KPMG

Türkiye Garanti Bankası Anonim Şirketi And Its Affiliates

Consolidated Financial Statements

31 March 2004

With Independent Auditors' Review Report Thereon

28 May 2004

This report contains the "Independent Auditors' Review Report" comprising 1 page and; the "Consolidated financial statements and their explanatory notes" comprising 54 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 31 March 2004; and the consolidated statements of operations, changes in shareholders' equity and cash flows for the three-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 International Financial Reporting Standards.

İstanbul,
28 May 2004

KPMG Cevdet Suner Denetim ve
Yeminli Mali Müşavirlik AŞ

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Balance Sheet
At 31 March 2004

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 31 March 2004 pursuant to IAS 29)

	Notes	31 March 2004	31 December 2003
Assets			
Cash and cash equivalents	*3*	1,595,972	1,750,141
Financial assets held for trading	*4*	902,008	1,014,335
Loans and advances to banks	*5*	1,637,027	1,422,523
Loans and advances to customers	*6*	11,058,662	10,345,903
Other assets	*8*	1,101,998	1,354,140
Security investments	*9*	6,595,346	8,649,029
Investments in equity participations	*10*	407,646	420,616
Tangible assets, net	*11*	1,680,644	1,740,230
Intangible assets, net	*12*	123,395	128,534
Deferred tax assets	*17*	372,004	497,993
Total assets		**25,474,702**	**27,323,444**
Liabilities			
Deposits from banks	*13*	923,207	967,174
Deposits from customers	*14*	16,087,117	17,336,294
Obligations under repurchase agreements	*15*	1,483,877	1,721,478
Loans and advances from banks	*16*	3,118,770	3,436,586
Current tax liability	*17*	27,041	32,242
Deferred tax liabilities	*17*	1,113	5,021
Other liabilities and accrued expenses	*18*	858,842	976,367
Total liabilities		**22,499,967**	**24,475,162**
Minority interest		**199,432**	**216,638**
Shareholders' equity	*19*		
Paid-in capital		2,028,788	2,028,788
Retained earnings		746,515	602,856
Total shareholders' equity		**2,775,303**	**2,631,644**
Total liabilities, minority interest and shareholders' equity		**25,474,702**	**27,323,444**
Commitments and contingencies	*21*		

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Operations
For The Three-Month Period Ended 31 March 2004

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 31 March 2004 pursuant to IAS 29)

	Notes	31 March 2004	31 March 2003
Interest income:-			
Interest on loans		392,759	319,704
Interest on securities		249,223	146,924
Interest on deposits at banks		38,527	45,502
Interest on lease business		9,026	11,714
Others		29,683	17,090
		719,218	540,934
Interest expenses:-			
Interest on saving, commercial and public deposits		(347,667)	(495,258)
Interest on borrowings		(69,058)	(108,280)
Interest on bank deposits		(20,261)	(24,682)
Others		(8,001)	(5,876)
		(444,987)	(634,096)
Net interest income/(expense)		**274,231**	**(93,162)**
Fee and commission income		181,450	154,581
Fee and commission expense		(54,009)	(58,460)
Net fee and commission income		**127,441**	**96,121**
Trading account income, net		58,660	107,539
Foreign exchange gain, net		49,738	12,385
Gross profit from retail business		44,727	26,161
Premium income from insurance business		19,895	21,409
Others		26,200	34,548
Other operating income		**199,220**	**202,042**
Total operating Income		**600,892**	**205,001**
Salaries and wages		(95,532)	(87,034)
Depreciation and amortization	*11,12*	(51,980)	(52,980)
Impairment losses	*6,7,8,10,11,12*	(27,674)	(35,733)
Employee benefits		(26,736)	(19,745)
Communication expenses		(18,806)	(14,681)
Advertising expenses		(16,534)	(11,278)
Rent expenses		(16,433)	(17,907)
Saving deposits insurance fund		(11,466)	(12,004)
Utility expenses		(9,000)	(9,661)
Taxes and duties other than on income		(8,102)	(7,965)
EDP expenses		(6,980)	(15,986)
Claim loss from insurance business		(5,717)	(12,437)
Repair and maintenance expenses		(3,639)	(2,211)
Stationary expenses		(2,520)	(2,454)
Other operating expenses		(70,688)	(47,259)
Total operating expenses		**(371,807)**	**(349,335)**
Income/(loss) from operations		**229,085**	**(144,334)**
Gain on net monetary position, net		3,979	34,730
Income/(loss) before tax		**233,064**	**(109,604)**
Taxation charge	*17*	(106,815)	(86,721)
Income/(loss) after tax		**126,249**	**(196,325)**
Minority interest		17,410	29,030
Net income/(loss) for the period		**143,659**	**(167,295)**
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)	*19*	**1,583.5 billion**	**1,583.5 billion**
Earning/(loss) per share (Full TL amount)		**90.72**	**(105.65)**

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Changes in Shareholders' Equity
For The Three-Month Period Ended 31 March 2004

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 31 March 2004 pursuant to IAS 29)

				Retained earnings		Total
	Notes	Paid-in capital	Reserves	Unappropriated earnings/(losses)	Total	shareholders' equity
Restated balances at 1 January 2003		**1,864,886**	**80,457**	**114,906**	**195,363**	**2,060,249**
Reserve for general banking risks, net		-	1,029	(1,029)	-	-
Reversal of restatement on reserves for the effects of inflation		-	(8,873)	8,873	-	-
Net loss for the three-month period		-	-	(167,295)	(167,295)	(167,295)
Balances at 31 March 2003		**1,864,886**	**72,613**	**(44,545)**	**28,068**	**1,892,954**
Correction of additional paid-in capital	*19*	163,902	-	(163,902)	(163,902)	-
Reserve for general banking risks, net			13,999	(13,999)	-	-
Reversal of restatement on reserves for the effects of inflation			(121)	121	-	-
Net income for the nine-month period				738,690	738,690	738,690
Balances at 31 December 2003		**2,028,788**	**86,491**	**516,365**	**602,856**	**2,631,644**
Reserve for general banking risks, net			21,245	(21,245)	-	-
Reversal of restatement on reserves for the effects of inflation			(5,286)	5,286	-	-
Net income for the three-month period				143,659	143,659	143,659
Balances at 31 March 2004		**2,028,788**	**102,450**	**644,065**	**746,515**	**2,775,303**

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Cash Flows
For The Three-Month Period Ended 31 March 2004

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 31 March 2004 pursuant to IAS 29)

	Notes	31 March 2004	31 March 2003
Cash flows from operating activities:-			
Net income/(loss) for the period		143,659	(167,295)
Adjustments for non-cash items:-			
Taxation charge	*17*	106,815	86,721
Minority interest		(17,410)	(29,030)
Impairment losses	*6,7,8,10,11,12*	27,674	35,733
Insurance technical provision		5,717	12,437
Provision for severance payments		512	1,702
Depreciation and amortization	*11,12*	51,980	52,980
Loss on sale of premises and equipment		2,996	5,243
Change in accrued interest and other income		60,107	21,336
Change in accrued interest and other expense		(39,024)	(32,787)
Monetary loss effect of above corrections		31,937	15,952
Changes in operating assets and liabilities:-			
Deposits from banks		(41,584)	(5,047)
Deposits from customers		(1,219,467)	(1,280,082)
Obligations under repurchase agreements		(237,622)	147,170
Financial assets held for trading		118,924	733,736
Loans and advances to banks		(214,307)	223,482
Loans and advances to customers		(720,922)	341,734
Other assets		117,268	(3,590)
Other liabilities		(108,644)	(121,482)
Income taxes paid		(9,997)	(14,232)
Net cash (used in)/provided by operating activities		**(1,941,388)**	**24,681**
Cash flows from investing activities:-			
Decrease/(increase) in security investments		2,103,793	(487,752)
Increase in investments in equity participations-net		(1,180)	(709)
Proceeds from sales of tangible assets and tangible assets held for resale		14,626	14,771
Additions to tangible assets and tangible assets held for resale		(16,235)	(44,105)
Net cash provided by/(used in) investing activities		**2,101,004**	**(517,795)**
Cash flows from financing activities:-			
Decrease in loans and advances from banks		(313,785)	(200,106)
Decrease in bonds payable		-	(86,982)
Net cash used in financing activities		**(313,785)**	**(287,088)**
Net decrease in cash and cash equivalents		**(154,169)**	**(780,202)**
Cash and cash equivalents at beginning of the period		1,750,141	2,531,253
Cash and cash equivalents at end of the period	*3*	**1,595,972**	**1,751,051**

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 year ended 31 March 2004 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 317 domestic branches, two foreign branches, five representative offices abroad, five change offices, three in-store branches and 25 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 the following address: Levent Nispetiye Mah. Aytar Cad. 2, Beşiktaş 34340 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 accounts and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting 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 31 March 2004.

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

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

Associates

Associates are those entities in which the Bank and its affiliates have significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Bank and its affiliates share of the total 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 Bank and its affiliates share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank and its affiliates has incurred obligations in respect of the associate.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

Significant accounting policies (continued)

Transactions eliminated on consolidation

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

(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 159.05% as at 31 March 2004, 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 31 March 2004 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 last three years, such indices and conversion factors used to restate the accompanying consolidated financial statements were as follows:

Date	Index	Conversion factor
31 March 2004	7,862.2	1.000
31 December 2003	7,382.1	1.065
31 March 2003	7,281.8	1.080

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.

Significant accounting policies (continued)

- 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.

(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)).

Significant accounting policies (continued)

Leased assets

Leases in terms of which the Bank and its affiliates assume substantially all the risks and rewards of ownership are classified as finance leases. Tangible assets acquired by way of financial 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.

(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.

Significant accounting policies (continued)

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.

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.

Significant accounting policies (continued)

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 amortised cost.

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.

Financial lease receivables: Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee, are classified as financial leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognized. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognized over the term of the lease using the effective interest rate method. 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 4.8% 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:

Note description

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 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 31 March 2004 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:

31 March 2004	*Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial Sectors*	*Retail*	*Other Non-Financial Sectors*	*Combined*	*Eliminations*	*Total*
Interest income	698,700	16,269	5,813	-	2,165	2,132	169	725,248	(6,030)	719,218
Interest expenses	(438,591)	(4,207)	-	(1,682)	(58)	(6,350)	(141)	(451,029)	6,042	(444,987)
Net interest income/(expense)	260,109	12,062	5,813	(1,682)	2,107	(4,218)	28	274,219	12	274,231
Fee and commission income, net	120,540	-	(1,562)	3,622	8,286	(3,866)	-	127,020	421	127,441
Trading account income, net	96,296	-	7	-	413	-	-	96,716	(38,056)	58,660
Foreign exchange gain, net	49,080	863	(883)	(40)	(732)	1,202	946	50,436	(698)	49,738
Gross profit from retail business	-	-	-	-	-	44,727	-	44,727	-	44,727
Premium income from insurance business	-	-	19,895	-	-	-	-	19,895	-	19,895
Other operating income	18,835	200	-	59	719	2,489	9,474	31,776	(5,576)	26,200
Salaries and wages	(72,097)	(1,573)	(5,321)	(321)	(1,984)	(11,311)	(2,925)	(95,532)	-	(95,532)
Impairment losses	(27,440)	639	-	-	(177)	(193)	299	(26,872)	(802)	(27,674)
Other operating expenses	(171,360)	(3,393)	(16,500)	(453)	(3,370)	(50,127)	(6,398)	(251,601)	3,000	(248,601)
Gain/(loss) on net monetary position	(17,285)	(4,847)	(1,367)	(758)	(1,605)	1,449	(3,736)	(28,149)	32,128	3,979
Taxation charge	(97,476)	(2,534)	(1,363)	(260)	(1,683)	(3,004)	(495)	(106,815)	-	(106,815)
Minority interest	-	-	-	-	-	-	-	-	17,410	17,410
Net income/(loss) for the period	159,202	1,417	(1,281)	167	1,974	(22,852)	(2,807)	135,820	7,839	143,659
Segment assets	23,636,952	354,023	163,125	86,036	105,078	406,280	620,293	25,371,787	(304,731)	25,067,056
Investments in equity participations	1,812,151	773	258	8,622	5,510	109	18,717	1,846,140	(1,438,494)	407,646
Total assets	25,449,103	354,796	163,383	94,658	110,588	406,389	639,010	27,217,927	(1,743,225)	25,474,702
Segment liabilities	22,040,363	245,881	109,165	71,756	6,235	193,592	26,032	22,693,024	(193,057)	22,499,967

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

1 **Segment reporting** (continued)

31 March 2003	***Banking***	***Leasing***	***Insurance***	***Factoring***	***Other Financial Sectors***	***Retail***	***Other Non-Financial Sectors***	***Combined***	***Eliminations***	***Total***
Interest income	525,213	15,142	2,326	56	2,565	1,040	500	546,842	(5,908)	540,934
Interest expenses	(630,576)	(4,847)	-	(1,771)	(352)	(2,480)	26	(640,000)	5,904	(634,096)
Net interest income/(expense)	(105,363)	10,295	2,326	(1,715)	2,213	(1,440)	526	(93,158)	(4)	(93,162)
Fee and commission income, net	94,655	-	733	3,511	4,594	(3,780)	(2)	99,711	(3,590)	96,121
Trading account income, net	108,197	-	11	-	(399)	-	(270)	107,539	-	107,539
Foreign exchange gain, net	16,990	301	190	40	(392)	(3,522)	(1,339)	12,268	117	12,385
Gross profit from retail business	-	-	-	-	-	26,161	-	26,161	-	26,161
Premium income from insurance business	-	-	21,409	-	-	-	-	21,409	-	21,409
Other operating income	24,697	587	908	1,137	421	2,184	12,088	42,022	(7,474)	34,548
Salaries and wages	(58,968)	(1,367)	(5,866)	(309)	(1,996)	(11,901)	(6,627)	(87,034)	-	(87,034)
Impairment losses	(29,787)	(624)	-	-	(1,797)	-	(6,039)	(38,247)	1,695	(36,552)
Other operating expenses	(153,338)	(2,287)	(18,433)	(1,085)	(3,518)	(46,602)	(6,138)	(231,401)	5,652	(225,749)
Gain/(loss) on net monetary position	33,144	(9,525)	(1,201)	(1,452)	(3,017)	9,301	5,607	32,857	1,873	34,730
Taxation (charge)/credit	(68,895)	12,005	(1,987)	(74)	(15)	(8,967)	(18,788)	(86,721)	-	(86,721)
Minority interest	-	-	-	-	-	-	-	-	29,030	29,030
Net income/(loss) for the period	(138,668)	9,385	(1,910)	53	(3,906)	(38,566)	(20,982)	(194,594)	27,299	(167,295)

31 December 2003	***Banking***	***Leasing***	***Insurance***	***Factoring***	***Other Financial Sectors***	***Retail***	***Other Non-Financial Sectors***	***Combined***	***Eliminations***	***Total***
Segment assets	25,323,164	374,142	151,146	104,705	105,887	460,474	632,449	27,151,967	(249,139)	26,902,828
Investments in equity participations	1,845,281	756	259	8,623	5,898	107	18,787	1,879,711	(1,459,095)	420,616
Total assets	27,168,445	374,898	151,405	113,328	111,785	460,581	651,236	29,031,678	(1,708,234)	27,323,444
Segment liabilities	23,953,461	267,399	109,225	90,594	5,620	224,931	35,730	24,686,960	(211,798)	24,475,162

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 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

	31 March 2004	***31 December 2003***
Balance sheet		
Obligations under repurchase agreements	744	318
Loans and advances to customers including accrued interest income	523,286	562,125
Loans granted in TL	*41,202*	*240*
Loans granted in foreign currency:	*US$ 361,065,491*	*US$ 354,606,491*
	EUR 6,670,369	*EUR 14,923,596*
Miscellaneous receivables	4,385	3,909
Deposits received	75,191	108,099
Commitments and contingencies		
Non-cash loans	220,498	240,146

2.2 Transactions

	For the three-month period ended	
	31 March 2004	***31 March 2003***
Interest income	2,544	13,278
Interest expense	1,398	3,868

In 2004, interest rates applied to foreign currency receivables from and payables to related parties vary at ranges of 1.5-14% and 0.75-6.25% (31 December 2003: 2-10% and 0.75-2.75%), respectively. The interest rates applied to Turkish Lira receivables from and payables to related parties vary at ranges of 25-27% and 20-23%, respectively (31 December 2003: 25-27% for payables to related parties). Various commission rates are applied to transactions involving guarantees and commitments.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

3 Cash and cash equivalents

	31 March 2004	*31 December 2003*
Cash at branches	94,619	177,003
Balances with Central Bank of Turkey	1,482,274	1,559,404
Others	19,079	13,734
	1,595,972	1,750,141

At 31 March 2004, cash and cash equivalents included balances with the Central Bank of Turkey in the amount of TL 1,118,418 billions (31 December 2003: TL 1,198,838 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

	31 March 2004				*31 December 2003*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments held for trading:					
Government bonds in foreign currency	412,318	412,906	1-11	2005	500,351
Government bonds at floating rates	180,172	190,044	24-28	2006	12,073
Treasury bills in Turkish lira	91,731	82,031	19-55	2005	6,316
Discounted government bonds in Turkish lira	92,214	73,466	20-23.5	2005	19,352
Bonds issued by foreign governments	40,275	40,305	5-10	2034	348,600
Government bonds in Turkish lira	39,081	34,178	15-56	2005	42,017
Bonds issued by corporates	24,627	27,060	8-14.5	2010	37,717
Eurobonds	20,020	25,006	6.5-12.5	2034	29,913
Others		-			898
		884,996			997,237
Equity and other non-fixed income instruments:					
Listed shares		17,012			17,098
Total financial assets held for trading		902,008			1,014,335

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 31 March 2004 pursuant to IAS 29)

4 Financial assets held for trading (continued)

For the three-month period ended 31 March 2004, net income on trading of financial assets amounting to TL 58,660 billions (31 March 2003: TL 107,539 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 35,644 billions (31 December 2003: TL 11,049 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 31 March 2004, 60% of the net consolidated foreign currency open position was hedged through the use of foreign currency contracts (31 December 2003: 70%).

	Notional amount with remaining life of					
At 31 March 2004	***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	-	-	-	71,484	39,386	110,870
Purchases	-	-	-	*55,435*	-	*55,435*
Sales	-	-	-	*16,049*	*39,386*	*55,435*
Interest rate options	149,040	23,196	68,856	18,150	-	259,242
Purchases	*73,207*	*11,598*	*34,428*	*9,075*	-	*128,308*
Sales	*75,833*	*11,598*	*34,428*	*9,075*	-	*130,934*
Currency Derivatives						
Spot exchange contracts	262,404	-	-	-	-	262,404
Purchases	*92,040*	-	-	-	-	*92,040*
Sales	*170,364*	-	-	-	-	*170,364*
Forward exchange contracts	65,394	18,704	20,568	2,997	-	107,663
Purchases	*38,504*	*3,197*	*17,304*	*386*	-	*59,391*
Sales	*26,890*	*15,507*	*3,264*	*2,611*	-	*48,272*
Currency/cross currency swaps	2,834,287	487,233	716,108	208,998	-	4,246,626
Purchases	*2,671,356*	*486,270*	*686,685*	*199,044*	-	*4,043,355*
Sales	*162,931*	*963*	*29,423*	*9,954*	-	*203,271*
Options	22,932	-	-	65,275	-	88,207
Purchases	*1,249*	-	-	-	-	*1,249*
Sales	*21,683*	-	-	*65,275*	-	*86,958*
Foreign currency futures	-	78,330	-	-	-	78,330
Purchases	-	-	-	-	-	-
Sale	-	*78,330*	-	-	-	*78,330*
Other foreign exchange contracts	34,034	36,808	-	-	-	70,842
Purchases	*1,763*	*1,980*	-	-	-	*3,743*
Sale	*32,271*	*34,828*	-	-	-	*67,099*
Subtotal Purchases	2,878,119	503,045	738,417	263,940	-	4,383,521
Subtotal Sales	489,972	141,226	67,115	102,964	39,386	840,663
Total of Transactions	3,368,091	644,271	805,532	366,904	39,386	5,224,184

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

4 Financial assets held for trading (continued)

	Notional amount with remaining life of					
At 31 December 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	-	-	-	38,398	60,166	98,564
Purchases	-	-	-	*19,199*	*30,083*	*49,282*
Sales	-	-	-	*19,199*	*30,083*	*49,282*
Currency Derivatives						
Spot exchange contracts	193,303	-	-	-	-	193,303
Purchases	*81,243*	-	-	-	-	*81,243*
Sales	*112,060*	-	-	-	-	*112,060*
Forward exchange contracts	86,468	12,253	2,176	752	-	101,649
Purchases	*48,244*	*7,555*	*1,111*	*150*	-	*57,060*
Sales	*38,224*	*4,698*	*1,065*	*602*	-	*44,589*
Currency/cross currency swaps	3,027,328	512,292	498,162	242,970	-	4,280,752
Purchases	*2,841,929*	*507,936*	*498,162*	*230,606*	-	*4,078,633*
Sales	*185,399*	*4,356*	-	*12,364*	-	*202,119*
Options	36,136	54,129	-	75,192	-	165,457
Purchases	*6,059*	*49,622*	-	*75,192*	-	*130,873*
Sales	*30,077*	*4,507*	-	-	-	*34,584*
Foreign currency futures	-	90,230	-	-	-	90,230
Purchases	-	*90,230*	-	-	-	*90,230*
Sale	-	-	-	-	-	-
Other foreign exchange contracts	86,550	27,320	-	-	-	113,870
Purchases	*1,463*	*1,951*	-	-	-	*3,414*
Sale	*85,087*	*25,369*	-	-	-	*110,456*
Subtotal Purchases	2,978,938	657,294	499,273	325,147	30,083	4,490,735
Subtotal Sales	450,847	38,930	1,065	32,165	30,083	553,090
Total of Transactions	3,429,785	696,224	500,338	357,312	60,166	5,043,825

5 Loans and advances to banks

	31 March 2004			31 December 2003		
	Turkish Lira	*Foreign Currency*	*Total*	*Turkish Lira*	*Foreign Currency*	*Total*
Loans and advances-demand						
Domestic banks	5,304	2,970	8,274	3,020	5,084	8,104
Foreign banks	-	137,566	137,566	3	148,890	148,893
	5,304	140,536	145,840	3,023	153,974	156,997
Loans and advances-time						
Domestic banks	147,970	829,821	977,791	147,257	653,592	800,849
Foreign banks	24,268	486,371	510,639	34,124	427,993	462,117
	172,238	1,316,192	1,488,430	181,381	1,081,585	1,262,966
Accrued interest on loans and advances	81	2,676	2,757	413	2,147	2,560
Total loans and advances to banks	177,623	1,459,404	1,637,027	184,817	1,237,706	1,422,523
Less: allowance for uncollectibility	-	-	-	-	-	-
Net loans and advances to banks	177,623	1,459,404	1,637,027	184,817	1,237,706	1,422,523

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

5 Loans and advances to banks (continued)

As at 31 March 2004, time deposits are almost all short-term, maturing within one year, with interest rates ranging between 0.5-6% per annum for foreign currency time deposits and 22-25% per annum for Turkish lira time deposits (31 December 2003: 0.5-6% and 15-42%, respectively).

As at 31 March 2004, demand deposits at foreign banks include blocked accounts of TL 36,651 billions (31 December 2003: TL 35,913 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:

	31 March 2004	*31 December 2003*
Industrial	2,383,095	2,250,433
Turkish Treasury	2,251,697	1,631,069
Consumer loans	2,185,461	2,278,966
Financial institutions	1,214,264	1,342,918
Service sector	1,107,925	868,816
Construction	331,934	378,579
Tourism	210,704	199,090
Agriculture	201,583	216,080
Foreign trade	164,101	206,459
Transportation	108,320	87,474
Domestic commerce	73,764	38,974
Media	15,901	18,504
Others	189,828	197,211
Total performing loans	10,438,577	9,714,573
Non-performing loans	332,638	331,409
Total gross loans	10,771,215	10,045,982
Accrued interest income on loans	250,721	241,949
Financial lease receivables, net of unearned income (Note 7)	243,075	273,897
Allowance for possible losses from loans and lease receivables	(206,349)	(215,925)
Loans and advances to customers	11,058,662	10,345,903

As at 31 March 2004, loans given to customers have interest rates between 1-15% (31 December 2003: 1-18%) per annum for foreign currency loans and 25-43% (31 December 2003: 29-49%) per annum for Turkish lira loans.

Included in loans and advances to customers were securities pledged under repurchase agreements with customers amounting to TL 57,258 billions (31 December 2003: TL 75,235 billions).

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

6 Loans and advances to customers (continued)

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.

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

	31 March 2004	*31 December 2003*
Balance at the beginning of the year	215,925	216,096
The effect of inflation on the beginning balance and current transactions	(13,220)	(31,249)
Write-offs	(210)	(7,287)
Recoveries	(13,081)	(30,230)
Provision for the period	16,935	68,595
Balance at the end of the period	206,349	215,925

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:

	31 March 2004	*31 December 2003*
Financial lease receivables, net of unearned income (Note 6)	243,075	273,897
Less: allowance for possible losses from lease receivables	(8,500)	(7,367)
	234,575	266,530
Analysis of net financial lease receivables		
Not later than 1 year	199,428	226,689
Later than 1 year and not later than 5 years	77,671	91,534
Later than 5 years	-	-
Financial lease receivables, gross	277,099	318,223
Unearned income	(42,524)	(51,693)
Financial lease receivables, net	234,575	266,530
Analysis of net financial lease receivables, net		
Not later than 1 year	170,762	190,400
Later than 1 year and not later than 5 years	63,813	76,130
Later than 5 years	-	-
Financial lease receivables, net	234,575	266,530

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

8 Other assets

	31 March 2004	*31 December 2003*
Tangible assets held for resale	589,281	598,954
Forfaiting receivables	116,554	100,714
Factoring receivables	82,238	102,567
Prepaid expenses, insurance claims and similar items	71,155	80,614
Insurance premium receivables	58,412	57,059
Retail business stocks	51,683	51,893
Miscellaneous receivables	35,676	137,172
Accrued exchange gain on derivatives	33,054	159,062
Taxes and funds to be refunded	13,564	12,168
Others	50,381	53,937
	1,101,998	1,354,140

The portion amounting to TL 309,541 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.

Impairment losses provided for decreases in the value of real estates held for resale were determined based upon expertise of independent appraiser firms. As of 31 March 2004, real estates held for resale with carrying values amounted to TL 114,428 billions (31 December 2003: TL 113,669 billions) impaired by TL 41,580 billions (31 December 2003: TL 36,230 billions).

9 Security investments

	31 March 2004				*31 December 2003*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments available-for-sale:					
Eurobonds	973,371	1,196,909	5.5-12.5	2034	1,678,436
Government bonds at floating rates	852,042	926,790	24-28	2006	909,727
Discounted government bonds in Turkish Lira	356,087	297,447	21.8-25	2005	200,797
Government bonds in foreign currency	187,686	188,129	3.5-11	2007	231,882
Bonds issued by foreign governments	152,191	157,761	7-18	2040	177,222
Government bonds in Turkish Lira	100,850	114,339	30.2-53	2005	2,690
Bonds issued by corporates	89,621	100,020	7-13	2014	24,969
Bonds issued by financial institutions	65,275	67,870	10	2008	208,094
Treasury bills in Turkish Lira	4,156	4,323	23-54	2005	18,785
Others		1,181			5,010
Total securities available-for-sale		3,054,769			3,457,612

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

9 Security investments (continued)

	31 March 2004				*31 December 2003*
	Face value	***Carrying value***	***Interest rate range %***	***Latest maturity***	***Carrying value***
Total securities available-for-sale		3,054,769			3,457,612
Debt and other instruments held-to-maturity:					
Government bonds indexed to foreign currency	2,130,368*	2,080,169	***(a)***	2006	3,121,377
Eurobonds	804,998	816,092	7-13	2010	1,051,816
Government bonds at floating rates	212,785	210,416	***(b)***	2005	654,855
Bonds issued by foreign governments	137,844	140,525	3-8	2008	162,285
Bonds issued by corporates	108,716	108,663	11.5-13	2007	77,161
Discounted government bonds in Turkish lira	41,200	29,997	22.5-23	2004	31,948
Bonds issued by financial institutions	14,588	14,588	4.5-9	2007	17,002
Others		301			321
		3,400,751			5,116,765
Accrued interest on held-to-maturity portfolio		139,826			74,652
Total securities held-to-maturity		3,540,577			5,191,417
Total security investments		6,595,346			8,649,029

(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.*

***** *The face value represents TL equivalent of the foreign currency in which the government bonds were indexed to.*

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 1,797,924 billions (31 December 2003: TL 2,144,683 billions).

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

9 Security investments (continued)

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

	31 March 2004		*31 December 2003*	
	Face Value	***Carrying value***	***Face Value***	***Carrying value***
US$ eurobonds collateralised to foreign banks	1,379,768	1,559,864	1,863,840	2,196,531
Deposited at Central Bank of Turkey (CBT) for interbank transactions	380,000	426,311	630,000	802,543
Reserve requirements at CBT	330,000	370,217	300,000	382,162
Deposited at CBT for foreign currency money market transactions	320,000	358,999	320,000	407,640
Deposited at Istanbul Stock Exchange	282,893	308,353	-	-
Deposited at Clearing Bank (Takasbank)	192,000	199,595	193,500	214,003
TL securities collateralised to foreign banks	112,677	116,787	-	-
Deposited at CBT for repurchase transactions	59,277	64,560	76,374	86,334
Others		29,029		28,216
		3,443,715		4,117,429

10 Investments in equity participations

	31 March 2004			*31 December 2003*	
	Carrying Value	***Ownership %***		***Carrying Value***	***Ownership %***
Investments in associated companies:					
Garanti Turizm ve Yatırım İşl. AŞ	30,388	44.89		32,364	44.89
Petrotrans Nakliyat ve Tic. AŞ	9,781	99.996		10,417	99.996
Others	5,826			5,930	
	45,995			48,711	
Equity participations available-for-sale:					
Voyager Med. Tur. End. ve Tic. AŞ	166,132	77.00	***(a)***	176,937	77.00
Doğuş Otomotiv Servis ve Tic. AŞ	136,498	19.78		136,498	19.82
Akarnet Konakl. Tes. Yat. İşl. AŞ	28,442	100.00	***(a)***	28,442	100.00
IMKB Takasbank AŞ	10,662	5.83		10,662	5.83
Others	19,917			19,366	
	361,651			371,905	
	407,646			420,616	

(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 31 March 2004 pursuant to IAS 29)

10 Investments in equity participations (continued)

Doğuş Otomotiv Holding AŞ is merged under the name of Doğuş Otomotiv Servis ve Ticaret AŞ, formerly its subsidiary, with Doğuş Otomotiv Servis ve Ticaret AŞ, Genpar Otomotiv Ticaret AŞ, Doğuş Motor Servis ve Ticaret AŞ and Doğuş Ağır Vasıta Servis ve Ticaret AŞ in March 2004. After the merge, the Bank and its affiliates' shares in the new company, Doğuş Otomotiv Servis ve Ticaret AŞ decreased to 19.78%.

IMKB Takasbank AŞ and equity participations available-for-sale disclosed in others do not have a quoted market price in an active market and other methods of reasonably estimating their values would be inappropriate and unworkable, accordingly they are stated at cost, restated for the effects of inflation in TL units current at the balance sheet date.

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.

Impairment losses are provided for decreases in the value of certain investments in associated companies amounting to TL2,938 billions in the current period. Accordingly, the cumulative provisions for such impairment losses increased to TL194,029 billions as of 31 March 2004.

11 Tangible assets

Movement in tangible assets for the period of 1 January – 31 March 2004 is as follows:

	1January	***Additions***	***Adjustment for Currency Translation***	***Disposals***	***31 March***
Costs					
Land and buildings	1,510,068	1,878	(13,960)	(7,199)	1,490,787
Furniture, fixture and equipments	1,020,550	9,455	(2,944)	(7,596)	1,019,465
Leasehold improvements	379,104	4,129	(1,650)	(5,009)	376,574
	2,909,722	15,462	(18,554)	(19,804)	2,886,826
Less: Accumulated depreciation					
Land and buildings	155,144	7,480	(1,057)	(645)	160,922
Furniture, fixture and equipments	689,948	27,758	(476)	(6,369)	710,861
Leasehold improvements	209,742	11,564	(922)	(1,669)	218,715
	1,054,834	46,802	(2,455)	(8,683)	1,090,498
Construction in progress	10,918	305***(a)***	-	-	11,223
	1,865,806		(16,099)	(11,121)	1,807,551
Impairment in value of tangible assets	(125,576)				(126,907)
	1,740,230				1,680,644

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

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

11 Tangible assets (continued)

Movement in tangible assets for the period of 1 January – 31 December 2003 is as follows:

	1January	*Additions*	*Adjustment for Currency Translation*	*Disposals*	*31 December*
Costs					
Land and buildings	1,524,407	39,751	(5,309)	(48,781)	1,510,068
Furniture, fixture and equipments	1,058,627	66,115	(1,402)	(102,790)	1,020,550
Leasehold improvements	428,202	36,783	(1,165)	(84,716)	379,104
	3,011,236	142,649	(7,876)	(236,287)	2,909,722
Less: Accumulated depreciation					
Land and buildings	158,322	30,994	31	(34,203)	155,144
Furniture, fixture and equipments	675,835	116,760	(1,046)	(101,601)	689,948
Leasehold improvements	226,544	46,144	(1,031)	(61,915)	209,742
	1,060,701	193,898	(2,046)	(197,719)	1,054,834
Construction in progress	11,754	(836)***(a)***	-	-	10,918
	1,962,289		(5,830)	(38,568)	1,865,806
Impairment in value of tangible assets	(67,763)				(125,576)
	1,894,526				1,740,230

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

Depreciation expense for the year ended 31 March 2004 amounts to TL 46,802 billions (31 March 2003: TL 47,796 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%.

Impairment losses provided for decreases in the value of land and buildings were determined based upon expertise of independent appraiser firms. As of 31 March 2004, land and buildings with carrying values amounted to TL 262,954 billions (31 December 2003: TL 262,082 billions) impaired by TL 126,907 billions (31 December 2003: TL 125,576 billions).

12 Intangible assets

Intangible assets represent goodwill arising from the direct acquisitions of 24.11% ownership in and majority voting rights in the Board of Directors of Tansaş Perakende Mağazacılık Ticaret AŞ, 29% ownership in Doc Finance SA, 100% ownership in Garanti Yatırım Menkul Kıymetler AŞ, 100% ownership in Doğuş Hava Taşımacılığı AŞ, 100% ownership in Garanti Sigorta AŞ, 100% ownership in Garanti Emeklilik ve Hayat AŞ, 98.89% ownership in Garanti Finansal Kiralama AŞ, 81.81% ownership in Garanti Faktoring Hizmetleri AŞ, 56.06% ownership in Garanti Gayrimenkul Yatırım Ortaklığı AŞ, 100% ownership in Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ, and 99.95% ownership in Sititur Tur.Tem.Taşımacılık Org.Bilgisayar Dan.Yapı.San. ve Tic. AŞ consists of the excesses of the total acquisition costs over net assets of these consolidated entities at the dates of acquisition.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

12 Intangible assets (continued)

As at 31 March 2004, 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 123,395 billions (31 December 2003:TL 128,534 billions), net of accumulated amortization, in the accompanying consolidated balance sheets.

Movement in goodwill for the period of 1 January – 31 March 2004 is as follows:

	1January	Additions	Disposals	31 March
Goodwill				
Tansaş Perakende Mağazacılık Ticaret AŞ	133,756	-	-	133,756
Doğuş Hava Taşımacılığı AŞ	45,712	-	-	45,712
Garanti Yatırım Menkul Kıymetler AŞ	24,022	-	-	24,022
Doc Finance SA	9,952	-	-	9,952
Garanti Finans Faktoring Hizmetleri AŞ	7,049	-	-	7,049
Garanti Finansal Kiralama AŞ	5,508	-	-	5,508
Sititur Tur.T.Taş.Org.Bilg.Dan.Y.San.veTic. AŞ	3,410	-	-	3,410
Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ	1,565	-	-	1,565
Garanti Sigorta AŞ	1,306	-	-	1,306
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	539	-	-	539
Garanti Emeklilik ve Hayat AŞ	45	-	-	45
Total goodwill	232,864	-	-	232,864
Less: Accumulated amortization				
Tansaş Perakende Mağazacılık Ticaret AŞ	42,536	3,934	-	46,470
Doğuş Hava Taşımacılığı AŞ	9,148	573	-	9,721
Garanti Yatırım Menkul Kıymetler AŞ	4,036	301	-	4,337
Doc Finance SA	2,335	127	-	2,462
Garanti Finans Faktoring Hizmetleri AŞ	704	89	-	793
Garanti Finansal Kiralama AŞ	552	68	-	620
Sititur Tur.T.Taş.Org.Bilg.Dan.Y. San.veTic. AŞ	342	42	-	384
Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ	156	19	-	175
Garanti Sigorta AŞ	259	18	-	277
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	54	6	-	60
Garanti Emeklilik ve Hayat AŞ	7	1	-	8
	60,129	5,178	-	65,307
Goodwill, net of accumulated amortization	172,735			167,557
Impairment in value of goodwill	(44,201)			(44,162)
	128,534			123,395

Impairment losses are provided for decreases in the value of consolidated entities which were determined assessing their internal and external sources. As of 31 March 2004, Doğuş Hava Taşımacılığı AŞ, Doc Finance SA and Sititur Tur. Tem. Taş. Org. Bilg. Dan. Yap.San. ve Tic. AŞ which have net goodwill amount of TL 35,991 billions, TL 7,490 billions and TL 3,026 billions, respectively were impaired by TL 44,162 billions in total (31 December 2003: TL 44,201 billions).

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inflation in TL units current at 31 March 2004 pursuant to IAS 29)

12 Intangible assets (continued)

Movement in goodwill for the period of 1 January – 31 December 2003 is as follows:

	1January	*Additions*	*Disposals*	*31 December*
Goodwill				
Tansaş Perakende Mağazacılık Ticaret AŞ	133,756	-	-	133,756
Doğuş Hava Taşımacılığı AŞ	45,712	-	-	45,712
Garanti Yatırım Menkul Kıymetler AŞ	24,022	-	-	24,022
Docfinance SA	9,952	-	-	9,952
Garanti Finans Faktoring Hizmetleri AŞ	7,049	-	-	7,049
Garanti Finansal Kiralama AŞ	5,508	-	-	5,508
Sititur Tur.T.Taş.Org.Bilg.Dan.Y. San.veTic. AŞ	3,410	-	-	3,410
Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ	1,565	-	-	1,565
Garanti Sigorta AŞ	1,306	-	-	1,306
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	539	-	-	539
Garanti Emeklilik ve Hayat AŞ	45	-	-	45
Total goodwill	232,864	-	-	232,864
Less: Accumulated amortization				
Tansaş Perakende Mağazacılık Ticaret AŞ	26,754	15,782	-	42,536
Doğuş Hava Taşımacılığı AŞ	6,862	2,286	-	9,148
Garanti Yatırım Menkul Kıymetler AŞ	2,835	1,201	-	4,036
Docfinance SA	1,838	497	-	2,335
Garanti Finans Faktoring Hizmetleri AŞ	351	353	-	704
Garanti Finansal Kiralama AŞ	276	276	-	552
Sititur Tur.T.Taş.Org.Bilg.Dan.Y. San.veTic. AŞ	171	171	-	342
Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ	78	78	-	156
Garanti Sigorta AŞ	194	65	-	259
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	27	27	-	54
Garanti Emeklilik ve Hayat AŞ	5	2	-	7
	39,391	20,738	-	60,129
Goodwill, net of accumulated amortization	193,473			172,735
Impairment in value of goodwill	(41,134)			(44,201)
	152,339			128,534

13 Deposits from banks

Deposits from banks comprise the following:

	31 March 2004	*31 December 2003*
Payable on demand	38,737	20,768
Term deposits	882,540	942,093
	921,277	962,861
Accrued interest on deposits from banks	1,930	4,313
	923,207	967,174

Deposits from banks include both TL accounts of TL 393,879 billions (31 December 2003: TL 526,795 billions) and foreign currency accounts of TL 527,398 billions (31 December 2003: TL 436,066 billions).

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

14 Deposits from customers

Deposits from customers comprise the following:

	31 March 2004			31 December 2003
	Demand	Time	Total	Total
Foreign currency	3,369,924	6,430,184	9,800,108	11,325,043
Saving	364,712	3,016,713	3,381,425	3,147,722
Commercial	908,687	1,558,195	2,466,882	2,420,931
Public and other	263,666	41,203	304,869	279,055
	4,906,989	11,046,295	15,953,284	17,172,751
Accrued interest expenses on deposits from customers	-	133,833	133,833	163,543
	4,906,989	11,180,128	16,087,117	17,336,294

As at 31 March 2004, interest rates applicable to Turkish lira deposits and foreign currency deposits vary at ranges of 20-31% and 1-12.5% (31 December 2003: 26-42% and 1-6%), 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:

31 March 2004	Carrying value	Fair value of underlying assets	Carrying amount of corresponding liabilities	Range of repurchase dates	Repurchase price
Trading instruments	35,644	35,644	35,644	June 2004	36,331
Security investments	1,797,924	1,886,732	1,405,546	April'04-Jan.'05	1,416,075
Originated loans	57,258	67,952	42,687	Sept. 2004	43,281
	1,890,826	1,990,328	1,483,877		1,495,687
31 December 2003					
Trading instruments	11,049	11,049	8,425	Jan.-August 2004	9,688
Security investments	2,144,683	2,252,299	1,656,659	Jan.-Sept. 2004	1,669,647
Originated loans	75,235	88,172	56,394	April-Sept. 2004	57,382
	2,230,967	2,351,520	1,721,478		1,736,717

Accrued interest on obligations under repurchase agreements amounting to TL 6,583 billions (31 December 2003: TL 6,562 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 31 March 2004, the maturities and interest rates of the obligations are within one to thirteen months and between 1-22% (31 December 2003: 1-20%).

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

16 Loans and advances from banks

Loans and advances from banks comprise the following:

	31 March 2004	*31 December 2003*
Short-term borrowings		
Domestic banks	206,174	253,940
Foreign banks	1,974,892	2,071,996
	2,181,066	2,325,936
Short-term portion		
Long-term debts	268,698	361,200
Medium and long-term portion	638,791	715,204
	907,489	1,076,404
Accrued interest on loans and advances from banks	30,215	34,246
	3,118,770	3,436,586

As at 31 March 2004, short-term borrowings from foreign banks included a one-year syndicated term-loan facility in the amount of US$ 450 millions (equivalent of TL 587,475 billions) signed on 20 November 2003 available to corporate customers to pre-finance export contracts and again a one-year syndicated facility to finance pre-finance export contracts of the Bank's corporate customers for the amount of EUR 400 millions (equivalent of TL 641,940 billions) signed on 7 July 2003.

Long-term debts comprise the following:

	31 March 2004					*31 December 2003*
	Interest rate%	*Maturity*	*Amount in original currency*	*Short term portion*	*Medium and long term portion*	*Medium and long term debts*
DPR Securitisation	3.55-3.58	2008	US$350 mio	-	456,925	526,341
Anatolia Finance Company	7.24	2004	US$53 mio	69,448	-	-
Cobank	1.31-2.43	2006	US$50 mio	36,851	28,563	51,603
Deutsche Bank	1.31-1.45	2006	US$38 mio	24,112	25,730	36,824
Standard Chartered	1.33-1.44	2006	US$21 mio	11,869	15,540	20,011
TPR Securitisation-I	5.63-10.81	2004	US$14 mio	18,788	-	-
DEG	8	2005	EUR7.5 mio	8,024	4,012	4,745
Others				99,606	108,021	75,680
				268,698	638,791	715,204

In December 2002, the Bank obtained a short term fund in the amount of US$ 200 millions through its "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 October 2003, its maturity lengthened to five years and a further US$ 150 millions was obtained in December 2003.

16 Loans and advances from banks (continued)

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 with the repayment schedule, the outstanding balance of this loan as of 31 March 2004 is US$ 53 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 Bankası AŞ, 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 31 March 2004 is US$ 14 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.

17 Taxation on income

Corporate income tax is levied at the rate of 33% on the statutory Turkish Lira corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the period ended 31 March 2004. However, there is an additional tax computed only on the amounts of dividend distribution and is accrued only at the time of such payments. As at 31 December 2002, the rate of this withholding tax is determined as 10%. According to the amendments in tax legislations, which are effective from 24 April 2003, no income tax withholding is calculated over the dividends that are distributed to the shareholders from the profits of the prior between 1999 and 2002 if these profits are exempted from corporation tax bases of the corporate.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

17 Taxation on income (continued)

In accordance with the Law No. 5035, announced on 2 January 2004 which made changes in certain laws, the corporation tax rate that will be applied on the income of the year 2004 is determined as 33%. All taxable income earned after 31 December 2004 will again be taxed at a rate of 30%.

In Turkey, the tax legislation does not permit a parent company and its affiliates to file a consolidated tax return. Therefore, provision for taxation charge, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The 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:

	31 March 2004	*%*	*31March 2003*	*%*
Taxes on income/(loss) per statutory tax rate	76,911	33.00	(32,880)	30.00
Permanent differences relating to the restatement of non-monetary items per IAS 29	33,669	14.44	36,155	(32.99)
Effect of permanent differences on consolidation adjustments	21,516	9.23	9,065	(8.27)
Disallowable expenses	2,565	1.10	1,491	(1.36)
Effect of change in legal tax rate	(10,344)	(4.44)	48,356	(44.12)
Valuation of available for sale portfolio	(9,482)	(4.07)	43,600	(39.78)
Investment incentives	(5,227)	(2.24)	(667)	0.61
Income items exempt from tax or subject to different tax rates	(2,625)	(1.12)	(17,568)	16.03
Others	(168)	(0.07)	(831)	0.76
Taxation charge	106,815	45.83	86,721	(79.12)

The taxation charge comprise the following:

	For the three-month periods ended	
	31 March 2004	*31March 2003*
Current taxes	14,837	8,558
Deferred taxes	91,978	78,163
Taxation charge	106,815	86,721

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

17 Taxation on income (continued)

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:

	31 March 2004	*31 December 2003*
Provision for current taxes payable on income before deductions	106,815	(65,634)
Add: Taxes payable carried forward	15,894	7,402
Add/(less): Deferred tax assets/liabilities	(91,978)	91,965
Less: Restatement effect on current taxes payable on income for the change in the general purchasing power of TL at 31 March 2004	(3,690)	(1,491)
Taxes payable on income	27,041	32,242

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

	31 March 2004	*31 December 2003*
Deferred tax assets		
Tax losses carried forward	248,455	389,132
Investment incentives and exemptions	28,892	25,204
Valuation difference on financial assets and liabilities	28,393	33,286
Capitalised expenses and leasing obligations	15,064	14,860
Impairment in value of investments in associated companies and tangible assets	15,056	18,694
Foreign exchange difference on investments in equity participations	14,562	-
Specific and general allowance for loan losses	12,025	14,910
Others	9,557	1,907
Total deferred tax assets	372,004	497,993
Deferred tax liabilities		
Total deferred tax liabilities	(1,113)	(5,021)

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

18 Other liabilities and accrued expenses

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

	31 March 2004	*31 December 2003*
Transfer orders	323,483	373,046
Miscellaneous payables	168,135	199,721
Insurance technical provisions	71,928	71,778
Withholding taxes	43,279	49,706
Unearned income	37,494	42,361
Factoring payables	36,501	48,114
Reserve for severance payment	31,062	36,204
Expense accruals	23,259	26,185
Payables to insurance and reinsurance companies relating to insurance operations	21,051	27,575
Blocked accounts	17,215	22,352
General provision for non-cash loans	11,743	12,007
Payables to suppliers relating to financial leasing activities	8,620	9,807
Others	65,072	57,511
	858,842	976,367

19 Shareholders' equity

The authorized nominal share capital of the Bank amounted to TL 822,038 billions comprising 1,644,075,624,859 registered shares of five hundred Turkish liras each and 1,728 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 retained earnings were eliminated.

The Bank had 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 had 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, "retained earnings" account was corrected by decreasing TL 163,902 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 2,028,788 billions in the accompanying consolidated financial statements.

The reserves include legal reserves amounting to TL 48,450 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 unless they exceed 50% of the share capital. In the accompanying consolidated financial statements, legal reserves are included at their historical amounts. The reserves also include TL 54,000 billions appropriated by management for the purpose of general banking risks.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

20 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, 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 6,693,489 billions (31 December 2003: TL 8,743,423 billions), whereas the carrying amount is TL 6,595,346 billions (31 December 2003: TL 8,649,029 billions) in the accompanying consolidated balance sheet as at 31 March 2004.

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.

21 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:

	31 March 2004	***31 December 2003***
Letters of guarantee	3,639,577	3,866,800
Letters of credit	1,475,917	1,397,311
Acceptance credits	502,113	555,456
Other guarantees and endorsements	-	21,175
	5,617,607	5,840,742

As at 31 March 2004, commitment for uncalled capital of affiliated companies amounts approximately to TL 75 billions (31 December 2003: TL 135 billions).

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

21 Commitments and contingencies (continued)

As at 31 March 2004, commitment for purchase and sale of foreign currencies under spot, forwards, swaps, future rate agreements, options and forward agreements for gold trading amounts to TL 5,224,184 billions (31 December 2003: TL 5,043,825 billions), almost all due within a year. The breakdown of outstanding commitments, by type, are presented as follows:

	31 March 2004		*31 December 2003*	
	Purchases	*Sales*	*Purchases*	*Sales*
Forward agreements for customer dealing activities	9,374	11,394	29,164	11,986
Currency swap agreements for customer dealing activities	57,633	135,261	33,916	16,046
Spot foreign currency transactions for customer dealing activities	15,549	8,717	8,331	3,224
Forward agreements for hedging purposes	50,017	36,878	27,896	32,603
Currency swap agreements for hedging purposes	3,985,722	68,010	4,044,717	186,073
Interest rate and foreign currency options	129,557	217,892	130,873	34,584
Future rate agreements	55,435	133,765	139,512	49,282
Forward agreements for gold trading	1,763	67,099	3,414	110,456
Spot foreign currency transactions	78,471	161,647	72,912	108,836
	4,383,521	840,663	4,490,735	553,090

22 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 22.2 contains risk management information related to the trading portfolio and section 22.3 deals with the non-trading portfolio.

22.1 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 21. 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.

22 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.

22.2 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.

22 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.

22.3 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.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

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:

	31 March 2004						*31 December 2003*					
	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	440,764	-	-	-	-	440,764	370,217	-	-	-	-	370,217
Financial assets held for trading	387	1,588	27,439	99,995	267,319	396,728	2,818	16,295	5,600	36,849	35,290	96,852
Loans and advances to banks	177,588	32	-	-	-	177,620	174,741	10,082	-	-	-	184,823
Loans and advances to customers	1,918,385	168,981	555,968	504,319	1,466,719	4,614,372	1,781,029	148,038	184,468	724,937	1,028,842	3,867,314
Other assets	68,974	29,653	63,116	-	-	161,743	174,869	26,349	64,995	-	-	266,213
Security investments	-	-	248,602	231,341	1,122,588	1,602,531	336,777	117,190	15,492	455,221	935,116	1,859,796
Deferred tax assets	-	-	-	-	368,963	368,963	-	-	-	-	494,263	494,263
Total Turkish Lira monetary assets	2,606,098	200,254	895,125	835,655	3,225,589	7,762,721	2,840,451	317,954	270,555	1,217,007	2,493,511	7,139,478
Foreign currency												
Cash and cash equivalents	1,151,274	-	-	-	3,934	1,155,208	1,379,924	-	-	-	-	1,379,924
Financial assets held for trading	5	-	5,711	395,219	104,345	505,280	1,526	310,870	1,273	457,472	146,342	917,483
Loans and advances to banks	928,297	179,474	191,153	158,613	1,870	1,459,407	763,806	106,627	170,047	180,546	16,674	1,237,700
Loans and advances to customers	363,686	638,586	776,331	1,058,995	3,480,403	6,318,001	618,719	638,373	976,431	896,327	3,233,255	6,363,105
Other assets	59,944	14,398	6,165	70,030	45,078	195,615	69,020	85,008	61,221	92,431	22,065	329,745
Security investments	41,116	711,173	-	192,295	4,048,231	4,992,815	45,941	165,393	1,478,349	56,122	5,043,428	6,789,233
Deferred tax assets	-	-	-	-	3,041	3,041	-	-	-	-	3,730	3,730
Total foreign currency monetary assets	2,544,322	1,543,631	979,360	1,875,152	7,686,902	14,629,367	2,878,936	1,306,271	2,687,321	1,682,898	8,465,494	17,020,920
Total Monetary Assets	5,150,420	1,743,885	1,874,485	2,710,807	10,912,491	22,392,088	5,719,387	1,624,225	2,957,876	2,899,905	10,959,005	24,160,398
MONETARY LIABILITIES												
Turkish Lira												
Deposits	5,425,275	885,805	246,829	75,542	537	6,633,988	5,192,687	961,758	238,458	85,767	476	6,479,146
Obligations under repurchase agreements	332,073	15	-	-	-	332,088	80,491	-	-	-	-	80,491
Loans and advances from banks	41,507	21,223	39,145	24,261	-	126,136	47,890	28,469	39,930	27,229	-	143,518
Other liabilities and accrued expenses	210,835	54,732	19,636	72,691	43,401	401,295	247,060	48,990	38,650	76,382	53,483	464,565
Total Turkish Lira monetary liabilities	6,009,690	961,775	305,610	172,494	43,938	7,493,507	5,568,128	1,039,217	317,038	189,378	53,959	7,167,720
Foreign currency												
Deposits	8,244,036	1,149,681	370,872	476,416	135,331	10,376,336	9,263,610	1,460,897	398,731	289,549	411,535	11,824,322
Obligations under repurchase agreements	149,903	206,031	599,312	196,543	-	1,151,789	468,304	348,206	162,033	662,444	-	1,640,987
Loans and advances from banks	32,774	80,276	843,966	1,389,323	646,295	2,992,634	88,716	37,434	310,781	2,136,459	719,678	3,293,068
Other liabilities and accrued expenses	421,864	20,324	1,099	36,328	4,020	483,635	163,149	205,420	151,550	22,037	4,808	546,964
Total foreign currency monetary liabilities	8,848,577	1,456,312	1,815,249	2,098,610	785,646	15,004,394	9,983,779	2,051,957	1,023,095	3,110,489	1,136,021	17,305,341
Total Monetary Liabilities	14,858,267	2,418,087	2,120,859	2,271,104	829,584	22,497,901	15,551,907	3,091,174	1,340,133	3,299,867	1,189,980	24,473,061

22 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 31 March 2004 pursuant to IAS 29)

22 Risk management disclosures (continued)

The following table indicates the effective interest rates by major currencies for the major balance sheet components for the first quarter of 2004 and the year of 2003:

	31 March 2004			
	US$ %	***EURO %***	***TL %***	***Other Currencies %***
Assets				
Loans and advances to banks	0.74-6.40	2.10-4.65	20.86-27.87	4.34-14.00
Debt and other fixed or floating income instruments	6.30-6.92	8.50-9.60	32.00	-
Loans and advances to customers	3.00-12.00	4.99-6.62	25.37-43.63	9.50-15.00
Liabilities				
Deposits:				
- Foreign currency deposits	1.00-6.00	1.50-5.75	-	3.00-12.50
- Bank deposits	1.25-4.00	2.61-3.39	19.43-27.14	4.00-6.50
- Saving deposits	-	-	21.86-28.75	-
- Commercial deposits	-	-	22.63-28.98	-
- Public and other deposits	-	-	27.15	-
Obligations under repurchase agreements	2.23-2.40	2.72	27.35	-
Loans and advances from banks	1.10-13.96	2.00-8.55	21.60-25.33	4.32-5.40

	31 December 2003			
	US$ %	***EURO %***	***TL %***	***Other Currencies %***
Assets				
Loans and advances to banks	0.63-6.30	2.12-5.87	17.24-27.82	3.00-14.00
Debt and other fixed or floating income instruments	3.7-8.5	3.7-8.81	32.26-43.88	-
Loans and advances to customers	3.00-13.00	4.90-6.69	30.20-52.78	3.26-18.00
Liabilities				
Deposits:				
- Foreign currency deposits	1.00-6.00	1.50-5.75	-	2.85-12.50
- Bank deposits	1.25-5.25	3.00-3.33	24.99-26.55	2.75-6.00
- Saving deposits	-	-	25.40-31.50	-
- Commercial deposits	-	-	23.51-31.92	-
- Public and other deposits	-	-	28.86	-
Obligations under repurchase agreements	2.52	2.55	28.86	-
Loans and advances from banks	1.10-13.96	2.00-9.50	26.78-30.24	4.90-5.40

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

22 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:

	31 March 2004			
	US$	***EURO***	***Other Currencies***	***Total***
Assets				
Cash and cash equivalents	1,126,105	25,295	3,808	1,155,208
Financial assets held for trading	480,575	5,322	19,383	505,280
Loans and advances to banks	1,066,006	316,733	76,668	1,459,407
Loans and advances to customers	5,129,245	1,074,219	112,095	6,315,559
Other assets	123,884	76,486	5,353	205,723
Security investments	4,446,500	545,882	433	4,992,815
Investments in equity participations	-	507	5,235	5,742
Tangible assets	619	62,567	2,304	65,490
Intangible assets	-	-	-	-
Deferred tax asset	319	2,722	-	3,041
Total Assets	12,373,253	2,109,733	225,279	14,708,265

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 31 March 2004 pursuant to IAS 29)

22 Risk management disclosures (continued)

	31 March 2004			
	US$	***EURO***	***Other Currencies***	***Total***
Total Assets	12,373,253	2,109,733	225,279	14,708,265
Liabilities				
Deposits	5,458,934	4,558,981	358,421	10,376,336
Obligations under repurchase agreements	934,030	217,759	-	1,151,789
Loans and advances from banks	2,147,028	829,610	15,996	2,992,634
Current tax liability	-	23,848	597	24,445
Other liabilities and accrued expenses	348,389	103,743	7,058	459,190
Total Liabilities	8,888,381	5,733,941	382,072	15,004,394
Net On Balance Sheet Position	3,484,872	(3,624,208)	(156,793)	(296,129)
Net Off Balance Sheet Position	(3,670,233)	3,664,951	182,806	177,524
Net Position	(185,361)	40,743	26,013	(118,605)

	31 December 2003			
	US$	***EURO***	***Other Currencies***	***Total***
Total Assets	14,138,830	2,680,510	275,084	17,094,424
Total Liabilities	10,557,343	6,405,952	342,046	17,305,341
Net On Balance Sheet Position	3,581,487	(3,725,442)	(66,962)	(210,917)
Net Off Balance Sheet Position	(3,716,984)	3,726,679	138,491	148,186
Net Position	(135,497)	1,237	71,529	(62,731)

Of the amounts shown in the table above, at 31 March 2004, 60% (31 December 2003: 70%) 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 62,612 billions at 31 March 2004 (31 December 2003: TL 35,734 billions). For the purposes of the evaluation of the table above, these amounts should not be considered as hard currency.

For the first quarter of 2004, volume of transactions in foreign currency, comprising foreign exchange operations, workers' remittances, capital movements, etc. amounts approximately to US$ 51,420 millions (the year 2003: US$ 95,138 millions).

22 **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 21).

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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22 Risk management disclosures (continued)

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

	31 March 2004				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	10,412,466	22,971,809	14,759,530	5,441,821	15,083
Holland	55,588	678,905	1,102,291	12,933	684
USA	9,013	376,068	1,051,439	2,925	-
Russia	89,877	264,788	107,970	29,422	-
France	6,723	246,162	46,191	1,502	-
Germany	24,978	232,770	1,966,700	3,367	-
Switzerland	205,595	155,896	451,199	26,567	-
England	59,390	136,224	1,719,044	20,616	-
Romania	67,996	135,344	79,676	12,629	-
Luxembourg	21	28,230	304,838	1,640	-
Others	127,015	248,506	911,089	64,185	-
TOTAL	11,058,662	25,474,702	22,499,967	5,617,607	15,767

	31 December 2003				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	9,569,355	24,252,457	15,830,059	5,427,292	139,578
Holland	75,625	1,065,325	1,351,876	327,968	1,997
Switzerland	147,110	388,650	379,479	2,488	-
England	113,868	372,876	2,082,068	5	-
Russia	150,671	315,645	78,806	40,717	238
USA	10,291	169,589	1,128,754	107	-
Germany	74,461	127,712	2,252,170	269	-
Romania	66,871	110,013	87,293	-	-
Luxembourg	-	31,844	339,504	9,524	-
France	9,553	13,986	10,665	161	-
Others	128,098	475,347	934,488	32,210	-
TOTAL	10,345,903	27,323,444	24,475,162	5,840,741	141,813

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, 73% 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 79%.

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22 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:

	31 March 2004	*31 December 2003*
Cash loans		
Secured loans:	7,825,090	7,105,772
Secured by cash collateral	514,086	318,368
Secured by mortgages	563,705	578,759
Secured by government institutions or government securities	2,971,155	2,490,313
Guarantees issued by financial institutions	132,808	144,889
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	3,643,336	3,573,443
Unsecured loans	2,856,562	2,882,698
Total performing loans and financial lease receivables	10,681,652	9,988,470
Non-cash loans		
Secured loans:	4,451,519	4,815,775
Secured by cash collateral	746,022	734,011
Secured by mortgages	297,947	183,039
Secured by government institutions or government securities	24,972	48,241
Guarantees issued by financial institutions	49,761	118,238
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	3,332,817	3,732,246
Unsecured loans	1,166,088	1,024,966
Total non-cash loans	5,617,607	5,840,741

22.4 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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23 Affiliates and associates

The table below sets out the Affiliates and shows their shareholding structure as at 31 March 2004:

Affiliates	***Shareholding Interest (%)***
Garanti Bank International NV	100.00
Garanti Bank Moscow	100.00
Garanti Sigorta AŞ	100.00
Garanti Emeklilik ve Hayat AŞ	100.00
Garanti Portföy Yönetimi AŞ	100.00
Garanti Yatırım Menkul Kıymetler AŞ	100.00
Garanti Financial Services plc.	100.00
Garanti Fund Management Co. Ltd.	100.00
Imperial Ottoman Bank Off-Shore Ltd.	100.00
Bosphorus Financial Services Ltd.	100.00
Clover Investments Co.	100.00
Garanti Bilişim Teknolojisi	100.00
Ana Konut Danışmanlık AŞ	100.00
Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ	100.00
Galata Araştırma Yay.Tanıtım ve Bil.Tek.Hiz. AŞ	100.00
Şahintur Şahinler Otelcilik Turizm Yatırım İşl. AŞ	100.00
Doğuş Hava Taşımacılığı AŞ	100.00
Lasaş Lastikleri San ve Tic. AŞ	99.99
Konaklı Tur.Tem.Yapı.San. ve Tic. AŞ	99.97
Sititur Tur.Tem.Taş. Org.Bilgisayar Danışm.Yapı San.ve Tic.AŞ	99.95
Garanti Finansal Kiralama AŞ	98.89
Garanti Faktoring Hizmetleri AŞ	81.81
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	56.06
Tansaş Perakende Mağazacılık Ticaret AŞ	24.11 ***(a)***

(a) *Although its ownership percentage in Tansaş Perakende Mağazacılık Ticaret AŞ 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.*

Imperial Ottoman Bank Off-Shore Ltd., Bosphorus Financial Services Ltd. and Clover Investments Co. are under liquidation as of the reporting date. The liquidation procedures are expected to complete before the end of 2004.

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23 Affiliates and associates (continued)

The table below sets out the Associates and shows their shareholding structure as at 31 March 2004:

Associates	***Shareholding Interest (%)***
İksir Ulusl. El. Tic. Bilg.ve Hab. Hiz. AŞ	46.65
Garanti Turizm ve Yatırım İşl. AŞ	44.89
Doc Finance SA	29.00

24 Subsequent events

24.1 On 29 March 2004, the Bank's parent company, Doğuş Holding AŞ has announced that a heads of agreement was signed between Doğuş Holding AŞ and Banca Intesa to start the negotiations between parties for the acquisition of 40.05% shares in the Bank by Banca Intesa. Furthermore, it has also announced that Banca Intesa will have a purchase option to acquire a further 9.96% stake in the Bank. The due diligence work has not yet been completed as of the reporting date.

24.2 By the decision no.2107 of the Board of the Directors dated 27 April 2004, the Bank's nominal share capital has increased from TL 822,038 billions to TL 1,200,000 billions through appropriation of real estate sales income of TL 20,515 billions, equity participation sales income of TL 6,947 billions and retained earnings of TL 350,500 billions.

24.3 As of 28 May 2004, the official US dollar exchange rate increased to TL 1,509,781 from TL 1,311,286 at 31 March 2004. As the Bank's foreign exchange position has decreased to a level of USD 30 millions as of the reporting date, subsequent to the end of the first quarter of 2004, no material effects occur on the Bank and its affiliates' financial position due to the subsequent devaluation of Turkish Lira against foreign currencies.

24.4 The recent developments in the Turkish financial markets triggered mainly by the latest US economical data announced to the public which, in return, increased the expectations for an increase in the FED funding rates. Accordingly, an abrupt unwinding of leveraged positions in emerging markets and a reduction in investors' risk appetite has affected the trends in the Turkish market adversely. The Bank, anticipating such adverse developments, entered into sales of certain long term available-for-sale Eurobond securities under agreements to repurchase at close to their maturities and decided not to sell certain available-for-sale TL securities until their maturities.

Such adverse developments had a deteriorating impact on the results of operations of the Bank subsequent to March 31, 2004. As of 28 May 2004, these adverse trends in the markets caused the Bank to incur a loss of TL 132 trillions which arose mainly from the remaining available-for-sale security portfolio and trading security portfolio. This loss, to a great extent, is due to the booking recognition of the marked-to-market prices of the securities classified by the Bank under the available-for-sale portfolio. It will be possible for the Bank to recover some or all of this loss should the markets improve and begin trading at levels prior to such developments.

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