

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 3.1.1)*

## **Türkiye Garanti Bankası Anonim Şirketi**

Unconsolidated Financial Statements

**As of and For the Nine Month Ended 30 September 2004**

*(Convenience Translation of Financial Statements and Related  
Disclosures and Footnotes Originally Issued in Turkish)*

With Independent Auditor's Review Report Thereon

Cevdet Suner Denetim ve  
Yeminli Mali Müşavirlik AŞ  
11 November 2004

*This report contains "Independent Auditor's Review  
Report" comprising 1 page and; "Unconsolidated  
financial statements and related disclosures and  
footnotes" comprising 63 pages.*

**Convenience Translation of the Auditor’s Review Report  
Originally Prepared and Issued in Turkish (See Note 3.1.1)**

**To the Board of Directors of Türkiye Garanti Bankası AŞ:**

We have reviewed the balance sheet of Türkiye Garanti Bankası AŞ as of 30 September 2004 and the related statement of income for the nine-month period then ended. These financial statements are the responsibility of the Bank’s management. Our responsibility, as independent auditors is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the regulations related with the “Accounting and Recording Rules” and “Independent Auditing Standards” of (Turkish) Banking Law No 4389. These regulations require 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 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 financial statements of Türkiye Garanti Bankası AŞ are not presented fairly, in all material respects, in accordance with regulations described in Article 13 “Accounting and Recording Rules” of (Turkish) Banking Law.

İstanbul,  
11 November 2004

**Cevdet Suner Denetim ve  
Yeminli Mali Müşavirlik AŞ**

**Ö. Cevdet Suner**  
*Partner*  
*Certified Public Accountant*

**Additional paragraph for convenience translation to English:**

As explained in Note 3.1.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

## **Türkiye Garanti Bankası Anonim Şirketi**

As of 30 September 2004, Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes to be Announced to Public together with Independent Auditor's Review Report Thereon

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The Reporting Package prepared in accordance with the statement no.17 "Financial Statements and Related Disclosures and Footnotes to be Announced to Public" as regulated by Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections:

1. General Information about the Bank
2. Unconsolidated Interim Financial Statements
3. Accounting Policies
4. Financial Position and Results of Operations
5. Disclosures and Footnotes on Unconsolidated Interim Financial Statements
6. Other Disclosures and Footnotes
7. Independent Auditor's Review Report

The unconsolidated interim financial statements and related disclosures and footnotes that were subject to independent review, are prepared in accordance with the "Regulation on Accounting Standards" and the related statements and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in TL billions as restated for the effects of inflation in equivalent purchasing power as of 30 September 2004; and enclosed.

**Muammer Cüneyt Sezgin**

Board of Directors Member  
Responsible of Internal  
Control System

**S. Ergun Özen**

General Manager

**Sema Yurdum**

Executive  
Vice President

**Aylin Aktürk/Aydın Şenel**

Senior Vice Presidents

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## **1 General Information**

### **1.1 Activities of the Bank**

Türkiye Garanti Bankası Anonim Şirketi (the Bank) was established by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and its "Articles of Association" was issued in the Official Gazette dated 25 April 1946. The Bank provides banking services through 332 domestic branches, three foreign branches and five representative offices abroad. The Bank's head office is located in Istanbul.

Activities of the Bank as stated at the third clause of its Articles of Association are as follows:

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits set forth by the Banking Law;
- Operating attorneyship, insurance agency, brokerage and freight businesses in relation with banking activities,
- Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by official and private institutions,
- Developing economical and financial relations with foreign organizations,
- Dealing with all economic operations in compliance with the Banking Law.

The Bank's activities are not limited to those disclosed in that third clause, but whenever the Board of Directors deems any operations other than above stated beneficial to the Bank, it is suggested in general meeting, and launching the related project depends on the decision taken during the General Assembly which results the change in Articles of Association and on the approval of this decision by the Ministry of Industry and Commerce. Accordingly, the approved decision is added to the Articles of Association.

The Bank is not a specialized bank but deals with all kinds of banking activities. The main sources for lendings to customers are deposits. The Bank grants loans to companies operating in various sectors while aiming to maintain the required level of efficiency and profitability.

The Bank also grants non-cash loans to its customers; especially letters of guarantee, letters of credit and acceptance credits.

### **1.2 Related parties**

Group of Companies under Doğu Holding AŞ that currently owns 55.08% shares of the Bank, is named as the Doğu Group (the Group).

The Group was established in 1951 as a construction and contracting firm. Today it is operating in a variety of businesses consisting of financial services, automotive, retail, tourism and service sectors beside the construction sector with more than 17,000 employees.

**Türkiye Garanti Bankası AŞ**

As of 30 September 2004, Unconsolidated Interim Financial Statements  
and Related Disclosures and Footnotes to be Announced to the Public  
Together with Independent Auditor's Review Report Thereon  
(Billions of Turkish Lira as restated for the effects of inflation in equivalent  
of purchasing power as of 30 September 2004)

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The Group already operates partnerships and has distribution, management and franchise agreements with internationally recognized brand names, such as Volkswagen, Audi, Porsche, Seat, Scania, ITT Sheraton, Hyatt Regency, Jeeves, Armani, Gucci and CNBC.

In the construction sector, the Group has an important role in ongoing projects or projects being considered such as Araklı-İyidere, Çukurova, Sinop-Boyabat, Asilah-Tanger (Morocco) motorways, Yusufeli and Artvin dams, Ukraine Dnyeper Bridge.

The Group has tourism investments such as Sheraton Voyager, Club Aldiana and Paradise Side Apart Otel and five marinas which are adjudicated by "build, operate and transfer model" such as Dalaman, Didim, Turgutreis, Bodrum, Antalya.

The investments of the Group in the financial sector are; Türkiye Garanti Bankası AŞ, Garanti Bank International NV, Garanti Bank Moscow, Garanti Finansal Kiralama AŞ, Garanti Yatırım Menkul Kıymetler AŞ, Garanti Portföy Yönetimi AŞ, Garanti Sigorta AŞ, Garanti Emeklilik ve Hayat AŞ, Garanti Faktoring Hizmetleri AŞ, Garanti Ödeme Sistemleri AŞ, Garanti Gayrimenkul Yatırım Ortaklığı AŞ and Volkswagen Doğu Tüketici Finansmanı AŞ.

## 2 Unconsolidated Interim Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish - See Note 3.1.1)

### Türkiye Garanti Bankası Anonim Şirketi

#### Balance Sheet

At 30 September 2004

(Billions of Turkish Lira as restated for the effects of inflation in equivalent purchasing power as of 30 September 2004)

ASSETS	Footnotes	CURRENT PERIOD 30 September 2004			PRIOR PERIOD 31 December 2003		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	<b>5.1.1</b>	<b>47.889</b>	<b>1.066.737</b>	<b>1.114.626</b>	<b>75.115</b>	<b>470.528</b>	<b>545.643</b>
1.1 Cash in TL		46.634	-	46.634	40.008	-	40.008
1.2 Cash in foreign currency		-	69.218	69.218	-	134.264	134.264
1.3 Balances with the Central Bank of Turkey		80	994.101	994.181	35.400	334.980	370.020
1.4 Other		1.175	3.418	4.593	67	1.284	1.351
<b>II. TRADING SECURITIES (Net)</b>	<b>5.1.2</b>	<b>101.006</b>	<b>524.777</b>	<b>625.783</b>	<b>49.982</b>	<b>843.198</b>	<b>893.180</b>
2.1 Public sector debt securities		101.006	524.169	625.175	49.982	842.568	892.550
2.1.1 Government bonds		93.550	524.169	617.719	49.021	841.646	890.667
2.1.2 Treasury bills		7.456	-	7.456	961	-	961
2.1.3 Other		-	-	-	-	922	922
2.2 Share certificates		-	-	-	-	-	-
2.3 Other securities		-	608	608	-	630	630
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>	<b>5.1.3</b>	<b>72.045</b>	<b>677.920</b>	<b>749.965</b>	<b>23.901</b>	<b>316.622</b>	<b>340.523</b>
3.1 Banks		72.045	677.920	749.965	23.901	316.622	340.523
3.1.1 Domestic banks		45.087	408.338	453.425	21.048	23.175	44.223
3.1.2 Foreign banks		26.958	269.582	296.540	2.853	293.447	296.300
3.1.3 Foreign branches		-	-	-	-	-	-
3.2 Other financial institutions		-	-	-	-	-	-
<b>IV. INTERBANK MONEY MARKET</b>		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V. INVESTMENT SECURITIES AVAILABLE FOR SALE (Net)</b>	<b>5.1.4</b>	<b>2.438.866</b>	<b>2.146.830</b>	<b>4.585.696</b>	<b>2.020.165</b>	<b>2.541.353</b>	<b>4.561.518</b>
5.1 Share certificates	5.1.5	62.934	-	62.934	55.946	-	55.946
5.2 Other securities		2.375.932	2.146.830	4.522.762	1.964.219	2.541.353	4.505.572
<b>VI. LOANS</b>	<b>5.1.6</b>	<b>4.533.943</b>	<b>5.892.081</b>	<b>10.426.024</b>	<b>2.849.794</b>	<b>4.661.006</b>	<b>7.510.800</b>
6.1 Short term		4.148.683	2.404.092	6.552.775	2.637.559	1.852.168	4.489.727
6.2 Medium and long term		198.316	3.487.989	3.686.305	39.268	2.808.838	2.848.106
6.3 Loans under follow-up		396.725	-	396.725	331.085	-	331.085
6.4 Specific provisions (-)		209.781	-	209.781	158.118	-	158.118
<b>VII. FACTORING RECEIVABLES</b>	<b>5.1.7</b>	-	-	-	-	-	-
<b>VIII. INVESTMENT SECURITIES HELD TO MATURITY (Net)</b>	<b>5.1.8</b>	<b>996.095</b>	<b>2.795.624</b>	<b>3.791.719</b>	<b>969.645</b>	<b>3.992.110</b>	<b>4.961.755</b>
8.1 Public sector debt securities		996.095	2.749.666	3.745.761	969.645	3.944.578	4.914.223
8.1.1 Government bonds		996.095	2.749.666	3.745.761	969.645	3.786.864	4.756.509
8.1.2 Treasury bills		-	-	-	-	-	-
8.1.3 Other		-	-	-	-	157.714	157.714
8.2 Other securities		-	45.958	45.958	-	47.532	47.532
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>5.1.9</b>	<b>150.181</b>	<b>5.199</b>	<b>155.380</b>	<b>303.541</b>	<b>4.833</b>	<b>308.374</b>
9.1 Financial investments in associates		-	5.199	5.199	-	4.833	4.833
9.2 Non-Financial investments in associates		150.181	-	150.181	303.541	-	303.541
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>5.1.10</b>	<b>1.105.482</b>	<b>296.290</b>	<b>1.401.772</b>	<b>1.094.687</b>	<b>311.349</b>	<b>1.406.036</b>
10.1 Financial investments in subsidiaries		270.558	296.290	566.848	221.965	311.349	533.314
10.2 Non-Financial investments in subsidiaries		834.924	-	834.924	872.722	-	872.722
<b>XI. OTHER INVESTMENTS (Net)</b>	<b>5.1.11</b>	-	-	-	-	-	-
<b>XII. FINANCIAL LEASE RECEIVABLES (Net)</b>	<b>5.1.12</b>	-	-	-	-	-	-
12.1 Gross financial lease receivables		-	-	-	-	-	-
12.2 Unearned income (-)		-	-	-	-	-	-
<b>XIII. RESERVE DEPOSITS</b>		<b>273.016</b>	<b>972.788</b>	<b>1.245.804</b>	<b>283.828</b>	<b>930.496</b>	<b>1.214.324</b>
<b>XIV. MISCELLANEOUS RECEIVABLES</b>	<b>5.1.13</b>	<b>44.907</b>	<b>2.298</b>	<b>47.205</b>	<b>117.777</b>	<b>4.603</b>	<b>122.380</b>
<b>XV. ACCRUED INTEREST AND INCOME</b>	<b>5.1.14</b>	<b>215.785</b>	<b>412.967</b>	<b>628.752</b>	<b>249.441</b>	<b>480.836</b>	<b>730.277</b>
15.1 Loans		79.047	108.856	187.903	52.522	143.064	195.586
15.2 Securities		114.628	278.020	392.648	171.241	332.613	503.854
15.3 Other		22.110	26.091	48.201	25.678	5.159	30.837
<b>XVI. TANGIBLE ASSETS (Net)</b>	<b>5.1.15</b>	<b>1.275.321</b>	<b>1.965</b>	<b>1.277.286</b>	<b>1.388.574</b>	<b>1.980</b>	<b>1.390.554</b>
16.1 Cost		1.996.231	6.206	2.002.437	2.062.731	5.745	2.068.476
16.2 Accumulated Depreciation (-)		720.910	4.241	725.151	674.157	3.765	677.922
<b>XVII. INTANGIBLE ASSETS (Net)</b>	<b>5.1.16</b>	<b>21.713</b>	<b>5</b>	<b>21.718</b>	<b>28.356</b>	<b>-</b>	<b>28.356</b>
17.1 Goodwill		-	-	-	-	-	-
17.2 Other		67.423	6	67.429	65.861	-	65.861
17.3 Accumulated Amortisation (-)		45.710	1	45.711	37.505	-	37.505
<b>XVIII OTHER ASSETS</b>	<b>5.1.17</b>	<b>276.568</b>	<b>10.928</b>	<b>287.496</b>	<b>451.840</b>	<b>11.744</b>	<b>463.584</b>
<b>TOTAL ASSETS</b>		<b>11.552.817</b>	<b>14.806.409</b>	<b>26.359.226</b>	<b>9.906.646</b>	<b>14.570.658</b>	<b>24.477.304</b>

(Convenience Translation of Financial Statements Originally Issued in Turkish - See Note 3.1.1)

## Türkiye Garanti Bankası Anonim Şirketi

### Balance Sheet

At 30 September 2004

(Billions of Turkish Lira as restated for the effects of inflation in equivalent purchasing power as of 30 September 2004)

LIABILITIES AND EQUITY	Footnotes	CURRENT PERIOD 30 September 2004			PRIOR PERIOD 31 December 2003		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	<b>5.2.1</b>	<b>6.806.548</b>	<b>9.908.950</b>	<b>16.715.498</b>	<b>6.270.780</b>	<b>9.471.306</b>	<b>15.742.086</b>
1.1 Bank deposits		169.964	575.692	745.656	403.674	307.427	711.101
1.2 Saving deposits		3.643.469	-	3.643.469	3.195.126	-	3.195.126
1.3 Public sector deposits		42.895	-	42.895	8.311	-	8.311
1.4 Commercial deposits		2.621.532	-	2.621.532	2.412.803	-	2.412.803
1.5 Other institutions deposits		328.688	-	328.688	250.866	-	250.866
1.6 Foreign currency deposits		-	9.288.035	9.288.035	-	9.148.450	9.148.450
1.7 Precious metals vault accounts		-	45.223	45.223	-	15.429	15.429
<b>II. INTERBANK MONEY MARKET</b>		<b>1.196.300</b>	<b>739.205</b>	<b>1.935.505</b>	<b>197.776</b>	<b>1.681.383</b>	<b>1.879.159</b>
2.1 Interbank money market takings		-	-	-	-	-	-
2.2 Istanbul Stock Exchange money market takings		-	-	-	114.780	-	114.780
2.3 Funds provided under repurchase agreements	<b>5.2.2</b>	1.196.300	739.205	1.935.505	82.996	1.681.383	1.764.379
<b>III. FUNDS BORROWED</b>	<b>5.2.3</b>	<b>119.376</b>	<b>3.624.539</b>	<b>3.743.915</b>	<b>102.862</b>	<b>3.058.192</b>	<b>3.161.054</b>
3.1 Funds borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2 Other funds borrowed		119.376	3.624.539	3.743.915	102.862	3.058.192	3.161.054
3.2.1 Domestic banks and institutions		119.376	96.460	215.836	102.862	86.343	189.205
3.2.2 Foreign banks, institutions and funds		-	3.528.079	3.528.079	-	2.971.849	2.971.849
<b>IV. SECURITIES ISSUED (Net)</b>	<b>5.2.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
<b>V. FUNDS</b>	<b>5.2.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. MISCELLANEOUS PAYABLES</b>	<b>5.2.6</b>	<b>57.328</b>	<b>4.850</b>	<b>62.178</b>	<b>48.947</b>	<b>4.201</b>	<b>53.148</b>
<b>VII. OTHER EXTERNAL RESOURCES PAYABLE</b>	<b>5.2.7</b>	<b>87.665</b>	<b>583.021</b>	<b>670.686</b>	<b>92.665</b>	<b>438.179</b>	<b>530.844</b>
<b>VIII. TAXES AND OTHER DUTIES PAYABLE</b>	<b>5.2.8</b>	<b>37.279</b>	<b>38</b>	<b>37.317</b>	<b>42.677</b>	<b>38</b>	<b>42.715</b>
<b>IX. FACTORING PAYABLES</b>	<b>5.2.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. FINANCIAL LEASE PAYABLES (Net)</b>	<b>5.2.10</b>	<b>-</b>	<b>24.508</b>	<b>24.508</b>	<b>4</b>	<b>21.572</b>	<b>21.576</b>
10.1 Financial lease payables		2	29.231	29.233	8	25.492	25.500
10.2 Deferred financial lease expenses ( - )		2	4.723	4.725	4	3.920	3.924
<b>XI. ACCRUED INTEREST AND EXPENSES</b>	<b>5.2.11</b>	<b>92.884</b>	<b>65.227</b>	<b>158.111</b>	<b>136.116</b>	<b>123.341</b>	<b>259.457</b>
11.1 Deposits		77.732	20.917	98.649	123.981	20.711	144.692
11.2 Borrowings		7.197	21.587	28.784	8.346	21.163	29.509
11.3 Repurchase agreements		2.168	7.060	9.228	73	6.661	6.734
11.4 Other		5.787	15.663	21.450	3.716	74.806	78.522
<b>XII. PROVISIONS</b>	<b>5.2.12</b>	<b>89.673</b>	<b>11.650</b>	<b>101.323</b>	<b>101.655</b>	<b>6.546</b>	<b>108.201</b>
12.1 General provisions		59.604	3.814	63.418	49.348	2.084	51.432
12.2 Reserve for employee termination benefits		12.320	-	12.320	12.648	-	12.648
12.3 Provisions for income taxes		1.488	-	1.488	1.627	-	1.627
12.4 Insurance technical provisions		-	-	-	-	-	-
12.5 Other provisions		16.261	7.836	24.097	38.032	4.462	42.494
<b>XIII. SUBORDINATED LOANS</b>	<b>5.2.13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	<b>5.2.14</b>	<b>2.846.698</b>	<b>63.487</b>	<b>2.910.185</b>	<b>2.504.658</b>	<b>174.406</b>	<b>2.679.064</b>
14.1 Paid-in capital		1.200.000	-	1.200.000	822.038	-	822.038
14.2 Supplementary capital		1.201.886	61.001	1.262.887	1.232.932	174.406	1.407.338
14.2.1 Share premium		-	-	-	-	-	-
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Securities value increase fund		61.552	61.001	122.553	77.771	174.406	252.177
14.2.4 Revaluation fund		8.544	-	8.544	25.920	-	25.920
14.2.5 Revaluation surplus		5.553	-	5.553	3.985	-	3.985
14.2.6 Other supplementary capital		-	-	-	-	-	-
14.2.7 Capital reserves from inflation adjustments to paid-in capital		1.126.237	-	1.126.237	1.125.256	-	1.125.256
14.3 Profit reserves		93.999	2.486	96.485	-	-	-
14.3.1 Legal reserves		24.144	1.309	25.453	-	-	-
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		68.577	-	68.577	-	-	-
14.3.4 Other profit reserves		1.278	1.177	2.455	-	-	-
14.4 Profit or loss		350.813	-	350.813	449.688	-	449.688
14.4.1 Prior periods income/loss		-	-	-	120.103	-	120.103
14.4.2 Current period income/loss		350.813	-	350.813	329.585	-	329.585
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11.333.751</b>	<b>15.025.475</b>	<b>26.359.226</b>	<b>9.498.140</b>	<b>14.979.164</b>	<b>24.477.304</b>



## Türkiye Garanti Bankası Anonim Şirketi

### Off-Balance Sheet Items

At 30 September 2004

(Billions of Turkish Lira as restated for the effects of inflation in equivalent purchasing power as of 30 September 2004)

OFF-BALANCE SHEET ITEMS	Footnotes	CURRENT PERIOD 30 September 2004			PRIOR PERIOD 31 December 2003		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>9.211.384</b>	<b>10.984.806</b>	<b>20.196.190</b>	<b>7.274.853</b>	<b>12.445.392</b>	<b>19.720.245</b>
<b>I. GUARANTEES</b>	<b>5.4.1</b>	<b>1.551.997</b>	<b>5.032.554</b>	<b>6.584.551</b>	<b>1.355.770</b>	<b>4.268.955</b>	<b>5.624.725</b>
1.1. Letters of guarantee		1.551.997	2.955.404	4.507.401	1.355.770	2.519.693	3.875.463
1.1.1. Guarantees subject to State Tender Law		1.551.997	-	1.551.997	1.355.770	-	1.355.770
1.1.2. Guarantees given for foreign trade operations		-	2.955.404	2.955.404	-	2.519.693	2.519.693
1.1.3. Other letters of guarantee		-	-	-	-	-	-
1.2. Bank acceptances		-	669.935	669.935	-	570.115	570.115
1.2.1. Import letter of acceptance		-	669.935	669.935	-	570.115	570.115
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	1.407.215	1.407.215	-	1.157.413	1.157.413
1.3.1. Documentary letters of credit		-	1.407.215	1.407.215	-	1.157.413	1.157.413
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Prefinancing given as guarantee		-	-	-	-	21.734	21.734
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Purchase guarantees for securities issued		-	-	-	-	-	-
1.7. Factoring related guarantees		-	-	-	-	-	-
1.8. Other sureties		-	-	-	-	-	-
1.9. Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>7.080.087</b>	<b>429.678</b>	<b>7.509.765</b>	<b>5.738.557</b>	<b>1.169.682</b>	<b>6.908.239</b>
2.1. Irrevocable commitments		7.080.087	429.678	7.509.765	5.738.557	1.169.682	6.908.239
2.1.1. Asset purchase commitments		144.768	427.596	572.364	-	1.088.057	1.088.057
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		18.758	597	19.355	31.867	618	32.485
2.1.4. Loan granting commitments		-	-	-	765.781	-	765.781
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		914.191	-	914.191	-	-	-
2.1.8. Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card limits		5.994.900	-	5.994.900	4.930.448	-	4.930.448
2.1.10. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.11. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		7.470	1.485	8.955	10.461	81.007	91.468
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>5.4.2</b>	<b>579.300</b>	<b>5.522.574</b>	<b>6.101.874</b>	<b>180.526</b>	<b>7.006.755</b>	<b>7.187.281</b>
3.1. Forward foreign currency purchases/sales		131.409	199.436	330.845	81.211	382.432	463.643
3.1.1. Forward foreign currency purchases		64.082	100.941	165.023	40.907	190.240	231.147
3.1.2. Forward foreign currency sales		67.327	98.495	165.822	40.304	192.192	232.496
3.2. Currency and interest rate swaps		75.137	4.623.912	4.699.049	58.483	6.155.049	6.213.532
3.2.1. Currency swaps-purchases		3.660	2.365.924	2.369.584	1.082	3.154.093	3.155.175
3.2.2. Currency swaps-sales		71.477	2.244.994	2.316.471	57.401	3.000.956	3.058.357
3.2.3. Interest rate swaps-purchases		-	5.407	5.407	-	-	-
3.2.4. Interest rate swaps-sales		-	7.587	7.587	-	-	-
3.3. Currency, interest rate and securities options		372.754	512.325	885.079	40.832	284.052	324.884
3.3.1. Currency options-purchases		187.274	180.912	368.186	34.434	6.219	40.653
3.3.2. Currency options-sales		185.480	256.788	442.268	6.398	30.870	37.268
3.3.3. Interest rate options-purchases		-	-	-	-	154.352	154.352
3.3.4. Interest rate options-sales		-	-	-	-	92.611	92.611
3.3.5. Securities options-purchases		-	74.625	74.625	-	-	-
3.3.6. Securities options-sales		-	-	-	-	-	-
3.4. Currency futures		-	149.250	149.250	-	185.222	185.222
3.4.1. Currency futures-purchases		-	74.625	74.625	-	92.611	92.611
3.4.2. Currency futures-sales		-	74.625	74.625	-	92.611	92.611
3.5. Interest rate futures		-	-	-	-	-	-
3.5.1. Interest rate futures-purchases		-	-	-	-	-	-
3.5.2. Interest rate futures-sales		-	-	-	-	-	-
3.6. Others		-	37.651	37.651	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>	<b>5.4.3</b>	<b>39.385.434</b>	<b>58.956.840</b>	<b>98.342.274</b>	<b>24.525.192</b>	<b>43.496.592</b>	<b>68.021.784</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>13.290.345</b>	<b>5.007.953</b>	<b>18.298.298</b>	<b>10.979.583</b>	<b>6.433.901</b>	<b>17.413.484</b>
4.1. Customers' securities held		382	3.684.617	3.684.999	418	3.521.648	3.522.066
4.2. Investment securities held in custody		11.517.739	972.886	12.490.625	9.623.926	2.559.255	12.183.181
4.3. Checks received for collection		1.450.559	103.978	1.554.537	1.104.208	150.895	1.255.103
4.4. Commercial notes received for collection		309.871	239.174	549.045	161.059	175.422	336.481
4.5. Other assets received for collection		236	1.570	1.806	258	1.644	1.902
4.6. Assets received for public offering		-	-	-	-	3	3
4.7. Other items under custody		11.558	5.728	17.286	89.714	25.034	114.748
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>26.095.089</b>	<b>53.948.887</b>	<b>80.043.976</b>	<b>13.545.609</b>	<b>37.062.691</b>	<b>50.608.300</b>
5.1. Securities		171.316	71	171.387	228.253	74	228.327
5.2. Guarantee notes		2.159.717	3.391.026	5.550.743	1.312.237	3.076.985	4.389.222
5.3. Commodities		2.317	-	2.317	2.703	-	2.703
5.4. Warranties		-	-	-	-	-	-
5.5. Immovables		2.519.195	2.371.338	4.890.533	2.108.844	1.650.907	3.759.751
5.6. Other pledged items		21.242.374	48.180.183	69.422.557	9.893.386	32.328.213	42.221.599
5.7. Pledged items-depository		170	6.269	6.439	186	6.512	6.698
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>48.596.818</b>	<b>69.941.646</b>	<b>118.538.464</b>	<b>31.800.045</b>	<b>55.941.984</b>	<b>87.742.029</b>

## Türkiye Garanti Bankası Anonim Şirketi

### Statement of Operations

For the nine-month and three-month periods ended 30 September 2004

(Billions of Turkish Lira as resatated for the effects of inflation in equivalent purchasing power as of 30 September 2004)

INCOME AND EXPENSE ITEMS	Footnotes	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
		30 September 2004	30 September 2003	1 July 2004 - 30 September 2004	1 July 2003 - 30 September 2003
<b>I. INTEREST INCOME</b>	<b>5.3.1</b>	<b>2.271.255</b>	<b>1.695.508</b>	<b>773.509</b>	<b>509.912</b>
1.1 Interest on loans		1.008.044	852.938	375.969	305.323
1.1.1 Interest on TL loans		751.146	619.966	285.672	240.276
1.1.1.1 Short term loans		732.362	612.338	276.193	238.776
1.1.1.2 Medium and long term loans		18.784	7.628	9.479	1.500
1.1.2 Interest on foreign currency loans		252.596	222.284	88.392	64.467
1.1.2.1 Short term loans		92.266	80.662	28.270	26.746
1.1.2.2 Medium and long term loans		160.330	141.622	60.122	37.721
1.1.3 Interest on loans under follow-up		4.302	10.688	1.905	580
1.1.4 Premiums received from Resource Utilisation Support Fund		-	-	-	-
1.2 Interest received from reserve deposits		45.394	53.099	15.356	18.362
1.3 Interest received from banks		21.095	23.183	10.688	6.104
1.3.1 The Central Bank of Turkey		5.098	6.488	1.144	1.216
1.3.2 Domestic banks		4.859	4.280	3.347	802
1.3.3 Foreign banks		11.138	12.415	6.197	4.086
1.4 Interest received from money market transaction:		658	7.777	343	3.424
1.5 Interest received from marketable securities portfolio		1.155.286	728.390	359.728	165.549
1.5.1 Trading securities		141.208	18.193	57.107	(178.557)
1.5.2 Available-for-sale securities		507.669	226.773	161.025	225.602
1.5.3 Held to maturity securities		506.409	483.424	141.596	118.504
1.6 Other interest income		40.778	30.121	11.425	11.150
<b>II. INTEREST EXPENSE</b>	<b>5.3.2</b>	<b>1.265.051</b>	<b>1.759.946</b>	<b>435.455</b>	<b>529.516</b>
2.1 Interest on deposits		1.045.089	1.452.165	348.456	448.633
2.1.1 Bank deposits		52.653	83.545	19.182	21.618
2.1.2 Saving deposits		548.225	824.774	179.040	265.921
2.1.3 Public sector deposits		195	289	93	100
2.1.4 Commercial deposits		276.089	333.168	84.387	83.787
2.1.5 Other institutions deposits		34.006	19.245	16.265	7.356
2.1.6 Foreign currency deposits		133.844	191.111	49.467	69.835
2.1.7 Precious metals vault accounts		77	33	22	16
2.2 Interest on money market transactions		127.132	181.236	52.780	45.291
2.3 Interest on funds borrowed		89.736	123.126	34.313	32.947
2.3.1 The Central Bank of Turkey		-	-	-	-
2.3.2 Domestic banks		20.321	50.861	6.216	12.313
2.3.3 Foreign banks		60.156	72.265	18.838	20.634
2.3.4 Foreign branches		-	-	-	-
2.3.5 Other financial institutions		9.259	-	9.259	-
2.4 Interest on securities issued		-	-	-	-
2.5 Other interest expense		3.094	3.419	(94)	2.645
<b>III. NET INTEREST INCOME (I - II)</b>		<b>1.006.204</b>	<b>(64.438)</b>	<b>338.054</b>	<b>(19.604)</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>379.583</b>	<b>299.221</b>	<b>140.315</b>	<b>93.474</b>
4.1 Fees and commissions received		537.067	463.389	199.064	152.147
4.1.1 Cash loans		38.453	30.960	13.291	10.651
4.1.2 Non-cash loans		46.162	45.033	16.604	14.219
4.1.3 Other		452.452	387.396	169.169	127.277
4.2 Fees and commissions paid		157.484	164.168	58.749	58.673
4.2.1 Cash loans		18.816	9.062	7.107	4.299
4.2.2 Non-cash loans		250	259	60	82
4.2.3 Other		138.418	154.847	51.582	54.292
<b>V. DIVIDEND INCOME</b>		<b>1.160</b>	<b>61</b>	<b>-</b>	<b>1</b>
5.1 Trading securities		-	-	-	-
5.2 Available-for-sale securities		1.160	61	-	1
<b>VI. NET TRADING INCOME/LOSS</b>		<b>(44.233)</b>	<b>629.326</b>	<b>11.244</b>	<b>285.922</b>
6.1 Profit/losses on trading account securities (Net)		90.677	503.243	24.151	253.973
6.1.1 Profit on trading account securities		305.559	580.788	125.606	282.939
6.1.1.1 Profit on derivatives		141.109	64.540	69.384	12.210
6.1.1.2 Others		164.450	516.248	56.222	270.729
6.1.2 Losses on trading account securities (-)		214.882	77.545	101.455	28.966
6.1.2.1 Losses on derivatives		103.717	37.773	72.337	12.543
6.1.2.2 Others		111.165	39.772	29.118	16.423
6.2 Foreign exchange gains/losses (Net)		(134.910)	126.083	(12.907)	31.949
6.2.1 Foreign exchange gains		2.919.715	3.797.690	1.415.887	943.692
6.2.2 Foreign exchange losses (-)		3.054.625	3.671.607	1.428.794	911.743
<b>VII. OTHER OPERATING INCOME</b>	<b>5.3.3</b>	<b>72.381</b>	<b>94.352</b>	<b>29.990</b>	<b>25.950</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>1.415.095</b>	<b>958.522</b>	<b>519.603</b>	<b>385.743</b>
<b>IX. PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)</b>	<b>5.3.4</b>	<b>197.476</b>	<b>75.500</b>	<b>52.539</b>	<b>(4.572)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>5.3.5</b>	<b>752.816</b>	<b>691.986</b>	<b>289.686</b>	<b>243.968</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>464.803</b>	<b>191.036</b>	<b>177.378</b>	<b>146.347</b>
<b>XII. INCOME/LOSSES FROM ASSOCIATES AND SUBSIDIARIES</b>	<b>5.3.6</b>	<b>18.416</b>	<b>26.281</b>	<b>-</b>	<b>-</b>
<b>XIII. GAIN/LOSS ON NET MONETARY POSITION</b>		<b>2.194</b>	<b>35.345</b>	<b>(2.323)</b>	<b>(16.233)</b>
<b>XIV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII)</b>		<b>485.413</b>	<b>252.662</b>	<b>175.055</b>	<b>130.114</b>
<b>XV. PROVISION FOR TAXES ON INCOME (-)</b>		<b>134.600</b>	<b>(5.625)</b>	<b>37.048</b>	<b>38</b>
<b>XVI. NET OPERATING PROFIT/LOSS AFTER TAXES (XIV-XV)</b>		<b>350.813</b>	<b>258.287</b>	<b>138.007</b>	<b>130.152</b>
<b>XVII. EXTRAORDINARY INCOME/EXPENSE AFTER TAXES</b>	<b>5.3.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
17.1 Extraordinary net income/expense before taxes		-	-	-	-
17.1.1 Extraordinary income		-	-	-	-
17.1.2 Extraordinary expense (-)		-	-	-	-
17.2 Provision for taxes on extraordinary income (-)		-	-	-	-
<b>XVIII. NET PROFIT/LOSS (XVI+XVII)</b>	<b>5.3.8</b>	<b>350.813</b>	<b>258.287</b>	<b>138.007</b>	<b>130.152</b>
<b>EARNINGS PER SHARE (full TL amount per TL'000 face value each)</b>		<b>292</b>	<b>314</b>	<b>115</b>	<b>158</b>

### **3 Accounting policies**

#### **3.1 Disclosures on presentation principles**

The Bank keeps its accounting records and prepares its financial statements and the related footnotes in accordance with accounting and valuation standards as described in Article 13 of “Accounting and Recording Rules” of the Turkish Banking Law no.4389, and “Regulation on Accounting Standards” published by the Banking Regulation and Supervision Agency (BRSA) which has been in effect since 1 October 2002.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis as adjusted for the effects of inflation on Turkish Lira based on the conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics at the balance sheet date except for trading securities, investment securities available for sale, investments, associates and subsidiaries quoted on the stock exchanges and assets held for resale which are presented on a fair value basis.

##### **3.1.1 Additional paragraph for convenience translation to English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

#### **3.2 Forwards, options and other derivative transactions**

The derivative transactions mainly consist of foreign currency and interest rate swaps and forward foreign currency purchase/sale contracts. The Bank does not have any embedded derivatives.

According to Article 1 of the “Regulation on Accounting Standards”, Accounting Standard for Financial Instruments; forward foreign currency purchases/sales, swaps, options and futures are classified “hedging purposes” and “trading purposes”. Derivatives are recorded at their purchase costs including the transaction costs. Subsequently, the derivative transactions are valued at their fair values and value increases/decreases are recorded under Accrued Interest and Income or Accrued Interest and Expenses, respectively. The subsequent fair value differences are recorded under Statements of Operations for trading derivatives and under Shareholders’ Equity for hedging derivatives.

The spot legs of currency swap transactions are recorded on the balance sheet and the forward legs in the off-balance sheet accounts.

#### **3.3 Netting of financial instruments**

In cases where the fair values of trading securities, investment securities available-for-sale, securities quoted at the stock exchanges, associates and subsidiaries are under their carrying values, a provision for impairment is allocated, and the net value is shown on the balance sheet.

The Bank provides specific allowances for loan and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The allowances are recorded under “Loans” as negative balances on the assets side.

Otherwise, the financial assets and liabilities are netted off only for the cases legally applicable.

### **3.4 Interest income and expenses**

Interest income and expenses are recorded on an accrual basis of accounting. Currency differences of foreign currency-indexed loans and securities are recorded under interest income if they are positive but under impairment provisions if negative. The interest income accruals on non-performing loans are not recognised as income until collection.

### **3.5 Fees and commissions**

Fees and commissions received and paid, other fees and commissions paid to financial institutions, incomes derived from agreements and asset purchases from third parties are recognized as income only when collected.

### **3.6 Trading securities**

Trading securities are valued at their fair values and gain/loss arising is recorded in the statement of operations. However, securities for which fair values could not be determined reliably are valued using discounting method with internal rate of return for the ones with a fixed maturity; and using valuation models or discounted cash flow techniques for the ones without a fixed maturity. Interest income derived from the trading securities are included in interest income, in case of sale before maturity, all the gain/losses are recorded under trading account income/loss.

### **3.7 Repurchase and resale agreements**

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

Securities purchased under resale agreements are classified under “Money Market Securities” separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

### **3.8 Investment securities held-to-maturity, investment securities available for sale and originated loans and receivables**

Held-to-maturity securities are financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding originated loans and receivables.

Investment securities available-for-sale, are financial assets other than securities held for trading purposes, securities held-to-maturity and originated loans and receivables

Originated loan and receivables are financial assets raised by the Bank providing money, commodity and services to debtors.

Securities are recorded at their purchase costs including the transaction costs. Subsequently, the investment securities available-for-sale are valued at their fair values. However, securities for which fair values could not be determined reliably are valued using discounting method with internal rate of return for the ones with a fixed maturity; and using valuation models or discounted cash flow techniques for the ones without a fixed maturity. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in "securities value increase fund" under the shareholders' equity. In case of sales, the realized gain/losses are recognized directly in the statement of operations. Held-to-maturity securities and originated loans are recorded using discounting method with internal rate of return after deducting impairments, if any.

There are no financial assets that are not allowed to be classified as investment securities held-to-maturity due to any violations in applications.

Interest earned on investment securities held-to-maturity are recognized as interest income.

Purchase and sale transactions of investment securities held-to-maturity are accounted at delivery dates.

### **3.9 Originated loans and receivables and specific and general provisions**

Originated loans and receivables are recorded at their purchase costs and valued using discounting method with internal rate of return in the subsequent periods.

The Bank provides allowances for non-performing loans that are deducted from the current period profit. The provisioning is provided by the Bank's management against potential losses that may arise in the future and based on the quality of the loan portfolio and potential risk factors including, economic and other related factors.

The Bank provides specific allowances for loans in Groups III, IV and V and general provision for other cash and non-cash loans in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables as described in Paragraph 11 of Article 3 and Paragraph 12 of Article 11 of the Turkish Banking Law no.4389 as amended by Act No.4672 as published in the Official Gazette no.24448 dated 30 June 2001, and in accordance with the amendment to the above regulation as republished in the Official Gazette no.24657 dated 31 January 2002.

The allowances are released from the statement of operations through credit entries to “provision for loan losses or other receivables” for the current period allowances released, and credited to “other operating income” for the prior period allowances recovered.

### **3.10 Goodwill and other intangible assets**

The Bank’s intangible assets consist of pre-operating expenses.

The cost of the intangible assets are restated from the purchasing dates to the balance sheet date and amortised over the estimated useful lives on a straight-line basis.

Estimated useful lives of the Bank’s intangible assets are 5-10 years, and amortisation rates are 10-20%.

### **3.11 Tangible assets**

The cost of the tangible assets is restated from the purchasing dates to the balance sheet date. The effects of revaluation made according to the related legislation, is reversed before restatements. The tangible assets are depreciated over their estimated useful lives on a straight-line basis from the date of their acquisition. For the cases where the restated values of the tangible assets are higher than their fair values, a provision for impairment is allocated for the excesses over the fair values in accordance with materiality and prudence principles.

Sale income/losses on the tangible assets are calculated as the difference between the net restated value and the net sales revenue and recorded in the statement of operations or under the shareholders equity for transfers to paid-in capital.

Maintenance and repair costs are recorded as expense.

There are no restrictions like pledges, mortgages or any other restriction on tangible assets.

In accounting estimates, there are no changes expected to be influential in the current or subsequent periods.

Depreciation rates and estimated useful lives are:

<b>Tangible assets</b>	<b>Estimated useful lives (years)</b>	<b>Depreciation rates (%)</b>
Buildings	50	2
Vault	20-50	2-5
Motor vehicles	5-7	15-20
Other tangible assets	4-20	5-25

### **3.12 Leasing activities**

The maximum period of leasing agreements is 4 years. Leased assets are recognized by recording an asset and liability. In determination of asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

Depreciation is calculated in compliance with the same principle as for the tangible assets.

In cases where impairments incur on leased assets or the expected future benefits of the assets are lower than their restated values, the book values of such leased assets are reduced to their net realizable values.

In operating leases, the rent payments are charged to the statement of operations in equal instalments.

### **3.13 Provisions and Contingencies**

Provision requirements other than the specific and general provisions for loans and other receivables are assessed in compliance with the statement no.8 "Accounting Standard for Allowances, Contingent Liabilities and Assets" of the "Regulation on Accounting Standards".

A general provision was reserved in the current period against potential risks in the future.

Provisions made during the period are recorded under "Provision for Loan Losses or Other Receivables"; the provisions realized are recorded under "Other Operating Income".

### **3.14 Commitments for personnel rights**

Personnel rights are accounted in compliance with the statement no.10, "Accounting Standard on Bank's Personnel Rights" of the "Regulation on Accounting Standards".

No provision is allocated in the accompanying financial statements for the Bank's Pension Fund (the Fund), "Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı". There have not been any payments made by the Bank to this institution in order to cover its deficits. The Bank management believes that this institution is capable of meeting its liabilities without the Bank's support.

Actuary audit has been finalised in compliance with the statement no.10 of the "Regulation on Accounting Standards" for Retirement Trust Fund founded under Social Security Law no. 506, the temporary clause 20. According to actuary audit report, the Fund did not have any actuary deficit as of 31 December 2003.

### **3.15 Taxation**

#### **3.15.1 Corporate Tax**

Corporate income tax is levied at the rate of 30% on the corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the period ended 30 September 2004. If there is no dividend distribution planned, no further tax charges are made. However, in accordance with the Law no. 5035, announced on 2 January 2004 as published on the Official Gazette no. 25334, the corporation tax rate that will be applied on the income of the year 2004 is determined as 33%.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. All other dividend distributions are subject to a withholding tax of 10%. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

In accordance with the tax legislation, prepaid tax are paid on the tax base calculated on the quarterly earnings of the companies at the rate of 30% (33% for the year 2004) on the 17<sup>th</sup> of the second month following each quarter upon the declaration submitted on the 10<sup>th</sup> of the same month. These payments can be deducted from the annual corporate tax calculated for the whole year earnings. Such prepaid taxes can be offsetted against any other payables to the government.

According to the tax legislation, 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 new tax legislation requiring the application of inflationary accounting is effective from 1 January 2004 as per the Law no.5024 published in the Official Gazette dated 30 December 2003 with no.25332. According to the new tax legislation, the corporate tax will be calculated considering the effects of inflation accounting adjustments if the increase in wholesale price index is higher than 100% for the last 36 months and 10% for the last 12 months. At the end of each quarterly "temporary tax computation" periods, such indices will be reviewed to assess the necessity for the application of inflationary accounting; and if it is concluded as necessary, the calculations will be revised to include the effects of the inflationary accounting not only for the current period but for the whole year including the prior quarterly "temporary tax" periods retrospectively.

As of 30 September 2004, such indices were 88.69% and 12.50% for the last 36 months and 12 months, respectively. Therefore, as of 30 September 2004 the Bank calculated its tax provision considering the inflation accounting adjustments for the nine-month period.

### **3.15.2 Deferred Taxes**

According to Article 18 of the "Regulation on Accounting Standards", Accounting Standard for Taxation; deferred tax assets and liabilities are recognized, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

### **3.16 Funds borrowed**

The Bank generates funds from domestic and foreign sources. The funds from foreign sources are mainly in the form of syndications and securitizations. The funds received are recorded at their purchase costs and valued by the discounting method with internal rate of return.

There are no convertible bonds or any other securities issued.



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**3.17 Paid-in capital and treasury stocks**

Operation costs related to issue of share certificates are deducted from the shareholders’ equity. Payment of dividend is declared at the General Assembly following the balance sheet date.

**3.18 Acceptances**

Acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts, if any.

**3.19 Government incentives**

As of 30 September 2004, the Bank does not have any government incentives or aids.

**3.20 Segment reporting**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

## **4 Financial position and results of operations**

### **4.1 Strategy for financial instruments and foreign currency operations**

#### **4.1.1 Strategy for financial instruments**

The liability side of the Bank's balance sheet is intensively composed of short-term deposits in parallel with the general trend in the banking sector. In addition to deposits, the Bank has access to longer-term borrowings via the foreign currency borrowings in abroad.

In order to manage the interest rate risk arising from short-term deposits, the Bank is keen on maintaining floating rate instruments such as government bonds with quarterly coupon payments and instruments like credit cards and consumer loans providing regular cash inflows.

The fundamental strategy to manage the liquidity risk is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The Bank's widespread and effective branch network, advantage of primary dealership and strong market share in the treasury and capital markets, are some of effective tools in the realisation of this strategy. For this purpose, serving customers new products and services continuously and reaching the customers satisfaction are very important.

Another influential factor in the management of the interest and liquidity risk on balance sheet, is product diversification both on asset and liability sides.

Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems instantly, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

Purchase and sale of short and long-term financial instruments are allowed within the pre-determined limits to generate risk-free return on capital.

The foreign currency position is controlled by the equilibrium of a currency basket to eliminate the foreign exchange risk.

#### **4.1.2 Foreign currency operations**

Foreign exchange gains and losses arising from foreign currency operations are recorded at transaction dates. At the end of the period, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss.

In the currency conversion of the financial statements of the Bank's foreign branches, the Bank's spot purchase rates are used for balance sheet items and average foreign currency rates for statement of operations. All foreign currency differences arising from this conversion, are classified to profit reserves under the shareholders' equity.

Foreign currency differences arising from the conversion of foreign currency investments, associates and subsidiaries into Turkish Lira are posted to the statement of operations as foreign exchange gain/loss.

The Bank revalues the foreign currency-indexed government securities acquired at "Debt Swap" in 2001 by the discounting method with internal rate of return and fixes the foreign currency evaluations two days before the balance sheet date, as stated by The Ministry of State in charge of the Treasury, and records the evaluations to financial statements based on the ten days' average of Central Bank's foreign currency exchange rates before the balance sheet date.

## **4.2 Capital adequacy ratio**

The Bank's unconsolidated capital adequacy ratio is 16.23 % as of 30 September 2004.

### **4.2.1 Risk measurement methods in calculation of capital adequacy ratio**

Capital adequacy ratio is calculated within the scope of the "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette No.24657 dated 31 January 2002.

In calculation of capital adequacy ratio, the accounting records prepared in compliance with the current legislation are used.

The items deducted from the capital base are not included in the calculation of risk weighted assets. In calculation of risk weighted assets, impairments, depreciation and amortisation, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 21, paragraph (1) of "Regulation on Foundation and Operations of Banks".

The derivative financial instruments, in the calculation of their risk based values, are weighted and classified according to the related risk groups after multiplied by the rates stated in the Article 21, paragraph (2) of "Regulation on Foundation and Operations of Banks".

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**4.2.2 Capital adequacy ratio**

	Risk Weights			
	0%	20%	50%	100%
<b>Risk Weighted Assets, Liabilities, Off-Balance Sheet Items</b>				
<b>Balance Sheet Items (Net)</b>	<b>5,563,384</b>	<b>661,701</b>	<b>1,167,178</b>	<b>10,055,662</b>
Cash on Hand	117,027	3,418	-	-
Banks	994,181	649,897	-	100,068
Interbank Money Market Placements	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-
Reserve Deposits	1,245,804	-	-	-
Special Purpose Financial Institutions	-	-	-	-
Loans	1,814,088	7,649	1,124,157	7,293,186
Loans under Follow-Up (Net)	-	-	-	186,944
Investments in Associates and Subsidiaries	-	-	-	985,105
Miscellaneous Receivables	62	-	-	47,143
Investment Securities Held to Maturity (Net)	1,077,530	-	-	45,958
Advances for Assets Acquired under Financial Lease	-	-	-	-
Financial Lease Receivables	-	-	-	-
Leased Assets (Net)	-	-	-	-
Tangible Assets (Net)	-	-	-	1,239,953
Accrued Interest and Income	112,582	737	43,021	124,144
Other Assets	202,110	-	-	33,161
<b>Off-Balance Sheet Items</b>	<b>292,410</b>	<b>2,084,376</b>	<b>2,788,716</b>	<b>402,224</b>
Guarantees	292,410	2,044,573	761,107	400,403
Commitments	-	-	2,027,609	-
Other Off Balance Sheet-Items	-	-	-	-
Derivative Financial Instruments	-	39,803	-	1,821
	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>5,855,794</b>	<b>2,746,077</b>	<b>3,955,894</b>	<b>10,457,886</b>

**4.2.3 Summary on capital adequacy ratio**

	Risk Weights	
	Current Period	Prior Period
Total Risk Weighted Assets	12,985,048	11,012,550
Value at Risk	1,209,625	1,535,102
Shareholders' Equity	2,304,280	2,087,189
Shareholders' Equity/ (RWA+VaR)*100 (*)	16.23	16.63

(\*) RWA: Total Risk Weighted Assets

VaR: Value at Risk

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**4.2.4 Components of shareholders' equity items**

	Current Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	1,200,000	822,038
Nominal Capital	1,200,000	822,038
Capital Commitments (-)	-	-
Share Premium and Cancellation Profit	-	-
Capital Reserves From Inflation Adjustments to Paid-in Capital	1,126,237	1,125,256
Legal Reserves	25,453	-
I. Legal Reserve (Turkish Commercial Code 466/1)	25,453	-
II. Legal Reserve (Turkish Commercial Code 466/2)	-	-
Status Reserves	-	-
Extraordinary Reserves	68,577	-
Reserve Allocated at the General Assembly	68,577	-
Retained Earnings	-	-
Accumulated Losses	-	-
Profit Reserves	2,455	-
Profit	350,813	449,688
Current Period Profit	350,813	329,585
Prior Period Profit	-	120,103
Loss (-)	-	-
Current Period Loss	-	-
Prior Period Loss	-	-
<b>Total Core Capital</b>	<b>2,773,535</b>	<b>2,396,982</b>
<b>SUPPLEMENTARY CAPITAL</b>		
Revaluation Fund	8,544	25,920
Movables	-	-
Immovables	2,370	2,370
Income on Sale of Equity Shares and Realestates	6,174	23,550
Revaluation Fund on Leasehold Improvements	-	-
Revaluation Surplus	5,553	3,985
Foreign Currency Exchange Differences	-	-
General Provisions	63,418	51,432
Provision for Possible Losses	14,000	36,074
Subordinated Loans	-	-
Securities Value Increase Fund	122,553	252,177
Associates and Subsidiaries	60,219	34,069
Investments Available for Sale	62,334	218,108
Securities Held for Structural Position	-	-
<b>Total Supplementary Capital</b>	<b>214,068</b>	<b>369,588</b>
<b>TIER III CAPITAL</b>	-	-
<b>CAPITAL</b>	<b>2,987,603</b>	<b>2,766,570</b>

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<b>DEDUCTIONS FROM CAPITAL</b>	<b>683,323</b>	<b>679,381</b>
Investments in Entities Operating in Financial Sectors like Money Markets, Capital Markets, Insurance under the related Special Laws	572,047	538,147
Leasehold Improvements	37,333	41,260
Pre-Operating Costs	21,718	28,356
Prepaid Expenses	52,225	71,618
Negative Difference between the Fair Values and the Carrying Values of Investments, Associates, Subsidiaries, Other Investments, Property and Equipment	-	-
Subordinated Loans Granted to Banks Operating in Turkey	-	-
Goodwill (Net)	-	-
Capitalised Expenses	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,304,280</b>	<b>2,087,189</b>

### 4.3 Credit risk

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

### 4.4 Market risk

The Bank has defined its risk management procedures and has taken necessary precaution in order to avoid market risk, in compliance with "Regulation on Bank's Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 24312 dated 8 February 2001.

Being exposed to market risk, the Bank's Board of Directors has identified risk management strategies and policies considering the suggestions by the Executive Risk Committee and has pursued the application of these strategies periodically. Considering the existing major risks, the Bank's Board of Directors determines and revises the risk limits, when necessary. The Board of Directors ensures that the risk management group and the executive management are taking necessary action in identifying, measuring, controlling and managing several risks.

Market risks arising from trading transactions are measured by internal risk measurement model using value at risk (VaR) methodology. VaR is calculated by three different methods, namely historical simulation, monte carlo simulation and parametric method. Market risk arising from maturity mismatches of assets and liabilities is calculated through the assets-liabilities risk measurement model.

The periodical stress testing and scenario analysis support the above mentioned measurements. Traditional risk measurement methods such as cash flow projection, duration and variance analysis are also used.

The capital need for general market risk and specific risks is calculated using the standart method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

**Value at Risk:**

	<b>Amount</b>
<b>Capital Obligation against Interest Rate Risk - Standard Method</b>	<b>73,539</b>
General Market Risk	70,931
Specific Risk	2,608
Options Subject to Interest Rate Risk	-
<b>Capital Obligation against Common Stock Position Risk – Standard Method</b>	<b>8,809</b>
General Market Risk	4,485
Specific Risk	4,324
Options Subject To Common Stock Position Risk	-
<b>Capital Obligation against Currency Risk – Standard Method</b>	<b>14,422</b>
Capital Obligation	10,185
Capital Obligation against Options Subject to Currency Risk	4,237
<b>Total Value-At-Risk – Home Model</b>	<b>-</b>
<b>Total Capital Obligations against Market Risk</b>	<b>96,770</b>
<b>Value-At-Risk Amount</b>	<b>1,209,625</b>

**4.5 Foreign currency exchange rate risk**

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 30 September 2004, the Bank’s net ‘on balance sheet’ foreign currency short position amounts to TL 166,652 billion, net ‘off-balance sheet’ foreign currency long position amounts to TL 87,957 billion, while net foreign currency short position amounts to TL 78,695 billion.

The Bank’s foreign currency position risk is measured by “standard method” and “value-at-risk (VaR) model”.

Measurements by standard method are carried out weekly, whereas measurements by “VaR” are done daily.

***The Bank’s effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank are as follows:***

<b>A.</b> The Bank’s “foreign currency evaluation rate” ( 1 US dollar )	TL 1,492,500
<b>B.</b> US dollar purchase rate at the date of balance sheet and for the five days before balance sheet are:	
US dollar purchase rate at the date of balance sheet	TL 1,492,500
<u>US dollar purchase rates for the days before balance sheet:</u>	
Day 1	TL 1,485,000
Day 2	TL 1,480,000
Day 3	TL 1,480,000
Day 4	TL 1,480,000
Day 5	TL 1,480,000

The arithmetical average of the Bank’s US dollar purchase rates for the last 30 days before balance sheet date is TL 1,484,917 (TL’full).

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**Currency risk:**

	<b>Euro</b>	<b>US\$</b>	<b>Yen</b>	<b>Other FCs</b>	<b>Total</b>
<b>Current Period</b>					
<b>Assets</b>					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	755,301	304,527	127	6,782	1,066,737
Banks and Other Financial Institutions	242,774	415,224	6,101	13,821	677,920
Trading Securities	5,394	519,383	-	-	524,777
Interbank Money Market Placements	-	-	-	-	-
Investment Securities Available-for-Sale	44,698	2,102,132	-	-	2,146,830
Loans	1,071,594	4,726,868	3,262	90,357	5,892,081
Investments in Associates and Subsidiaries	253,964	42,326	-	5,199	301,489
Investment Securities Held-to-Maturity	59,421	2,736,203	-	-	2,795,624
Tangible and Intangible Assets	-	647	-	1,323	1,970
Goodwill	-	-	-	-	-
Other Assets	46,848	1,320,812	276	3,226	1,371,162
<b>Total Assets</b>	<b>2,479,994</b>	<b>12,168,122</b>	<b>9,766</b>	<b>120,708</b>	<b>14,778,590</b>
<b>Liabilities</b>					
Bank Deposits	103,884	445,018	-	26,790	575,692
Foreign Currency Deposits	3,077,983	5,821,007	11,202	377,843	9,288,035
Interbank Money Market Takings	17,969	721,236	-	-	739,205
Other Fundings	1,016,624	2,607,780	-	135	3,624,539
Securities Issued	-	-	-	-	-
Miscellaneous Payables	647	4,103	-	100	4,850
Other Liabilities (*)	94,166	563,110	1,364	54,281	712,921
<b>Total Liabilities</b>	<b>4,311,273</b>	<b>10,162,254</b>	<b>12,566</b>	<b>459,149</b>	<b>14,945,242</b>
<b>Net 'On Balance Sheet' Position</b>	<b>-1,831,279</b>	<b>2,005,868</b>	<b>-2,800</b>	<b>-338,441</b>	<b>-166,652</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>1,804,289</b>	<b>-2,065,198</b>	<b>1,854</b>	<b>347,012</b>	<b>87,957</b>
Derivative Assets	1,899,493	563,667	1,854	411,762	2,876,776
Derivative Liabilities	95,204	2,628,865	-	64,750	2,788,819
<b>Prior Period</b>					
<b>Total Assets</b>	<b>1,609,913</b>	<b>12,782,766</b>	<b>11,312</b>	<b>164,379</b>	<b>14,568,370</b>
<b>Total Liabilities</b>	<b>3,968,729</b>	<b>10,514,239</b>	<b>15,938</b>	<b>299,306</b>	<b>14,798,212</b>
<b>Net 'On Balance Sheet' Position</b>	<b>-2,358,816</b>	<b>2,268,527</b>	<b>-4,626</b>	<b>-134,927</b>	<b>-229,842</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>2,346,008</b>	<b>-2,357,692</b>	<b>-</b>	<b>138,217</b>	<b>126,533</b>

(\*) Other liabilities also include gold deposits of TL 45,223 billion.



#### 4.6 Interest rate risk

Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into account the developments in market conditions.

Bank's interest rate risk is measured by the standard method, value at risk (VaR) and asset-liability risk measurement models.

Measurements for standard method are carried out monthly using the maturity ladder table, while measurements for VaR calculations are done daily. Asset-liability risk measurement model is studied monthly.

During the daily VaR calculations, the interest rate risks of the Bank's TL and FC trading and investment securities available for sale and off-balance sheet position are measured. These are supported by scenario analysis and stress testing.

***Interest rate mismatch for the Bank "Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates":***

Current Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	910,601	83,580	-	-	-	120,445	1,114,626
Banks and Other Financial Institutions	640,483	17,128	2,610	-	-	89,744	749,965
Trading Securities	2,032	453,196	20,044	28,208	122,303	-	625,783
Interbank Money Market Placements	-	-	-	-	-	-	-
Investment Securities Available-for-Sale	655,924	1,312,642	137,905	429,696	1,982,541	66,988	4,585,696
Loans	3,026,708	1,047,435	1,408,344	1,310,543	3,446,050	186,944	10,426,024
Investment Securities Held-to-Maturity	9,149	2,238,991	12,706	25,557	1,505,316	-	3,791,719
Other Assets	1,071,709	447,885	62,694	60,501	231,767	3,190,857	5,065,413
<b>Total Assets</b>	<b>6,316,606</b>	<b>5,600,857</b>	<b>1,644,303</b>	<b>1,854,505</b>	<b>7,287,977</b>	<b>3,654,978</b>	<b>26,359,226</b>
<b>Liabilities</b>							
Bank Deposits	409,394	247,237	4,247	6,000	26,119	52,659	745,656
Other Deposits	8,589,868	2,224,552	269,927	207,777	91,663	4,586,055	15,969,842
Interbank Money Market Takings	1,290,554	130,958	126,634	113,487	273,872	-	1,935,505
Miscellaneous Payables	-	-	-	-	-	62,178	62,178
Securities Issued	-	-	-	-	-	-	-
Other Fundings	105,463	939,246	494,592	958,555	1,246,059	-	3,743,915
Other Liabilities	168,787	26,107	5,375	6,625	13,042	3,682,194	3,902,130
<b>Total Liabilities</b>	<b>10,564,066</b>	<b>3,568,100</b>	<b>900,775</b>	<b>1,292,444</b>	<b>1,650,755</b>	<b>8,383,086</b>	<b>26,359,226</b>
<b>On Balance Sheet Interest Sensitivity Shortage</b>	<b>-4,247,460</b>	<b>2,032,757</b>	<b>743,528</b>	<b>562,061</b>	<b>5,637,222</b>	<b>-4,728,108</b>	<b>-</b>
<b>Off-Balance Sheet Interest Sensitivity Shortage</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Interest Sensitivity Shortage</b>	<b>-4,247,460</b>	<b>2,032,757</b>	<b>743,528</b>	<b>562,061</b>	<b>5,637,222</b>	<b>-4,728,108</b>	<b>-</b>

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**Average interest rates on monetary financial instruments:**

<b>Current Period</b>	<b>Euro</b>	<b>US\$</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	1.41	1.23	-	-
Banks and Other Financial Institutions	2.20	2.38	-	21.05
Trading Securities	8.60	5.60	-	30.06
Interbank Money Market Placements	-	-	-	20.00
Investment Securities Available-for-Sale	8.30	5.90	-	30.50
Loans	6.36	6.37	-	36.83
Investment Securities Held-to-Maturity	9.60	10.20	-	34.10
<b>Liabilities</b>				
Bank Deposits	3.03	3.04	-	21.57
Other Deposits	2.17	2.03	-	18.38
Interbank Money Market Takings	0.68	0.96	-	18.33
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	3.79	3.49	-	20.97

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***Interest rate mismatch for the Bank "Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates":***

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	166,180	-	-	-	-	379,463	545,643
Banks and Other Financial Institutions	201,815	23,153	5,919	-	-	109,636	340,523
Trading Securities	4,347	788,927	2,234	11,109	85,640	923	893,180
Interbank Money Market Placements	-	-	-	-	-	-	-
Investment Securities Available-for-Sale	399,475	831,439	92,395	413,684	2,764,796	59,729	4,561,518
Loans	2,089,285	526,516	953,625	949,726	2,818,680	172,968	7,510,800
Investment Securities Held-to-Maturity	327,781	583,147	3,159,833	104,450	786,544	-	4,961,755
Other Assets	1,214,324	-	-	-	-	4,449,561	5,663,885
<b>Total Assets</b>	<b>4,403,207</b>	<b>2,753,182</b>	<b>4,214,006</b>	<b>1,478,969</b>	<b>6,455,660</b>	<b>5,172,280</b>	<b>24,477,304</b>
<b>Liabilities</b>							
Bank Deposits	574,341	105,673	613	585	-	29,889	711,101
Other Deposits	8,027,238	2,089,148	479,369	280,435	40,872	4,113,923	15,030,985
Interbank Money Market Takings	646,707	79,475	-	691,467	461,510	-	1,879,159
Miscellaneous payables	-	-	-	-	53,148	-	53,148
Securities Issued	-	-	-	-	-	-	-
Other Fundings	131,547	339,014	397,497	2,083,231	209,765	-	3,161,054
Other Liabilities	1,794	2,168	2,440	3,813	11,362	3,620,280	3,641,857
<b>Total Liabilities</b>	<b>9,381,627</b>	<b>2,615,478</b>	<b>879,919</b>	<b>3,059,531</b>	<b>776,657</b>	<b>7,764,092</b>	<b>24,477,304</b>
<b>On Balance Sheet Interest Sensitivity Shortage</b>	<b>-4,978,420</b>	<b>137,704</b>	<b>3,334,087</b>	<b>-1,580,562</b>	<b>5,679,003</b>	<b>-2,591,812</b>	<b>-</b>
<b>Off-Balance Sheet Interest Sensitivity Shortage</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Interest Sensitivity Shortage</b>	<b>-4,978,420</b>	<b>137,704</b>	<b>3,334,087</b>	<b>-1,580,562</b>	<b>5,679,003</b>	<b>-2,591,812</b>	<b>-</b>

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**Average interest rates on monetary financial instruments:**

<b>Prior Period</b>	<b>Euro</b>	<b>US\$</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	0.63	-	26.00
Banks and Other Financial Institutions	2.12	1.39	-	17.24
Trading Securities	6.68	3.70	-	43.88
Interbank Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	8.50	8.38	-	34.64
Loans	6.69	6.93	-	52.78
Investment Securities Held-to-Maturity	9.58	8.50	-	32.26
<b>Liabilities</b>				
Bank Deposits	3.27	2.74	-	26.55
Other Deposits	2.34	2.01	-	23.51
Interbank Money Market Takings	2.78	2.20	-	23.86
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Fundings	2.87	2.46	-	27.65

**4.7 Liquidity risk**

In order to avoid the liquidity risk, the Bank diverts funding sources as customer deposits and foreign borrowings, looks after the maturity mismatch between assets and liabilities and maintains liquid assets to guarantee sufficient liquidity during market fluctuations.

While the Bank's short term liquidity need is met mainly with deposits, its long term liquidity is provided through foreign funding sources such as syndication and securitisation transactions. There are no significant idle liquidity sources.

**Maturity analysis of assets and liabilities (according to remaining maturities):**

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Non-Interest Bearing(*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	120,445	910,601	83,580	-	-	-	-	1,114,626
Banks and Other Financial Institutions	89,744	640,483	17,128	2,610	-	-	-	749,965
Trading Securities	-	2,018	451,438	20,062	28,205	124,060	-	625,783
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Investment Securities Available-for-Sale	66,988	-	259	137,901	488,752	3,891,796	-	4,585,696
Loans	-	3,026,708	1,047,435	1,408,344	1,310,543	3,446,050	186,944	10,426,024
Investment Securities Held-to-Maturity	-	5,762	62,181	12,705	723,323	2,987,748	-	3,791,719
Other Assets	5,431	1,100,818	225,419	58,338	83,037	401,513	3,190,857	5,065,413
<b>Total Assets</b>	<b>282,608</b>	<b>5,686,390</b>	<b>1,887,440</b>	<b>1,639,960</b>	<b>2,633,860</b>	<b>10,851,167</b>	<b>3,377,801</b>	<b>26,359,226</b>
<b>Liabilities</b>								
Bank Deposits	52,659	409,394	247,237	4,247	6,000	26,119	-	745,656
Other Deposits	4,586,055	8,589,868	2,224,552	269,927	207,777	91,663	-	15,969,842
Other Fundings	-	105,463	939,246	494,592	958,555	1,246,059	-	3,743,915
Interbank Money Market Takings	-	1,290,554	130,958	126,634	113,487	273,872	-	1,935,505
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	62,178	-	62,178
Other Liabilities (**)	-	168,787	26,107	5,375	6,625	13,042	3,682,194	3,902,130
<b>Total Liabilities</b>	<b>4,638,714</b>	<b>10,564,066</b>	<b>3,568,100</b>	<b>900,775</b>	<b>1,292,444</b>	<b>1,712,933</b>	<b>3,682,194</b>	<b>26,359,226</b>
<b>Net Liquidity Shortage</b>	<b>-4,356,106</b>	<b>-4,877,676</b>	<b>-1,680,660</b>	<b>739,185</b>	<b>1,341,416</b>	<b>9,138,234</b>	<b>-304,393</b>	<b>-</b>
<b>Prior Period</b>								
<b>Total Assets</b>	<b>562,104</b>	<b>4,164,305</b>	<b>1,048,787</b>	<b>2,621,982</b>	<b>2,470,722</b>	<b>10,231,500</b>	<b>3,377,904</b>	<b>24,477,304</b>
<b>Total Liabilities</b>	<b>4,143,811</b>	<b>9,754,660</b>	<b>2,813,207</b>	<b>1,276,330</b>	<b>2,549,426</b>	<b>1,152,606</b>	<b>2,787,264</b>	<b>24,477,304</b>
<b>Net Liquidity Shortage</b>	<b>-3,581,707</b>	<b>-5,590,355</b>	<b>-1,764,420</b>	<b>1,345,652</b>	<b>-78,704</b>	<b>9,078,894</b>	<b>590,640</b>	<b>-</b>

(\*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and loans under follow-up, are included in this column.

(\*\*) Shareholders' Equity is included in "Other liabilities" line under "Non-interest bearing" column.

#### **4.8 Fair values of financial assets and liabilities**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

#### **4.9 Transactions carried out on behalf of customers, items held in trust**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

#### **4.10 Disclosure on operations**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

## 5 Disclosures and footnotes on unconsolidated financial statements

### 5.1 Assets

#### 5.1.1 Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	80	688,345	59	203,782
Unrestricted Time Deposits	-	305,756	34,981	131,198
<b>Total</b>	<b>80</b>	<b>994,101</b>	<b>35,040</b>	<b>334,980</b>

#### 5.1.2 Further information on trading securities (presented in net value)

##### 5.1.2.1 Trading securities given as collateral or blocked

None.

##### 5.1.2.2 Trading securities subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	-	-	-	193,954
Treasury Bills	-	-	-	-
Other Debt Securities	-	-	-	-
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>193,954</b>

#### 5.1.3 Due from foreign banks

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

#### 5.1.4 Receivables from reverse repurchase agreements

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

#### 5.1.5 Investment securities available-for-sale

##### 5.1.5.1 Investment securities available-for-sale

Investment securities available-for-sale consist of debt securities, investment funds and common stocks.

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**5.1.5.2 Details of investment securities available-for-sale**

	Current Period	Prior Period
<b>Debt Securities</b>	<b>4,522,762</b>	<b>4,505,572</b>
Quoted at Stock Exchange	3,734,100	2,805,904
Not Quoted at Stock Exchange	788,662	1,699,668
<b>Common Stocks</b>	<b>62,934</b>	<b>55,946</b>
Quoted at Stock Exchange	19,901	13,319
Not Quoted at Stock Exchange	43,374	42,919
Impairment Losses (-)	341	292
<b>Total</b>	<b>4,585,696</b>	<b>4,561,518</b>

**5.1.5.3 Collateralized investment securities available-for-sale**

Collateralized investment securities available-for-sale include government bonds in Turkish Lira. Carrying values of such securities with total nominal value of TL 958 billion, is TL 700 billion. The related accrued interest amounts to TL 63 billion.

**5.1.5.4 Disclosure for collateralized/blocked investment securities available-for-sale**

	Current Period		Prior Period	
	TL	FC	TL	FC
Common stocks	-	-	-	-
Bills, bonds and other securities	700	-	-	-
Others	-	-	-	-

**5.1.5.5 Investment securities available for sale subject to repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	821,674	270,698	-	878,032
Treasury Bills	-	-	-	-
Other Debt Securities	-	-	-	-
Bonds Issued or Guaranteed by Banks	-	-	-	131,199
Asset Backed Securities	-	-	-	-
Others	-	-	-	141,728
<b>Total</b>	<b>821,674</b>	<b>270,698</b>	<b>-</b>	<b>1,150,959</b>

## 5.1.6 Loans

### 5.1.6.1 Loans and advances to shareholders and employees

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
<b>Direct Lendings to Shareholders</b>	<b>92,212</b>	<b>212,374</b>	<b>87,096</b>	<b>279,130</b>
Corporates	92,212	212,374	87,096	279,130
Individuals	-	-	-	-
<b>Indirect Lendings to Shareholders</b>	<b>217,006</b>	<b>9,229</b>	<b>274,213</b>	<b>41,964</b>
<b>Loans to Employees</b>	<b>19,551</b>	<b>-</b>	<b>17,742</b>	<b>-</b>
<b>Total</b>	<b>328,769</b>	<b>221,603</b>	<b>379,051</b>	<b>321,094</b>

### 5.1.6.2 Loans and other receivables classified in groups I and II and restructured or rescheduled

Cash Loans	Performing Loans and Other Receivables (Group I)		Loans under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Loans</b>	<b>10,140,587</b>	<b>-</b>	<b>32,963</b>	<b>65,530</b>
Discounted Bills	28,540	-	-	-
Export Loans	1,588,305	-	32,833	47,438
Import Loans	2,474	-	-	-
Loans to Financial Sector	156,217	-	-	-
Foreign Loans	533,899	-	-	-
Consumer Loans	733,894	-	-	-
Credit Cards	2,374,394	-	-	-
Precious Metal Loans (Gold, etc...)	78,956	-	-	-
Other	4,643,908	-	130	18,092
<b>Specialization Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>2,255,154</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>12,395,741</b>	<b>-</b>	<b>32,963</b>	<b>65,530</b>

### 5.1.6.3 Maturity analysis of cash loans

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".



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**5.1.6.4 Consumer loans**

	Short-term	Medium and Long-term	Total	Accrued Interest and Income
<b>Consumer Loans-TL</b>	<b>421,524</b>	<b>125,862</b>	<b>547,386</b>	<b>7,161</b>
Housing Loans	25,084	82,400	107,484	1,258
Automobile Loans	148,221	42,713	190,934	2,220
Consumer Loans	240,556	396	240,952	3,552
Personnel Loans	7,663	353	8,016	131
Other Consumer Loans	-	-	-	-
<b>Consumer Loans-Indexed to FC</b>	<b>59,097</b>	<b>127,411</b>	<b>186,508</b>	<b>34,962</b>
Housing Loans	19,124	105,646	124,770	28,936
Automobile Loans	30,158	20,055	50,213	4,755
Consumer Loans	9,688	1,185	10,873	1,263
Personnel Loans	127	525	652	8
Other Consumer Loans	-	-	-	-
<b>Credit Cards</b>	<b>2,374,394</b>	<b>-</b>	<b>2,374,394</b>	<b>25,704</b>
<b>Total Consumer Loans</b>	<b>2,855,015</b>	<b>253,273</b>	<b>3,108,288</b>	<b>67,827</b>

**5.1.6.5 Allocation of loan customers**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.1.6.6 Allocation of domestic and foreign loans**

	Current Period	Prior Period
Domestic Loans	9,705,181	4,479,664
Foreign Loans (*)	533,899	2,858,169
<b>Total</b>	<b>10,239,080</b>	<b>7,337,833</b>

(\*) Effective from 1 January 2004, in compliance with the decree on "Changes in Uniform Chart of Accounts and Guidance for Banks" as published on 9 January 2004, the classification of foreign loans was revised.

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**5.1.6.7 Loans to investments, associates and subsidiaries**

	Current Period	Prior Period
Direct Lendings	101,641	152,339
Indirect Lendings	-	-
<b>Total</b>	<b>101,641</b>	<b>152,339</b>

**5.1.6.8 Specific provisions for loans**

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	289	351
Doubtful Loans and Receivables	-	3,306
Uncollectible Loans and Receivables	209,492	154,461
<b>Total</b>	<b>209,781</b>	<b>158,118</b>

**5.1.6.9 Non-performing loans(NPLs) (Net)****Non-performing loans and other receivables restructured or rescheduled:**

None.

**Movements in non-performing loan groups:**

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
<b>Balances at Beginning of Period</b>	<b>7,415</b>	<b>18,536</b>	<b>305,134</b>
Additions (+)	5,720	200	129,168
Transfer from Other NPL Categories (+)	-	6,760	23,287
Transfer to Other NPL Categories (-)	6,760	23,287	-
Collections (-)	-	990	27,340
Write-offs (-)	167	-	10,744
Restatement Effects of Inflationary Accounting (-)	607	1,219	28,381
<b>Balances at End of Period</b>	<b>5,601</b>	<b>-</b>	<b>391,124</b>
Specific Provisions (-)	289	-	209,492
<b>Net Balance on Balance Sheet</b>	<b>5,312</b>	<b>-</b>	<b>181,632</b>

**Non-performing loans in foreign currencies:**

None.

**5.1.6.10 Liquidation policy for uncollectible loans and receivables**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

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**5.1.7 Factoring receivables**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.1.8 Investment securities held-to-maturity (net)****5.1.8.1 Investment securities held-to-maturity**

	Current Period	Prior Period
<b>Debt Securities</b>		
Quoted at Stock Exchange	1,148,038	969,645
Not Quoted at Stock Exchange	2,643,681	3,992,110
<b>Impairment Losses (-)</b>	-	-
<b>Total</b>	<b>3,791,719</b>	<b>4,961,755</b>

**5.1.8.2 Movement of investment securities held-to-maturity**

	Current Period	Prior Period
<b>Balances at Beginning of Period</b>	<b>4,961,755</b>	<b>6,245,440</b>
Foreign Currency Differences On Monetary Assets	51,409	-65,500
Purchases during the Period	1,476,166	495,253
Disposals through Sales/Redemptions (-)	-2,290,716	-960,863
Impairment Losses (-)	-	-
Restatements Effects of Inflationary Accounting (-)	406,895	752,575
<b>Balances at End of Period</b>	<b>3,791,719</b>	<b>4,961,755</b>

**5.1.8.3 Information on investment securities held-to-maturity**

Current Period	Historical Costs		Valuation	
	TL	FC	TL	FC
Collateralised/Blocked Securities	266,959	1,199,586	281,270	1,342,949
Securities subject to Repurchase Agreements	482,252	719,434	501,149	740,228
Securities held for "Structural" Position	-	-	-	-
Receivable from Security Lending Market	-	-	-	-
Guarantees to Security Lending Market	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>749,211</b>	<b>1,919,020</b>	<b>782,419</b>	<b>2,083,177</b>

Prior Period	Historical Costs		Valuation	
	TL	FC	TL	FC
Collateralised securities	232,968	1,576,106	248,612	1,634,371
Securities subject to Repurchase Agreements	82,996	743,855	88,612	754,091
Securities held for "Structural" Position	-	-	-	-
Receivable from Security Lending Market	-	-	-	-
Guarantees to Security Lending Market	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>315,964</b>	<b>2,319,961</b>	<b>337,224</b>	<b>2,388,462</b>

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***Collateralized investment securities held-to-maturity:***

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds and Similar Securities	266,959	1,199,586	232,968	1,576,106
Other	-	-	-	-
<b>Total</b>	<b>266,959</b>	<b>1,199,586</b>	<b>232,968</b>	<b>1,576,106</b>

Above securities are held for legal obligations and transaction limits.

***Investment securities held-to-maturity subject to repurchase agreements:***

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	482,252	719,434	82,996	586,142
Treasury Bill	-	-	-	-
Other Debt Securities	-	-	-	-
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	157,713
<b>Total</b>	<b>482,252</b>	<b>719,434</b>	<b>82,996</b>	<b>743,855</b>

***Investment securities held-to-maturity held for "structural" position:***

None.

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**5.1.9 Investments in associates (Net)****5.1.9.1 Investments in associates**

	Associate	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Bankalararası Kart Merkezi AŞ (*) (1)	Istanbul/Turkey	10.15	10.15
2	Tansaş Perakende Mağazacılık AŞ (2)	Izmir/ Turkey	24.11	56.98
3	İksir Ul. Elekt. Tic. Bilg. Ve Hab. Hiz. AŞ	Istanbul/Turkey	30.44	100.00
4	Garanti Turizm Yatırım Ve İşletmeleri AŞ (1)	Istanbul/Turkey	43.33	100.00
5	Doc Finance SA	Geneve/Switzerland	29.00	100.00

	Total Assets	Shareholders' Equity	Total Property & Equipment	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (if available)
1	8,396	7,857	3,369	412	-	914	-	-
2	424,938	204,837	172,976	3,956	-	-28,735	-330,304	496,515
3	14,178	12,117	81	2	-	-1,134	-224,972	-
4	97,496	72,881	65,879	6	-	1,835	-81,723	-
5	173,405	18,442	-	9,263	-	1,759	-1,305	-

(\*) Inflation adjusted financial statements are not available

(1) Financial statements are as of 30 June 2004.

(2) Financial statements are as of 30 June 2004, but fair value information is as of 30 September 2004.

**5.1.9.2 Movement of investments in associates**

	Current Period	Prior Period
<b>Balance at Beginning of Period</b>	<b>308,374</b>	<b>276,834</b>
<b>Movements during the Period</b>	<b>-152,994</b>	<b>31,540</b>
Acquisitions and Participations in Capital Increases	-	-
Bonus Shares Received	12,211	-
Dividends from Current Year Profit	-	-
Sales (-)	116,867	9,267
Reclassifications	-	-
Difference between Market Values and Inflation-Adjusted Values	-28,785	41,010
Effect of Difference between Devaluation and Inflation Rates on Investments in Foreign Currencies	-239	-809
Impairment Losses (-)	19,314	-606
<b>Balance at End of Period</b>	<b>155,380</b>	<b>308,374</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of Period (%)</b>	-	-

Impairment losses amounting to TL 2,126 billion in current period arises due to the equity accounting application. The remaining balance amounting to TL 17,188 billion arises due to impairments in the cost values of investments.

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***Valuation methods of investments in associates:***

<b>Investments in Associates</b>	<b>Current Period</b>	<b>Prior Period</b>
Valued at Inflation-Adjusted Historical Costs	6,329	135,053
Valued at Fair Value	119,718	136,423
Valued by Equity Method of Accounting	29,333	36,898

***Sectoral distribution of investments and associates:***

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

***Quoted associates:***

<b>Associates</b>	<b>Current Period</b>	<b>Prior Period</b>
Quoted at Domestic Stock Exchange	119,718	136,423
Quoted at International Stock Exchanges	-	-

***Investments in associates sold during the current period***

On 23 August 2004, the Bank's participation in Doğuş Otomotiv Holding AŞ was sold to Doğuş İnşaat ve Ticaret AŞ with a selling price of TL5,500 each.

***Investments in associates acquired during the current period***

None.

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**5.1.10 Investments in subsidiaries (Net)****5.1.10.1 Investments in subsidiaries**

	Subsidiary	Address (City/ Country)	Bank's Share- If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Lasaş Lastik San.Ve Tic.AŞ	İstanbul/Turkey	99.99	99.99
2	Garanti Bilişim Teknolojisi Ve Tic. AŞ	İstanbul/Turkey	100.00	100.00
3	Petrotrans Nakliyat Ticaret AŞ <sup>(*)</sup>	İstanbul/Turkey	99.99	99.99
4	Ana Konut Danışmanlık AŞ	İstanbul/Turkey	100.00	100.00
5	Doğuş Hava Taşımacılığı AŞ	İstanbul/Turkey	96.49	100.00
6	Garanti Ödeme Sistemleri AŞ <sup>(*) (2)</sup>	İstanbul/Turkey	99.92	100.00
7	Doğuş İnsan Gücü AŞ <sup>(*)</sup>	İstanbul/Turkey	64.10	100.00
8	Doğuş Hiz. Yön. Ve Org. Danış AŞ <sup>(*) (2)</sup>	İstanbul/Turkey	93.40	100.00
9	Doğuş Turizm Sağlık Yat. İşlt. Tic. AŞ	İstanbul/Turkey	100.00	100.00
10	Sititur Turizm Taşımacılık Org. AŞ	İstanbul/Turkey	99.95	100.00
11	Galata Araştırma Yayıncılık Tanıtım Ve Bilişim Teknoloji Hizmetleri AŞ	İstanbul/Turkey	100.00	100.00
12	Konaklı Turizm Temizlik Taşımacılık Org. Bilgisayar Danışmanlık Yapı Ve Tic. AŞ	İstanbul/Turkey	99.97	100.00
13	Voyager Mediterranean Turizm End.ve Tic.A.Ş. <sup>(**) (2)</sup>	İstanbul/Turkey	77.00	100.00
14	Garanti Finansal Kiralama AŞ	İstanbul/Turkey	94.10	98.93
15	Garanti Faktoring Hiz.AŞ <sup>(3)</sup>	İstanbul/Turkey	55.41	81.84
16	Garanti Yatırım Menkul Kıymetler AŞ	İstanbul/Turkey	100.00	100.00
17	Garanti Portföy Yönetimi AŞ	İstanbul/Turkey	100.00	100.00
18	Garanti Sigorta AŞ	İstanbul/Turkey	100.00	100.00
19	Garanti Emeklilik ve Hayat AŞ	İstanbul/Turkey	99.78	100.00
20	Garanti Gayrimenkul Yatırım Ortaklığı AŞ <sup>(3)</sup>	İstanbul/Turkey	50.98	50.98
21	Garanti Bank International NV	Amsterdam/Holland	100.00	100.00
22	Bosphorus Financial Services Ltd <sup>(1)</sup>	Valetta/Malta	99.99	100.00
23	Garanti Bank Moscow	Moscow/Russia	78.35	99.85
24	Garanti Financial Services Plc	Dublin/Ireland	99.99	100.00
25	Garanti Fund Management Co. Ltd	Valetta/Malta	99.99	100.00

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	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Property &amp; Equipment</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value (if available)</b>
1	56,383	41,044	37,719	1	-	-5,557	-6,475	-
2	8,403	5,764	1,269	288	185	2,422	-95,213	-
3	366	-71	-	1	-	-186	-385	-
4	324,302	317,871	299,151	119	-	-10,725	-58,779	-
5	13,381	13,005	-	94	-	-38	-118,041	-
6	4,407	1,750	137	-	241	788	-	-
7	8	-528	-	1	-	-42	-1,087	-
8	293	197	-	-	48	44	-	-
9	186,311	186,311	178,268	23	-	-274	4,009	-
10	85,249	84,166	81,224	1	-	-2,173	-55,467	-
11	194	130	-	1	-	32	-219	-
12	11,169	11,169	10,361	4	-	-42	-6,036	-
13	5,892	-21	291	36	-	-727	-5,935	-
14	485,513	117,654	17,892	47,894	304	8,073	12,159	-
15	105,525	19,168	595	6,560	-	107	-73,823	39,675
16	16,191	14,079	3,611	524	524	2,166	-29,161	-
17	17,227	13,102	3,299	1,228	1,089	6,108	-3,044	-
18	129,965	43,819	16,117	6,393	3,285	4,070	-29,481	-
19	81,998	14,454	4,916	3,039	1,441	-12,375	-13,557	-
20	78,542	78,387	41,576	1,573	823	-801	10,836	73,062
21	3,630,336	323,737	68,426	153,849	33,246	36,720	32,050	-
22	545	542	-	-	-	-	401	-
23	184,738	51,370	999	11,423	5,390	3,683	-1,202	-
24	12,041	11,437	1	292	-	-238	7,737	-
25	1,874	-43	4	9	-	-143	-199	-

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

(\*\*) Inflation adjusted financial statements are not available as of the reporting date, statutory financial statements are used.

(1) Financial statements are as of 31 December 2003. The Company is currently under liquidation.

(2) Financial statements are as of 30 June 2004.

(3) Financial statements are as of 30 June 2004, but fair value information is as of 30 September 2004.



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**5.1.10.2 Movement of subsidiaries**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at Beginning of Period</b>	<b>1,406,036</b>	<b>1,219,946</b>
<b>Movements during the Period</b>	<b>-4,264</b>	<b>186,090</b>
Acquisitions and Participations in Capital Increases	20,090	235,954
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales (-)	6,671	1,392
Reclassifications	-	-
Difference between Market Values and Inflation-Adjusted Values	28,932	9,978
Effect of Difference between Devaluation and Inflation Rates on Investments in Foreign Currencies	-14,194	-32,847
Impairment Losses (-)	32,421	25,603
<b>Balance at End of Period</b>	<b>1,401,772</b>	<b>1,406,036</b>
<b>Capital Commitments</b>	<b>19,355</b>	<b>32,485</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>	<b>-</b>

Impairment losses amounting to TL 16,947 billion in current period arises due to the equity accounting application. The remaining balance amounting to TL 15,474 billion arises due to impairments in the cost values of subsidiaries.

**Valuation methods of subsidiaries:**

<b>Subsidiaries</b>	<b>Current Period</b>	<b>Prior Period</b>
Valued at Inflation-Adjusted Historical Costs	673,623	683,540
Valued at Fair Value	59,229	30,300
Valued by Equity Method of Accounting	668,920	692,196

**Sectoral distribution of subsidiaries:**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**Quoted subsidiaries:**

<b>Subsidiaries</b>	<b>Current Period</b>	<b>Prior Period</b>
Quoted at Domestic Stock Exchanges	59,229	30,300
Quoted at International Stock Exchanges	-	-

**Subsidiaries disposed during the current period:**

The liquidation of IOB Bank Offshore Ltd. has been completed on 14 July 2004. On 7 September 2004, the Bank's participation in Şahintur Şahinler Otelcilik Turizm Yatırım İşletmeleri AŞ was sold to Doğuş Hava Taşımacılığı AŞ at a total selling price of TL 6,300 billion.

***Subsidiaries acquired during the current period:***

Acquisitions included in the movement schedule above, resulted from participations in capital increases of existing subsidiaries.

**5.1.11 Other investments (Net)**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.1.12 Lease receivables (Net)**

**5.1.12.1 Maturity analysis of lease receivables**

None.

**5.1.12.2 Net investment for financial lease**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.1.12.3 Financial lease agreements**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.1.13 Receivables on term sales of assets included in “Miscellaneous Receivables”**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.1.14 Accrued interest and income**

**5.1.14.1 Accrued interest and income on loans**

Accrued Interest and Income on Loans	Current Period		Prior Period	
	TL	FC	TL	FC
Uncollected Interest Income	3,568	1,428	3,474	8,879
Interest Income Accruals	70,281	106,960	44,573	133,724
Uncollected Commissions and Other Income	228	210	143	143
Commissions and Other Income Accruals	4,970	258	4,332	318
<b>Total</b>	<b>79,047</b>	<b>108,856</b>	<b>52,522</b>	<b>143,064</b>

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**5.1.14.2 Other accrued interest and income**

Other Accrued Interest and Income Receivable on	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	506	8,956	418	6,122
Investment Securities Available-for-Sale	59,316	55,989	118,180	233,674
Investment Securities Held-to-Maturity	54,806	213,075	52,643	92,817
Reverse Repurchase Agreements	-	-	-	-
Reserve Deposits	13,641	1,480	15,299	856
Financial Derivative Instruments:	1,583	24,561	944	4,120
<i>Interest and Income Accruals</i>	<i>1,583</i>	<i>24,561</i>	<i>944</i>	<i>4,120</i>
<i>Income Accruals for Foreign Exchange Gains</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Financial Leases	-	-	-	-
Other	6,886	50	9,435	183
<b>Total</b>	<b>136,738</b>	<b>304,111</b>	<b>196,919</b>	<b>337,772</b>

**5.1.15 Tangible assets (Net)**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.1.16 Intangible assets**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.1.17 Other assets****5.1.17.1 Prepaid expenses, taxes and similar items**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.1.17.2 Deferred tax assets and tax losses carried forward**

Deferred tax assets and provision for taxes on income of the Bank amount to TL 196,492 billion and TL 134,600 billion respectively as of 30 September 2004. TL 122,613 billion of deferred tax assets resulted from the tax-deductible financial losses carried-forward of TL 408,709 billion after netting with the current period tax base of TL 576,382 billion. Current period provision for taxes on income amounting to TL 134,600 composes of current period tax expense of TL 172,915 billion and deferred tax credits on temporary differences of TL 38,315 billion.

**5.1.17.3 Components of other assets, as each sub-account exceeding 20% of the total separately, excluding off-balance sheet items exceeding 10% of total assets**

None.

## 5.2 Liabilities

### 5.2.1 Maturity profile of deposits

#### *Current Period*

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over
<b>Saving Deposits</b>	<b>371,515</b>	-	<b>1,277,880</b>	<b>1,574,834</b>	<b>268,961</b>	<b>42,319</b>	<b>107,960</b>
<b>Foreign Currency Deposits</b>	<b>2,805,082</b>	-	<b>3,044,488</b>	<b>2,423,582</b>	<b>493,434</b>	<b>152,219</b>	<b>369,230</b>
Residents in Turkey	2,549,452	-	2,929,971	2,330,417	473,552	112,996	330,578
Residents Abroad	255,630	-	114,517	93,165	19,882	39,223	38,652
<b>Public Sector Deposits</b>	<b>42,396</b>	-	<b>267</b>	<b>122</b>	<b>5</b>	<b>73</b>	<b>32</b>
<b>Commercial Deposits</b>	<b>1,067,919</b>	-	<b>813,267</b>	<b>388,629</b>	<b>329,158</b>	<b>10,869</b>	<b>11,690</b>
<b>Other</b>	<b>287,205</b>	-	<b>11,358</b>	<b>28,190</b>	<b>1,777</b>	<b>27</b>	<b>131</b>
<b>Precious Metal Deposits</b>	<b>11,937</b>	-	<b>23,200</b>	<b>5,171</b>	<b>1,966</b>	<b>2,949</b>	-
<b>Bank Deposits</b>	<b>52,660</b>	-	<b>692,996</b>	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	2,327	-	57,012	-	-	-	-
Foreign Banks	50,330	-	635,984	-	-	-	-
Special Purpose Financials Institutions	3	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>4,638,714</b>	-	<b>5,863,456</b>	<b>4,420,528</b>	<b>1,095,301</b>	<b>208,456</b>	<b>489,043</b>

#### *Prior Period*

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over
<b>Saving Deposits</b>	<b>307,991</b>	-	<b>966,531</b>	<b>1,247,299</b>	<b>495,929</b>	<b>109,736</b>	<b>67,640</b>
<b>Foreign Currency Deposits</b>	<b>2,668,978</b>	-	<b>3,311,272</b>	<b>2,333,506</b>	<b>447,377</b>	<b>77,753</b>	<b>309,564</b>
Residents in Turkey	2,439,182	-	3,194,009	2,225,037	422,450	66,216	279,058
Residents Abroad	229,796	-	117,263	108,469	24,927	11,537	30,506
<b>Public Sector Deposits</b>	<b>7,883</b>	-	<b>200</b>	<b>94</b>	-	<b>109</b>	<b>25</b>
<b>Commercial Deposits</b>	<b>914,016</b>	-	<b>682,020</b>	<b>288,052</b>	<b>424,000</b>	<b>47,335</b>	<b>57,380</b>
<b>Other</b>	<b>213,254</b>	-	<b>15,177</b>	<b>16,343</b>	<b>5,799</b>	<b>230</b>	<b>63</b>
<b>Precious Metal Deposits</b>	<b>1,804</b>	-	-	<b>6,895</b>	<b>6,410</b>	<b>320</b>	-
<b>Bank Deposits</b>	<b>29,888</b>	-	<b>681,213</b>	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	2,343	-	240,705	-	-	-	-
Foreign Banks	27,543	-	440,508	-	-	-	-
Special Purpose Financials Institutions	2	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>4,143,814</b>	-	<b>5,656,413</b>	<b>3,892,189</b>	<b>1,379,515</b>	<b>235,483</b>	<b>434,672</b>

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### 5.2.1.1 *Saving deposits covered by the guarantee of Saving Deposit Insurance Fund and excesses over the deposit insurance limit*

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	2,079,750	3,033,632	1,366,523	-
Foreign Currency Saving Deposits	2,693,931	6,435,031	3,483,349	-
Other Deposits	154	13,935	9,052	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

### 5.2.1.2 *Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance*

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

### 5.2.1.3 *Saving deposits out of the limits of Saving Deposit Insurance Fund*

Saving Deposits at	Current Period	Prior Period
Foreign Branches	365,399	212,309
Off-Shore Branches	-	-

### 5.2.2 **Funds from repurchase transactions**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Domestic Transactions</b>	<b>1,145,896</b>	<b>-</b>	<b>82,456</b>	<b>-</b>
Financial Institutions and Organizations	1,081,310	-	2,170	-
Other Institutions and Organizations	39,444	-	51,218	-
Individuals	25,142	-	29,068	-
<b>Foreign Transactions</b>	<b>50,404</b>	<b>739,205</b>	<b>540</b>	<b>1,681,383</b>
Financial Institutions and Organizations	50,000	739,205	-	1,681,383
Other Institutions and Organizations	4	-	4	-
Individuals	400	-	536	-
<b>Total</b>	<b>1,196,300</b>	<b>739,205</b>	<b>82,996</b>	<b>1,681,383</b>

### 5.2.3 **Funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	119,376	2,273,971	102,862	2,068,267
Medium and Long-term	-	1,350,568	-	989,925
<b>Total</b>	<b>119,376</b>	<b>3,624,539</b>	<b>102,862</b>	<b>3,058,192</b>

**5.2.3.1 Disclosures for concentration areas of the Bank’s commitments**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.2.4 Disclosure for securities issued**

None.

**5.2.4.1 Convertible bonds**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.2.4.2 Maturity, interest and currency profile of securities issued**

None.

**5.2.5 Funds**

None.

**5.2.6 Miscellaneous payables**

	Current Period	Prior Period
Cash Collaterals Received	693	632

**5.2.6.1 Nature of cash collaterals received**

Cash collaterals received consist of deposits blocked for loans, export and import transactions.

**5.2.7 Other liabilities**

**5.2.7.1 Deferred tax liabilities**

None.

**5.2.7.2 Components of other liabilities, as each sub-account exceeding 20% of the total separately, excluding off-balance sheet items exceeding 10% of total liabilities**

None.

**5.2.8 Taxes and other duties payable**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.2.9 Factoring payables**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.2.10 Criteria, limitations and commitments of leasing agreements**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.2.10.1 Changes in agreements and further commitments arising**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.2.10.2 Financial lease payables**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 Year	13,392	11,191	10,462	8,545
1-4 Years	15,841	13,317	15,038	13,031
More than 4 Years	-	-	-	-
<b>Total</b>	<b>29,233</b>	<b>24,508</b>	<b>25,500</b>	<b>21,576</b>

**5.2.10.3 Operational lease agreements**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.2.10.4 “Sale-and-lease-back” agreements**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

**5.2.11 Accrued interest and expenses**

Accrued Interest and Expenses on	Current Period		Prior Period	
	TL	FC	TL	FC
Deposits	77,732	20,917	123,981	20,711
Funds Borrowed	7,197	21,587	8,346	21,163
Securities Issued	-	-	-	-
Repurchase Agreements	2,168	7,060	73	6,661
Financial Derivative Instruments:	472	5,095	12	5,403
<i>Interest and Expense Accruals</i>	472	5,095	12	5,403
<i>Expense Accruals for Foreign Exchange Losses</i>	-	-	-	-
Factoring Payables	-	-	-	-
Other	5,315	10,568	3,704	69,403
<b>Total</b>	<b>92,884</b>	<b>65,227</b>	<b>136,116</b>	<b>123,341</b>

**5.2.12 Provisions and subordinated loans**

**5.2.12.1 General provisions**

	Current Period	Prior Period
<b>General Provision for</b>	<b>63,418</b>	<b>51,432</b>
Loans and Receivables in Group I	49,999	39,687
Loans and Receivables in Group II	492	1,135
Non-Cash Loans	12,927	10,610
Other	-	-

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**5.2.12.2 Reserve for employee termination benefits and notification indemnity**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.2.12.3 Commitments for retirement rights**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.2.12.4 Timing and amount of expected payments of provisions considering uncertainties**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.2.12.5 General reserves for possible losses**

	Current Period	Prior Period
<b>Balance at Beginning of Period</b>	<b>36,074</b>	<b>24,912</b>
Provision for realized losses	-25,000	-16,767
Current period general reserve provision	6,000	30,608
Restatement effects of inflationary accounting	-3,074	-2,679
<b>Balance at End of Period</b>	<b>14,000</b>	<b>36,074</b>

The Bank provided a general reserve in the amount of TL 6,000 billion in the current period for the assets kept at cost in the financial statements against the possible adverse effects of the potential risks in the economy.

**5.2.13 Subordinated loans**

None.

**5.2.14 Information on shareholders' equity****5.2.14.1 Paid-in capital**

	Current Period	Prior Period
Common Stock	1,200,000	822,038
Preferred Stock	-	-

**5.2.14.2 Registered share capital system**

Capital	Paid-in Capital	Ceiling per Registered Share Capital
Common Stock	1,200,000	1,200,000
Preferred Stock	-	-



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**5.2.14.3 Capital increases in current period**

The Bank's nominal paid-in capital increased from TL 822,038 billion to TL 1,200,000 billion through appropriation of real estate sales income of TL 20,515 billion, equity participation sales income of TL 6,947 billion and retained earnings of TL 350,500 billion.

**5.2.14.4 Sources of capital increases in current period**

None.

**5.2.14.5 Capital commitments for financial year and following period**

None.

**5.2.14.6 Information on priority rights of preferred stocks**

None.

**5.2.14.7 Common stock issue premiums, shares and equity instruments**

	Current Period	Prior Period
Number of Shares (billion) (1)	2,400	1,644
Preferred Stock	-	-
Common Stock Issue Premium	-	-
Common Stock Canceling Profit	-	-
Other Equity Instruments	-	-
<b>Total Common Stock Issue</b>	<b>2,400</b>	<b>1,644</b>

(1) The Bank's paid-in capital amounts to TL1,200,000 billion and composes of 2.399.999.999.654 shares with a face value of TL500 each and 1.728 shares with a face value of TL100 each. As of 30 September 2004, the Bank's capital is fully paid.

**5.2.14.8 Securities value increase fund**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**Disclosure on Securities value increase fund**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**Accounting for foreign exchange gains/losses on investments, associates, subsidiaries and common stocks in investment securities available-for-sale:**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**Any foreign exchange gains/losses classified under shareholders' equity in prior periods:**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

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**5.2.14.9 Revaluation fund**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.2.14.10 Increases in revaluation fund during current period**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.2.14.11 Legal reserves**

In compliance with the decisions made on the General Assembly, 5% of the prior years' profits are allocated to legal reserves.

**5.2.14.12 Extraordinary reserves**

In compliance with the decisions made on the General Assembly, remaining prior years' profits after the appropriation to legal reserves, are allocated to extraordinary reserves.

**5.2.14.13 Shareholders having more than 10% share in capital and/or voting right**

Name/Commercial Title	Shares	Ownership	Paid-in Capital	Unpaid Portion
Doğuş Holding AŞ	660,988	55.08%	660,988	-

### **5.3 Statement of operations**

#### **5.3.1 Interest Income**

##### **5.3.1.1 Interest income received from investments, associates and subsidiaries**

	<b>Current Period</b>	<b>Prior Period</b>
Interest Received from Investments in Associates and Subsidiaries	4,140	8,956

##### **5.3.1.2 Income from financial lease**

None.

##### **5.3.1.3 Interest income received from reverse repurchase agreements**

None.

##### **5.3.1.4 Interest income from factoring receivables**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

#### **5.3.2 Interest Expenses**

##### **5.3.2.1 Interest expenses paid to investments, associates and subsidiaries**

	<b>Current Period</b>	<b>Prior Period</b>
Interest Paid to Investments in Associates and Subsidiaries	8,038	16,646

##### **5.3.2.2 Expenses on financial lease**

	<b>Current Period</b>	<b>Prior Period</b>
Financial Leasing Expenses	1,869	1,035

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**5.3.2.3 Maturity structure of the interest expense on deposits**

Account Description	Demand Deposits	Time Deposits					Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	
<b>TL</b>							
Bank Deposits	8	40,063	-	-	-	-	40,071
Saving Deposits	985	213,193	240,121	60,658	16,516	16,752	548,225
Public Sector Deposits	57	64	51	-	16	7	195
Commercial Deposits	823	183,599	38,238	44,864	5,574	2,991	276,089
Other	8,461	2,875	11,014	11,613	20	23	34,006
"7 Days Notice" Deposits	-	-	-	-	-	-	-
<b>Total TL</b>	<b>10,334</b>	<b>439,794</b>	<b>289,424</b>	<b>117,135</b>	<b>22,126</b>	<b>19,773</b>	<b>898,586</b>
<b>FC</b>							
Foreign Currency Deposits	2,226	56,325	52,463	12,346	2,459	8,025	133,844
Bank Deposits	-	12,582	-	-	-	-	12,582
Precious Metal Deposits	-	-	56	13	8	-	77
<b>Total FC</b>	<b>2,226</b>	<b>68,907</b>	<b>52,519</b>	<b>12,359</b>	<b>2,467</b>	<b>8,025</b>	<b>146,503</b>
<b>Grand Total</b>	<b>12,560</b>	<b>508,701</b>	<b>341,943</b>	<b>129,494</b>	<b>24,593</b>	<b>27,798</b>	<b>1,045,089</b>

**5.3.2.4 Interest expense on repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	89,329	26,072	147,080	21,256

**5.3.2.5 Interest expenses on factoring payables**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.3.3 Other operating income**

Other operating income consists of collection or reversals of prior year provisions, banking services related costs charged to customers and income in custody services.

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**5.3.4 Provision expenses for loans and other receivables**

	<b>Current Period</b>	<b>Prior Period</b>
Specific Provisions for Loans and Other Receivables	80,759	40,517
<i>Loans and Receivables in Group III</i>	289	-
<i>Loans and Receivables in Group IV</i>	-	-
<i>Loans and Receivables in Group V</i>	80,470	40,517
General Provisions	16,187	8,708
Provision for Possible Losses	6,000	-
Foreign Exchange Losses on Foreign Currency Indexed Loans	1,270	-
Impairment Losses on Securities	187	2
Trading securities	187	2
Available-for-sale securities	-	-
Other Impairment Losses	51,675	33,261
Associates	19,301	4,098
Subsidiaries	32,374	29,163
Joint Ventures	-	-
Held to maturity securities	-	-
Other	41,398	-6,988
<b>Total</b>	<b>197,476</b>	<b>75,500</b>

**5.3.5 Other operating expenses**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.3.6 Profit/losses from investments, associates and subsidiaries****5.3.6.1 Profit and losses**

<b>Profit/Losses from</b>	<b>Current Period</b>	<b>Prior Period</b>
Subsidiaries (+/-)	8,093	26,241
Investments and Associates (+/-)	10,323	40

**5.3.6.2 Profit/losses from investments in associates included in statement of operations on basis of equity accounting as a separate item**

Losses from investments in associates included in the statement of operations on the basis of equity accounting, are presented in 5.3.4 above under "Other impairment losses". There are no profits recognized for investments in associates accounted under equity method of accounting.

**5.3.6.3 Profit or loss from transactions with companies and individuals in the Bank's risk group**

Related data is presented in details in note 5.8.

**5.3.7 Extraordinary income/expense**

None.

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**5.3.8 Net profit and loss**

**5.3.8.1 *Any further explanation on operating results needed for proper understanding of the Bank's performance***

None.

**5.3.8.2 *Any changes in estimations that might have a material effect on current and subsequent period results***

None.

**5.3.9 Quantification of any changes in accounting estimates that had material effect in current period and may materially affect subsequent periods**

None.

## 5.4 Off-balance Sheet Items

### 5.4.1 Off-balance sheet contingencies

#### 5.4.1.1 Non-cash loans

	Current Period	Prior Period
Non-Cash Loans against Cash Loan Risks	413,692	453,973
<i>With Original Maturity of 1 Year or Less</i>	74,737	71,839
<i>With Original Maturity of More Than 1 Year</i>	338,955	382,134
Other Non-Cash Loans	6,170,859	5,170,752
<b>Total</b>	<b>6,584,551</b>	<b>5,624,725</b>

#### 5.4.1.2 Details of non-cash loans

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

#### 5.4.1.3 Irrevocable commitments

	Current Period	Prior Period
Letters of Guarantee in Foreign Currency	2,955,404	2,519,693
Letters of Guarantee in TL	1,551,997	1,355,770
Letters of Credit	1,067,246	858,182
Bank Acceptances	393,007	312,742
Prefinancing	-	21,734
<b>Total</b>	<b>5,967,654</b>	<b>5,068,121</b>

#### 5.4.1.4 Possible losses from off-balance sheet items

None.

#### 5.4.1.5 Pledges, mortgages, other restrictions and acquisition commitments on tangible assets

None.

#### 5.4.1.6 Explanation for the following matters separately from other conditional commitments

##### *The Bank’s share in commitments for joint venture:*

None.

##### *Accounting method of commitments:*

The Bank has capital commitments in the amount of TL 19,355 billion for its subsidiaries. Furthermore, there are letters of guarantee in the amount of TL 9,472 billion issued for several entities for the Bank’s own business. These commitments are included in the Bank’s off-balance sheet accounts.

## 5.4.2 Financial derivative instruments

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

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**5.4.3 Services rendered on behalf of customers**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

**5.4.4 The Bank's latest international risk ratings****MOODY'S (September 2004\*)**

Long Term FC Deposit	B2
Long Term TL Deposit	Baa2
Short Term TL Deposit	Prime-2
Deposit Outlook	Stable
FSR	D+
FSR Outlook	Negative

**STANDARD AND POORS (August 2004\*)**

Long Term FC Counter Party Credit Rating	B+
Outlook	Stable

**FITCH RATINGS (August 2004\*)**

<b>Foreign Currency</b>	
Long Term	B+
Short Term	B
Outlook	Positive
Individual Support	C/D 4
<b>Turkish Lira</b>	
Long Term	B+
Short Term	B
Outlook	Positive
<b>National</b>	A
Outlook	Stable

**CAPITAL INTELLIGENCE (September 2003\*)**

Long Term FC Obligations	B
Short Term FC Obligations	B
Domestic Strength	BBB-
Support	2
Outlook	Stable

(\* Latest dates in risk notes or outlooks.



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**5.5 Statement of changes in shareholders’ equity**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

## **5.6 Statement of cash flows**

### **5.6.1 Disclosures for “other” items in statement of cash flows and effect of change in foreign currency rates cash and cash equivalents**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

### **5.6.2 Cash outflows from acquisition of investments, associates, subsidiaries and other investments**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

### **5.6.3 Cash inflows from disposal of investments, associates, subsidiaries and other investments**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

### **5.6.4 Cash and cash equivalents at beginning of period**

	<b>Current Period</b>	<b>Prior Period</b>
Cash on Hand	<b>174,272</b>	<b>202,524</b>
<i>Cash in TL</i>	<i>40,008</i>	<i>35,450</i>
<i>Cash in Foreign Currency</i>	<i>134,264</i>	<i>167,074</i>
Cash Equivalents	<b>705,974</b>	<b>1,934,850</b>
<i>Other</i>	<i>705,974</i>	<i>1,934,850</i>
<b>TOTAL</b>	<b>880,246</b>	<b>2,137,374</b>

### **5.6.5 Cash and cash equivalents at end of period**

	<b>Current Period</b>	<b>Prior Period</b>
Cash on Hand	<b>115,852</b>	<b>174,272</b>
<i>Cash in TL</i>	<i>46,634</i>	<i>40,008</i>
<i>Cash in Foreign Currency</i>	<i>69,218</i>	<i>134,264</i>
Cash Equivalents	<b>1,748,800</b>	<b>705,974</b>
<i>Other</i>	<i>1,748,800</i>	<i>705,974</i>
<b>TOTAL</b>	<b>1,864,652</b>	<b>880,246</b>

### **5.6.6 Restricted cash and cash equivalents due to legal requirements or other reasons**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

### **5.6.7 Additional information**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.

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**5.7 Accounting for entities acquired through mergers and acquisitions:**

Not prepared in compliance with Article 51 of the statement no.17 of "Regulation on Accounting Standards".

## 5.8 Related party risks

### 5.8.1 Volume of transactions with the Bank's risk group, lendings and deposits outstanding at period end and income and expenses from transactions incurred during the period

#### 5.8.1.1 Current Period

Bank's Risk Group (1)	Investments, Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	152,339	29,383	361,309	321,094	-	-
Balance at end of period	101,641	29,878	309,218	221,603	-	-
Interest and Commission Income	4,140	74	8,696	2,637	-	-

(1) As described in the Article 20, clause (2) of Regulation on Establishment and Operations of Banks

#### 5.8.1.2 Prior Period

Bank's Risk Group (1)	Investments, Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	191,640	35,401	649,284	302,069	-	-
Balance at end of period	152,339	29,383	361,309	321,094	-	-
Interest and Commission Income	8,956	99	21,037	1,846	-	-

(1) As described in the Article 20, clause (2) of Regulation on Establishment and Operations of Banks

#### 5.8.1.3 Other related party balances

##### Deposits:

Bank's Risk Group (1)	Investments, Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	94,448	142,757	134,420	160,218	-	-
Balance at end of period	89,112	94,448	142,849	134,420	-	-
Interest Expenses	8,038	16,646	13,911	12,701	-	-

(1) As described in the Article 20, clause (2) of Regulation on Establishment and Operations of Banks

*Derivative transactions:*

Bank's Risk Group (1)	Investments, Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Trading Transactions:</b>						
Beginning of Period	154,605	21,382	-	-	-	-
End of Period	990	154,605	-	-	-	-
Total Profit/Loss	-18	-4	-	-	-	-
<b>Hedging Transactions:</b>						
Beginning of Period	-	-	-	-	-	-
End of Period	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

(1) As described in the Article 20, clause (2) of Regulation on Establishment and Operations of Banks

## 5.8.2 The Bank's risk group

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

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

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

The cash loans of the risk group compose 3.71% of the Bank's total cash loans and 1.47% of the Bank's total assets. The non-cash loans of the risk group compose 3.82% of the Bank's total non-cash loans. The deposits of the risk group compose 1.39% of the Bank's total deposits. The pricing of transactions with the risk group companies is set in compliance with the market prices.

### 5.8.2.3 Other matters not required to be disclosed

None.

### 5.8.2.4 Transactions accounted under equity method

Please refer to sections 5.1.9 and 5.1.10.

### 5.8.2.5 All kind of agreements signed like asset purchases/sales, service rendering, agencies, leasing, research and development, licences, funding, guarantees, management services

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ, Garanti Sigorta AŞ, Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the products of these entities to customers. Agency services for trading of securities are rendered by the Bank's specialised branches (Investment Centers).

Purchase of equipments for the Bank's internal use are partly arranged through financial leasing.

## **5.9 Accounting in hyperinflationary economies**

### **5.9.1 Further disclosure for inflationary accounting**

#### **5.9.1.1 Restatement of financial statements of the current and prior periods for the changes in the general purchasing power of Turkish Lira on the balance sheet date**

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

The Bank's financial statements are restated for the changes in the general purchasing power of Turkish Lira on the balance sheet date in accordance with the Article as mentioned above. The corresponding figures for previous periods are restated in the same terms. In order to define an economy as a hyperinflationary economy, there are certain criteria set in the Article. One characteristic is a cumulative three-year inflation rate equal to or over 100% and a current year inflation rate equal to or over 10%. Inflationary accounting is applied in accordance with the Article and based on the supplement attached to it including the Turkish nation-wide wholesale price indices published by the State Institute of Statistics. Based on these indices, the three-year inflation rate in Turkey has been 88.69% as of 30 September 2004. Accordingly the financial statements of the Bank are restated for the changes in the general purchasing power of Turkish Lira as of 30 September 2004.

The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics. Such indices and conversion factors used to restate the accompanying financial statements as of 30 September 2004 and 2003 and 31 December 2003 are given below:

<u>Date</u>	<u>Index</u>	<u>Conversion Factor</u>
30 September 2004	8,069.7	1.000
31 December 2003	7,382.1	1.093
30 September 2003	7,173.3	1.125

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

- Inflationary accounting was applied starting from 1970. For the transactions before 1970, the restatements were made as if they occurred in 1970.
- Monetary assets and liabilities, which are carried at amounts current at the balance sheet date, are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities, which are carried at amounts current at the balance sheet date, are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities are restated from their acquisition dates. The effects of any revaluations made before based on the prior legislations are eliminated.

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- The components of shareholders’ equity, are restated by applying the relevant conversion factors except for any revaluation surpluses previously recorded. Any capital increases through such surpluses are not considered as contributions of shareholders. Transfers from reserves, undistributed profits, share premiums and income on sale of participations and premises and equipment to capital, are considered as capital contributions of shareholders. As a result of the restatements, any positive differences between the nominal paid-in capital and the restated paid-in capital, are recorded under “capital reserves from inflation adjustments to paid-in capital” in the shareholders’ equity.
- All items in the statement of operations are restated by applying the monthly conversion factors.
- As the price indices are announced monthly, the same indices are used for all the transactions of the related month.
- The effect of inflation on the net monetary position of the Bank, is included in the statement of operations as “gain/loss on net monetary position”.
- Investments, affiliated companies and other equity shares are either presented at fair values if their fair values are available, or at market values if they are quoted, otherwise restated by applying the relevant conversion factors to their carrying values from the date of their acquisition after deducting any bonus shares received due to revaluation surpluses added to capital and financial expenses capitalised, including foreign exchange differences. Investments, affiliated companies and other equity shares in foreign currencies have been translated into Turkish Lira at foreign exchange rates prevailing at the balance sheet date.
- The restated amount of non-monetary assets are reduced when they exceed the amounts recoverable from the items’ future uses taking into consideration criteria like the nature of impairments like permanent or temporary, and the impairment size. Provision for impairments is recognized in the statement of operations. In determination of fair values, prudence and materiality principles are applied in accordance with “Regulation on Accounting Standards”.

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**5.10 Domestic, foreign and off-shore branches and foreign representative offices**

Not prepared in compliance with Article 51 of the statement no.17 of “Regulation on Accounting Standards”.



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**5.11 Significant events and matters arising subsequent to balance sheet date**

On 1 November 2004, Dođuş Holding AŞ has announced that the negotiations have been started, with a view of issuing an option to purchase shares of the Bank and Tansaş Perakende Mağazacılık AŞ in its portfolio, to a foreign portfolio investor.

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**6 Other disclosures and footnotes**

**6.1 Other disclosures on activities of the Bank**

None.

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## **7 Independent Auditor's Review Report and Auditor's Evaluation**

### **7.1 Disclosure on Independent Auditor's Review Report**

The Bank's unconsolidated interim financial statements as of 30 September 2004, have been subject to review by Cevdet Suner Denetim ve Yeminli Mali Müşavirlik AŞ (the member firm of KPMG). It was noted in their review report dated 11 November 2004 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated interim financial statements do not give a true and fair view of the Bank's financial position and results of its operations as of 30 September 2004.

### **7.2 Disclosures prepared by Independent Auditor**

None.