL209 billions from "gain on fixed asset sale" recorded in the statutory shareholders' equity and of TL146,626 billions from statutory revaluation surplus.

The major shareholder of the Bank, Doğuş Holding A.Ş. is currently negotiating a possible partnership with Intesa BCI S.P.A., an Italian bank.

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