KPMG

Türkiye Garanti Bankası Anonim Şirketi
And Its Affiliates

Consolidated Financial Statements

30 September 2003

With Independent Auditors'

Review Report Thereon

11 November 2003

This report contains the "Independent Auditors' Review Report" comprising 1 page and; the "Consolidated financial statements and their explanatory notes" comprising 55 pages.

Türkiye Garanti Bankası Anonim Şirketi

And Its Affiliates

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Independent Auditors' Review Report

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

We have reviewed the accompanying consolidated balance sheet of Türkiye Garanti Bankası Anonim Şirketi (the Bank) and its affiliates as of 30 September 2003; and the consolidated statements of operations, changes in shareholders' equity and cash flows for the nine-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with International Standards on Auditing applicable to review engagements as promulgated by the International Federation of Accountants. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and its affiliates and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view in accordance with statements of International Financial Reporting Standards promulgated by the International Accounting Standards Board.

İstanbul,
11 November 2003

KPMG Cevdet Suner Denetim ve
Yeminli Mali Müşavirlik A.Ş.

Türkiye Garanti Bankasi AS And Its Affiliates

Consolidated Balance Sheet
At 30 September 2003

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 30 September 2003 pursuant to IAS 29)

	Notes	30 September 2003	31 December 2002
Assets			
Cash and cash equivalents	*3*	1,615,778	2,309,460
Financial assets held for trading	*4*	560,453	1,636,010
Loans and advances to banks	*5*	1,396,692	1,240,727
Loans and advances to customers	*6*	7,558,085	8,414,369
Other assets	*8*	1,065,681	1,063,626
Security investments	*9*	7,850,208	7,413,434
Investments in equity participations	*10*	380,094	207,349
Tangible assets, net	*11*	1,629,027	1,728,524
Intangible assets, net	*12*	124,800	138,991
Deferred tax assets	*18*	412,342	522,561
Total assets		**22,593,160**	**24,675,051**
Liabilities			
Deposits from banks	*13*	589,225	779,810
Deposits from customers	*14*	14,808,342	16,312,733
Obligations under repurchase agreements	*15*	1,251,879	1,197,561
Loans and advances from banks	*16*	2,635,298	3,125,897
Bonds payable	*17*	-	84,395
Current tax liability	*18*	35,539	44,091
Deferred tax liabilities	*18*	103,177	101,620
Other liabilities and accrued expenses	*19*	903,584	933,754
Total liabilities		**20,327,044**	**22,579,861**
Minority interest		**149,180**	**215,465**
Shareholders' equity	*20*		
Paid-in capital		1,851,020	1,701,480
Accumulated profits		265,916	178,245
Total shareholders' equity		**2,116,936**	**1,879,725**
Total liabilities, minority interest and shareholders' equity		**22,593,160**	**24,675,051**
Commitments and contingencies	*22*		

Türkiye Garanti Bankasi AS And Its Affiliates

Consolidated Statement of Operations
For The Nine-Month Period Ended 30 September 2003

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 30 September 2003 pursuant to IAS 29)

	Notes	Nine-month period ended 30 September 2003	Three-month period ended 30 September 2003	Nine-month period ended 30 September 2002	Three-month period ended 30 September 2002
Interest income:-					
Interest on loans		846,490	297,498	792,155	281,058
Interest on securities		738,091	123,893	1,021,467	373,690
Interest on deposits at banks		106,302	33,290	240,823	60,537
Interest on lease business		31,817	11,450	23,194	9,025
Others		35,143	12,096	39,113	13,281
		1,757,843	478,227	2,116,752	737,591
Interest expenses:-					
Interest on saving, commercial and public deposits		(1,277,671)	(396,378)	(1,397,681)	(481,362)
Interest on borrowings		(277,522)	(70,857)	(457,402)	(152,423)
Interest on bank deposits		(86,841)	(22,193)	(229,025)	(69,033)
Others		(3,767)	(648)	(10,287)	(3,011)
		(1,645,801)	(490,076)	(2,094,395)	(705,829)
Net interest income/(expenses)		**112,042**	**(11,849)**	**22,357**	**31,762**
Fee and commission income		454,212	152,572	464,886	173,039
Fee and commission expense		(169,769)	(58,373)	(177,220)	(53,160)
Net fee and commission income		**284,443**	**94,199**	**287,666**	**119,879**
Trading account income, net		440,705	223,169	218,129	67,766
Foreign exchange gain, net		178,033	134,619	146,266	56,722
Gross profit from retail business		119,660	60,488	60,448	(376)
Premium income from insurance business		52,192	17,021	44,031	16,803
Other operating income		89,017	28,794	58,711	22,911
Operating income		**1,276,092**	**546,441**	**837,608**	**315,467**
Salaries and wages		(244,588)	(88,296)	(228,711)	(81,905)
Depreciation and amortization	*11,12*	(142,312)	(46,305)	(168,235)	(64,676)
Employee benefits		(56,758)	(21,192)	(55,952)	(24,071)
Impairment losses	*6,7,10,11,12*	(55,165)	(9,625)	(80,305)	17,428
Rent expenses		(50,423)	(17,172)	(59,942)	(21,748)
Advertising expenses		(40,401)	(14,968)	(47,039)	(19,717)
EDP expenses		(40,144)	(11,029)	(56,884)	(26,074)
Claim loss from insurance business		(28,755)	(9,935)	(35,763)	(14,201)
Utility expenses		(26,533)	(10,207)	(14,153)	(4,717)
Saving deposits insurance fund		(23,168)	(5,083)	(34,904)	(13,970)
Taxes and duties other than on income		(22,487)	(8,030)	(23,394)	(8,747)
Provision for severance payments		(14,242)	(10,565)	(6,281)	(2,778)
Repair and maintenance expenses		(13,671)	(5,139)	(10,610)	(4,142)
Stationary expenses		(7,253)	(2,741)	(9,242)	(3,168)
Research and development expense		(1,718)	(627)	(8,404)	(1,899)
General provision		-	-	(26,195)	25,301
Other operating expenses		(223,692)	(88,303)	(170,528)	(52,470)
Operating expenses		(991,310)	(349,217)	(1,036,542)	(301,554)
Income/(loss) from operations		**284,782**	**197,224**	**(198,934)**	**13,913**
Gain/(loss) on net monetary position, net		(20,827)	(34,264)	15,166	(3,367)
Income/(loss) before tax		**263,955**	**162,960**	**(183,768)**	**10,546**
Taxation (charge)/credit	*18*	(93,033)	(177)	173,399	998
Income/(loss) after tax		**170,922**	**162,783**	**(10,369)**	**11,544**
Minority interest		66,289	32,665	26,521	2,606
Net income for the period		**237,211**	**195,448**	**16,152**	**14,150**
Weighted average number of shares with a face value of TL 500 each (including those with TL 100 face value as expressed in terms of TL 500 face value)	*20*	**1,583.5 billion**	**1,583.5 billion**	**1,500 billion**	**1,500 billion**
Earning per share (Full TL amount)		**149.80**	**123.43**	**10.77**	**9.43**

Türkiye Garanti Bankasi AS And Its Affiliates

Consolidated Statement of Changes in Shareholders' Equity
For The Nine-Month Period Ended 30 September 2003

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 30 September 2003 pursuant to IAS 29)

			Accumulated profits			Total
	Notes	Paid-in capital	Reserves	Unappropriated earnings/(losses)	Total	shareholders' equity
Balances at 1 January 2002		**2,205,294**	**70,810**	**(357,506)**	**(286,696)**	**1,918,598**
Effect of prior year adjustments on the opening balance sheet	*6, 9,11*	-	-	(69,891)	(69,891)	(69,891)
Restated balances at 1 January 2002		**2,205,294**	**70,810**	**(427,397)**	**(356,587)**	**1,848,707**
Compensation of prior period losses	*20*	(503,814)	-	503,814	503,814	-
Reserve for general banking risks, net		-	18,446	(18,446)	-	-
Reversal of restatement on reserves for the effects of inflation		-	(8,925)	8,925	-	-
Net income for the nine-month period		-	-	16,152	16,152	16,152
Balances at 30 September 2002		**1,701,480**	**80,331**	**83,048**	**163,379**	**1,864,859**
Transfer to general banking reserves		-	1,234	(1,234)	-	-
Reversal of restatement on reserves for the effects of inflation		-	(8,158)	8,158	-	-
Net income for the three-month period		-	-	14,866	14,866	14,866
Balances at 31 December 2002		**1,701,480**	**73,407**	**104,838**	**178,245**	**1,879,725**
Correction of additional paid-in capital	*20*	149,540		(149,540)	(149,540)	-
Release from general banking risks reserve, net		-	(13,205)	13,205	-	-
Reversal of restatement on reserves for the effects of inflation		-	(7,107)	7,107	-	-
Net income for the nine-month period		-	-	237,211	237,211	237,211
Balances at 30 September 2003		**1,851,020**	**53,095**	**212,821**	**265,916**	**2,116,936**

Türkiye Garanti Bankasi AS And Its Affiliates

Consolidated Statement of Cash Flows
For The Nine-Month Period Ended 30 September 2003

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 30 September 2003 pursuant to IAS 29)

	Notes	30 September 2003	30 September 2002
Cash flows from operating activities:-			
Net income for the period		237,211	16,152
Adjustments for non-cash items:-			
Taxation (credit)/charge	*18*	93,033	(173,399)
Minority interest		(66,289)	(26,521)
Impairment losses	*6,7,10,11,12*	55,165	80,305
General provision		-	26,195
Insurance technical provision		17,509	17,503
Provision for severance payments		14,242	6,281
Depreciation and amortization	*11,12*	142,312	168,235
Loss on sale of premises and equipment		13,530	24,604
Change in accrued interest and other income		17,311	(398,575)
Change in accrued interest and other expense		1,375	(14,543)
Monetary loss effect of above corrections		12,284	(38,624)
Changes in operating assets and liabilities:-			
Deposits from banks		(191,435)	(1,005,500)
Deposits from customers		(1,514,973)	1,405,002
Obligations under repurchase agreements		49,457	806,371
Financial assets held for trading		1,081,733	305,855
Loans and advances to banks		(160,440)	286,908
Loans and advances to customers		781,587	(150,066)
Other assets		(55,367)	90,094
Other liabilities		(50,944)	(102,301)
Income taxes paid		(16,481)	(7,081)
Net cash provided by operating activities		**460,820**	**1,316,895**
Cash flows from investing activities:-			
Increase in security investments		(350,904)	(222,654)
Increase in investments in equity participations-net		(188,979)	(8,393)
Proceeds from sales of tangible assets and tangible assets held for resale		44,508	50,580
Additions to tangible assets and tangible assets held for resale		(94,807)	(49,196)
Net cash used in investing activities		**(590,182)**	**(229,663)**
Cash flows from financing activities:-			
Decrease in loans and advances from banks		(484,959)	(2,224,867)
Decrease in bonds payable		(79,361)	(16,199)
Proceeds from issuance of share capital to minorities		-	154,496
Net cash used in financing activities		**(564,320)**	**(2,086,570)**
Net decrease in cash and cash equivalents		**(693,682)**	**(999,338)**
Cash and cash equivalents at beginning of the period		2,309,460	3,082,963
Cash and cash equivalents at end of the period	*3*	**1,615,778**	**2,083,625**

Overview of the Bank

Türkiye Garanti Bankası AŞ (the Bank) is a bank domiciled in Turkey. The consolidated financial statements of the Bank for the nine-month period ended 30 September 2003 comprise the Bank and its affiliates (the Affiliates) and their interest in associates.

(a) Brief History

Foundation of the Bank was approved by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and "Articles of Association" was published at official gazette dated 25 April 1946. The Bank provides corporate, commercial and retail banking services through a network of 305 domestic branches, three foreign branches, five representative offices abroad, five change offices, three in-store branches and 24 domestic liaison offices. In addition to its branches, the Bank has 100% ownership in two banks located in Amsterdam and Moscow. The Bank's head office is located in İstanbul.

(b) Ownership

The principal shareholder of the Bank is the holding company of Doğuş Group, Doğuş Holding AŞ, which currently holds 55.08% of the issued capital.

The ownership interest in the Bank of those shareholders other than the Doğuş Group Companies and the individuals controlling this Group is 31.51%.

Significant accounting policies

(a) Statement of compliance

The Bank and its Turkish affiliates, maintain their books of accounts and prepare their statutory financial statements in Turkish Lira in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulation and Supervision Agency (BRSA); the Turkish Commercial Code; and the Turkish Tax Legislation (collectively, Turkish GAAP); the Bank's foreign affiliates 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 are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board.

Significant accounting policies (continued)

(b) Basis of preparation

The accompanying consolidated financial statements are presented in Turkish Lira (TL), rounded to the nearest billion as adjusted for the effects of inflation in TL units current at 30 September 2003 pursuant to International Accounting Standard (IAS) 29, "*Financial Reporting in Hyperinflationary Economies*".

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value if reliable measures are available: derivative financial instruments, financial assets and liabilities held for trading, available-for-sale assets and tangible assets held for resale. Recognized assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

The accounting policies have been consistently applied by the Bank and its affiliates and are consistent with those used in previous years.

(c) Basis of consolidation

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

Affiliates

For the purposes of the accompanying consolidated financial statements, the Affiliates are those companies over which the Bank has a controlling power on their operating and financial policies through:

- having more than 50% of the ordinary shares held by the Bank and/or its other affiliates and/or;
- exercising the voting power relating to the shares held by the members of Şahenk family since the members of Şahenk family allow the Bank to exercise a voting power with respect to their shares held in these companies and/or;
- exercising actual dominant influence over the financial and operating policies although not having 50% voting power.

The financial statements of the Affiliates are consolidated in the accompanying financial statements. The major principles of consolidation are as follows:

- The balance sheets and statements of operations of the Affiliates are consolidated on a line-by-line basis.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

Significant accounting policies (continued)

- All intercompany investments, receivables, payables, dividends received and paid and other intercompany transactions reflected in the balance sheets and statements of operations are eliminated.
- The results of the Affiliates are included in or excluded from the consolidation from their effective dates of acquisition or disposal respectively.
- Minority interests in the shareholders' equity and net results of the consolidated affiliates are separately classified in the consolidated balance sheet and consolidated statement of operations.

Associates

Associates are those entities in which the Bank and its affiliates have significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Bank and its affiliates share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the fair value is lower than the carrying amount of the associate, the carrying amount is reduced to reflect impairment in value (refer accounting policy (r)).

(d) Accounting in hyperinflationary economies

Financial statements of the Turkish entities were restated for the changes in the general purchasing power of the Turkish Lira 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%.

Three years inflation rate in Turkey has been 192.99% as at 30 September 2003, based on the Turkish nation-wide wholesale price indices announced by the Turkish State Institute of Statistics (SIS). Consequently, the financial statements of the entities located in Turkey are restated for the changes in the general purchasing power of the Turkish Lira as at 30 September 2003 based on IAS 29. The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics. For the recent periods, such indices and conversion factors used to restate the accompanying consolidated financial statements were as follows:

Date	***Index***	***Conversion factor***
30 September 2003	7,173.3	1.000
31 December 2002	6,478.8	1.107
30 September 2002	6,024.6	1.191
31 December 2001	4,951.7	1.449

Significant accounting policies (continued)

The main guidelines for the restatement above mentioned 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 that 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 that are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant conversion factors.
- All items in the statement of operations are restated by applying the monthly conversion factors except for those deriving from non-monetary items, which are calculated based on the restated values of the related items.
- The effects of inflation on the net monetary positions of the Bank and its affiliates, is included in the statement of operations as "gain/(loss) on net monetary position, net".

(e) Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

The foreign operations of the Bank and its affiliates are not considered an integral part of its operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Turkish Lira at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Turkish Lira at foreign exchange rates ruling at the balance sheet date pursuant to IAS 29.

Significant accounting policies (continued)

(f) Tangible assets and related depreciation

Owned assets

The costs of the tangible assets are restated for the effects of inflation in TL units current at the balance sheet date pursuant to IAS 29. Accordingly, tangible assets are carried at restated costs, less accumulated depreciation and impairment losses (refer accounting policy (r)).

Leased assets

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

Subsequent expenditure

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

Depreciation

Tangible assets are 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. The estimated useful lives are as follows:

Buildings	50 years
Furniture, fixture and equipments	4–12.5 years

Leasehold improvements are amortised over the periods of the respective leases, also on a straight-line basis.

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

Significant accounting policies (continued)

(g) Goodwill/Negative Goodwill

Positive and negative goodwill consist of the excess/shortage of the total acquisition costs over/under the share of the Bank and its affiliates in the fair value of net assets of the acquired companies at the dates of acquisitions. Goodwill is reflected in 'intangible assets' in the consolidated balance sheets and is amortised on a straight-line basis over 20 years, the time during which benefits are expected to consume.

Negative goodwill is included under 'other liabilities' in the accompanying consolidated balance sheets and is credited to income over 20 years, the time during which benefits are expected to consume. Amortization expense/income of goodwill and negative goodwill is reflected in the accompanying statement of operations.

At each balance sheet date, assessment is done using external and internal sources such as market value, information on any adverse effect on the acquired companies, market interest rates or other market rates of return on investments, carrying value of net assets, whether there is any indication that goodwill may be impaired. If any such indication exists, the recoverable amount of the goodwill is estimated. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to its recoverable amount, and impairment loss is recognized as an expense in the statement of operations.

(h) Financial instruments

Classification

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

Originated loans and receivables are loans and receivables created by the Bank and its affiliates providing money to a debtor other than those created with the intention of short-term profit taking. Originated loans and receivables comprise loans and advances to banks and customers.

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

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

Significant accounting policies (continued)

Recognition

Financial assets held for trading and available-for-sale assets are recognized on the date at which the purchase of the assets is committed. From this date any gains and losses arising from changes in fair value of the assets are recognized.

Held-to-maturity instruments and originated loans and receivables are recognized on the day they are transferred to the Bank and its affiliates.

Measurement

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

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

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

Fair value measurement principles

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

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

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of trading instruments and available-for-sale assets are recognized in the statement of operations.

Significant accounting policies (continued)

Specific instruments

Cash and cash equivalents: Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid investments with maturities of three months or less when purchased. Money market placements are classified in loans and advances to banks as originated loans and receivables.

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

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

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

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

(i) Derecognition

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

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

Held-to-maturity instruments and originated loans and receivables are derecognised on the day they are transferred by the Bank and its affiliates.

Significant accounting policies (continued)

(j) Securities borrowing and lending business

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

(k) Repurchase and resale agreements over investments

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

The difference between the sale and repurchase considerations is recognized on an accrual basis over the period of the transaction and is included in interest.

(l) Items held in trust

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

(m) 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.

Significant accounting policies (continued)

International Financial Reporting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, 6% discount rate and 5.4% turnover rate to estimate the probability of retirement assumptions were used in the calculation of the total liability in the accompanying consolidated financial statements.

(n) Taxes on income

Taxes on income for the period comprise 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 period using the tax rates enacted by the balance sheet date and; any adjustment in taxes payable for previous years.

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 affect neither accounting nor taxable profit. 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 that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Currently, enacted tax rates are used to determine deferred taxes on income.

Deferred tax assets and liabilities relating to an individual consolidated affiliate that reports to a specific tax office are offset against each other in the accompanying consolidated financial statements.

(o) 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.

(p) Capital increase

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

Significant accounting policies (continued)

(q) 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.

(r) Impairment

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

Originated loans and advances and held-to-maturity instruments

The recoverable amount of originated loans and advances and purchased loans that are classified as held-to-maturity, is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. Short-term balances are not discounted.

Loans and advances are presented net of specific and general allowances for uncollectibility. Specific allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. General allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the allowance account are recognized in the statement of operations. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly.

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

Significant accounting policies (continued)

Financial assets remeasured to fair value

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

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

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

(s) Income and expense recognition

Interest income and expense

Interest income and expense is recognized in the statement of operations as it accrues, except for interest income on overdue loans, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income on overdue loans is recognized only when received.

Fee and commission income

Fee and commission income arising on financial services provided including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services is recognized when the corresponding service is provided. Certain commissions, such as those deriving from letters of guarantee and other similar banking services, are usually recognized as income only when received.

Net trading income

Net trading income includes gains and losses arising from disposals of financial assets and liabilities held for trading and available-for-sale.

Dividend income

Dividend income is recognized in the statement of operations when received. Income from equity investments and other non-fixed income investments is recognized as dividend income when it accrues.

Significant accounting policies (continued)

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.

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).

Retail business

Revenues are recognized at the time the shipment or delivery of related goods are made to customers. Revenues, net of costs of goods sold are reflected as "gross profit from retail business" in the accompanying consolidated statement of operations.

(t) *Segment reporting*

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

Index for the notes to the consolidated financial statements:

1 Segment reporting

Segment information is presented in respect of the Bank and its affiliates' geographical and business segments. The primary format, business segments, is based on the Bank and its affiliates' activities.

Measurement of segment assets and liabilities and segment results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted at arm's length basis.

1.1 Geographical segments

The Bank and its affiliates operate principally in Turkey, but also have operations in Holland, Moscow, Ireland, Turkish Republic of Northern Cyprus, Malta, Switzerland and Luxembourg. As the operation results outside of Turkey, is quite negligible in the consolidated results, geographical segment information is not presented.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

1 Segment reporting (continued)

1.2 Business segments

The main business segments are banking, leasing, insurance, factoring, retail and other financial and non-financial sectors:

30 September 2003	*Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial Sectors*	*Retail*	*Other Non-Financial Sectors*	*Combined*	*Eliminations*	*Total*
Interest income	1,714,891	41,835	8,367	161	8,361	3,258	576	1,777,449	(19,606)	1,757,843
Interest expenses	(1,642,680)	(13,078)	-	(4,522)	(643)	(3,999)	(482)	(1,665,404)	19,603	(1,645,801)
Net interest income	72,211	28,757	8,367	(4,361)	7,718	(741)	94	112,045	(3)	112,042
Fee and commission income, net	274,941	-	191	9,942	14,754	(10,907)	(5)	288,916	(4,473)	284,443
Trading account income, net	438,788	-	25	-	1,892	-	-	440,705	-	440,705
Foreign exchange gain, net	174,042	1,768	(382)	(54)	(1,344)	2,208	1,955	178,193	(160)	178,033
Gross profit from retail business	-	-	-	-	-	119,660	-	119,660	-	119,660
Premium income from insurance business	-	-	52,192	-	-	-	-	52,192	-	52,192
Other operating income	65,357	2,622	1,575	982	1,544	10,968	25,105	108,153	(19,136)	89,017
Salaries and wages	(171,036)	(4,201)	(11,885)	(876)	(5,780)	(35,558)	(15,252)	(244,588)	-	(244,588)
Impairment losses	(37,138)	(659)	-	-	(1,878)	-	(9,594)	(49,269)	(5,896)	(55,165)
Other operating expenses	(492,534)	(6,005)	(43,924)	(2,157)	(8,936)	(126,814)	(24,804)	(705,174)	13,617	(691,557)
Gain/(loss) on net monetary position	6,011	(8,138)	(874)	(1,063)	(2,728)	(24,400)	8,001	(23,191)	2,364	(20,827)
Taxation (charge)/credit	(59,881)	9,181	(704)	(535)	(1,395)	(27,083)	(12,616)	(93,033)	-	(93,033)
Minority interest	-	-	-	-	-	-	-	-	66,289	66,289
Net income/(loss) for the period	270,761	23,325	4,581	1,878	3,847	(92,667)	(27,116)	184,609	52,602	237,211
Segment assets	20,736,463	335,406	127,337	155,136	95,599	359,038	567,240	22,376,219	(163,153)	22,213,066
Investments in equity participations	1,675,607	689	236	7,867	5,205	98	17,043	1,706,745	(1,326,651)	380,094
Total assets	22,412,070	336,095	127,573	163,003	100,804	359,136	584,283	24,082,964	(1,489,804)	22,593,160
Segment liabilities	19,815,378	227,191	88,338	142,238	6,905	205,096	119,825	20,604,971	(277,927)	20,327,044

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

1 Segment reporting (continued)

30 September 2002	***Banking***	***Leasing***	***Insurance***	***Factoring***	***Other Financial Sectors***	***Retail***	***Other Non-Financial Sectors***	***Combined***	***Eliminations***	***Total***
Interest income	2,084,764	37,119	6,519	55	11,029	8,560	1,729	2,149,775	(33,023)	2,116,752
Interest expenses	(2,076,023)	(16,155)	-	(3,199)	(2,118)	(25,286)	(5,171)	(2,127,952)	33,557	(2,094,395)
Net interest income	8,741	20,964	6,519	(3,144)	8,911	(16,726)	(3,442)	21,823	534	22,357
Fee and commission income, net	265,012	-	(92)	10,147	13,822	(1,191)	-	287,698	(32)	287,666
Trading account income, net	220,059	-	152	-	(2,140)	-	58	218,129	-	218,129
Foreign exchange gain, net	171,351	79	389	(1,138)	488	(21,862)	(3,997)	145,310	956	146,266
Gross profit from retail business	-	-	-	-	-	60,448	-	60,448	-	60,448
Premium income from insurance business	-	-	44,031	-	-	-	-	44,031	-	44,031
Other operating income	61,103	1,072	52	107	6,434	4,397	32,926	106,091	(47,380)	58,711
Salaries and wages	(152,025)	(4,174)	(8,998)	(1,085)	(6,143)	(32,933)	(23,353)	(228,711)	-	(228,711)
Impairment losses	(99,268)	-	-	-	-	-	(2,920)	(102,188)	21,883	(80,305)
General provision	(26,195)	-	-	-	-	-	-	(26,195)	-	(26,195)
Other operating expenses	(492,325)	(6,226)	(45,742)	(1,751)	(22,304)	(139,773)	(18,341)	(726,462)	25,131	(701,331)
Gain/(loss) on net monetary position	(17,914)	(9,299)	2,728	(1,014)	(8,472)	82,303	49,804	98,136	(82,970)	15,166
Taxation (charge)/credit	136,168	18,432	(1,655)	(1,910)	2,880	32,461	(9,802)	176,574	(3,175)	173,399
Minority interest	-	-	-	-	-	-	-	-	26,521	26,521
Net income/(loss) for the period	74,707	20,848	(2,616)	212	(6,524)	(32,876)	20,933	74,684	(58,532)	16,152

31 December 2002	***Banking***	***Leasing***	***Insurance***	***Factoring***	***Other Financial Sectors***	***Retail***	***Other Non-Financial Sectors***	***Combined***	***Eliminations***	***Total***
Segment assets	22,940,996	296,362	112,619	97,488	110,654	440,513	678,348	24,676,980	(209,278)	24,467,702
Investments in equity participations	1,452,955	747	11	7,867	8,204	113	31,259	1,501,156	(1,293,807)	207,349
Total assets	24,393,951	297,109	112,630	105,355	118,858	440,626	709,607	26,178,136	(1,503,085)	24,675,051
Segment liabilities	22,038,461	211,581	87,021	86,468	25,675	193,921	234,066	22,877,193	(297,332)	22,579,861

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

2 Related party disclosures

For the purpose of this report, the Bank's ultimate parent company, Doğuş Holding AŞ and all its subsidiaries, and the ultimate owners, directors and executive officers of Doğuş Group are referred to as related parties. During the course of the business, the Bank has made placements with and granted loans to related parties and also received deposits from them at various terms. The Bank has the following balances outstanding from and transactions with related parties:

2.1 Outstanding balances

	30 September 2003
Balance sheet	
Obligations under repurchase agreements	-
Loans and advances to customers including accrued interest income	486,090
Loans granted in TL	*3,592*
Loans granted in foreign currency:	*US$ 341,613,833*
	EUR 14,741,553
	GBP 2,688
Miscellaneous receivables (Note 8)	4,820
Deposits received	137,011
Commitments and contingencies	
Non-cash loans	280,733

2.2 Transactions

	Nine-month period ended 30 September 2003	***Three-month period ended 30 September 2003***
Interest income	19,091	1,681
Interest expense	7,674	2,398

In 2003, interest rates applied to foreign currency receivables from and payables to related parties vary at ranges of 2-10% and 0.5-3% (31 December 2002: 4-10% and 1-10%) respectively. The interest rates applied to Turkish Lira payables to related parties vary at ranges of 36-40% (31 December 2002: 28-43%). Various commission rates are applied to transactions involving guarantees and commitments.

77 % shares in Voyager Mediterranean Turizm Endüstri ve Ticaret AŞ has been purchased for TL 161,433 billion (Note 10) in June 2003.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

3 Cash and cash equivalents

	30 September 2003	*31 December 2002*
Cash at branches	120,286	199,497
Balances with Central Bank of Turkey	1,487,302	2,105,637
Others	8,190	4,326
	1,615,778	2,309,460

At 30 September 2003, cash and cash equivalents included balances with the Central Bank of Turkey of TL 1,036,927 billions (31 December 2002: TL 1,086,695 billions) as minimum reserve requirement, these funds are not available for the Bank and its affiliates' daily business. As required by the Turkish Banking Law, these reserve deposits are calculated on the basis of customer deposits taken at the rates determined by the Central Bank of Turkey. In accordance with the current legislation, the reserve deposit rates for Turkish Lira and foreign currency deposits are 6% and 11%, respectively. These reserve deposit rates are applicable to both time and demand deposits.

4 Financial assets held for trading

	30 September 2003				*31 December 2002*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments held for trading:					
Government bonds in foreign currency	429,940	425,742	5.00-6.00	2005	759,913
Eurobonds	36,302	40,845	7.00-15.00	2030	294,659
Bonds issued by foreign governments	29,568	31,939	5.00-10.00	2030	176,518
Discounted government bonds in Turkish lira	20,151	16,044	30.20-35.71	2004	262,297
Government bonds in Turkish lira	17,375	13,925	33.93-64.00	2004	2,665
Treasury bills in Turkish lira	10,195	8,583	28.26-47.05	2004	76,827
Government bonds at floating rates	8,055	8,292	36.29	2004	36,309
Others		3,811			15,793
		549,181			1,624,981
Equity and other non-fixed income instruments:					
Listed shares		11,272			11,029
Total financial assets held for trading		560,453			1,636,010

Income from debt and other instruments held for trading is recognized in interest on securities. Gains and losses arising on derivative financial instruments and changes in fair value of other trading instruments are recognized in net trading income.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

4 Financial assets held for trading (continued)

For the nine-month period ended 30 September 2003, net income on trading of financial assets amounting to TL 440,705 billions and to TL 223,169 billions for the three-month period ended 30 September 2003 (30 September 2002: TL 218,129 billions and three-month period ended 30 September 2002: TL 67,766 billions) in total is included in trading account income, net.

Included in government bonds and treasury bills were securities pledged under repurchase agreements with customers amounting to TL 108,119 billions (31 December 2002: TL 288,733 billions).

The following table summarizes the contractual amounts of the forward exchange, swap, futures and options contracts, with details of remaining periods to maturity. Foreign currency amounts are translated at rates ruling at the balance sheet date. Monetary items denominated in a foreign currency are economically hedged using foreign currency derivative contracts. The Bank and its affiliates do not use hedge accounting for its foreign currency derivative contracts. All gains and losses on foreign currency contracts are recognized in the statement of operations. At 30 September 2003, 62% of the net consolidated foreign currency open position was hedged through the use of foreign currency contracts (31 December 2002: 16%).

	Notional amount with remaining life of					
At 30 September 2003	***Upto 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Future rate agreements	-	-	-	-	31,530	31,530
Purchases	-	-	-	-	*15,765*	*15,765*
Sales	-	-	-	-	*15,765*	*15,765*
Currency Derivatives						
Spot exchange contracts	283,885	-	-	-	-	283,885
Purchases	*113,538*	-	-	-	-	*113,538*
Sales	*170,347*	-	-	-	-	*170,347*
Forward exchange contracts	1,617,817	425,767	16,359	21,753	-	2,081,696
Purchases	*1,592,613*	*417,081*	*9,645*	*10,665*	-	*2,030,004*
Sales	*25,204*	*8,686*	*6,714*	*11,088*	-	*51,692*
Currency/cross currency swaps	111,975	412,873	540,502	325,746	1,344	1,392,440
Purchases	*100,069*	*411,303*	*540,502*	*325,746*	-	*1,377,620*
Sales	*11,906*	*1,570*	-	-	*1,344*	*14,820*
Options	99,482	-	-	-	-	99,482
Purchases	*22,874*	-	-	-	-	*22,874*
Sales	*76,608*	-	-	-	-	*76,608*
Foreign currency futures	82,790	-	-	-	-	82,790
Purchases	*82,790*	-	-	-	-	*82,790*
Sale	-	-	-	-	-	-
Other foreign exchange contracts	65,603	28,045	-	-	-	93,648
Purchases	-	*1,650*	-	-	-	*1,650*
Sale	*65,603*	*26,395*	-	-	-	*91,998*
Subtotal Purchases	1,911,884	830,034	550,147	336,411	15,765	3,644,241
Subtotal Sales	349,668	36,651	6,714	11,088	17,109	421,230
Total of Transactions	2,261,552	866,685	556,861	347,499	32,874	4,065,471
Net Exposure	1,562,216	793,383	543,433	325,323	(1,344)	3,223,011

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

4 Financial assets held for trading (continued)

	Notional amount with remaining life of					
At 31 December 2002	***Upto 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Interest rate swaps	-	1,085	73,919	-	-	75,004
Purchases	-	-	*37,502*	-	-	*37,502*
Sales	-	*1,085*	*36,417*	-	-	*37,502*
Currency Derivatives						
Spot exchange contracts	63,419	-	-	-	-	63,419
Purchases	*23,779*	-	-	-	-	*23,779*
Sales	*39,640*	-	-	-	-	*39,640*
Forward exchange contracts	1,541,296	11,294	11,932	1,770	-	1,566,292
Purchases	*1,477,876*	*4,551*	*10,018*	-	-	*1,492,445*
Sales	*63,420*	*6,743*	*1,914*	*1,770*	-	*73,847*
Currency/cross currency swaps	250,325	533,417	402,326	170,572	-	1,356,640
Purchases	*211,426*	*519,505*	*402,326*	*85,286*	-	*1,218,543*
Sales	*38,899*	*13,912*	-	*85,286*	-	*138,097*
Other foreign exchange contracts	55,076	-	-	-	-	55,076
Purchases	-	-	-	-	-	-
Sale	*55,076*	-	-	-	-	*55,076*
Subtotal Purchases	1,713,081	524,056	449,846	85,286	-	2,772,269
Subtotal Sales	197,035	21,740	38,331	87,056	-	344,162
Total of Transactions	1,910,116	545,796	488,177	172,342	-	3,116,431
Net Exposure	1,516,046	502,316	411,515	(1,770)	-	2,428,107

5 Loans and advances to banks

	30 September 2003			***31 December 2002***		
	Turkish Lira	***Foreign Currency***	***Total***	***Turkish Lira***	***Foreign Currency***	***Total***
Loans and advances-demand						
Domestic banks	3,665	4,150	7,815	1,839	63	1,902
Foreign banks	122	139,542	139,664	-	169,742	169,742
	3,787	143,692	147,479	1,839	169,805	171,644
Loans and advances-time						
Domestic banks	134,716	130,555	265,271	80,479	217,296	297,775
Foreign banks	4,179	977,720	981,899	56,954	707,829	764,783
	138,895	1,108,275	1,247,170	137,433	925,125	1,062,558
Accrued interest on loans and advances	192	1,851	2,043	2,584	3,941	6,525
Total loans and advances to banks	142,874	1,253,818	1,396,692	141,856	1,098,871	1,240,727
Less: allowance for uncollectibility	-	-	-	-	-	-
Net loans and advances to banks	142,874	1,253,818	1,396,692	141,856	1,098,871	1,240,727

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

5 Loans and advances to banks (continued)

As at 30 September 2003, time deposits are almost all short-term, maturing within one year, with interest rates ranging between 1-6% per annum for foreign currency time deposits and 29-52% per annum for Turkish lira time deposits (31 December 2002: 1-10% and 41-59%, respectively).

As at 31 December 2002, TL 211,004 billions (30 September 2003: nil) 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 September 2003, demand deposits at foreign banks include blocked accounts of TL 36,801 billions (31 December 2002: TL 38,631 billions) against the securitisation transactions on cheques and credit card receivables.

6 Loans and advances to customers

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

	30 September 2003	*31 December 2002*
Industrial	1,971,551	1,979,477
Consumer loans	1,755,053	1,278,521
Financial institutions	1,092,987	1,300,243
Service sector	703,663	655,014
Turkish Treasury	325,748	417,045
Construction	291,491	308,901
Agriculture	183,106	122,820
Tourism	175,467	71,111
Foreign trade	164,571	1,117,732
Transportation	79,218	81,691
Domestic commerce	19,882	23,354
Media	15,933	19,877
Others	219,547	326,762
Total performing loans	6,998,217	7,702,548
Non-performing loans	335,362	432,206
Total gross loans	7,333,579	8,134,754
Accrued interest income on loans	182,047	262,728
Financial lease receivables, net of unearned income (Note 7)	238,715	214,048
Allowance for possible losses from loans and lease receivables	(196,256)	(197,161)
Loans and advances to customers	7,558,085	8,414,369

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

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

As at 30 September 2003, loans given to customers have interest rates between 1.65-18% (31 December 2002: 2-14%) per annum for foreign currency loans and 34-58% (31 December 2002: 31-80%) per annum for Turkish lira loans.

Included in loans and advances to customers were securities pledged under repurchase agreements with customers amounting to TL 65,502 billions (31 December 2002: TL - billions).

The specific allowance for possible losses is comprised of amounts for specifically identified problem and non-performing loans and advances 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 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.

In 2002, the Bank discovered a fundamental error on the computation of amortized costs of outstanding loans and advances to customers as of 31 December 2001. This computation is made for the first time as of this date in compliance with IAS39, "Financial Instruments: Recognition and Measurement". The effects of the correction of this fundamental error incurred due to an error in data transfer from the system, on 31 December 2001 financial statements would be a decrease in the total interest income on loans by TL 27,240 billions and an increase in 2001 net loss by TL 18,251 billions, net of deferred income taxes of TL 8,989 billions. Accordingly, the opening accumulated losses as at 1 January 2002 have been restated by increasing the accumulated losses by TL 18,251 billions, which was the net amount of adjustments relating to prior period.

Movements in the allowance for possible losses from loans and lease receivables, are as follows:

	30 September 2003	*31 December 2002*
Balance at the beginning of the period/year	197,161	411,589
Restatement effect of the beginning balance and current period provision for the effects of inflation	(25,284)	(91,140)
Write-offs	(396)	(192,924)
Recoveries	(13,569)	(6,269)
Provision for the period/year	38,344	75,905
Balance at the end of the period/year	196,256	197,161

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

7 Financial lease receivables

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

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

	30 September 2003	*31 December 2002*
Financial lease receivables, net of unearned income (Note 6)	238,715	214,048
Less: allowance for possible losses from lease receivables	(5,917)	(7,589)
	232,798	206,459
Analysis of net financial lease receivables		
Not later than 1 year	196,624	173,506
Later than 1 year and not later than 5 years	79,337	78,309
Later than 5 years	-	-
Financial lease receivables, gross	275,961	251,815
Unearned income	(43,163)	(45,356)
Financial lease receivables, net	232,798	206,459
Analysis of net financial lease receivables, net		
Not later than 1 year	166,265	143,837
Later than 1 year and not later than 5 years	66,533	62,622
Later than 5 years	-	-
Financial lease receivables, net	232,798	206,459

8 Other assets

	30 September 2003	*31 December 2002*
Tangible assets held for resale	561,415	589,274
Factoring receivables	147,213	90,665
Miscellaneous receivables	108,311	62,455
Accrued exchange gain on derivatives	51,332	77,601
Insurance premium receivables	48,329	46,252
Retail business stocks	45,794	49,430
Prepaid expenses, insurance claims and similar items	35,197	72,204
Taxes and funds to be refunded	17,023	17,850
Purchased cheques	14,755	16,925
Others	36,312	40,970
	1,065,681	1,063,626

TL 296,916 billions of tangible assets held for resale comprise of real estate acquired by the Bank against its impaired 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 legal permission.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

9 Security investments

	30 September 2003				*31 December 2002*
	Face value	***Carrying value***	***Interest rate range %***	***Latest maturity***	***Carrying value***
Debt and other instruments available-for-sale:					
Eurobonds	1,160,201	1,296,036	2.38-12.75	2030	1,054,399
Government bonds at floating rates	751,792	808,067	38.23-39.62	2005	56,388
Treasury bills in Turkish Lira	403,691	352,467	32.00-65.88	2004	2,566
Government bonds in foreign currency	245,512	242,984	5.00-6.00	2005	-
Discounted government bonds in Turkish Lira	224,938	181,275	30.20-35.71	2004	-
Bonds issued by financial institutions	133,796	135,858	7.88-12.75	2010	-
Bonds issued by foreign governments	23,834	29,159	8.50-10.63	2012	22,673
Government bonds indexed to foreign currency	7,244	7,289	6.00-8.74	2005	122,519
Government bonds in Turkish Lira	7,650	6,349	32.00-74.17	2004	-
Others		4,611			9,147
Total securities available-for-sale		3,064,095			1,267,692
Debt and other instruments held-to-maturity:					
Government bonds indexed to foreign currency	2,435,420	2,854,168	**(a)**	2006	3,750,605
Eurobonds	852,580	865,892	2.63-12.75	2010	826,899
Government bonds at floating rates	620,106	615,723	**(b)**	2005	1,138,597
Bonds issued by foreign governments	141,535	145,968	5.75-8.25	2007	8,427
Government bonds-CPI	68,000	68,000	**(c)**	2003	75,289
Bonds issued by corporates	57,400	57,400	8.50-15.00	2006	-
Bonds issued by financial institutions	38,191	39,216	3.78-19.00	2013	81,166
Discounted government bonds in Turkish lira	49,200	34,866	30.2-35.71	2004	90,194
Treasury bills in Turkish lira		-			74,311
Government bonds in foreign currency		-			16,363
Others		-			364
		4,681,233			6,062,215
Accrued interest on held-to-maturity portfolio		104,880			83,527
Total securities held-to-maturity		4,786,117			6,145,742
Total security investments		7,850,208			7,413,434

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

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

(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.*

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

9 Security investments (continued)

Income from debt and other fixed- or floating-income instruments is recognized in interest on securities.

Included in government bonds and treasury bills were securities pledged under repurchase agreements with customers amounting to TL 1,586,419 billions (31 December 2002: TL 1,132,224 billions).

During the second quarter of 2002, the Bank management has decided to transfer the available-for-sale securities (government bonds indexed to foreign currency) with a face value of TL 2,719,986 billions to its held to maturity portfolio.

In 2002, the Bank discovered a fundamental error that a part of Eurobond securities with a maturity of January 2030, which were not intended to hold until maturity by the Bank management were included in “securities held-to-maturity” by oversight during the presentation of financial statements as at 31 December 2001. The total carrying value of these securities with a face value of US$ 135 millions was TL 312,828 billions. The accompanying 2002 financial statements reflect the correct definition and presentation of these securities as “securities available-for-sale”. The effects of the correction on 2001 financial statements would be a decrease in the total carrying value of these securities by TL 28,400 billions and an increase in 2001 net loss by TL 19,027 billions net of deferred income taxes of TL 9,373 billions. Accordingly, the opening accumulated losses as at 1 January 2002 have been restated by increasing the accumulated losses by TL 19,027 billions, which is the net amount of adjustment relating to prior year.

The following table summarizes securities that were deposited as collaterals with respect to various banking transactions:

	30 September 2003		*31 December 2002*	
	Face Value	*Carrying value*	*Face Value*	*Carrying value*
US$ eurobonds collateralised to foreign banks	1,510,897	1,619,988	942,320	1,096,105
Deposited at Central Bank of Turkey (CBT) for interbank transactions	630,000	727,285	630,000	932,518
Deposited at CBT for foreign currency money market transactions	320,000	369,415	320,000	473,661
Reserve requirements at CBT	300,000	346,326	300,000	444,056
Deposited at CBT for repurchase transactions	224,605	236,585	124,219	150,492
Deposited at Clearing Bank (Takasbank)	193,500	202,140	214,944	248,881
Deposited at Istanbul Stock Exchange		-	157,410	177,210
Others		24,155		27,640
		3,525,894		3,550,563

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

10 Investments in equity participations

	30 September 2003		*31 December 2002*	
	Carrying Value	*Ownership %*	*Carrying Value*	*Ownership %*
Investments in associated companies:				
Garanti Turizm ve Yatirim Isl. AS	26,771	44.89	24,000	44.89
Petrotrans Nakliyat ve Tic. AS	9,781	99.60	10,831	99.60
Others	5,615		21,152	
	42,167		55,983	
Other equity participations available-for-sale:				
Voyager Med. Tur. End. ve Tic. AS	161,433	77.00 ***(a)***	-	-
Dogus Otomotiv Holding A.S.	124,538	19.82	124,538	19.82
Akarnet Konakl. Tes. Yat. Isl. AS	25,950	100.00 ***(a)***	-	-
IMKB Takasbank AS	9,728	5.83	9,729	5.83
Others	16,278		17,099	
	337,927		151,366	
	380,094		207,349	

Petrotrans is presently a dormant company. As the Bank's intention is to hold this investment for only its property of which the fair value is equal to this investment's carrying value, net-off impairment reduction, it is not consolidated.

Equity participations available-for-sale are stated at cost, since they do not have a quoted market price in an active market and other methods of reasonably estimating their values would be inappropriate and unworkable.

(a) *The investments in companies over which the Bank and its affiliates do not have either any significant influence or control, or any long-term plans to hold them as affiliate, were classified as equity participations available-for-sale and not consolidated.*

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

11 Tangible assets

Movement in tangible assets for the period of 1 January – 30 September 2003 is as follows:

	1January	Additions	Adjustment for Currency Translation	Disposals	30 September
Costs					
Land and buildings	1,390,835	27,597	(15,225)	(35,369)	1,367,838
Furniture, fixture and equipments	965,868	25,694	(1,493)	(79,687)	910,382
Leasehold improvements	390,683	22,843	(1,380)	(43,436)	368,710
	2,747,386	76,134	(18,098)	(158,492)	2,646,930
Less: Accumulated depreciation					
Land and buildings	144,450	21,446	(8,188)	(20,481)	137,227
Furniture, fixture and equipments	616,619	75,683	(1,114)	(78,905)	612,283
Leasehold improvements	206,694	30,992	(1,212)	(32,746)	203,728
	967,763	128,121	(10,514)	(132,132)	953,238
Construction in progress	10,726	2,269 ***(a)***	-	-	12,995
	1,790,349		(7,584)	(26,360)	1,706,687
Impairment in value of tangible assets	(61,825)				(77,660)
	1,728,524				1,629,027

Movement in tangible assets for the period of 1 January – 31 December 2002 is as follows:

	1January	Correction	Additions	Adjustment for Currency Translation	Disposals	31 December
Costs						
Land and buildings	1,169,583	-	278,459	663	(57,870)	1,390,835
Furniture, fixture and equipments	1,095,999	18,298	81,942	4	(230,375)	965,868
Leasehold improvements	461,666	(69,874)	26,451	-	(27,560)	390,683
	2,727,248	(51,576)	386,852	667	(315,805)	2,747,386
Less: Accumulated depreciation						
Land and buildings	130,825	-	18,909	(240)	(5,044)	144,450
Furniture, fixture and equipments	688,743	46,083	111,808	(31)	(229,984)	616,619
Leasehold improvements	212,124	(48,983)	47,500	-	(3,947)	206,694
	1,031,692	(2,900)	178,217	(271)	(238,975)	967,763
Construction in progress	220,140	-	(209,414) ***(a)***	-	-	10,726
	1,915,696	(48,676)		938	(76,830)	1,790,349
Impairment in value of tangible assets	(31,716)					(61,825)
	1,883,980					1,728,524

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

11 Tangible assets (continued)

Depreciation expense for the nine-month period ended 30 September 2003 and for the three-month period ended 30 September 2003, amounts to TL 128,126 billions and TL 41,581 billions, respectively (the nine-month period ended 30 September 2002: TL 154,044 billions and the three-month period ended 30 September 2002: TL 60,154 billions). The premises are depreciated at the annual rate of 2% and the rates applied to furniture, fixtures and equipment range from 8% to 25%.

The Bank has corrected the opening balance of its tangible assets. In years before 2002, the Bank was restating its tangible assets for the effects of inflation (refer accounting policy (d)) on the basis of monthly additions and disposals, since it was impracticable to adjust them item by item at the proper time. After a significant work for years, the Bank has completed the detailed list of its tangible assets as adjusted for the effects of inflation as at 31 December 2002. The effects of these adjustments on 31 December 2001 financial statements would be a decrease in net tangible assets by TL 48,676 billions and an increase in 2001 accumulated losses by TL 32,613 billions, net of deferred income tax of TL 16,063 billions. Accordingly, the opening accumulated losses as at 1 January 2002 have been restated by increasing the accumulated losses by TL 32,613 billions, which is the net amount of adjustment relating to periods prior to 31 December 2001.

During this detailed work, the depreciation rates applied to some of the items were also revised according to the expected useful lives of these assets starting from the year 2002. The effect of this change in accounting estimate relating to the 2002 depreciation charge was recognized in the determination of net profit of 2002.

12 Intangible assets

Intangible assets represent goodwill arising from the direct acquisitions of 25.92% ownership in and majority voting rights in the Board of Directors of Tansas Perakende Magazacilik Ticaret AS, 29.23% ownership in Doc Finance S.A., 100% ownership in Garanti Yatirim Menkul Kiymetler AS, 100% ownership in Dogus Hava Tasimaciligi AS, 99.99% ownership in Garanti Sigorta AS, 100% ownership in Garanti Emeklilik ve Hayat AS, 98.89% ownership in Garanti Finansal Kiralama AS, 81.81% ownership in Garanti Finans Faktoring Hizmetleri AS, 56.06% ownership in Garanti Gayrimenkul Yatirim Ortakligi AS, 100% ownership in Dogus Turizm Saglik Yatirimlari ve Isl. AS, and 99.95% ownership in Sititur Tur.Tem.Tasimacilik Org.Bilgisayar Dan.Yapi.San. ve Tic. AS consists of the excesses of the total acquisition costs over net assets of these consolidated entities at the dates of acquisition.

As at 30 September 2003, goodwill is amortized on a straight line basis over 20 years, the time during which benefits are expected to be consumed, and reflected as TL 124,800 billions (31 December 2002:TL 138,991 billions), net of accumulated amortization, in the accompanying consolidated balance sheets.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

12 Intangible assets (continued)

Movement in goodwill for the period of 1 January - 30 September 2003 is as follows:

	1January	Additions	Disposals	30 September
Goodwill				
Tansas Perakende Magazacilik Ticaret AS	122,036	-	-	122,036
Dogus Hava Tasimaciligi AS	41,707	-	-	41,707
Garanti Yatirim Menkul Kiymetler AS	21,917	-	-	21,917
Docfinance SA	9,080	-	-	9,080
Garanti Finans Faktoring Hizmetleri AS	6,432	-	-	6,432
Garanti Finansal Kiralama AS	5,026	-	-	5,026
Sititur Tur.T.Tas.Org.Bilg.Dan.Y.San.veTic. AS	3,111	-	-	3,111
Dogus Turizm Saglik Yatirimlari ve Isl. AS	1,427	-	-	1,427
Garanti Sigorta AS	1,191	-	-	1,191
Garanti Gayrimenkul Yatirim Ortakligi AS	492	-	-	492
Garanti Emeklilik ve Hayat AS	41	-	-	41
Total goodwill	212,460	-	-	212,460
Less: Accumulated amortization				
Tansas Perakende Magazacilik Ticaret AS	24,410	10,796	-	35,206
Dogus Hava Tasimaciligi AS	6,261	1,565	-	7,826
Garanti Yatirim Menkul Kiymetler AS	2,586	822	-	3,408
Docfinance SA	1,677	341	-	2,018
Garanti Finans Faktoring Hizmetleri AS	321	241	-	562
Garanti Finansal Kiralama AS	251	189	-	440
Sititur Tur.T.Tas.Org.Bilg.Dan.Y. San.veTic. AS	156	117	-	273
Dogus Turizm Saglik Yatirimlari ve Isl. AS	71	54	-	125
Garanti Sigorta AS	177	46	-	223
Garanti Gayrimenkul Yatirim Ortakligi AS	25	18	-	43
Garanti Emeklilik ve Hayat AS	4	2	-	6
	35,939	14,191	-	50,130
Goodwill, net of accumulated amortization	176,521			162,330
Impairment in value of goodwill	(37,530)			(37,530)
	138,991			124,800

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

12 Intangible assets (continued)

Movement in goodwill for the period of 1 January – 31 December 2002 is as follows:

	1January	Additions	Disposals	31 December
Goodwill				
Tansas Perakende Magazacilik Ticaret AS	122,036	-	-	122,036
Dogus Hava Tasimaciligi AS	41,707	-	-	41,707
Garanti Yatirim Menkul Kiymetler AS	21,917	-	-	21,917
Docfinance SA	9,080	-	-	9,080
Garanti Finans Faktoring Hizmetleri AS	6,432	-	-	6,432
Garanti Finansal Kiralama AS	5,026	-	-	5,026
Sititur Tur.T..Tas.Org.Bilg.Dan.Y. San.veTic. AS	3,111	-	-	3,111
Dogus Turizm Saglik Yatirimlari ve Isl. AS	1,427	-	-	1,427
Garanti Sigorta AS	1,191	-	-	1,191
Garanti Gayrimenkul Yatirim Ortakligi AS	492	-	-	492
Garanti Emeklilik ve Hayat AS	41	-	-	41
Total goodwill	212,460	-	-	212,460
Less: Accumulated amortization				
Tansas Perakende Magazacilik Ticaret AS	10,015	14,395	-	24,410
Dogus Hava Tasimaciligi AS	4,176	2,085	-	6,261
Garanti Yatirim Menkul Kiymetler AS	1,490	1,096	-	2,586
Docfinance SA	1,223	454	-	1,677
Garanti Finans Faktoring Hizmetleri AS	-	321	-	321
Garanti Finansal Kiralama AS	-	251	-	251
Sititur Tur.T.Tas.Org.Bilg.Dan.Y. San.veTic. AS	-	156	-	156
Dogus Turizm Saglik Yatirimlari ve Isl. AS	-	71	-	71
Garanti Sigorta AS	117	60	-	177
Garanti Gayrimenkul Yatirim Ortakligi AS	-	25	-	25
Garanti Emeklilik ve Hayat AS	2	2	-	4
	17,023	18,916	-	35,939
Goodwill, net of accumulated amortization	195,437			176,521
Impairment in value of goodwill	-			(37,530)
	195,437			138,991

13 Deposits from banks

Deposits from banks comprise the following:

	30 September 2003	31 December 2002
Payable on demand	38,218	24,328
Term deposits	547,735	753,059
	585,953	777,387
Accrued interest on deposits from banks	3,272	2,423
	589,225	779,810

Deposits from banks include both TL accounts of TL 335,336 billions (31 December 2002: TL 94,682 billions) and foreign currency accounts of TL 250,617 billions (31 December 2002: TL 682,705 billions).

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

14 Deposits from customers

Deposits from customers comprise the following:

	30 September 2003			*31 December 2002*
	Demand	***Time***	***Total***	***Total***
Foreign currency	3,108,335	6,530,123	9,638,458	11,326,793
Saving	252,193	2,369,858	2,622,051	2,198,605
Commercial	836,230	1,203,980	2,040,210	2,422,244
Public and other	276,600	57,827	334,427	202,473
	4,473,358	10,161,788	14,635,146	16,150,115
Accrued interest expenses on deposits from customers	-	173,196	173,196	162,618
	4,473,358	10,334,984	14,808,342	16,312,733

As at 30 September 2003, interest rates applicable to Turkish lira deposits and foreign currency deposits vary at ranges of 34-53% and 1-6% (31 December 2002: 36-59% and 1-13%), respectively.

15 Obligations under repurchase agreements

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

30 September 2003	*Carrying value*	*Fair value of underlying assets*	*Carrying amount of corresponding liabilities*	*Range of repurchase dates*	*Repurchase price*
Trading instruments	108,119	110,081	86,786	Oct 2003-July 2004	89,050
Security investments	1,586,419	1,638,064	1,123,757	Oct 2003-Sept 2004	1,136,482
Originated loans	65,502	72,787	41,336	Sept 2004	42,405
	1,760,040	1,820,932	1,251,879		1,267,937
31 December 2002					
Trading instruments	288,733	289,125	269,323	Jan-Sept 2003	270,548
Security investments	1,132,224	1,154,381	928,238	Jan-Sept 2003	930,731
Originated loans	-	-	-		-
	1,420,957	1,443,506	1,197,561		1,201,279

Accrued interest on obligations under repurchase agreements amounting to TL 5,992 billions (31 December 2002: TL 1,131 billions) is included in the carrying amount of corresponding liabilities.

As such funding is raised against assets collateralized, due to the margins set between the parties, generally carrying values of such assets are over than the corresponding liabilities.

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As at 30 September 2003, the maturities and interest rates of the obligations are within one to twelve months and between 1.5-44% (31 December 2002: 1.5-34%).

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

16 Loans and advances from banks

Loans and advances from banks comprise the following:

	30 September 2003	*31 December 2002*
Short-term borrowings		
Domestic banks	251,118	300,470
Foreign banks	1,587,088	2,052,856
	1,838,206	2,353,326
Short-term portion		
Long-term debts	315,448	311,349
Medium and long-term portion	455,533	429,465
	770,981	740,814
Accrued interest on loans and advances from banks	26,111	31,757
	2,635,298	3,125,897

As at 30 September 2003, short-term borrowings from foreign banks included a syndicated term-loan facility in the amount of US$ 325 millions (equivalent of TL 436,800 billions) signed on 11 October 2002 available to corporate customers to pre-finance export contracts. At 31 December 2002, short-term borrowings from foreign banks also included a one-year syndicated facility in the amount of EUR 350 millions matured in May 2003; and renewed to finance pre-finance export contracts of the Bank's corporate customers for the amount of EUR 400 millions (equivalent of TL 627,944 billions) on 7 July 2003 as signed with the 16 mandated arrangers.

Long-term debts comprise the following:

	30 September 2003					*31 December 2002*
	Interest rate%	*Maturity*	*Amount in original currency*	*Short term portion*	*Medium and long term portion*	*Medium and long term debts*
DPR Securitisation	3	2008	US$200 mio	-	268,800	-
Anatolia Finance Company	7.24	2004	US$69 mio	70,695	22,529	105,322
Cobank	1.12-1.45	2006	US$65 mio	37,433	50,372	58,769
TPR Securitisation-I	Libor+4.4-10.81	2004	US$42 mio	56,538	-	50,291
Deutsche Bank	1.26-1.50	2006	US$40 mio	23,585	30,434	44,086
Standard Chartered	1.25-1.51	2006	US$22 mio	12,219	17,885	17,848
DEG	7.70	2005	EUR10 mio	7,850	7,850	13,906
ABN Amro Bank	5.75-6.3	2004	EUR6 mio	8,919	-	15,060
World Bank	3.24	2004	US$4 mio	5,376	-	8,850
Others				92,833	57,663	115,333
				315,448	455,533	429,465

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 SA (Europay), to Anatolia Finance Company, a special purpose company (SPC) organized under the laws of the Cayman Islands for the amount of US$ 175 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 US$ 175 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. In line

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16 Loans and advances from banks (continued)

with the repayment schedule, the outstanding balance of this loan as of 30 September 2003 is US$ 69 millions. 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 Bankasi AS, 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.

In June 1999, the Bank obtained a fund in the amount of US$ 200 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 US$ 29 millions and US$ 171 millions, respectively. In line with repayment schedule, the outstanding balance of this loan as of 30 September 2003 is US$ 42 millions. 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 five years with an average life of 3.14 years. The TPR Securitisation-I was arranged through Bank of America Securities LLC, Bank of America International Limited and Credit Suisse First Boston Corporation (CSFB) was appointed as co-manager.

In December 2002, the Bank obtained a short term fund in the amount of US$ 200 millions through its Diversified Payment Rights Securitisation transaction (the “DPR Securitisation”). The DPR Securitisation securitises the Bank’s all right, title and interest to US dollar, Euro or Sterling-denominated MT100-series messages under the Society for Worldwide Interbank Financial Telecommunication (SWIFT) message system received by the Bank. Subsequently in 2003, its maturity lengthened to five years (Note 25).

17 Bonds payable

The bonds which were fully repaid at the beginning of 2003, were as follows as at 31 December 2002:

Bearer notes	79,360
Accrued interest on bonds payable	5,035
	84,395

At 31 December 2002, bearer notes represented Euro notes issued by Garanti Bank International NV, a consolidated affiliate, on 21 March 2000 through the arrangement of Goldman Sachs International, bearing 8% interest per annum and payable annually in arrear on 21 March in each year commencing on 21 March 2001, and matured in 2003.

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18 Taxation on income

As at 31 December 2002, the corporation tax rate was 30%; contribution to a state fund was 10% of this tax that resulted in effective corporation tax rate of 33%. As described in temporary Article 1 of Act No.4842 as published in the Official Gazette dated 24 April 2003, the state fund of 10% was abolished and effective corporation tax rate was decreased from 33% to 30%. 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.

In accordance with the change in tax legislation, starting from the second quarter of 2003, prepaid tax will be paid on the tax base calculated on the quarterly earnings of the companies at the rate of 30% as increased from 25%. These payments can be deducted from the annual corporate tax calculated for the whole year earnings. The remaining corporate tax liability is required to pay in one installment within the time frame of preparation of Annual Tax Return.

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.

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.

The total provision 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 September 2003	*%*	*30 September 2002*	*%*
Taxes on income/(loss) per statutory tax rate	79,186	30.00	(60,651)	(33.00)
Permanent differences relating to the restatement of non-monetary items per IAS 29	(41,583)	(15.74)	(163,798)	(89.13)
Effect of permanent differences on consolidation adjustments	29,594	11.21	60,460	32.90
Income items exempt from tax or subject to different tax rates	(29,214)	(11.07)	(15,872)	(8.64)
Investment incentives	2,379	0.90	-	-
Disallowable expenses	11,095	4.20	5,002	2.72
Effect of change in legal tax rate	40,431	15.32	-	-
Others	1,145	0.43	1,460	0.79
Taxation charge/(credit)	93,033	35.25	(173,399)	(94.36)

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18 **Taxation on income** (continued)

The taxation credit comprise the following:

	30 September 2003	*30 September 2002*
Current taxes	18,802	19,900
Deferred taxes	74,231	(193,299)
Taxation charge/(credit)	93,033	(173,399)

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 current taxes payable on income comprise the following:

	30 September 2003	*31 December 2002*
Provision for current taxes payable on income before deductions	93,033	(73,878)
Add: Taxes payable carried forward	18,531	35,399
Add/(less): Deferred tax assets/liabilities	(74,231)	90,913
Less: Restatement effect on current taxes payable on income for the change in the general purchasing power of TL at 30 September 2003	(1,794)	(8,343)
Taxes payable on income	35,539	44,091

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

	30 September 2003	*31 December 2002*
Deferred tax assets		
Tax losses carried forward	295,458	398,999
Valuation difference on financial assets and liabilities	40,361	29,884
Investment incentives	26,068	31,496
Capitalised expenses and leasing obligations	25,044	9,412
Impairment in value of investments in associated companies and tangible assets	21,249	49,135
Specific and general allowance for loan losses	12,705	9,721
Reserve for retirement pay	2,450	2,193
Others	5,682	14,592
Total deferred tax assets	429,017	545,432
Deferred tax liabilities		
Restatement of non-monetary items per IAS 29	111,336	124,491
Others	8,516	-
Total deferred tax liabilities	119,852	124,491
Net deferred tax assets	309,165	420,941

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19 Other liabilities and accrued expenses

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

	30 September 2003	*31 December 2002*
Transfer orders	338,912	473,290
Miscellaneous payables	149,982	146,832
Factoring payables	115,738	55,753
Insurance technical provisions	61,693	58,350
Withholding taxes	43,209	42,526
Reserve for severance payment	30,325	15,967
Unearned income	21,082	10,892
Blocked accounts	20,278	15,268
Payables to insurance and reinsurance companies relating to insurance operations	20,195	20,138
Expense accruals	17,655	21,898
General provision for non-cash loans	9,822	4,797
Payables to suppliers relating to financial leasing activities	9,384	7,300
Others	65,309	60,743
	903,584	933,754

20 Shareholders' equity

The authorized nominal share capital of the Bank amounted to TL 791,748 billions comprising 1,583,495,630,307 registered shares of five hundred Turkish liras each and 1,825 registered shares of on hundred Turkish liras each. The portion of share capital arising from the amounts paid in by the shareholders was restated for the effects of inflation (refer to accounting policy (d)) in the accompanying consolidated financial statements; however, the transfers from revaluation surplus on fixed assets for statutory purposes and transfers from statutory accumulated profits were eliminated. From the restated share capital, in 2002 the prior periods losses were deducted in line with the compensation of such losses from the capital reserves from inflation adjustments to paid-in capital and other reserves in the statutory accounts of the Bank, which occurred on 28 November 2002 by the decision of the Board of Directors.

The Bank made two transactions in 2001 to be subsidized from its major shareholder in order to mitigate the effects of its one-time losses resulting from economic crisis in Turkey. As a result of these transactions, the Bank reflected an income in 2001. However, these transactions were in substance, capital contributions by shareholders since such financing could not have been entered into on an arm's-length basis with a third party. Consequently, "accumulated profits" account was corrected by decreasing TL 149,540 billions and an additional paid-in capital by the same amount was accounted as at 30 September 2003. Accordingly, the share capital was reflected as TL 1,851,020 billions in the accompanying consolidated financial statements.

The reserves include legal reserves amounting to TL 48,095 billions in total which were established by annual appropriations amounting to 5% of income disclosed in the Bank's and its affiliates' 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 reserves are restricted and are not available for distribution as dividends. In the accompanying consolidated financial statements, legal reserves are included at their historical amounts. The reserves also include TL 5,000 billions appropriated by management for the purpose of general banking risks.

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21 Fair value information

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

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

Management has estimated that the fair value of certain balance sheet instruments is not materially different than their recorded values except for security investments. These balance sheet instruments include loans and advances to banks and customers, deposits from banks and customers, obligations under repurchase agreements, loans and advances from banks, bonds payable and other short-term assets and liabilities which are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. Fair value of security investments is TL 7,912,089 billions (31 December 2002: TL 7,445,526 billions), whereas the carrying amount is TL 7,850,208 billions (31 December 2002: TL 7,413,434 billions) in the accompanying consolidated balance sheet as at 30 September 2003.

The fair values of share capital, leasehold improvements and other assets and liabilities that are not of contractual natures, are not calculated as they are not considered financial instruments.

22 Commitments and contingencies

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

Commitments and contingent liabilities comprise the following:

	30 September 2003	*31 December 2002*
Letters of guarantee	3,299,817	3,743,002
Letters of credit	1,270,201	1,258,308
Acceptance credits	449,023	443,981
Other guarantees and endorsements	18,157	36,776
	5,037,198	5,482,067

As at 30 September 2003, commitment for uncalled capital of affiliated companies amounts approximately to TL 147 billions (31 December 2002: TL 299 billions).

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22 Commitments and contingencies (continued)

As at 30 September 2003, commitment for purchase and sale of foreign currencies under spot, forward, swap, future rate agreements or options and forward agreements for gold trading amounts to TL 4,065,471 billions (31 December 2002: TL 3,116,431 billions), all due within a year. The breakdown of outstanding commitments, by type, are presented as follows:

	30 September 2003		*31 December 2002*	
	Purchases	*Sales*	*Purchases*	*Sales*
Forward agreements for customer dealing activities	69,475	14,649	46,690	35,632
Currency swap agreements for customer dealing activities	33,911	3,849	21,926	20,008
Spot foreign currency transactions for customer dealing activities	17,268	12,492	2,781	1,855
Forward agreements for hedging purposes	1,960,529	37,043	1,445,755	38,215
Currency swap agreements for hedging purposes	1,343,709	10,971	1,196,617	118,089
Options	22,874	76,608	-	-
Foreign currency futures	82,790	-	-	-
Future rate agreements	15,765	15,765	-	-
Forward agreements for gold trading	1,650	91,998	-	55,076
Spot foreign currency transactions	96,270	157,855	20,998	37,785
Interest rate swaps	-	-	37,502	37,502
	3,644,241	421,230	2,772,269	344,162

23 Risk management disclosures

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

The nature of the risks and the approach to managing risk differs fundamentally between the trading and non-trading portfolios; section 23.2 contains risk management information related to the trading portfolio and section 23.3 deals with the non-trading portfolio.

23.1 Derivative financial instruments

The Bank and its affiliates enter into a variety of derivative financial instruments for hedging and risk management purposes. This note describes the derivatives used. Further details of the objectives and strategies in the use of derivatives are set out in the sections of this note on non-trading activities. Details of the nature and terms of derivative instruments outstanding at the balance sheet dates are set out in note 22. Derivative financial instruments used include swaps, futures, forwards, options and other similar types of contracts whose value changes in response to changes in interest rates, foreign exchange rates and gold prices. Derivatives are individually negotiated over-the-counter contracts. A description of the main types of derivative instruments used is set out below

Swaps

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

23 Risk management disclosures (continued)

Futures and forwards

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

Options

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

23.2 Trading activities

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

Counterparty credit risk

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

23 Risk management disclosures (continued)

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

Market risk

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

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

23.3 Non-trading activities

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

Liquidity risk

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

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

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

	30 September 2003						*31 December 2002*					
	Up to 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*	*Up to 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*
MONETARY ASSETS												
Turkish Lira												
Cash and cash equivalents	457,414	-	-	-	-	457,414	937,880	-	-	-	-	937,880
Financial assets held for trading	170	996	15,301	30,330	11,319	58,116	9,423	12,063	18,222	301,519	48,221	389,448
Loans and advances to banks	142,674	-	200	-	-	142,874	134,330	6,404	1,117	-	-	141,851
Loans and advances to customers	1,554,830	133,000	125,158	174,291	447,442	2,434,721	1,188,096	98,144	99,766	95,166	403,653	1,884,825
Other assets	161,986	47,428	67,491	-	-	276,905	55,131	37,750	42,925	5,281	-	141,087
Security investments	42,762	98,194	621,842	794,918	568,901	2,126,617	9,616	61,814	683,308	103,745	690,773	1,549,256
Deferred tax assets	-	-	-	-	412,140	412,140	-	-	-	-	519,636	519,636
Total Turkish Lira monetary assets	2,359,836	279,618	829,992	999,539	1,439,802	5,908,787	2,334,476	216,175	845,338	505,711	1,662,283	5,563,983
Foreign currency												
Cash and cash equivalents	1,158,364	-	-	-	-	1,158,364	1,371,580	-	-	-	-	1,371,580
Financial assets held for trading	2,490	-	3,182	339	496,326	502,337	8,627	185,257	34,361	321,093	697,224	1,246,562
Loans and advances to banks	569,343	309,181	129,722	210,060	35,512	1,253,818	900,905	51,325	30,913	61,795	53,938	1,098,876
Loans and advances to customers	389,967	704,056	834,653	632,949	2,422,633	4,984,258	448,035	929,982	1,062,414	1,455,799	2,398,269	6,294,499
Other assets	39,332	34,031	34,058	14,664	1,197	123,282	109,579	48,394	34,543	205	-	192,721
Security investments	42,635	10,848	152,610	1,389,126	4,128,372	5,723,591	59	102,398	162,509	187,016	5,412,196	5,864,178
Deferred tax assets	-	-	-	-	202	202	-	-	-	-	2,925	2,925
Total foreign currency monetary assets	2,202,131	1,058,116	1,154,225	2,247,138	7,084,242	13,745,852	2,838,785	1,317,356	1,324,740	2,025,908	8,564,552	16,071,341
Total Monetary Assets	4,561,967	1,337,734	1,984,217	3,246,677	8,524,044	19,654,639	5,173,261	1,533,531	2,170,078	2,531,619	10,226,835	21,635,324
MONETARY LIABILITIES												
Turkish Lira												
Deposits	4,372,568	830,613	154,189	75,569	768	5,433,707	4,360,563	557,390	75,528	14,060	834	5,008,375
Obligations under repurchase agreements	155,809	5	-	-	-	155,814	300,634	-	-	-	-	300,634
Loans and advances from banks	46,110	20,509	35,735	32,809	-	135,163	167,623	41,735	55,598	8	7	264,971
Bonds payable	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities and accrued expenses	216,979	75,209	39,213	70,186	148,094	549,681	181,037	45,343	33,636	60,246	124,377	444,639
Total Turkish Lira monetary liabilities	4,791,466	926,336	229,137	178,564	148,862	6,274,365	5,009,857	644,468	164,762	74,314	125,218	6,018,619
Foreign currency												
Deposits	7,754,552	1,185,621	372,161	291,404	360,122	9,963,860	10,093,432	1,266,857	339,052	290,280	94,553	12,084,174
Obligations under repurchase agreements	90,548	572,061	238,354	195,102	-	1,096,065	540,554	356,373	-	-	-	896,927
Loans and advances from banks	456,730	352,407	269,939	966,250	454,809	2,500,135	22,484	44,875	1,090,819	1,266,161	436,587	2,860,926
Bonds payable	-	-	-	-	-	-	-	84,395	-	-	-	84,395
Other liabilities and accrued expenses	160,988	97,805	99,068	129,440	3,368	490,669	216,096	232,853	62,461	121,369	-	632,779
Total foreign currency monetary liabilities	8,462,818	2,207,894	979,522	1,582,196	818,299	14,050,729	10,872,566	1,985,353	1,492,332	1,677,810	531,140	16,559,201
Total Monetary Liabilities	13,254,284	3,134,230	1,208,659	1,760,760	967,161	20,325,094	15,882,423	2,629,821	1,657,094	1,752,124	656,358	22,577,820

23 Risk management disclosures (continued)

Market risk

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

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

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

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

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

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

23 Risk management disclosures (continued)

The following table indicates the effective interest rates by major currencies for the major balance sheet components for the first nine-month period of 2003 and the year of 2002:

	2003			
	US$ *%*	***EURO*** *%*	***TL*** *%*	***Other Currencies*** *%*
Assets				
Loans and advances to banks	1.10-6.30	3.00-5.87	28.11-38.00	3.64-23.00
Debt and other fixed or floating income instruments	5.52-12.33	6.27-9.78	38.43-39.62	-
Loans and advances to customers	2.19-13.00	5.11-10.75	26.36-57.34	2.60-18.00
Liabilities				
Deposits:				
- Foreign currency deposits	1.00-3.75	2.00-4.19	-	5.11-7.00
- Bank deposits	1.00-6.00	1.25-6.00	27.93	1.00-12.50
- Saving deposits	-	-	28.73-37.92	-
- Commercial deposits	-	-	28.96-39.54	-
- Public and other deposits	-	-	32.83	-
Obligations under repurchase agreements	2.62	2.55	35.14	-
Loans and advances from banks	1.20-13.96	2.00-10.50	27.22-31.72	4.90-5.40
Bonds payable	-	-	-	-

	2002			
	US$ *%*	***EURO*** *%*	***TL*** *%*	***Other Currencies*** *%*
Assets				
Loans and advances to banks	0.75-6.25	1.50-5.17	41.00-64.00	-
Debt and other fixed or floating income instruments	6.81-10.43	7.68-9.86	58.12	8.44
Loans and advances to customers	2.57-14.00	5.99-10.75	42.09-67.53	11.64
Liabilities				
Deposits:				
- Foreign currency deposits	2.00-4.75	3.87-4.64	-	6.15
- Bank deposits	1.50-3.00	3.10-6.42	42.34-53.20	13.00
- Saving deposits	-	-	41.63-55.02	-
- Commercial deposits	-	-	42.34-55.35	-
- Public and other deposits	-	-	53.52	-
Obligations under repurchase agreements	2.33	-	51.09	-
Loans and advances from banks	1.73-13.96	2.00-10.00	44.50-47.52	2.75-5.40
Bonds payable	-	8.00	-	-

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

23 **Risk management disclosures** (continued)

Equity price risk

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The primary exposure to equity prices arises from trading activities and the Bank limits the risk by maintaining a small portfolio. Exposure to market risk is formally managed in accordance with risk limits.

Currency risk

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

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

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

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

These exposures are as follows:

	30 September 2003			
	US$	*EURO*	*Other Currencies*	*Total*
Assets				
Cash and cash equivalents	982,517	169,460	6,387	1,158,364
Financial assets held for trading	482,125	16,401	3,811	502,337
Loans and advances to banks	829,569	351,974	72,275	1,253,818
Loans and advances to customers	3,876,279	965,951	130,250	4,972,480
Other assets	6,258	111,741	11,782	129,781
Security investments	5,108,830	585,113	29,648	5,723,591
Investments in equity participations	-	496	5,041	5,537
Tangible assets	348	57,333	5,869	63,550
Intangible assets	-	-	-	-
Deferred tax asset	202	-	-	202
Total Assets	11,286,128	2,258,469	265,063	13,809,660

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2003 pursuant to IAS 29)

23 Risk management disclosures (continued)

	30 September 2003			
	US$	***EURO***	***Other Currencies***	***Total***
Total Assets	11,286,128	2,258,469	265,063	13,809,660
Liabilities				
Deposits	5,547,533	4,090,558	325,769	9,963,860
Obligations under repurchase agreements	915,839	180,226	-	1,096,065
Loans and advances from banks	1,675,009	820,625	4,501	2,500,135
Bonds payable	-	-	-	-
Current tax liability	-	33,626	536	34,162
Other liabilities and accrued expenses	324,766	124,414	7,327	456,507
Total Liabilities	8,463,147	5,249,449	338,133	14,050,729
Net On Balance Sheet Position	2,822,981	(2,990,980)	(73,070)	(241,069)
Off Balance Sheet Net Notional Position	(2,946,476)	2,997,678	97,334	148,536

	31 December 2002			
	US$	***EURO***	***Other Currencies***	***Total***
Total Assets	12,824,717	2,889,857	448,081	16,162,655
Total Liabilities	10,841,383	5,381,585	336,233	16,559,201
Net On Balance Sheet Position	1,983,334	(2,491,728)	111,848	(396,546)
Off Balance Sheet Net Notional Position	(2,334,239)	2,466,607	(68,217)	64,151

Of the amounts shown in the table above, at 30 September 2003, 62% (31 December 2002: 16%) are economically hedged by currency swaps, forward contracts and other derivatives entered into to manage these currency exposures. In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank and its affiliates ensure that their net exposures are kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

The net of Russian Rubles denominated assets and liabilities as included in the above table at their TL equivalents, comprise net asset of TL 31,774 billions at 30 September 2003 (31 December 2002: TL 67,059 billions). For the purposes of the evaluation of the table above, these amounts should not be considered as hard currency.

For the nine-month period ended 30 September 2003, volume of transactions in foreign currency, comprising foreign exchange operations, workers' remittances, capital movements, etc. amounts approximately to US$ 66,272 millions (31 December 2002: US$ 52,896 millions).

23 Risk management disclosures (continued)

Credit risk

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

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

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

The Bank and its affiliates' primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Bank and its affiliates are exposed to credit risk on various other financial assets, including derivative instruments used for hedging and debt investments. The current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Bank and its affiliates are exposed to off balance sheet credit risk through guarantees issued (note 22).

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

The major concentrations of credit risk arise by location and type of customer in relation to the Bank and its affiliates' investments, loans and advances and guarantees issued. There is no exposure to any individual customer or counterparty.

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23 Risk management disclosures (continued)

Total geographic sector risk concentrations, both on and off balance sheet, are presented in the table below:

	30 September 2003				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	7,015,164	19,965,302	13,873,071	4,672,602	77,753
Holland	29,164	774,222	1,138,465	258,248	590
Switzerland	73,586	339,184	236,838	2,457	-
England	95,196	313,263	1,535,700	35,604	-
Russia	135,178	261,419	43,468	16,998	60
Malta	11	218,177	2,288	-	-
Germany	66,468	179,772	1,683,354	174	-
USA	16,873	138,220	751,040	70	-
Luxembourg	-	21,648	291,511	7,573	-
Japan	-	9,125	7,619	6	-
Others	126,445	372,828	763,690	43,466	-
TOTAL	7,558,085	22,593,160	20,327,044	5,037,198	78,403

	31 December 2002				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	7,007,981	21,131,473	15,522,294	5,137,145	171,896
Holland	1,209,042	2,596,441	2,627,469	220,495	5,074
England	4,728	303,213	1,173,500	8,317	-
Japan	-	133,482	-	-	-
Russia	44,404	127,123	71,019	8,494	468
Switzerland	112,819	125,967	293,312	41,037	-
Germany	-	60,218	916,864	2,086	-
USA	-	50,459	851,607	-	-
Luxembourg	-	45,219	404,232	23,526	-
Malta	-	3,199	1,436	1,326	-
Others	35,395	98,257	718,128	39,641	-
TOTAL	8,414,369	24,675,051	22,579,861	5,482,067	177,438

The amounts reflected in the tables represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for uncollectibility. The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Approximately, 63% of the balance of outstanding loans is collateralized. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank and its affiliates' obligations. The extent of collateral held for guarantees and letters of credit is around 81%.

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23 Risk management disclosures (continued)

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

	30 September 2003	*31 December 2002*
Cash loans		
Secured loans:	4,591,880	5,357,394
Secured by cash collateral	224,084	297,840
Secured by mortgages	560,177	599,869
Secured by government institutions or government securities	1,035,705	1,216,899
Guarantees issued by financial institutions	120,275	162,664
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	2,651,639	3,080,122
Unsecured loans	2,645,052	2,559,202
Total performing loans and financial lease receivables	7,236,932	7,916,596
Non-cash loans		
Secured loans:	4,055,500	5,201,397
Secured by cash collateral	505,056	436,284
Secured by mortgages	263,063	240,174
Secured by government institutions or government securities	22,789	13,337
Guarantees issued by financial institutions	153,251	188,160
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	3,111,341	4,323,442
Unsecured loans	981,698	280,670
Total non-cash loans	5,037,198	5,482,067

23.4 Hedging

Due to the Bank and its affiliates' overall interest rate risk position and funding structure, its risk management policies require that it should minimize its exposure to changes in foreign currency rates and manage interest rate, credit risk and market price risk exposure within certain guidelines. Derivative financial instruments are used to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instrument are used for this purpose, including interest rate swaps and currency swaps, options, financial futures, forward contracts and other derivatives. The purpose of the hedging activities is to protect the Bank and its affiliates from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Bank and its affiliates enter into transactions to ensure that it is economically hedged in accordance with risk management policies. However, in the accompanying consolidated financial statements, hedge accounting was not used as hedge accounting relationship was not evidenced.

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24 Affiliates and associates

The table below sets out the Affiliates and shows their shareholding structure as at 30 September 2003:

Affiliates	***Shareholding interest (%)***
Garanti Bank International NV	100.00
Ana Konut Danismanlik AS	100.00
Garanti Bank Moscow	100.00
Garanti Emeklilik ve Hayat AS	100.00
Garanti Fund Management Co. Ltd.	100.00
Garanti Bilisim Teknolojisi	100.00
Sahintur Sahinler Otelcilik Turizm Yatirim Isl. AS	100.00
Instrument Finance Company	100.00
Dogus Hava Tasimaciligi AS	100.00
Garanti Portföy Yönetimi AS	100.00
Garanti Yatirim Menkul Kiymetler AS	100.00
Imperial Ottoman Bank Off-Shore Ltd.	100.00
Konakli Tur.Tem.Yapi.San. ve Tic. AS	100.00
Galata Arastirma Yay.Tanitim ve Bil.Tek.Hiz. AS	100.00
Dogus Turizm Saglik Yatirimlari ve Isl. AS	100.00
Garanti Sigorta AS	99.99
Lasas Lastikleri San ve Tic. AS	99.99
Garanti Financial Services plc.	99.99
Clover Investments Co.	99.99
Bosphorus Financial Services Ltd.	99.99
Sititur Tur.Tem.Tas. Org.Bilgisayar Danism.Yapi San.ve Tic.AS	99.95
Garanti Finansal Kiralama AS	98.89
Garanti Faktoring Hizmetleri AS	81.81
Garanti Gayrimenkul Yatirim Ortakligi AS	56.06
Tansas Perakende Magazacilik Ticaret AS	25.92 ***(a)***

(a) *Although its ownership percentage in Tansas Perakende Magazacilik Ticaret AS has been less than 50%, the Bank has the controlling power on the operations and the financial policies of the company. Accordingly, it has been consolidated since 1999.*

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24 Affiliates and associates (continued)

By reporting date, the liquidation process of Instruments Finance Company, United Turkish Gulf Bank International Ltd. and Körfez Financial Services plc. have been completed. The shares in Ottoman Real Estate Investment Company SA have been sold in June 2003.

The table below sets out the Associates and shows their shareholding structure as at 30 September 2003:

Associates	***Shareholding Interest (%)***
Iksir Ulusl. El. Tic. Bilg.ve Hab. Hiz. AS	47.17
Garanti Turizm ve Yatirim Isl. AS	44.89
Volkswagen Dogus Tüketici Finansmani AS	38.00
Doc Finance SA	29.23

Late in 2002, the Bank's controlling interest in Doc Finance SA decreased from 89.99% to 29.23%, as the Bank did not participate in the company's capital increase.

25 Subsequent events

By the decision no.2074 of the Board of Directors on the meeting held on 6 August 2003, it was agreed to close the Bahrain Branch as the majority of the Bank's foreign operations were held by the Luxembourg and Malta Branches. The liquidation process is expected to finalize before the year-end 2003.

As at 10 October 2003, by the Diversified Payment Rights ("DPR") Securitisation the Bank has obtained a long-term facility through issuance of certificates in the amount of US$ 200 millions Floating Rate Series 2003-A. The Series have a final maturity of five years with an average life of 3.6 years. Standard Chartered is the lead manager and arranger of the DPR securitisation. The DPRs are US dollar, Euro and Sterling denominated payment orders created via SWIFT MT100 and MT103 (or similar) payment orders accepted by the Bank. The DPRs are derived primarily from the Bank's trade finance and other corporate businesses and are paid through foreign depositary banks.

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