



TO : **INVESTMENT COMMUNITY**
FROM : **GARANTI BANK / Investor Relations**
E-mail: investorrelations@garanti.com.tr
www.garantibank.com.tr
SUBJECT : **September 30, 2002, BRSA Solo Financial Statements**
DATE : **November 14, 2002**

FINANCIAL HIGHLIGHTS / SOLO¹

(TL Billion)	September 30, 2002
Total Assets	18,670,010
Cash Loans (net)	5,277,054
NPL (%)	8.3%
Provision % for NPL's	53.6%
Total Deposits	12,906,704
Total Shareholders' Equity	1,554,406
Net Income	71,816
Capital Adequacy Ratio	12.82%

Garanti reported a net income of TL71,816 billion in the third quarter of 2002. The Bank's asset size stood at TL18,670,010 billion, 1.6% below the second quarter of the year, mainly due to the drop in interbank placings. The capital adequacy ratio was 12.82% as of September 30, 2002. ROAA and ROAE were 0.5% and 6.3% as of September 30, 2002, respectively. ¹

¹ For comparative analysis, WPI indices to be used in the conversion of December 31, 2001, March 31, 2002, and June 30, 2002 financial statements are "1.21667", "1.11817" and "1.08123", respectively.

Selected Figures (As of October 31, 2002)

Employees (excluding security)	5,842
Branches (including branches & offices)	327
Credit Cards	2,160,259
POS	57,848
ATM	713

DISCLAIMER STATEMENT

Türkiye Garanti Bankası A.Ş. (the "TGB") has prepared this document (the "Document") for the sole purposes of providing information, which include forward-looking projections and statements relating to the TGB (the "Information"). No representation or warranty is made by TGB for the accuracy or completeness of the Information contained herein. The Information is subject to change without any notice. Neither the Document nor the Information can construe any investment advice, or an offer to buy or sell TGB shares. This Document and/or the Information cannot be copied, disclosed or distributed to any person other than the person to whom the Document and/or Information delivered or sent by TGB or who required a copy of the same from the TGB. TGB expressly disclaims any and all liability for any statements including any forward looking projections and statements, expressed, implied, contained herein, or for any omissions from Information or any other written or oral communication transmitted or made available.

MACROECONOMIC OUTLOOK

- ✘ **Optimism is back on stage**
- ✘ **Formation of a new single-party government alleviated concerns on the political and economic fronts**
- ✘ **Good news from rating agencies, European Union and the IMF.**

The early parliamentary election was held as planned on October 3rd. An elongated era of coalitions came to an end with AK party winning a strong victory and securing the chance to nominate a government to its own taste. The strong potential of a one-party government in accelerating the decision-making and economic reform process brought optimism back to the picture. Markets gave an enthusiastic response to the prospects of a new economic order with bond yields declining by around 8.3 percentage points to 55.9%, and the equity market increasing by around 31.9% in the first three days following the elections. International markets also welcomed the formation of the new government and the rating agency Standard & Poor's (S&P) revised its outlook on Turkey to stable from negative, whilst affirming its single-B - minus long-term and C short-term ratings.

The pro-EU approaches of the AK Party, joint efforts of AKP and CHP (the only opposition party in the Parliament) and the prospect of getting a date for EU accession in December's Copenhagen summit were all well received by the financial markets. If fully supported, Turkey is expected to benefit highly from a closer alliance with the EU in the pre-accession era. EU is largely regarded as an external power of source for advancing economic and political modernization and that the pre-accession strategies are likely to stimulate and support Turkish reforms.

Backed by an ambitious stabilization program and continuing cooperation with the IMF, 2003 is expected to be a year of convalescence for Turkey. In 2002, despite disciplined fiscal and monetary policies, political instability prevented to contain volatility in the markets. With a more stable political framework, the new government is now expected to present its execution power on the economic front and bring tentative signs of improvement, triggered by strengthening confidence in the markets.

So far, AK Party's economic package has signified no substantial deviations from the previous program. Ak Party emphasizes an orthodox policy-making through the introduction of market-oriented instruments and the liberalization of economic activity, prices and market operations, along with the reallocation of resources to their most efficient use. Central to the program is expected to be the continuation of firm monetary policies, set so as to provide an implicit nominal anchor for reducing inflation, which is expected to be replaced by a more defined inflation targeting strategy as of 2003. As high inflation fatigue has long been at the roots of poor productivity and low investment appetite, low and stabilized levels of inflation rates will be key in sustaining stable long-term growth.

On the monetary policy stance, the CBT is expected to run the fixed base money growth rule endogenously, which is likely to carve out its own room for maneuver via moderate fluctuations in the nominal interest rates. Disregarding adverse impacts of political and global uncertainties on macro framework, the CBT's monetary policy should include required mechanisms to absorb possible stochastic shocks under the floating exchange rate regime.

On the fiscal policy stance, firm public policies will again be crucial to improve fiscal balances and to eliminate the principal sources of inflation. Widening the tax base and increasing the share of registered economy are emphasized as two main priorities. Structural reforms will be on the agenda to bring relief to the long-standing structural problems. Establishment of institutional and legal framework to secure property rights, the rule of law, and transparent market-entry regulations will be the first steps in the acceleration of the privatization process and attracting foreign direct investment. A faster rate of capital accumulation, and accompanying fall in debt-to-GNP ratio in line with the IMF program targets are expected to move Turkey's economy into a much higher total factor productivity trajectory.

In a nutshell, what is presented by the new government to the investment community so far had been mostly in line with market expectations and brought a strong but cautious ray of optimism in the financial markets. The execution stage and micro implementations will be seen in due time.

Economic Developments as of 3Q 2002...

- ✘ Inflation and interest rates are on a declining trend**
- ✘ Significant improvement in capacity utilization rates and industrial production**
- ✘ High export and import performance**

In the third quarter, inflation, interest rate and industrial output figures suggested that the Central Bank had been fairly successful in conducting its monetary policy, aimed at reaching the end-year CPI target of 35%. Recent inflation dynamics pointed out that the end-year headline inflation would be even lower than the official targets, around 29% in CPI and 32% in WPI.

In October, WPI increased by 3.1% and CPI by 3.3%, bringing year-on-year headline readings down to 33.4% and 36.1%, respectively. Price increases remained weaker than the historical average for October, due to slow increase in agricultural prices, weak domestic demand and weaker pass-through of Lira devaluation to domestic prices. The floating exchange rate regime created a significant expenditure switching effect, which led to an import substitution and thus, slowed down the degree of pass-through of the Lira depreciation to the final consumer goods prices. Following a 1.8% rise in October, May-October private manufacturing prices increased by 16.1%, well below the Lira depreciation of 25.0% vis-à-vis the USD for the same period.

Following the Turkish financial markets' positive reaction to the AKP's landslide victory, the CBT cut O/N rates by two percentage-points to 44% (55.3% in compound annualized terms) on November 11, supporting the overall decline in yields. Further rate cuts are anticipated in due course.

Capacity utilisation was a high of 80% in September, highest ratio attained during the last two years. High capacity utilization rates and strong export performance led to a 10.8% increase in industrial production, suggesting year-end growth to be over 5%.

The foreign trade deficit widened by 48% in August. Imports increased to US\$ 4.18 billion, up by 19.4% y-y. The increase in intermediate and capital goods gave signals of a higher export performance in the coming months. Exports stood at US\$ 2.8 billion in August, scoring a lower rise of 9.1%. According to data released by TIM, exports are expected to increase by over 25% in the next two months. Meanwhile, the current account surplus declined to US\$ 65mn in July, as compared to US\$ 435mn in July 2001, and US\$ 208mn in June 2002.

The September budget data was encouraging, as the primary surplus increased by 52%, while the deficit fell 41% y-y. Revenues rose by a significant 15% (in real terms) against a limited increase of 5% in non-interest expenditures. Personnel expenditures dropped by 3%, and transfers to social security institutions posted 9% decline. On the revenue side, taxes were up by 21% despite 70% drop in income tax revenues. As a result, the primary surplus amounted to TL 1.8 quadrillion, up by 52% y-y. As interest payments were also down by a significant 23%, the budget posted TL 2.9 quadrillion deficit, 41% less than the same month last year. Accordingly, YTD primary surplus reached TL 14.9 quadrillion, 94% of the full-year target of TL 15.8 quadrillion.

During the third quarter, lenders' heightened aversion to emerging markets coupled with delays in the economic reform process due to consecutive disruptions in Turkish politics, limited the Treasury's borrowing ability from the international markets. However, following the elections, encouraged by the positive market sentiment, the Treasury tapped international markets for a US\$500mn Eurobond issue, which attracted more than US\$1.7bn in total demand.

BANKING SECTOR

- ✘ Stability in financial markets should lend support to buoyant consumer demand**
- ✘ Interest margins are to narrow down in 2003, increasing the significance of fee & commission income**
- ✘ A more favorable economic backdrop**

In 2002, Turkish banking sector faced a difficult year. Many banks had to cut their lending activities. With an economy still on the recovery stage and a poorly performing corporate sector, there was little room for new lending opportunities. However, with more stability in the markets and an improving

economic outlook expected from 2003 on, a recovery in the banking sector is also anticipated. Stability in financial markets is expected to lend support to buoyant consumer confidence, which should lead business spending to pick up. The expectation of moderately lower interest rates should also elevate the residential sector. The strong link between growth and credit volumes suggests that once GDP growth and consumer spending are back in positive territory, we might expect a strong recovery in credit volumes as well. With low loan/deposit ratios, Turkish banks should have no difficulty in increasing their loan book faster than their deposit base without disturbing their liquidity ratios. All in all, a more favorable economic backdrop is expected to lend support to Turkish banks' fundamental performance.

As of Sep 2002, the number of banks in the sector came down to 55 from its year-end 2001 level of 61, largely due to merger and sale of the banks under Saving Deposit Insurance Fund management. In the same period, the number of branches shrank by 13% to 6,029. Turkish banks continued to attract foreign interest and UniCredito acquired 50% stake of Koc Finansal Hizmetler, which incorporates all the financial services companies of Koç Group. SDIF, in line with its strategy of disposing the commercial banking assets, continued its attempts to sell the banks under its control or liquidate their assets. When the attempt to sell Toprakbank, which was under SDIF control, failed, the Bank was merged into Bayindirbank. In October, Bayindirbank sold 80 branches of Toprakbank, together with their personnel, to 10 different banks. Another important development was the transfer of 99.99% of Tarisbank shares, which were held by the SDIF, to Denizbank, where the transaction is to be finalized before the end of this year. Following the sale of Tarisbank, only Pamukbank and Bayindirbank remain under the Fund's control. The sale process for Pamukbank continues, where the deadline to carry out due diligence and submit bids are December 13 and December 20, 2002, respectively.

According to the Central Bank figures for June-Sep 2002, deposits with Deposit Money Banks grew by 7.3% to 123,989 trillion TL, where the increase in FC deposits was higher than that of the TL deposits. The sector's loan portfolio grew by a mere 0.75% to 38,868 trillion TL, whereas the increase in NPLs was 17.5%. On the Deposit Money Banks front, FC loans shrank by 1.15% as TL loans displayed a negligible increase, turning the overall loan growth to negative. As of Sep 30, the share of NPLs in total sector loans was 24.8%. Consumer loans granted by the Deposit Money Banks grew by 8.0% while the credit card volumes increased to 3,493 trillion TL, demonstrating a 13.7% expansion. Trading and investment securities reached 78,283 trillion TL, displaying a 5.4% increase over June. Outstanding volumes of repurchase and reverse repurchase agreements stood at 8,110 trillion TL, 15.6% down from its level of 9,610 trillion TL in June.

GARANTİ BANK

Balance Sheet

- ✘ Increasing share of loan book in total assets
- ✘ Declining trend in NPLs
- ✘ Increasing share of deposits in total liabilities, suggesting further improvement in funding base

Garanti's total assets stood at TL18,670,010 billion in the third quarter of 2002, registering a 1.6% decline over the second quarter. The decline on a quarterly basis was mainly due to the 92.3% drop in interbank placings in Q3/02. The share of total cash and banks declined to 7.4% in Q3/02 from 9.9% in Q2/02 due to a 29.6% drop in due from banks. Total securities portfolio maintained its share at 35.7% in the third quarter, and amounted to TL 6,664,574 billion. Of the TL securities portfolio, 60% was FRNs; and of the FX securities portfolio, 65% was FX indexed papers.

Despite sluggish domestic demand, cash loans kept their upward trend and reached TL5,277,054 billion, increasing by 4.4% over the previous quarter, and 9.3% YTD. These figures brought Garanti's market share in cash loans to 11.7% in the third quarter from 10.6% in the second quarter. The share of cash loans in total assets reached 28.3% in Q3/02, as opposed to 26.6% in Q2/02. The depreciation of TL versus USD, and the increased credit card balances supported the escalation, while the major increase came from the project finance loans. Project finance loans surged by around 60% on q-q basis, bringing its share in total cash loan book to 10.7% in Q3/02, up from 7.6% in Q2/02. Total commitments in project finance reached over US\$900 million as of September 30, 2002. The share of credit card balances in total cash loan book increased to 13.0% in Q3/02, as compared to 12.5% in Q2/02 and 9.4% in 2001 YE. Similarly, credit card balances composed 60% of TL loans. Consumer loans composed 19.3% of net cash loans. With the recovery in economic activity and buoyant consumer demand, Garanti aims to change its asset placements further in favour of its loan book. On a line of business basis, share of corporate banking decreased further to 43.7% from 44.2%; while share of commercial banking rose to 37.0% from 35.1%. Share of foreign currency loans declined to 78.0% in the third quarter from 79.1% in the second quarter. Besides project finance loans, both export loans and working capital loans showed an increase in Q3/02 over Q2/02. Gross and net NPLs dropped 9.6% and 10.6%, standing at TL474,829 billion and TL220,230 billion, respectively as of September 30, 2002. This brought the NPL/Cash loans ratio further down to 8.3% in Q3/02 from 9.4% in Q2/02. With the prospect of a more stable and effective government after parliamentary elections; a recovery in economic activity and a potential increase in loan demand, further recovery in collections and further decline in NPL/Loan ratio are likely.

Accrued interest increased 33.4% in Q3/02 over Q2/02 and reached TL1,036,582. Legal obligations on reserve deposits increased 39.8% in the third quarter over the previous quarter reflecting the increase in deposits, and reached TL1,300,068 billion.

Total investments, affiliated companies and equity shares stood at TL1,038,720 billion, with 5.6% share in total assets. The share of fixed assets remained the same, and stood at 4.8% in the third quarter.

On the liabilities side, the Bank increased its deposits by 2.8% over the second quarter, reaching TL12,906,704 billion. Share of deposits in total liabilities and SHE increased to 69.1% in Q3/02, from 66.2% in Q2/02. FX deposits (FX saving deposits, gold, FX bank deposits) increased 5.1% over the second quarter and reached TL8,846,523 billion and the portion of FX deposits went up to 68.5% in the third quarter, from 67.1% in the second quarter. Share of demand deposits in total deposits slightly increased to 20.1%. The portion of TL demand deposits in total TL deposits increased to 15.8% from 14.9%, while the portion of FX demand deposits in total FX deposits stood the same at 22.0%. Total funds borrowed (including the interbank) declined by 15.0%, standing at TL3,031,123 billion. The decline was due to the payback of US\$350 million syndication loan facility in August 2002. The syndication was replaced by a new facility in October, which was co-arranged by CoBank, ACB and Union Bank of Norway. The syndication attracted heavy demand and the initial offering amount of US\$225 million was increased to US\$325 million. Total reserves stood at TL226,953 billion, down by 46.2% over the second quarter. Total SHE of the Bank was TL1,554,406 billion in Q3/02, and composed 8.3% of assets.

Interest earning assets (IEA) to total assets was 77.8%, and interest bearing liabilities (IBL) was 71.5% of total liabilities and SHE as of September 30, 2002. Return on average interest earning assets slightly increased to 22.6% in Q3/02 from 21.8% in Q2/02, while cost of average interest bearing liabilities remained the same at 15.9%.

Garanti's net long position increased in Q3/02 and reached USD 107 million.

Operating Performance

✖ Strong performance in net fee & commission income

In anticipation of lower inflation and lower real returns in the upcoming period, Garanti's focus in 2002 had been on increasing sustainable sources of income and reducing its cost base. As of Q3/02, Garanti's total interest income was TL2,457,644 billion. Interest income on loans reached TL667,354 billion, composing 27.2% of total interest income. Interest earned on securities continued to be the largest component of interest income, whose portion went up to 60.7% as of Q3/02, from 39.3% as of 2001 year-end.

Total interest expense was TL1,663,783 billion for Q3/02. On a q-q basis, interest expense went down by 7.2%, mainly due to the decline in interest paid to interbank funds and funds borrowed. Interest paid to deposits also recorded a slight decline. The share of interest paid to deposits was slightly up, reaching 85.1%. The shares of interest paid on interbank funds and interest paid to the funds

borrowed were 5.6% and 9.3%, respectively as of September 30, 2002.

Net interest income as of Q3/02 was TL793,861 billion. As of September 30, 2002, adjusted NIM (adjusted by FX loss, loan loss provision and monetary gain) was TL317,559 billion. On a quarter to quarter basis it was TL88,397 billion, turning up from a minus TL79,210 billion in the previous quarter. Adjusted NIM ratio came down slightly to 2.9% in Q3/02, from 3.1% in H1/02. The classification of FX gain on FX-indexed securities under interest income (rather than under FX gain) led to a net FX loss of TL452,266 billion. However, net Fx loss came down to TL180,115 billion in Q3/02 from TL 556,307 billion in H1/02 on q-q basis.

Net fee and commission income kept its upward trend in Q3/02, and reached TL199,042 billion as of September 30, 2002, recording a 36.4% increase on q-q basis and already exceeding the total amount earned during the whole year in 2001. Fees and commissions earned on cash loans recorded further increase of 14.0% on a q-q basis, and its share increased to 16.7% in Q3/02 from 13.3% in H1/02. The share of net fees and commissions in net non-interest income went up to 45.9% in Q3/02 from 41.3% in H1/02. Net fees and commission coverage of net operating expenses increased slightly to 46.2% in Q3/02 from 42.9% in H1/02. The Bank recorded a lower trading income during this period due to the decrease in trading volumes. On a net basis, trading income was TL138,017 billion, 27.9% below the first half's figure on a q-q basis. Dividends from affiliates were TL54,984 billion. Total net non-interest income was TL433,923 billion as of September 30, 2002. Garanti's standing as a net issuer in credit card market and increasing volumes of credit card issuing supported the increase in fee and commission income. Fees & commissions earned from credit cards composed 75% of other fee & commissions received.

Non-interest expense (excluding fees and commissions, trading account loss and FX loss) stood at TL699,734 billion. Personnel expenses were TL142,065 billion, recording a 22.9% increase on a q-q basis. The share of personnel expenses in operating expenses was the same as in Q2, at 33%. Rent expenses were TL 26,530 billion as of September 3, 2002. Provisions for non-performing loans were TL31,556 billion and other provisions were TL169,556 billion. Other non-interest expenses increased by 8.5% over the second quarter, mainly due to the increase in PC usage expense and advertising & advertorial expenses. These two items together almost constituted 37% (PC usage %21, advertisement %16) of other non-interest expenses. All in all, operating expenses (net non-interest expense, excluding all provisions and amortization expense) increased by 13.8% on a q-q basis. Cost to income ratio was 74.1% in Q3/02. Efficiency ratio (net operating expenses to average assets) was 3.0%.

The Bank reported an earnings before tax of TL83, 304 billion as of Q3/02 (including the gain on monetary position). After tax provision deduction, net income stood at TL71,816 billion for the third quarter of the year 2002. Return on average assets was 0.5% and return on average equity was 6.3%. The capital adequacy ratio was 12.82% in Q3/02, in comparison to 12.94% in Q2/02.

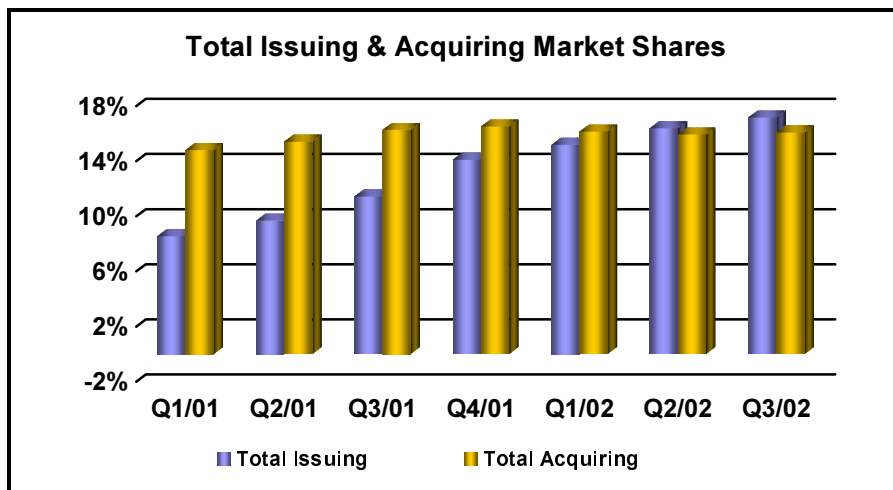
Market Shares:

- ✖ **Garanti continued to increase its market share in deposits, loans, credit cards and trade finance.**

Garanti's market share in total deposits increased to 10.1% in Q3/02, up from 9.8% in Q2/02 and 8.7% in Q1/02. Garanti also increased its market share in loans from 9.1% in 2001 YE to 11.7% in Q3/02.

Garanti continues to grow in the credit card market. Garanti's credit cards increased at a rate three times greater than the sectoral average during the first nine months of 2002. Garanti's market share in the number of credit cards increased to 14.4% in Q3/02 up from 13.6% in Q2/02.

Market share in total issuing volume increased to 17.2% in Q3/02 from 16.4% in Q2/02. Issuing volume increase was the highest in its peer group during the third quarter. Acquirer market share was 16.1% in Q3/02.



Garanti also secured its leading position in foreign trade financing, through the intermediation of around 15% of Turkish exports and 12% of imports.

Exchange Rate:

As of September 30, 2002 US\$1= TL 1,613,800

KEY RATIOS

	31.12.2001	31.03.2002	30.06.2002	30.09.2002
Size Ratios				
Interest Bearing Liabilities / Total Liabilities & SHE	74.0%	72.1%	72.2%	71.5%
Interest Earning Assets/Total Assets	76.6%	76.5%	78.9%	77.8%
Asset Quality				
NPL / Gross cash loans	11.8%	11.6%	9.4%	8.3%
Allowance for loan losses/NPL	46.1%	51.0%	53.1%	53.6%
Gross cash loans / Deposits	44.6%	45.9%	44.4%	44.6%
Deposits / Total assets	62.5%	61.5%	66.2%	69.1%
Gross cash loans / Total assets	27.9%	28.3%	29.4%	30.8%
Liquid assets / Total assets	26.3%	20.8%	20.1%	15.7%
Leverage (x)	12.3	10.1	11.5	11.1
Profitability Ratios				
NIM/ Average IEA	5.4%	0.8%	6.9%	7.2%
Adjusted NIM/ Average IEA	1.0%	8.4%	3.0%	2.8%
ROAA	-1.7%	0.9%	0.5%	0.5%
ROAE	-18.6%	10.4%	5.9%	6.3%
Operating Efficiency				
Net fees and commission/Operating expense	16.3%	42.9%	42.9%	46.2%
Cost / Income	169.8%	61.3%	71.6%	74.1%
Operating expense / Total average assets	4.6%	2.7%	2.8%	3.0%

For further information please contact with:

Ms. Funda GUNGOR (Senior Vice President) : +90 212 318 2350

fundagun@garanti.com.tr

Ms. Olca ERDOST (Vice President) : +90 212 318 2354

olcae@garanti.com.tr

Ms. Aslı SU (Asst. Vice President) : +90 212 318 2357

aslisu@garanti.com.tr

Türkiye Garanti Bankası Anonim Şirketi

**Interim Financial Statements
30 September 2002
With Independent Auditor's
Review Report Thereon**

<u>Content</u>	<u>Page No</u>
Independent Auditor’s Review Report.....	1
Balance Sheet.....	2-3
Statement of Income.....	4
Notes to Financial Statements.....	5
I. General Notes on the Bank’s Financial Position.....	5
A. Disclosures on Current Period Operations.....	5-13
B. Other Disclosures.....	13
C. Independent Auditor’s Review Report.....	13
II. Notes to Balance Sheet and Off-Balance Sheet Accounts.....	14-25
III. Notes to Statement of Income.....	26
IV. Supplementary Financial Statements.....	27
A. Commitments and Contingencies.....	27
B. Other Off-Balance Sheet Accounts.....	28
C. Maturity Profile of Assets, Liabilities, and Certain Commitments and Contingencies according to Remaining Maturities.....	29

TÜRKİYE GARANTİ BANKASI A.Ş.

BALANCE SHEET-ASSETS (in billions TL)

(As adjusted for the effects of inflation in TL units
at 30 September 2002)

Limited

Review

30.09.2002

Liquid assets	136,630
Cash, local currency	25,499
Cash, foreign currency	93,350
Others	17,781
Due from banks	1,240,922
Central Bank of Turkey	267,402
Other banks	973,520
-Domestic banks	63,835
-Foreign banks	909,685
Other financial institutions	-
Interbank funds sold and receivables under resale agreements	33,950
Interbank funds sold	33,950
Receivables under resale agreements	-
Securities (Net)	1,523,983
Government bonds and treasury bills	628,884
Other bonds	-
Equity shares	6,260
Other securities	888,839
Loans	5,277,054
Short-term	2,511,117
Medium and long-term	2,765,937
Receivables under follow-up (Net)	220,230
Limited collectibility (net)	-
- Gross receivables	-
- Provision (-)	-
Uncertain collectibility (net)	64,550
- Gross receivables	158,009
- Provision (-)	(93,459)
Uncollectible (net)	155,680
- Gross receivables	316,820
- Provision (-)	(161,140)
Accrued interest and income	1,036,582
Loans	274,418
Securities	713,947
Others	48,217
Receivables from financial leasing activities (Net)	-
Minimum lease receivables	-
Unearned income (-)	-
Reserve deposits	1,300,068
Miscellaneous receivables	365,548
Investments (Net)	115,885
Financial companies	8,726
Non-financial companies	107,159
Affiliated companies (Net)	911,309
Financial companies	396,665
Non-financial companies	514,644
Other long-term investments (Net)	5,152,117
Equity shares	11,526
Other securities	5,140,591
Bank premises and equipment (Net)	899,747
Carrying value	1,534,461
Accumulated depreciation (-)	(634,714)
Other assets	455,985
TOTAL ASSETS	18,670,010

TÜRKİYE GARANTİ BANKASI A.Ş.

BALANCE SHEET-LIABILITIES AND

SHAREHOLDERS' EQUITY (in billions TL)

(As adjusted for the effects of inflation in TL units
at 30 September 2002)

Limited

Review

30.09.2002

Deposits	12,906,704
Saving deposits	1,942,662
Deposits of official authorities and organisations	33,959
Commercial deposits	1,670,773
Deposits of other organisations	186,293
Bank deposits	539,780
Foreign currency deposits	8,490,072
Gold deposits	43,165
Interbank funds borrowed	1,064,891
Interbank funds borrowed	97,908
Obligations under repurchase agreements	966,983
Funds borrowed	1,966,232
Central Bank of Turkey	-
Others	1,966,232
-Domestic banks and organisations	85,485
-Foreign banks and organisations	1,880,747
-Subordinated debts	-
Funds	-
Securities issued (Net)	-
Accrued interest and expense	185,650
Deposits	123,939
Funds borrowed	39,281
Others	22,430
Payables from financial leasing activities (Net)	-
Taxes, stamps, premiums and other duties	32,705
Import transfer orders	534,903
Miscellaneous payables	44,728
Reserves	226,953
Reserve for retirement pay	10,320
General provision for loan losses	37,464
Reserve for taxes on income	1,488
Other provisions	177,681
Other liabilities	152,838
Shareholders' equity	1,482,590
Share capital	791,748
-Nominal capital	791,748
-Unpaid capital (-)	-
Legal reserves	273,282
-Legal reserves I&II	233,773
-Share premium	-
-Other legal reserves	39,509
Extraordinary reserves	3
Capital reserves from inflation adjustments to share capital	1,600,235
Exchange rate difference on foreign currency denominated capital	542
Valuation increments	2,987
Loss	(1,186,207)
-Loss for the period	-
-Prior years' losses	(1,186,207)
Income	71,816
-Net income for the period	71,816
-Prior years' income	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	18,670,010
COMMITMENTS AND CONTINGENCIES	
Guarantees and endorsements	4,722,786
Commitments	2,283,343
Derivative transactions	<u>3,681,368</u>
TOTAL	10,687,497

TÜRKİYE GARANTİ BANKASI A.Ş.

STATEMENT OF INCOME (in billions TL)

(As adjusted for the effects of inflation in TL units
at 30 September 2002)

Limited

Review

30.09.2002

I.	INTEREST INCOME	2,457,644
	Interest on loans	667,354
	TL loans	437,571
	-Short-term loans	386,392
	-Medium and long-term loans	51,179
	Foreign currency loans	226,582
	-Short-term loans	85,927
	-Medium and long-term loans	140,655
	Interest on loans under follow-up	3,201
	Interest on reserve deposits	38,920
	Interest from banks	109,240
	Central Bank of Turkey	5,448
	Domestic banks	23,297
	Foreign banks	80,495
	Interest on interbank funds sold	93,436
	Interest on securities	1,491,866
	Government bonds and treasury bills	1,424,388
	Other securities	67,478
	Other interest income	56,828
II.	INTEREST EXPENSE	1,663,783
	Interest expense on deposits	1,415,175
	Saving deposits	735,509
	Deposits of official authorities and organisations	1,239
	Commercial deposits	207,705
	Deposits of other organisations	19,497
	Bank deposits	296,111
	Foreign currency deposits	155,046
	Gold deposits	68
	Interest on interbank funds borrowed	92,460
	Interest on funds borrowed	155,177
	Central Bank of Turkey	-
	Domestic banks	20,323
	Foreign banks	85,584
	Other organisations	49,270
	Interest on securities issued	-
	Other interest expense	971
III.	NET INTEREST MARGIN (I-II)	793,861
IV.	OTHER INCOME	4,733,511
	Commissions and fees received	336,934
	Loans	56,388
	Documentary credits and letters of guarantee	39,110
	Others	241,436
	Trading account income	165,279
	Foreign exchange gain	4,134,434
	Dividends received	54,984
	Others	41,880
V.	OPERATING EXPENSES	5,451,588
	Commissions and fees paid	137,892
	Funds borrowed	8,144
	Documentary credits	386
	Others	129,362
	Trading account loss	27,262
	Foreign exchange loss	4,586,700
	Personnel expenses	142,065
	Provision for retirement pay	808
	Rent expenses	26,530
	Depreciation and amortisation expenses	67,029
	Taxes, stamps and other duties	19,614
	Provision for loan losses	31,556
	Other provisions	169,556
	Others	242,576
VI.	NET OTHER EXPENSES (IV-V)	(718,077)
VII.	INCOME BEFORE TAXES (III+VI)	75,784
VIII.	PROVISION FOR TAXES ON INCOME	(11,488)
IX.	GAIN ON NET MONETARY POSITION	7,520
X.	NET INCOME FOR THE PERIOD	71,816

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

I- GENERAL NOTES ON THE BANK'S FINANCIAL POSITION

A. Disclosures on Current Period Operations

(1) The financial statements were approved on 14 November 2002.

(2) a) Accounting policies:-

Accounting policies of the Bank are set in accordance with accounting and valuation standards as described in Article 13 "Accounting and Recording Rules" of Turkish Banking Law no.4389 as amended by the Act No. 4672, Uniform Chart of Accounts for Banks, uniform financial statements, footnotes and any other related legislations issued, guidances provided by Banking Regulation and Supervision Agency (BRSA) and "Regulation on Accounting Standards" for the principles valid since 1 July 2002.

The differences between accounting principles as described in the preceding paragraph and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Accounting Standards ("IAS") have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IAS.

Significant accounting policies applied by the Bank are summarised below:-

Income and expense recognition:

Accrual basis of accounting is followed for the recognition of income and expense items, except for interest income on overdue loans and certain commissions, such as those deriving from letters of guarantee, are recognised as income only when received.

Securities, investments, affiliated companies and other long-term investments:

Valuation principles applied for securities, investments, affiliated companies and other long-term investments are explained below in note 5.

Securities under repurchase and resale transactions:

Securities sold under repurchase agreements are recorded on balance sheet since 1 February 2002 in accordance with the changes in the Uniform Chart of Accounts for Banks in compliance with the Letter issued by BRSA, BDDK.DZM.2/13-1382. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified under "Other Long-Term Investments" separately as "Investments Subject to Repurchase Agreements" and valued based on the Bank management's future intentions, either at market prices or using discounting method with internal rate of return. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis.

Securities purchased under resale agreements are classified under "Interbank Funds Sold and Receivables Under Resale Agreements" separately. An income accrual is accounted for the part of the positive difference between the purchase and resale prices earned during the period.

Provision for loan losses:

The Bank provides allowances for specific loan losses and general provisions for inherent credit risks on its assets in accordance with the decree no.99/13761 on identification of and provision against non-performing loans and other receivables as published in Official Gazette no.23913 dated 21 December 1999, the related article no.1 as published in Official Gazette no.24006 dated 31 March 2000, the regulation as published in Official Gazette no.24448 dated 30 June 2001 and the amendment to this regulation as published in Official Gazette no. 24657 dated 31 January 2002.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

Depreciation:

Bank premises and equipment is restated for the changes in the general purchasing power of the Turkish Lira and depreciated in accordance with the Turkish Tax Laws at rates approximating their estimated useful lives on a straight-line basis. These rates are as follows:

Buildings	2%
Motor vehicles	15-20%
Other fixed assets	5-20%

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.

Accounting in hyperinflationary economies

Article 14 (the "Article") of "Regulation on Accounting Standards"; "Accounting Standard for Financial Reporting in Hyperinflationary Economies" is valid since 1 July 2002.

The Bank's financial statements are restated for the changes in the general purchasing power of Turkish Lira on the balance sheet date in accordance with the Article as mentioned above. The corresponding figures for previous periods are restated in the same terms. In order to define an economy as a hyperinflationary economy, there are certain criteria set in the Article. One characteristic is a cumulative three-year inflation rate approaching or exceeding 100%. Inflationary accounting is applied in accordance with the Article and based on the supplement attached to it including the Turkish nation-wide wholesale price indices published by the State Institute of Statistics. Based on these indices, the three-year inflation rate in Turkey has been 254% as at 30 September 2002. Accordingly the financial statements of the Bank are restated for the changes in the general purchasing power of Turkish Lira as at 30 September 2002.

The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics. Such indices and conversion factors used to restate the accompanying financial statements at 30 September 2002 and 31 December 2001, are given below:

<u>Date</u>	<u>Index</u>	<u>Conversion factor</u>
30 September 2002	6,024.6	1.000
31 December 2001	4,951.7	1.217

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

- Inflationary accounting was applied starting from 1970. For the transactions before 1970, the restatements were made as if they occurred in 1970.
- Monetary assets and liabilities, which are carried at amounts current at the balance sheet date, 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 carried at amounts current at the balance sheet date, are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

- Non-monetary assets and liabilities are restated from their acquisition dates. The effects of any revaluations made before based on the prior legislations are eliminated.
- The components of shareholders' equity, are restated by applying the relevant conversion factors except for any revaluation surpluses previously recorded. Any capital increases through such surpluses are not considered as contributions of shareholders. Transfers from reserves, undistributed profits, share premiums and income on sale of participations and premises and equipment to capital, are considered as capital contributions of shareholders. As a result of the restatements, any positive differences between the nominal paid-up capital and the restated paid-up capital, are recorded under "capital reserves from inflation adjustments to share capital" in the shareholders' equity.
- All items in the statement of income are restated by applying the monthly conversion factors.
- As the price indices are announced monthly, the same indices are used for all the transactions of the related month.
- The effect of inflation on the net monetary position of the Bank, is included in the statement of income as "gain on net monetary position".
- Investments, affiliated companies and other equity shares are either presented at fair values if their fair values are available, or at market values if they are quoted, otherwise restated by applying the relevant conversion factors to their carrying values from the date of their acquisition after deducting any bonus shares received due to revaluation surpluses added to capital and financial expenses capitalised, including foreign exchange differences. Investments, affiliated companies and other equity shares in foreign currencies have been translated into Turkish Lira at foreign exchange rates prevailing at the balance sheet date.

The restated amount of non-monetary assets are reduced when they exceed the amounts recoverable from the items' future uses taking into consideration criteria like the nature of impairments like permanent or temporary, and the impairment size. Provision for impairments is recognized in the statement of income. In determination of fair values, prudence and materiality principles are applied in accordance with "Regulation on Accounting Standards".

Deferred tax assets and liabilities:

Deferred tax assets and liabilities are recognized, 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 not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The Bank did not calculate any deferred tax assets/liabilities on income or losses incurred as a result of applying inflationary accounting.

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 balance sheets, since such items are not under the ownership of the Bank.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

b) Changes in the accounting policies and effects of such changes on the financial statements:-

There were no changes in the accounting policies.

(3) Application of the basic accounting principles; going-concern, accrual basis accounting and consistency concepts:-

The financial statements are prepared on the basis of going-concern, accrual basis accounting and consistency principles.

(4) Changes to the valuation policies, if any, and effects of such changes on the financial statements:-

In accordance with the Regulation announced by BRSA on the “Interim Reportings of Commercial Banks”, the valuation principles of foreign currency indexed securities with maturity of 3 and 5 years, issued by the Turkish Treasury in the 2001 debt-swap, have been changed. Accordingly, such securities which were held to maturity and valued according to the prices of similar Eurobonds issued in foreign markets by the Turkish Treasury as at 31 December 2001, have been valued using discounting method with internal rate of return since the date of the written decision of the Bank’s management to classify them as “investment securities.”

(5) Valuation methods of securities (including investments, affiliated companies and other long-term investments):-

A. Securities :

Securities in Turkish Lira:-

1- Equity shares

Equity shares comprised of securities quoted in the Istanbul Stock Exchange. Such shares are valued according to the weighted average prices at the Istanbul Stock Exchange for the last 30 working days. The positive valuation increments are booked under the "valuation increments" heading as a component of shareholders' equity.

2- Other securities

Fixed-income securities

Such securities are marked to market.

Securities in foreign currencies:-

Securities in foreign currencies are valued using discounting method with internal rate of return as such securities are either not traded in the market or their fair values are not estimated accurately .

B. Investments :

Securities in Turkish Lira:-

Investments quoted in the Istanbul Stock Exchange are valued according to the weighted average prices at the Istanbul Stock Exchange for the last 30 working days. The positive valuation increments are booked under the "valuation increments" heading as a component of shareholders' equity, whereas the impairments are booked under the “other provisions” heading in the statement of income.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

All other investments are restated by applying the relevant conversion factors to their carrying values after deducting the following components;

- Any bonus shares received due to revaluation surpluses added to capital,
- Financial expenses capitalised, including foreign exchange differences.

For unquoted investments with insufficient financial performance, provisions for impairment in their values are calculated based on their inflation adjusted net asset values in financial statements. Such provisions are accounted under “other provisions” in the statement of income.

The payment dates of the capital increases are the basis for restatements.

Securities in foreign currencies:-

Investments in foreign currencies are recorded at purchase costs, and converted into Turkish Lira at the prevailing exchange rates at balance sheet date.

C. Investments in affiliated companies :

Valuation principles for investments in affiliated companies are the same with the principles applied for investments as explained above in paragraph B.

D. Other long-term investments :

Securities in Turkish Lira:-

1- Equity shares

Valuation principles for equity shares classified under other long-term investments are the same with the principles applied for investments as explained above in paragraph B.

2- Other securities

a) Long-term investments

Treasury bills and government bonds classified under “investment portfolio” are valued using discounting method with internal rate of return.

b) Pledged securities

Securities in Turkish Lira given as collateral against legal obligations are booked at purchase costs and valued on a "simple interest rate basis". Interest earned upto the balance sheet date is accounted under “accrued interest and income on securities”.

Foreign currency indexed securities given as collateral against legal obligations, are valued using discounting method with internal rate of return in compliance with the Letter issued by BRSA, BDDK.DZM.2/25-8510. Interest earned upto the balance sheet date is accounted under “accrued interest and income on securities”.

Securities in foreign currencies:-

1- Other securities

a) Long-term investments

Securities in foreign currencies classified under “investment portfolio” are valued using discounting method with internal rate of return.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

b) Pledged securities

Securities given as collateral against legal obligations are booked at purchase costs and valued on a "simple interest rate basis". Interest earned upto the balance sheet date is accounted under "accrued interest and income on securities".

(6) Method of depreciation applied, any changes in methodology and effects of such changes:-

Bank premises and equipment are depreciated on a "straight-line basis". There have not been any changes made in depreciation method during the current period.

(7) US dollar effective exchange rate used in translation of foreign currency items in the financial statements, into the Turkish lira (TL) at the date of balance sheet, and US dollar effective exchange rates for TL announced by the Bank applicable to its transactions for the last five working days of the period are as follows:-

	<u>30 September 2002</u>
A. US dollar effective purchase rate at the date of balance sheet	1,631,800
B. US dollar effective purchase rates for the days before balance sheet date	
Day 1	1,640,000
Day 2	1,640,000
Day 3	1,630,000
Day 4	1,635,000
Day 5	1,640,000

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

- (8) **US dollar equivalents of assets and liabilities denominated in foreign currencies and foreign currency open positions at the date of balance sheets were as follows:-**

	<u>30 September 2002</u>	
	<u>Turkish Lira</u>	<u>US dollar equivalents in \$ million</u>
I – FOREIGN CURRENCY ASSETS		
1) Liquid Assets (cash on hand, cash in transit, purchased cheques)	111,073	68
2) Central Bank of Turkey	267,105	164
3) Domestic banks (excluding interbank deposits)	48,582	30
4) Foreign banks	786,951	482
5) Securities (Net)	883,009	541
6) Loans	3,923,255	2,404
7) Reserve deposits	776,961	476
8) Foreign currency-indexed assets (a+b)	3,155,073	1,934
a) Loans	194,178	119
b) Others	2,960,895	1,815
9) Accrued interest and income	807,096	495
10) Other assets	1,358,143	832
COMMITMENTS AND CONTINGENCIES	1,805,346	1,106
11) Repurchase contracts	-	-
12) Forward currency purchases	<u>1,805,346</u>	<u>1,106</u>
TOTAL FOREIGN CURRENCY ASSETS	13,922,594	8,532
II – FOREIGN CURRENCY LIABILITIES		
1) Foreign currency deposits	8,490,072	5,203
2) Gold deposits	43,165	26
3) Bank deposits	313,286	192
4) Funds borrowed from Central Bank of Turkey	-	-
5) Funds borrowed from domestic banks (excluding interbank takings)	35,882	22
6) Funds borrowed from other domestic organisations	-	-
7) Foreign borrowings	2,363,805	1,449
8) Securities issued (Net)	-	-
9) Foreign currency-indexed liabilities (a+b)	95	-
a) Funds borrowed	-	-
b) Others	95	-
10) Accrued interest and expense	69,007	42
11) Other liabilities	693,378	425
COMMITMENTS AND CONTINGENCIES	1,739,906	1,066
12) Resale contracts	-	-
13) Forward currency sales	<u>1,739,906</u>	<u>1,066</u>
TOTAL FOREIGN CURRENCY LIABILITIES	13,748,596	8,425
FOREIGN CURRENCY NET POSITION (I – II)	<u>173,998</u>	<u>107</u>

The foreign currency balance sheet is managed in accordance with the Bank's liquidity and provisioning policies and in compliance with the legal legislation.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

Foreign currency assets and liabilities of the Bank per major currencies, were as follows as at 30 September 2002:-

	<u>US Dollars</u>	<u>Euro</u>	<u>Others** in US dollar equivalents</u>
I- Foreign Currency Assets			
Liquid assets	29,661	31,271	7,973
Due from banks	229,539	428,008	23,223
Securities (net)	482,898	58,923	-
Loans	1,914,011	416,125	79,024
Other long-term investments (net)	536,350	59,023	-
Other foreign currency assets*	<u>3,140,192</u>	<u>1,040,980</u>	<u>78,854</u>
Total Foreign Currency Assets	<u>6,332,651</u>	<u>2,034,330</u>	<u>189,074</u>
II- Foreign Currency Liabilities			
Deposits	3,810,956	1,486,721	141,195
Funds borrowed	1,141,614	389,122	4,434
Securities issued (net)	-	-	-
Other foreign currency liabilities*	<u>1,279,335</u>	<u>151,492</u>	<u>44,473</u>
Total Foreign Currency Liabilities	<u>6,231,905</u>	<u>2,027,335</u>	<u>190,102</u>
Difference (I - II)	<u>100,746</u>	<u>6,995</u>	<u>(1,028)</u>

* All other foreign currency assets and liabilities including off balance sheet items

** US dollar equivalent of all other currencies having less than 10% share in foreign currency assets and liabilities

(9) Bank premises and equipment, and insurance coverages:-

	30 September 2002		
	<u>Book Values in Gross*</u>	<u>Accumulated Depreciation</u>	<u>Insurance Coverage</u>
Movables	603,991	442,078	116,673
Immovables	541,742	103,533	279,927
1-Assets under use for banking activities	541,742	103,533	279,927
2-Others	-	-	-
Special costs	134,223	89,103	-
Assets held for resale	254,505	-	-
1-Stocks	2,090	-	-
2-Immovables	252,415	-	-
Assets held under financial leases**	73,997	46,087	-

* Gross amount before accumulated depreciation

** Financial leasing transactions are accounted for in accordance with Turkish legislation, not IAS17. Accordingly, fixed assets acquired through financial leases are not reflected in the accompanying financial statements as further discussed in Section II.note 18.

(10) Significant commitments and contingencies from which probable gains/losses may occur, although amounts can not be reasonably estimated:-

There were no such cases.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

- (11) **Other matters which had significant effects on the financial statements and therefore should be disclosed for the purpose of presentation of fair and sufficient information on the financial statements:-**

The reserve for retirement pay for the current period, amounted to TL10,320 of which TL808 was provided in the current period.

The provision made in the current period against non-performing loans, amounted to TL31,556 and accordingly total provision for non-performing loans reached to TL254,599 as at 30 September 2002 considering the effects of loans written-off or collected during the period. Furthermore, the general provision made for credit risks amounted to TL3,374 and accordingly such provisions amounted to TL37,464 in total.

A part of provision for impairment losses in the amount of TL11,015 made in the prior periods for the impairment in fair values of some realestates, was reserved in the current period, taking into consideration the updated expert report results.

Moreover, the general provision of TL48,000 allocated for possible losses in the future as at 30 September 2002.

- (12) **Name of the independent audit firm**

The independent audit firm is Cevdet Suner Denetim ve Yeminli Mali Müşavirlik Anonim Şirketi (a member firm of KPMG).

B. Other Disclosures

- (13) **Significant events and matters arising subsequent to the date of balance sheet:-**

There were no such cases.

- (14) **Foreign branches:-**

<u>Location</u>	<u>30 September 2002</u>	
	<u>Total Assets(TL)</u>	<u>Legal Capital</u>
1- Luxembourg	1,864,251TL	USD 89,500,000
2- Malta	3,661,914 TL	-
3- Bahrein	122,725 TL	-

C. Independent Auditor's Review Report

In the independent auditor's review report dated 14 November 2002, nothing has come to their attention that causes them to believe that the accompanying financial statements of Türkiye Garanti Bankası A.Ş. do not give a true and fair view in accordance with regulations described in Article 13 "Accounting and Recording Rules" of Turkish Banking Law.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

II- NOTES TO BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS

(1) TL..... of cash at the Central Bank was deposited under blocked accounts.

(2) a- Due from foreign banks:-

	30 September 2002	
	<u>Turkish Lira</u>	<u>US dollar Equivalents in Millions</u>
Unrestricted balance	862,328	528
Restricted balance	<u>47,357</u>	<u>29</u>
Total	<u>909,685</u>	<u>557</u>

b- Breakdown of due from foreign banks according to their origins:-

30 September 2002			
<u>OECD Countries</u>		<u>Other Countries</u>	
<u>Country</u>	<u>Balance (TL)</u>	<u>Country</u>	<u>Balance (TL)</u>
1. Germany	236,441	1. Channel Islands	119,985
2. United Kingdom	220,754	2. Russia	25,490
3. USA	127,832	3. Cyprus	19,203
4. Austria	80,930	4. Kuwait	16,363
5. Luxembourg	19,320	5. Malta	541
6. Ireland	15,576	6. S. Arabia	150
7. The Netherlands	13,325	7. Bahrein	22
8. Japan	5,167	8. Iraq	<u>13</u>
9. Sweden	3,491		
10. Switzerland	1,559		
11. Belgium	1,009		
12. Denmark	927		
13. Italy	377		
14. France	283		
15. Norway	222		
16. Australia	209		
17. Canada	203		
18. Spain	192		
19. Greece	40		
20. Finland	32		
21. Polland	<u>29</u>		
	<u>727,918</u>		<u>181,767</u>

(3) a- TL1,217 of "securities" balance represents the "valuation increment" on securities.

b- Total carrying value of equity shares of which market values exceeded their costs and which were stated at cost in the balance sheet amounted to TL.....- total costs of securities recorded at their market values amounted to TL375.

c- TL1,679,027 of securities and long-term investments comprised of securities held in compliance with legal requirements.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

d- Breakdown of securities for the current period:-

	30 September 2002			
	Purchase Costs	Market Value (***)	Value per Central Bank of Turkey (*)	Provision for Diminishing in Value
Government bonds and treasury bills				
1. Fixed-income securities (**)	628,884	673,455	674,938	-
2. Securities indexed to inflation	-	-	-	-
3. Securities indexed to foreign currency	-	-	-	-
4. Securities in foreign currency	881,381	900,954	-	-
Investment funds	6,695	6,739	-	-
Other notes				
1. Fixed-income securities	-	-	-	-
2. Securities indexed to inflation	-	-	-	-
3. Securities indexed to foreign Currency	-	-	-	-
4. Securities in foreign currency	-	-	-	-
Gold	763	-	-	-
Equity shares				
1. Quoted	7,492	6,260	-	2,449
2. Unquoted	-	-	-	-
Others	-	-	-	-

As explained above in Section I.A.note 5, trading portfolio is generally marked to market. Interest accruals calculated per market prices are classified under "Accrued Interest and Income on Securities", whereas purchase costs of such securities are classified under "Securities", in account no. 030 and 031. The only exception is the equity shares which are classified in "Securities" at their market prices. Accordingly, market values of such equity shares in the amount of TL6,260 as mentioned above were included in "Securities", in account no. 030 as at 30 September 2002.

- (*) values calculated based on daily prices announced by the Central Bank of Turkey in the Official Gazette
- (**) securities in the amount of TL....., purchased under resale agreements are booked at purchase costs. Such securities are presented again at their purchase costs in "Market Value" and "Value per Central Bank of Turkey" columns.
- (**) Securities in foreign currencies are valued using discounting method with internal rate of return as such securities are either not traded in the market or their fair values are not estimated accurately.

(4) a- Advances, cash and non-cash loans granted to shareholders and personnel:-

	30 September 2002	
	Cash	Non-cash
1. Lendings to shareholders		
Lending to corporations	10,301	146,729
Other lendings	-	-
Lendings to shareholders	169,559	84,729
2. Lendings to personnel		
	8,786	3

Cash and non-cash loans extended to shareholders are treated as ordinary commercial lendings to other customers in the existing market conditions.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

b- Credit policies and practices applied for related parties (as defined by International Accounting Standards), and analysis of related party transactions during the period:-

Transactions with related parties are held under arm's-length conditions; terms are set according to the existing market conditions and in full compliance with the Banking Law. The Bank's policy is to keep the balances with related parties at reasonable levels.

Balances with related parties and share of such balances in financial statements were as follows at 30 September 2002:-

	Related Party Risks	Balance Sheet Total	Share (%) of Related Party Risks in Total
Due from banks	197,567	1,240,922	15.92
Cash loans	643,329	5,277,054	12.19
Interest income accruals on loans	50,773	274,418	18.50
Other income accruals	436	762,164	0.06
Miscellaneous receivables	273,719	365,548	74.88
Deposits	320,398	12,906,704	2.48
Interest expense accruals on deposits	1,393	123,939	1.12
Non-cash loans	290,668	4,722,786	6.15
Interest income	135,322	2,457,644	5.51
Interest expenses	53,800	1,663,783	3.23
Fees and commissions income	11,039	336,934	3.28
Fees and commissions expense	128	143,353	0.09
Derivative transactions	62,872	3,681,368	1.71

c- Receivables from and payables to affiliated companies and other investees, were as follows:-

	30 September 2002	
	Financial investees and affiliated companies	Other investees and affiliated companies
<u>RECEIVABLES</u>		
- Due from banks and other financial institutions	197,567	-
- Loans (including overdue loans)	94,901	38,710
- Accrued interest and income	2,176	1,182
<u>PAYABLES</u>		
- Deposits	141,365	20,450
- Accrued interest and expenses	1,240	49
<u>DOCUMENTARY CREDITS AND OTHER NON-CASH LOANS</u>		
- Letters of guarantee	20,818	5,001
- Acceptance credits	1,640	-
- Letters of credit	1,658	413
- Other non-cash loans	4,065	-

Balances with affiliated companies and other investees, resulted from arm's-length banking activities under the terms set in accordance with the existing market conditions.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

d- Loans and other receivables renewed, refunded or restructured, and classified under groups I&II:-

	30 September 2002			
	Group I – Standard performing loans and other receivables (TL)		Group II – Loans and other receivables under special follow-up (TL)	
	(1)	(2)	(1)	(2)
	Renewed, refunded or restructured loans and other receivables	Other loans and receivables	Renewed, refunded or restructured loans and other receivables	Other loans and receivables
Cash loans	-	5,085,300	6,964	184,789
I- Loans (excluding loans for specialization)	-	5,085,300	6,964	184,789
Export loans	-	1,145,471	-	-
Investment loans	-	23,959	-	-
Loans to domestic banks	-	2,677	-	-
Loans to foreign banks	-	236,509	-	-
Gold credits	-	90,404	-	-
Other loans	-	3,586,280	6,964	184,789
1-Consumer loans	-	191,615	-	-
2-Credit cards	-	702,366	-	-
3-Other foreign lending	-	2,355,772	4,412	-
4-Others	-	336,527	2,552	184,789
II- Specialization loans	-	-	-	-
III- Liquidated non-cash loans	-	-	-	-
Receivables classified under other assets but legally considered as loans	-	2,006,549	-	-
Other receivables	-	422,712	-	8,579
Non-cash loans	-	4,713,900	-	8,886

(5) a- Loans and other receivables renewed, refunded or restructured, and classified under follow-up accounts:-

There were no such cases.

b- Collateral distribution of loans and other receivables under follow-up:-

	30 September 2002		
	<u>Group III</u> Loans and receivables limited collectibility	<u>Group IV</u> Loans and receivables collectibility uncertain	<u>Group V</u> Loans and receivables uncollectible
Collateral groups			
Unsecured	-	-	83,467
Group I	-	-	-
Group II	-	-	194,253
Group III	-	158,009	39,100
Group IV	-	-	-

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

c- Movements in provision for loans and receivables under follow-up:-

	30 September 2002		
	<u>Group III</u>	<u>Group IV</u>	<u>Group V</u>
	Loans and receivables limited collectibility	Loans and receivables collectibility uncertain	Loans and receivables uncollectible
Balance, beginning of period	133,800	306,535	205,661
- Increases during the period	-	38,851	11,482
- Transfer from other follow-up accounts	-	96,107	184,536
- Transfer to other follow-up accounts	(96,107)	(184,536)	-
- Collections during the period	-	(42,502)	(24,690)
- Write-offs	(2,570)	(1)	(10,828)
- Restatement effects due to inflationary accounting	(35,123)	(56,445)	(49,341)
Balance, end of period	-	158,009	316,820
- Specific provisions	(-)	93,459	161,140
Net balance at period end	-	64,550	155,680

d- Foreign currency receivables under follow-up accounts :-

	30 September 2002		
	<u>Group III</u>	<u>Group IV</u>	<u>Group V</u>
	Loans and receivables limited collectibility	Loans and receivables collectibility uncertain	Loans and receivables uncollectible
Balance, beginning of period	-	-	-
- Specific provisions	-	-	-
Net balance at period end	-	-	-

(6) Receivables on forwards sales of assets:-

	30 September 2002			Total receivable amount, Net
	Gross receivable			
	Turkish Lira	Foreign currency	Turkish Lira equivalent	
Receivables on forwards sales of assets				
1. Sale of investments, affiliates and other long-term investments	158,070	US\$70 million	114,226	272,296
2. Other	1,423	-	-	1,423

Explanation on receivables on forwards sales of assets:-

In December 2001, just before the merger with Osmanlı Bankası A.Ş., the Bank sold the investment in Compagnie Ottomane D'Investment B.V. to Doğu Holding AŞ at its book value of US\$310 millions. As a result of this term sale, there is a receivable of TL272,296 at 30 September 2002 in the accompanying balance sheet.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

- (7) a- TL147,514 of investments and affiliated companies represented the impairment in value of such assets arising from the market value adjustments for such investments traded on the Istanbul Stock Exchange, and TL305,164 represented the impairment in value of such assets arising from equity accounting application.

- b- Economic sectors of investments and affiliated companies were as follows:-

	30 September 2002			
	<u>Purchase Costs</u>	<u>Bonus Shares</u>	<u>Revaluation Surplus</u>	<u>Impairment in Value</u>
<u>Domestic investments and affiliated companies</u>				
Insurance	28,836	-	-	-
Manufacturing	35,905	-	-	(1,857)
Tourism	245,207	41,086	-	46,254
Other financial sectors	161,345	2,582	-	38,637
Other commercial sectors	681,801	15,344	-	353,143
<u>Foreign investments and affiliated companies</u>				
Banking	246,172	-	-	3,239
Other financial sectors	21,594	-	-	13,262
Other commercial sectors	-	-	-	-

- c- Investments and affiliated companies quoted at the domestic and foreign stock exchange markets amounted to TL85,545 including capital advances of TL25,700 and TL...-...., respectively.

- d- Bonus shares received on investments and affiliated companies amounted to TL59,012.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

e- At 30 September 2002, investments and affiliated companies included the followings:-

<u>Investments and Affiliated Companies</u>	<u>% of ownership</u>	<u>Total capital</u>	<u>Net income for the period</u>	<u>Market value</u>
INDUSTRIAL COMPANIES				
LASAŞ LASTİK SAN.VE TİC. A.Ş.	99.99	38,879	(7,892)	-
COMMERCIAL COMPANIES				
GARANTİ BİLİŞİM TEKN. TİC. A.Ş.	100.00	73,578	8,928	-
BANKALARARASI KART MERK.A.Ş. (**)	10.15	4,000	882	-
GARANTİ FİNANSAL KİRALAMA A.Ş.	100.00	51,453	38,302	-
GARANTİ FİNANS FACTORING HİZ.A.Ş.	55.40	58,578	1,256	8,294 (*)
GARANTİ YATIRIM MENKUL KIYM. A.Ş.	100.00	25,539	(2,881)	-
GARANTİ PORTFÖY YÖNETİMİ A.Ş.	100.00	4,600	(1,744)	-
PETROTRANS NAKLİYAT TİC. A.Ş. (**)	99.60	5	(3) (***)	-
ANAKONUT DANIŞMANLIK A.Ş.	100.00	262,420	(20,103) (***)	-
DOĞUŞ HAVA TAŞIMACILIĞI A.Ş.	96.49	97,863	824	-
TANSAŞ PERAKENDE MAĞAZACILIK A.Ş.	25.92	280,469	(24,915) (****)	45,269 (*)
GARANTİ ÖDEME SİSTEMLERİ A.Ş. (**)	99.92	5	175 (***)	-
İKSİR ULUS. ELEKT. TİC. BİL. VE HAB. HİZ. A.Ş.	31.36	177,855	(37,882) (****)	-
GARANTİ SİGORTA A.Ş.	100.00	35,750	(1,130)	-
GARANTİ HAYAT SİGORTA A.Ş.	99.36	15,840	(25)	-
VOLKSWAGEN DOĞUŞ TÜKETİCİ FİNANSMANI A.Ş.	37.00	21,304	4,351	-
DOĞUŞ İNSANGÜCÜ A.Ş. (**)	64.10	600	244 (***)	-
DOĞUŞ HİZMET YÖNETİMİ ORG. VE DAN. A.Ş. (**)	89.00	30	(16) (***)	-
GARANTİ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.	50.98	53,524	1,553	6,282 (*)
GALATA ARAŞTIRMA YAYINCILIK TAN. VE BİL. A.Ş.	100.00	236	68	-
TOURISM COMPANIES				
DOĞUŞ TURİZM SAĞLIK YAT. VE İŞLT. A.Ş.	100.00	136,272	17,824	-
GARANTİ TURİZM YAT.VE İŞL. A.Ş.	43.33	87,056	(22,292) (****)	-
ŞAHİNTUR ŞAHİNLER O. TURZ. YAT. İŞL. A.Ş.	100.00	6,684	44	-
KONAKLI TURİZM TEM. TAŞ. ORG. A.Ş.	99.97	12,876	(341)	-
SİTİTUR TURİZM TAŞ. ORG. A.Ş.	99.82	105,109	3,417	-
INVESTMENTS IN FOREIGN CURRENCY				
GARANTİ BANK INT. N.V.	100.00	EUR 121.8 mio	5,798,220 EUR	-
DOC FINANCE S.A.	90.00	CHF 12 mio	(6,675,602) CHF (****)	-
BOSPHORUS FINANCIAL SER. LTD.	99.99	USD 100,000	(23,409) USD	-
GARANTİ BANK MOSCOW	78.34	USD 32.5 mio	(7,919,813) USD	-
INSTRUMENTS FINANCE COMPANY	100.00	USD 25,000	(83,956) USD	-
GARANTİ FINANCIAL SERVICES PLC	100.00	USD 2.6 mio	1,870,256 USD	-
GARANTİ FUND MANAGEMENT CO. LTD.	99.00	USD 100,000	(107,926) USD	-
OTTOMAN REAL ESTATE COMPANY S.A.	99.00	USD 150,000	22,945 EUR	-
IOB BANK OFFSHORE LTD.	100.00	USD 2,000,000	3,863,654 USD	-
KÖRFEZ FINANCIAL SERVICES PLC.	100.00	USD 626,000	(371,982) USD	-
UNITED TURKISH GULF BANK INT. LTD.	100.00	USD 1,000,000	(11,490,379) USD	-

(*) Quoted shares are valued at the weighted average market rates for the last 30 working days between 19 August and 30 September 2002.

(**) Inflation adjusted financial statements are not available.

(***) Operating results for the six-month period ended 30 June 2002.

(****) Operating results for the year ended 31 December 2001.

(*****) Inflation adjusted operating results for the six-month period ended 30 June 2002

f- Sale of investments and affiliated companies during the current period:-

There were no such cases.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II - (Continued)

(8) Other long-term investments:-

	30 September 2002			
	Government Securities		Other Securities	
	Purchase Costs	Revalued Costs	Purchase Costs	Revalued Costs
Securities in Turkish lira	4,170,199	4,792,186	17,500	11,526
1-Equity shares	-	-	17,500	11,526
a) Long-term investments	-	-	17,500	11,526
b) Pledged securities	-	-	-	-
c) Restricted securities	-	-	-	-
2- Other securities	4,170,199	4,792,186	-	-
a) Long-term investments	2,007,248	2,331,011	-	-
b) Pledged securities	1,809,203	2,044,710	-	-
c) Restricted securities	353,748	416,465	-	-
Securities in foreign currencies	970,392	998,163	-	-
1-Equity shares	-	-	-	-
a) Long-term investments	-	-	-	-
b) Pledged securities	-	-	-	-
c) Restricted securities	-	-	-	-
2- Other securities	970,392	998,163	-	-
a) Long-term investments	296,773	305,106	-	-
b) Pledged securities	673,619	693,057	-	-
c) Restricted securities	-	-	-	-

(9) Movables and immovables held for resale in accordance with the Banking Law, amounted to TL2,090 and TL252,415, respectively.

(10) Items comprising 20%, at minimum, of other assets and other liabilities representing 10%, at minimum, of the balance sheet total (excluding commitments and contingencies):-

There were no such items.

(11) a- Maturity structure of deposits:-

	30 September 2002	
	Demand Deposits	Time Deposits
Saving deposits	139,005	1,803,657
Deposits of official authorities and organisations	31,702	2,257
Commercial deposits	383,497	1,287,276
Deposits of other organisations	78,025	108,268
Bank deposits	15,360	524,420
1-Central Bank of Turkey	-	-
2-Domestic banks	1,798	166,445
3-Foreign banks	13,562	357,975
4-Others	-	-
Foreign currency deposits	1,939,514	6,550,558
1-Resident customers	1,770,177	5,686,725
2-Non-resident customers	169,337	863,833
Gold deposits	4,141	39,024
Total deposits	2,591,244	10,315,460

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

b- Deposits insured or guaranteed under "Saving Deposit Insurance Fund":-

30 September 2002
Insurance Coverage

1- Saving deposits	1,931,866
2- Foreign currency saving deposits	5,988,433
3- Other saving-type deposits	40,213
4- Deposits at foreign branches under foreign insurance coverages	-

(12) a- **Discounted portion of securities issued:** None.

b- **Bonds convertible into equity shares:** None.

c- **Securities other than shares issued during the current period:** None.

(13) **Cash collaterals received amounted to TL504 .**

Cash collaterals represent the customers' valuables held under blocked accounts as security for non-cash loans granted.

(14) a- **A portion of the "valuation increment" on securities (including equity shares classified in securities, investments, affiliated companies and other long-term investments) amounting to TL.....-....., was related to securities denominated in foreign currencies. TL.....-..... of this portion represented the foreign exchange gain accrual on such equity shares classified in investments, affiliated companies and other long-term investments.**

b- **Presentation of accrued foreign exchange gains on equity shares classified as investments, affiliated companies and other long-term investments in financial statements:-**

Foreign exchange gains on equity shares included in investments, affiliated companies and other long-term investments denominated in foreign currencies, are classified under "foreign exchange gain" in the statement of income for the period.

(15) **Maturity profile of Assets, Liabilities and Certain Commitments according to remaining maturities:-**

Maturities profiles were presented for the current period in Section IV. Supplementary Financial Statements.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

(16) a- Components of shareholders' equity as defined by the Turkish Banking Law and further broadened in accounting application:-

30 September 2002

Shareholders' Equity per Banking Law (1-19) :-

<u>I- CORE CAPITAL</u>	<u>1,551,419</u>
1-Paid capital	<u>791,748</u>
- Nominal capital	791,748
- Unpaid capital	-
2-Legal reserves	<u>273,282</u>
- 1 st legal reserve (TCC 466/1)	144,895
- 2 nd legal reserve (TCC 466/2)	88,878
- Share premium	-
- Legal reserve per special legislation and articles of association	39,509
3-Extraordinary reserves	<u>545</u>
- Reserves allocated per Ordinary General Meeting	3
- Exchange rate difference on foreign currency capital	542
- Retained earnings	-
4-Capital reserves from inflation adjustments to share capital	<u>1,600,235</u>
5-Net income for the period	<u>71,816</u>
6-Losses (-)	<u>(1,186,207)</u>
- Current period losses	-
- Prior year losses	(1,186,207)
<u>II- SUPPLEMENTARY CAPITAL</u>	<u>88,451</u>
7-Revaluation surplus	<u>1,770</u>
- Movables	-
- Immovables	1,770
- Cost increase fund	-
- Bonus shares from investee companies and income on sale of immovables	-
- Revaluation surplus on leasehold improvements	-
8-Revaluation surplus received through bonus shares from investments and affiliated companies	-
9-Provisions	<u>85,464</u>
- General provision for loan losses	37,464
- General provisions for various risks	48,000
10-Other capital sources	-
11-Valuation increments	<u>1,217</u>
- Securities	1,217
- Investments and affiliated companies	-
- Other long-term investments	-
<u>III- DEDUCTIONS FROM CAPITAL</u>	<u>517,940</u>
12-Equity participation in unconsolidated financial institutions	<u>416,700</u>
13-Leasehold improvements	<u>45,119</u>
14-Pre-operating expenses	<u>20,758</u>
15-Prepaid expenses	<u>35,363</u>
16-Decrease in market value of equity participations and fixed assets	-
17-Subordinated debts granted to banks operating in Turkey	-
18-Goodwill	-
19-Capitalised expenses	-
<u>Legal Capital Base (I+II-III)</u>	<u>1,121,930</u>
Accounting Basis - Capital Base (1-11, excl. 5, 9 and 10)	<u>1,482,590</u>

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

b- Capital base and it's components in the capital adequacy ratio in accordance with Banking Legislation:

	<u>30 September 2002</u>
I- Core capital	1,551,419
II- Supplementary capital	<u>88,451</u>
1- Other capital sources	-
2- Other	88,451
III-Capital (I+II+Subordinated debt)	1,639,870
Subordinated debt	-
IV-Deductions from capital	<u>(517,940)</u>
V- Capital base (III+IV)	<u>1,121,930</u>

(17) a- If the Bank applies registered share capital system, ceiling of the registered share capital:-

The Bank has registered share capital. The ceiling of the registered share capital is TL1,000,000 .

b- Capital increases during the period:

TL1,000,000 registered share capital of the Bank was increased from TL750,000 to TL791,748, of which TL41,610 was made from fixed asset sale income and TL138 from investment sale income.

c- Transfer from revaluation surplus to contribute the capital increase: None.

d- Priority rights assigned to certain capital shares: None.

e- Shareholders holding 10% or more interest in the share capital:-

	<u>30 September 2002</u>			
	<u>Share Capital</u>	<u>Participation</u>	<u>Paid Capital</u>	<u>Unpaid Capital</u>
Doğuş Holding A.Ş.	388,045TL	49.01%	388,045TL	-
Doğuş İnşaat ve Tic. A.Ş.	123,279TL	15.57%	123,279TL	-

(18) Basis of presentation of financial leasing activities in financial statements and disclosures on such transactions in accordance with International Accounting Standard 17 (IAS 17):-

Financial leasing transactions are accounted for in accordance with Turkish legislation, not IAS17. Per Turkish legislation, financial leasing transactions are accounted for as if they were operating leases. Accordingly, fixed assets acquired through financial leases and the related payables are not reflected in the accompanying financial statements; instead the periodic payments of installments, with no distinction between principal and interest portions, were initially recorded as "prepaid expense" to be charged to expense throughout the lease period. During the period ended 30 September 2002, such payments charged to statement of income as expense accumulated to TL5,755 and the remaining balance recorded as "prepaid expense" in the balance sheet, amounted to TL14,480.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

Had the Bank applied IAS17, TL5,755 of the prepayments related to leasing activities incurred till 30 September 2002, would not be charged to income, instead prior years losses and prepaid expenses would be less by TL5,589 and TL14,480, respectively, and the following items of the financial statements would be higher by the amounts below:-

Bank premises and equipment, net	27,910
Payables from financial leasing activities, net	8,712
Depreciation expense	8,569
Interest expense	1,491
Foreign exchange losses	1,548
Gain on net monetary position	4,982

(19) Other significant matters:-

a- Deferred tax liabilities and related provisions:-

30 September 2002

Deferred tax assets, net	350,507
Deferred tax liability	-
Provision for deferred tax - (Income)/Expense	10,000

b- Policy on accounting for currency swaps in accordance with Turkish GAAP and Turkish Uniform Chart of Accounts for Banks:-

For the accounting of currency swaps, the second methodology defined in the Turkish Uniform Chart of Accounts for Banks is applied, i.e. spot legs of the transaction are reflected in the balance sheet and forward legs in the off-balance sheet accounts.

c- Exchange rate gain/loss accruals on forwards and swaps, accounted under other accruals in assets and liabilities:-

30 September 2002

Income accruals on forwards	1,434
Expense accruals on forwards	767
Income accruals on currency swaps	703
Expense accruals on currency swaps	1,930
Income accruals on interest swaps	1,028
Expense accruals on interest swaps	1,016
Expense accruals on options	313

d- Details on assets and liabilities indexed to foreign exchange rates, gold prices and other financial indicators were as follows:-

Assets indexed to foreign exchange rates comprise of loans (US\$-EUR) and securities (US\$) indexed to foreign exchange rates. Accrued interest and foreign exchange gains on such assets are included in the related interest income accounts.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

III- NOTES TO STATEMENT OF INCOME

- (1) a- Interests received from the investee companies amounted to TL93,840. Fees and commissions received from such companies aggregated to TL278 .
- b- Interests paid to the investee companies amounted to TL30,784. Fees and commissions paid to such companies aggregated to TL128.
- (2) Income on financial leasing transactions amounted to TL....-....
- (3) Expenses paid on financial leasing transactions amounted to TL5,755.
- (4) a- General provisions for credit risks amounted to TL3,374.
- b- Provision for diminishing in value of securities amounted to TL608.
- (5) Items comprising 20%, at minimum, of the other expenses and income classified in groups I, II, IV and V, and representing 10%, at minimum, of the total of the related group that they are included in:-

There were no such items.

(6) **Income and expenses on repurchase transactions:-**

Accrued interest expenses on repurchase deals are accounted under “interest expenses on repurchase transactions”, and accrued interest income on securities subject to such deals are accounted under “interest income on securities subject to repurchase transactions” .

Income and expense accruals for the securities subject to repurchase transactions in the current period are as follows:

30 September 2002

Income accruals	42,803
Expense accruals	1,293

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

IV. SUPPLEMENTARY FINANCIAL STATEMENTS

A. Commitments and Contingencies

	30 September 2002		
	Turkish Lira	Foreign Currency	Total
I. GUARANTEES AND ENDORSEMENTS	835,461	3,887,325	4,722,786
A. Letters of guarantee (L/G)	835,461	2,476,203	3,311,664
1. L/Gs under Law no.2886	180,295	-	180,295
2. L/Gs issued for foreign trade deals	14	2,474,763	2,474,777
3. Other letters of guarantee	655,152	1,440	656,592
B. Bank acceptances	-	391,297	391,297
1. Import acceptance credits	-	391,247	391,247
2. Other bank acceptances	-	50	50
C. Letters of credit (L/C)	-	974,763	974,763
1. L/Cs against documents	-	974,762	974,762
2. Other letters of credit	-	1	1
D. Confirmed pre-finance credits	-	20,259	20,259
E. Endorsements	-	-	-
1. Endorsements for Central Bank of Turkey	-	-	-
2. Other endorsements	-	-	-
F. Sale contracts on bank assets (risks Secured by the bank)	-	-	-
G. Underwriting commitments on share issues	-	-	-
H. Other guarantees	-	-	-
I. Others	-	24,803	24,803
II. COMMITMENTS	2,276,785	6,558	2,283,343
A. Irrevocable commitments	2,276,785	6,558	2,283,343
1. Repurchase and resale contracts	-	-	-
a) Repurchase contracts	-	-	-
I. Repurchase contracts with Central Bank of Turkey	-	-	-
II. Repurchase contracts with banks	-	-	-
III. Repurchase contracts with brokerage companies	-	-	-
IV. Repurchase contracts with other customers	-	-	-
b) Resale contracts	-	-	-
I. Resale contracts with Central Bank of Turkey	-	-	-
II. Resale contracts with banks	-	-	-
III. Resale contracts with brokerage companies	-	-	-
IV. Resale contracts with other customers	-	-	-
2. Term purchases of assets	1,193	653	1,846
3. Term purchases/sales of deposits	-	-	-
4. Capital commitments	-	-	-
5. Credit extension commitments	-	-	-
6. Intermediary commitments for share issues	-	-	-
7. Legal reserve commitments	-	-	-
8. Committed credit card limits	2,262,520	-	2,262,520
9. Other irrevocable commitments	13,072	5,905	18,977
B. Revocable commitments	-	-	-
1. Revocable credit extension commitments	-	-	-
2. Other revocable commitments	-	-	-
III. DERIVATIVE TRANSACTIONS	136,116	3,545,252	3,681,368
A. Forward currency purchases/sales	135,576	3,121,033	3,256,609
1. Forward currency purchases	37,796	1,597,762	1,635,558
2. Forward currency sales	97,780	1,523,271	1,621,051
B. Currency and interest swaps	-	176,689	176,689
1. Currency purchase swaps	-	88,325	88,325
2. Currency sale swaps	-	88,342	88,342
3. Interest purchase swaps	-	17	17
4. Interest sale swaps	-	5	5
C. Currency and interest options	-	8,159	8,159
1. Currency purchase options	-	-	-
2. Currency sale options	-	-	-
3. Interest purchase options	-	8,159	8,159
4. Interest sale options	-	-	-
D. Future currency deals	-	-	-
1. Future currency purchases	-	-	-
2. Future currency sales	-	-	-
E. Future interest deals	-	-	-
1. Future interest purchases	-	-	-
2. Future interest sales	-	-	-
F. Others	540	239,371	239,911
TOTAL COMMITMENTS AND CONTINGENCIES	3,248,362	7,439,135	10,687,497

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note IV – (Continued)

B. Other Off-Balance Sheet Accounts

	30 September 2002		
	Turkish Lira	Foreign Currency	Total
A. Valuables under Custody	4,845,233	1,419,517	6,264,750
1. Customer funds and portfolios managed by the bank	382	1,314	1,696
2. Securities under custody	3,623,698	836,325	4,460,023
3. Cheques subject to collection	654,361	55,751	709,932
4. Commercial notes subject to collection	76,346	497,180	573,526
5. Other valuables subject to collection	236	1,828	2,064
6. Securities (the bank acted as intermediary for their issuance)	-	-	-
7. Securities under repurchase transaction (held at custody on behalf of customers)	484,901	-	484,901
8. Other valuables under custody	5,309	27,299	32,608
9. Valuables under third-party custodies	-	-	-
B. Valuables under Pledge	6,404,532	13,557,460	19,961,992
1. Securities	42,657	31,649	74,306
2. Promissory notes	882,573	3,111,210	3,993,783
3. Stocks	2,946	-	2,946
4. Warrants	-	-	-
5. Immovables	3,093,638	808,385	3,902,023
6. Other valuables under pledge	2,060,696	9,301,230	11,361,926
7. Valuables under third-party custodies	322,022	304,986	627,008

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note IV – (Continued)

C. Maturity Profile of Assets, Liabilities, and Certain Commitments and Contingencies According to Remaining Maturities

Maturity profile of assets, liabilities, and certain commitments and contingencies according to remaining maturities as at 30 September 2002 is as follows:-

	<u>Demand</u>	<u>Upto 1 Month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 Years</u>	<u>5 Years and over</u>	<u>Others*</u>	<u>Total</u>
ASSETS:								
Liquid assets	118,849	17,781	-	-	-	-	-	136,630
Due from banks and other financial institutions	101,184	967,684	164,797	5,197	2,060	-	-	1,240,922
Interbank funds sold	-	33,950	-	-	-	-	-	33,950
Securities (net)	13,717	52,938	1,521	858,945	554,681	42,181	-	1,523,983
Loans	-	1,133,667	784,862	1,352,796	2,005,729	-	-	5,277,054
Non-performing loans (net)	-	-	-	-	-	-	220,230	220,230
Accrued interest and income	-	188,261	59,522	232,333	535,045	21,421	-	1,036,582
Receivables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Reserve deposits	1,300,068	-	-	-	-	-	-	1,300,068
Investments and affiliated companies (net)	-	-	-	-	-	-	1,027,194	1,027,194
Equity shares classified under other long-term investments (net)	-	-	-	-	-	-	11,526	11,526
Other long-term investments (net)	-	2,521	7,935	733,879	3,833,128	563,128	-	5,140,591
Other assets	-	-	73,284	-	200,435	-	1,447,561	1,721,280
Total Assets	1,533,818	2,396,802	1,091,921	3,183,150	7,131,078	626,730	2,706,511	18,670,010
LIABILITIES:								
Saving deposits	139,005	1,453,810	216,830	133,014	3	-	-	1,942,662
Foreign currency deposits	1,939,514	5,233,906	1,059,648	229,176	27,828	-	-	8,490,072
Bank deposits	15,360	454,088	59,832	10,500	-	-	-	539,780
Other deposits	497,366	1,165,700	168,039	103,083	2	-	-	1,934,190
Interbank funds borrowed	-	795,162	-	269,729	-	-	-	1,064,891
Funds borrowed	-	399,170	940,795	238,888	387,379	-	-	1,966,232
Funds	-	-	-	-	-	-	-	-
Securities issued (net)	-	-	-	-	-	-	-	-
Accrued interest and expense	-	145,131	22,054	14,558	3,907	-	-	185,650
Payables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Taxes, stamps, premiums and other duties	-	-	-	-	32,705	-	-	32,705
Other liabilities	-	-	-	-	-	-	959,422	959,422
Shareholders' equity (including current period income)	-	-	-	-	-	-	1,554,406	1,554,406
Total liabilities	2,591,245	9,646,967	2,467,198	998,948	451,824	-	2,513,828	18,670,010
COMMITMENTS AND CONTINGENCIES:								
Repurchase contracts	-	-	-	-	-	-	-	-
Resale contracts	-	-	-	-	-	-	-	-
Forward currency purchases	-	1,585,730	39,935	9,893	-	-	-	1,635,558
Forward currency sales	-	1,575,126	40,169	5,754	-	-	-	1,621,049
Currency purchase swaps	-	18,845	-	69,480	-	-	-	88,325
Currency sale swaps	-	18,862	-	69,480	-	-	-	88,342
Total	-	3,198,563	80,104	154,607	-	-	-	3,433,274

* items with no maturity