KPMG

Türkiye Garanti Bankası Anonim Şirketi
And Its Affiliates

Consolidated Financial Statements

30 September 2004

With Independent Auditors'

Review Report Thereon

12 November 2004

This report contains the "Independent Auditors' Review Report" comprising 1 page and; the "Consolidated financial statements and their explanatory notes" comprising 54 pages.

Türkiye Garanti Bankası Anonim Şirketi
And Its Affiliates

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Independent Auditors' Review Report

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

We have reviewed the accompanying consolidated balance sheet of Türkiye Garanti Bankası Anonim Şirketi (the Bank) and its affiliates as of 30 September 2004; and the consolidated statements of operations, changes in shareholders' equity and cash flows for the nine-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and its affiliates and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

İstanbul,

12 November 2004

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

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Balance Sheet
At 30 September 2004

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 30 September 2004 pursuant to IAS 29)

	Notes	30 September 2004	31 December 2003
Assets			
Cash and cash equivalents	*3*	2.398.416	1.796.331
Financial assets held for trading	*4*	819.700	1.144.478
Loans and advances to banks	*5*	2.334.767	1.424.482
Loans and advances to customers	*6*	14.892.470	10.759.808
Other assets	*8*	917.185	1.181.235
Security investments	*9*	6.671.215	8.877.295
Investments in equity participations	*10*	275.693	431.717
Tangible assets, net	*11*	1.675.129	1.786.158
Intangible assets, net	*12*	115.117	131.926
Deferred tax assets	*17*	317.543	511.136
Total assets		**30.417.235**	**28.044.566**
Liabilities			
Deposits from banks	*13*	895.962	992.700
Deposits from customers	*14*	18.823.876	17.793.836
Obligations under repurchase agreements	*15*	2.142.544	1.766.911
Loans and advances from banks	*16*	4.214.756	3.527.285
Current tax liability	*17*	33.085	33.093
Deferred tax liabilities	*17*	1.043	5.153
Other liabilities and accrued expenses	*18*	1.173.170	1.002.136
Total liabilities		**27.284.436**	**25.121.114**
Minority interest		**195.821**	**222.355**
Shareholders' equity	*19*		
Paid-in capital		2.461.270	2.082.332
Retained earnings		475.708	618.765
Total shareholders' equity		**2.936.978**	**2.701.097**
Total liabilities, minority interest and shareholders' equity		**30.417.235**	**28.044.566**
Commitments and contingencies	*21*		

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Operations
For The Nine-Month Period Ended 30 September 2004

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 30 September 2004 pursuant to IAS 29)

	Notes	Nine-month period ended 30 September 2004	Three-month period ended 30 September 2004	Nine-month period ended 30 September 2003	Three-month period ended 30 September 2003
Interest income:-					
Interest on loans		1.364.962	557.168	952.270	334.674
Interest on securities		583.125	178.706	830.325	139.375
Interest on deposits at banks		139.082	53.123	119.586	37.450
Interest on lease business		34.034	13.296	35.793	12.881
Others		51.738	12.618	39.535	13.608
		2.172.941	814.910	1.977.509	537.988
Interest expenses:-					
Interest on saving, commercial and public deposits		(1.070.638)	(356.198)	(1.437.333)	(445.911)
Interest on borrowings		(221.678)	(90.403)	(312.202)	(79.712)
Interest on bank deposits		(72.618)	(25.103)	(97.693)	(24.966)
Others		(26.775)	(9.903)	(4.238)	(729)
		(1.391.709)	(481.608)	(1.851.466)	(551.318)
Net interest income/(expense)		**781.232**	**333.302**	**126.043**	**(13.330)**
Fee and commission income		614.492	224.915	510.972	171.638
Fee and commission expense		(189.239)	(71.501)	(190.984)	(65.667)
Net fee and commission income		**425.253**	**153.413**	**319.988**	**105.971**
Gross profit from retail business		169.738	65.296	134.613	68.047
Trading account income, net		99.341	25.796	495.777	251.057
Premium income from insurance business		78.420	32.979	58.714	19.148
Foreign exchange gain, net		3.509	13.474	200.281	151.441
Others		52.026	14.378	100.141	32.392
Other operating income		**403.034**	**151.922**	**989.526**	**522.085**
Total operating Income		**1.609.519**	**638.638**	**1.435.557**	**614.726**
Salaries and wages		(311.675)	(117.613)	(275.153)	(99.330)
Impairment losses	*6,7,8,10,11,12*	(169.970)	(74.628)	(62.059)	(10.828)
Depreciation and amortization	*11,12*	(156.585)	(51.485)	(160.096)	(52.091)
Employee benefits		(83.675)	(31.189)	(63.851)	(23.840)
Advertising expenses		(56.441)	(18.803)	(45.450)	(16.838)
Communication expenses		(52.115)	(15.330)	(50.281)	(33.015)
Rent expenses		(51.989)	(18.475)	(56.724)	(19.318)
Claim loss from insurance business		(48.166)	(16.583)	(32.348)	(11.177)
Saving deposits insurance fund		(37.515)	(12.661)	(26.063)	(5.718)
EDP expenses		(32.504)	(9.029)	(45.161)	(12.407)
Utility expenses		(24.788)	(9.121)	(29.849)	(11.483)
Taxes and duties other than on income		(19.611)	(5.676)	(25.297)	(9.033)
Repair and maintenance expenses		(13.849)	(4.986)	(15.379)	(5.781)
Stationary expenses		(8.715)	(3.099)	(8.159)	(3.084)
Other operating expenses		(194.410)	(81.862)	(219.319)	(78.912)
Total operating expenses		**(1.262.006)**	**(470.539)**	**(1.115.189)**	**(392.855)**
Income from operations		**347.513**	**168.098**	**320.368**	**221.871**
Gain/(loss) on monetary position, net		36.208	32.014	(23.430)	(38.546)
Income before tax		**383.721**	**200.112**	**296.938**	**183.325**
Taxation charge	*17*	(175.760)	(32.803)	(104.659)	(199)
Income after tax		**207.961**	**167.310**	**192.279**	**183.126**
Minority interest		26.743	178	74.573	36.747
Net income for the period		**234.704**	**167.487**	**266.852**	**219.873**
Weighted average number of shares with a face value of TL 500 each (including those with TL 100 face value as expressed in terms of TL 500 face value)	*19*	**1,709.5 billion**	**1,709.5 billion**	**1,583.5 billion**	**1,583.5 billion**
Earnings per share (Full TL amount)		**137,30**	**97,98**	**168,52**	**138,85**

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Changes in Shareholders' Equity
For The Nine-Month Period Ended 30 September 2004

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 30 September 2004 pursuant to IAS 29)

	Notes	Paid-in capital	Retained earnings: Reserves	Retained earnings: Unappropriated earnings	Retained earnings: Total	Total shareholders' equity
Balances at 1 January 2003		**1.914.104**	**82.580**	**117.938**	**200.518**	**2.114.622**
Correction of additional paid-in capital	*19*	168.228	-	(168.228)	(168.228)	-
Release from general banking risks, net		-	(14.855)	14.855	-	-
Reversal of restatement on reserves for the effects of inflation		-	(7.995)	7.995	-	-
Net income for the nine-month period		-	-	266.852	266.852	266.852
Balances at 30 September 2003		**2.082.332**	**59.730**	**239.412**	**299.142**	**2.381.474**
Reserve for general banking risks, net		-	30.279	(30.279)	-	-
Reversal of restatement on reserves for the effects of inflation		-	(1.236)	1.236	-	-
Net income for the three-month period		-	-	319.623	319.623	319.623
Balances at 31 December 2003		**2.082.332**	**88.773**	**529.992**	**618.765**	**2.701.097**
Transfer from reserves		378.938		(378.938)	(378.938)	-
Net fair value gains from cash flow hedges		-	1.177	-	1.177	1.177
Reserve for general banking risks, net		-	1.681	(1.681)	-	-
Reversal of restatement on reserves for the effects of inflation		-	(7.479)	7.479	-	-
Net income for the nine-month period		-	-	234.704	234.704	234.704
Balances at 30 September 2004		**2.461.270**	**84.152**	**391.556**	**475.708**	**2.936.978**

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Cash Flows
For The Nine-Month Period Ended 30 September 2004

(Currency: Billions of Turkish Lira as adjusted for the effects of inflation in TL units at 30 September 2004 pursuant to IAS 29)

	Notes	Nine-month period ended 30 September 2004	Nine-month period ended 30 September 2003
Cash flows from operating activities:-			
Net income for the period		234.704	266.852
Adjustments for non-cash items:-			
Taxation charge	*17*	175.760	104.659
Minority interest		(26.743)	(74.573)
Impairment losses	*6,7,8,10,11,12*	169.970	62.059
Insurance technical provision		30.418	19.697
Provision for severance payments		1.548	16.022
Depreciation and amortization	*11,12*	156.585	160.096
Loss on sale of premises and equipment		10.902	15.221
Change in accrued interest and other income		162.074	19.474
Change in accrued interest and other expense		(30.637)	1.547
Monetary loss effect of above corrections		51.042	13.819
Changes in operating assets and liabilities:-			
Deposits from banks		(97.456)	(215.357)
Deposits from customers		1.064.246	(1.704.289)
Obligations under repurchase agreements		371.558	55.637
Financial assets held for trading		327.941	1.216.910
Loans and advances to banks		(909.764)	(180.489)
Loans and advances to customers		(4.209.132)	879.257
Other assets		106.245	(62.286)
Other liabilities		155.724	(57.310)
Income taxes paid		(28.607)	(18.541)
Net cash (used in)/provided by operating activities		**(2.283.622)**	**518.405**
Cash flows from investing activities:-			
Decrease/(increase) in security investments		2.116.408	(394.754)
Decrease/(increase) in investments in equity participations-net		111.637	(212.594)
Proceeds from sales of tangible assets and tangible assets held for resale		46.605	50.070
Additions to tangible assets and tangible assets held for resale		(76.077)	(106.654)
Net cash provided by/(used in) investing activities		**2.198.573**	**(663.932)**
Cash flows from financing activities:-			
Increase/(decrease) in loans and advances from banks		687.134	(545.561)
Decrease in bonds payable		-	(89.278)
Net cash provided by/(used in) financing activities		**687.134**	**(634.839)**
Net increase/(decrease) in cash and cash equivalents		**602.085**	**(780.366)**
Cash and cash equivalents at beginning of the period		1.796.331	2.598.058
Cash and cash equivalents at end of the period	*3*	**2.398.416**	**1.817.692**

Overview of the Bank

Türkiye Garanti Bankası AŞ (the Bank) is a bank domiciled in Turkey. The consolidated financial statements of the Bank for the nine-month period ended 30 September 2004 comprise the Bank and its affiliates (the Affiliates) and their interest in associates.

(a) Brief History

Foundation of the Bank was approved by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and "Articles of Association" was published at official gazette dated 25 April 1946. The Bank provides corporate, commercial and retail banking services through a network of 332 domestic branches, three foreign branches, five representative offices abroad, four change offices, two in-store branches and 32 domestic liaison offices. In addition to its branches, the Bank has 100% ownership in two banks located in Amsterdam and Moscow. The Bank's head office is located in the following address: Levent Nispetiye Mah. Aytar Cad. 2, Beşiktaş 34340 İstanbul.

(b) Ownership

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

The ownership interest in the Bank of those shareholders other than the Doğuş Group Companies and the individuals controlling this Group is 36.37%.

Significant accounting policies

(a) Statement of compliance

The Bank and its Turkish affiliates maintain their books of accounts and prepare their statutory financial statements in Turkish Lira in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulation and Supervision Agency (BRSA); the Turkish Commercial Code; and the Turkish Tax Legislation (collectively, Turkish GAAP); the Bank's foreign affiliates maintain their books of accounts and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board.

Significant accounting policies (continued)

(b) Basis of preparation

The accompanying consolidated financial statements are presented in Turkish Lira (TL), rounded to the nearest billion as adjusted for the effects of inflation in TL units current at 30 September 2004.

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

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

(c) Basis of consolidation

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

Affiliates

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

Associates

Associates are those entities in which the Bank and its affiliates have significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Bank and its affiliates share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Bank and its affiliates share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank and its affiliates has incurred obligations in respect of the associate.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

Significant accounting policies (continued)

Transactions eliminated on consolidation

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

(d) Accounting in hyperinflationary economies

Financial statements of the Turkish entities were restated for the changes in the general purchasing power of the Turkish Lira based on IAS 29 "*Financial Reporting in Hyperinflationary Economies*". IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Three years inflation rate in Turkey has been 88.69% as at 30 September 2004, based on the Turkish nation-wide wholesale price indices announced by the Turkish State Institute of Statistics (SIS). Although the cumulative three-year inflation rate is below 100% as of 30 September 2004, other indicators of hyperinflation are still valid in Turkey. Consequently, the financial statements of the entities located in Turkey are restated for the changes in the general purchasing power of the Turkish Lira as at 30 September 2004 based on IAS 29. The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics. For the last three years, such indices and conversion factors used to restate the accompanying consolidated financial statements were as follows:

Date	Index	Conversion factor
30 September 2004	8,069.7	1.000
31 December 2003	7,382.1	1.093
30 September 2003	7,173.3	1.125
31 December 2002	6,478.8	1.246

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

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.

Significant accounting policies (continued)

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

(e) Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

(f) Tangible assets and related depreciation

Owned assets

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

Significant accounting policies (continued)

Leased assets

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

Subsequent expenditure

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

Depreciation

Tangible assets are depreciated over the estimated useful lives of the related assets from the date of purchase or the date of installation, on a straight-line basis. The estimated useful lives are as follows:

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

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

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

(g) Goodwill/Negative Goodwill

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

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

Significant accounting policies (continued)

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

(h) Financial instruments

Classification

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

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

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

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

Recognition

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

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

Significant accounting policies (continued)

Measurement

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

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

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

Fair value measurement principles

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

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

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of trading instruments and available-for-sale assets are recognized in the statement of operations. Whereas, gains and losses arising from changes in the fair value of cash flow hedges are deferred in a separate component of equity, within reserves under retained earnings.

Significant accounting policies (continued)

Specific instruments

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

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

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

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

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

(i) Derecognition

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

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

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

Significant accounting policies (continued)

(j) Securities borrowing and lending business

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

(k) Repurchase and resale agreements over investments

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

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

(l) Items held in trust

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

(m) Reserve for severance payments

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

Significant accounting policies (continued)

International Financial Reporting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, 6% discount rate and 5.1% turnover rate to estimate the probability of retirement assumptions were used in the calculation of the total liability in the accompanying consolidated financial statements.

(n) Taxes on income

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

Deferred income tax is provided, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for differences relating to goodwill not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit. Deferred tax liabilities and assets are recognised when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Bank and its affiliates. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Currently, enacted tax rates are used to determine deferred taxes on income.

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

(o) Offsetting

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

(p) Capital increase

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

Significant accounting policies (continued)

(q) Earnings per share

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

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

(r) Impairment

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

Originated loans and advances and held-to-maturity instruments

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

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

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

Significant accounting policies (continued)

Financial assets remeasured to fair value

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

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

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

(s) Income and expense recognition

Interest income and expense

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

Fee and commission income

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

Net trading income

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

Dividend income

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

Significant accounting policies (continued)

Insurance business

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

Unearned premium reserve: Provision for unearned premiums is provided for in respect of in-force policies for which the premium period does not end simultaneously with the accounting period. Unearned premiums are determined from premiums written during the year, less reinsurance.

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

Claims and provision for claims: Claims incurred include all claims (including claim estimates) and claims settlement payments made in respect of the financial period and the movement in provision for outstanding claims and settlement expenses. Provisions for outstanding claims and settlement expenses include claims incurred but not reported (IBNR), net of salvage and subrogation recoveries. Along with the provisions for IBNR claims; the Bank’s affiliates in insurance business also provide provisions for general business risks at different rates determined separately for each insurance branch by the related legislation applicable to insurance business in Turkey (equalisation provision).

Retail business

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

(t) Segment reporting

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

(Currency: Billions of Turkish Lira as adjusted for the effects of
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Index for the notes to the consolidated financial statements:

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1 Segment reporting

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

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

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

1.1 Geographical segments

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

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

1 Segment reporting (continued)

1.2 Business segments

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

30 September 2004	*Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial Sectors*	*Retail*	*Other Non-Financial Sectors*	*Combined*	*Eliminations*	*Total*
Interest income	2,114,647	47,894	11,853	26	5,817	7,863	613	2,188,713	(15,772)	2,172,941
Interest expenses	(1,367,696)	(14,874)	-	(5,217)	(131)	(19,109)	(486)	(1,407,513)	15,804	(1,391,709)
Net interest income/(expense)	746,951	33,020	11,853	(5,191)	5,686	(11,246)	127	781,200	32	781,232
Fee and commission income, net	407,824	-	(5,645)	11,752	24,090	(12,810)	-	425,211	42	425,253
Gross profit from retail business	-	-	-	-	-	169,738	-	169,738	-	169,738
Trading account income, net	97,877	-	27	-	1,437	-	-	99,341		99,341
Premium income from insurance business	-	-	78,420	-	-	-	-	78,420	-	78,420
Foreign exchange gain, net	7,954	881	281	(1,996)	333	(2,225)	(1,003)	4,225	(716)	3,509
Other operating income	48,432	730	75	108	1,314	909	23,819	75,387	(23,361)	52,026
Salaries and wages	(223,742)	(5,090)	(15,662)	(940)	(5,661)	(50,287)	(10,293)	(311,675)	-	(311,675)
Impairment losses	(165,258)	(65)	-	-	(190)	-	(3,928)	(169,441)	(529)	(169,970)
Other operating expenses	(544,307)	(10,360)	(71,039)	(1,661)	(10,977)	(136,123)	(18,189)	(792,656)	12,295	(780,361)
Gain/(loss) on monetary position,net	54,993	(9,309)	(1,838)	(1,127)	(2,661)	2,707	(4,012)	38,753	(2,545)	36,208
Taxation (charge)/credit	(167,906)	(2,491)	(3,156)	(443)	(4,672)	3,406	(498)	(175,760)	-	(175,760)
Minority interest	-	-	-	-	-	-	-	-	26,743	26,743
Net income/(loss) for the period	262,818	7,316	(6,684)	502	8,699	(35,931)	(13,977)	222,743	11,961	234,704
Segment assets	28,293,861	476,557	206,488	107,470	114,512	460,736	626,145	30,285,769	(144,227)	30,141,542
Investments in equity participations	1,737,371	456	265	8,850	6,516	111	18,846	1,772,415	(1,496,722)	275,693
Total assets	30,031,232	477,013	206,753	116,320	121,028	460,847	644,991	32,058,184	(1,640,949)	30,417,235
Segment liabilities	26,640,557	359,361	154,718	92,483	6,813	254,908	26,933	27,535,773	(251,337)	27,284,436

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

1 Segment reporting (continued)

30 September 2003	***Banking***	***Leasing***	***Insurance***	***Factoring***	***Other Financial Sectors***	***Retail***	***Other Non-Financial Sectors***	***Combined***	***Eliminations***	***Total***
Interest income	1,929,190	47,063	9,413	181	9,406	3,665	648	1,999,566	(22,057)	1,977,509
Interest expenses	(1,847,955)	(14,712)	-	(5,087)	(723)	(4,499)	(542)	(1,873,518)	22,052	(1,851,466)
Net interest income/(expense)	81,235	32,351	9,413	(4,906)	8,683	(834)	106	126,048	(5)	126,043
Trading account income, net	493,621	-	28	-	2,128	-	-	495,777	-	495,777
Fee and commission income, net	309,299	-	215	11,184	16,598	(12,270)	(6)	325,020	(5,032)	319,988
Foreign exchange gain, net	195,792	1,989	(430)	(61)	(1,512)	2,484	2,199	200,461	(180)	200,281
Gross profit from retail business	-	-	-	-	-	134,613	-	134,613	-	134,613
Premium income from insurance business	-	-	58,714	-	-	-	-	58,714	-	58,714
Other operating income	73,524	2,950	1,772	1,105	1,737	12,339	28,242	121,669	(21,528)	100,141
Salaries and wages	(192,411)	(4,726)	(13,370)	(985)	(6,502)	(40,001)	(17,158)	(275,153)	-	(275,153)
Impairment losses	(41,779)	(741)	-	-	(2,113)	-	(10,793)	(55,426)	(6,633)	(62,059)
Other operating expenses	(554,083)	(6,755)	(49,413)	(2,427)	(10,053)	(142,661)	(27,904)	(793,296)	15,319	(777,977)
Gain/(loss) on monetary position,net	6,762	(9,155)	(983)	(1,196)	(3,069)	(27,449)	9,001	(26,089)	2,659	(23,430)
Taxation (charge)/credit	(67,364)	10,328	(792)	(602)	(1,569)	(30,467)	(14,193)	(104,659)	-	(104,659)
Minority interest	-	-	-	-	-	-	-	-	74,573	74,573
Net income/(loss) for the period	304,596	26,241	5,154	2,112	4,328	(104,246)	(30,506)	207,679	59,173	266,852

31 December 2003	***Banking***	***Leasing***	***Insurance***	***Factoring***	***Other Financial Sectors***	***Retail***	***Other Non-Financial Sectors***	***Combined***	***Eliminations***	***Total***
Segment assets	25,991,496	384,016	155,135	107,468	108,681	472,626	649,141	27,868,563	(255,714)	27,612,849
Investments in equity participations	1,893,955	776	266	8,850	6,054	109	19,283	1,929,293	(1,497,576)	431,717
Total assets	27,885,451	384,792	155,401	116,318	114,735	472,735	668,424	29,797,856	(1,753,290)	28,044,566
Segment liabilities	24,585,643	274,456	112,107	92,985	5,769	230,868	36,673	25,338,501	(217,387)	25,121,114

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

2 Related party disclosures

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

2.1 Outstanding balances

	30 September 2004	***31 December 2003***
Balance sheet		
Obligations under repurchase agreements	-	327
Loans and advances to customers including accrued interest income	499,298	576,960
Loans granted in TL	*1,071*	*246*
Loans granted in foreign currency:	*US$ 326,565,940*	*US$ 354,606,491*
	EUR0 5,835,820	*EUR 14,923,596*
Deposits received	78,202	110,952
Commitments and contingencies		
Non-cash loans	228,897	246,484

2.2 Transactions

	Nine-month period ended 30 September 2004	***Three-month period ended 30 September 2004***	***Nine-month period ended 30 September 2003***	***Three-month period ended 30 September 2003***
Interest income	13,982	4,440	21,477	1,891
Interest expense	9,774	4,921	8,633	2,698

In 2004, interest rates applied to foreign currency receivables from and payables to related parties vary at ranges of 1.75-7.00% and 1.00-6.25% (31 December 2003: 2-10% and 0.75-2.75%), respectively. The interest rates applied to Turkish Lira payables to related parties vary at ranges of 20-24% (31 December 2003: 25-27%). Various commission rates are applied to transactions involving guarantees and commitments.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

3 Cash and cash equivalents

	30 September 2004	*31 December 2003*
Cash at branches	125,461	181,674
Balances with Central Bank of Turkey (CBT)	2,255,257	1,600,560
Others	17,698	14,097
	2,398,416	1,796,331

At 30 September 2004, cash and cash equivalents included balances with the Central Bank of Turkey in the amount of TL 1,260,925 billions (31 December 2003: TL 1,230,478 billions) as minimum reserve requirement. These funds are not available for the Bank and its affiliates' daily business. As required by the Turkish Banking Law, these reserve deposits are calculated on the basis of customer deposits taken at the rates determined by the Central Bank of Turkey. In accordance with the current legislation, the reserve deposit rates for Turkish Lira and foreign currency deposits are 6% and 11%, respectively. These reserve deposit rates are applicable to both time and demand deposits.

4 Financial assets held for trading

	30 September 2004				*31 December 2003*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments held for trading:					
Government bonds in foreign currency	471,992	473,373	3-7	2007	513,556
Discounted government bonds in Turkish lira	131,367	104,779	19-31	2006	19,862
Eurobonds	46,180	60,780	5.5-12	2034	30,702
Bonds issued by corporates	39,496	41,279	5-18	2010	38,713
Government bonds in Turkish lira	41,995	35,537	25-29	2006	43,126
Treasury bills in Turkish lira	29,599	26,935	18-23	2005	6,482
Bonds issued by foreign governments	5,755	6,149	5-10	2034	357,800
Government bonds at floating rates	1,734	1,733	27-28	2006	12,392
Others		-			923
		750,565			1,023,556
Equity and other non-fixed income instruments:					
Forfaiting receivables		53,663			103,373
Listed shares		15,472			17,549
Total financial assets held for trading		819,700			1,144,478

Income from debt and other instruments held for trading is recognized in interest on securities. Gains and losses arising on derivative financial instruments and changes in fair value of other trading instruments are recognized in net trading account income. Whereas, gains and losses arising from changes in the fair value of cash flow hedges are deferred in a separate component of equity, within reserves under retained earnings.

For the nine-month period ended 30 September 2004, net income on trading of financial assets amounting to TL 99,341 billions and to TL 25,796 billions for the three-month period ended 30 September 2004 (30 September 2003: TL 495,777 billions and three-month period ended 30 September 2003: TL 251,057 billions) in total is included in "trading account income, net".

(Currency: Billions of Turkish Lira as adjusted for the effects of
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4 Financial assets held for trading (continued)

Included in government bonds and treasury bills were securities pledged under repurchase agreements with customers amounting to TL 11,340 billions as of 31 December 2003 (30 September 2004: nil).

The following table summarizes the contractual amounts of the forward exchange, swap, futures and options contracts, with details of remaining periods to maturity. Foreign currency amounts are translated at rates ruling at the balance sheet date. Monetary items denominated in a foreign currency are economically hedged using foreign currency derivative contracts. The Bank and its affiliates do not use hedge accounting for its foreign currency derivative contracts.

All gains and losses on foreign currency contracts are recognized in the statement of operations. At 30 September 2004, 93% of the net consolidated foreign currency open position was hedged through the use of foreign currency contracts (31 December 2003: 70%).

	Notional amount with remaining life of					
At 30 September 2004	***Upto 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Future rate agreements	-	-	-	44,854	164,466	209,320
Purchases	*-*	*-*	*-*	*44,854*	*164,466*	*209,320*
Sales	*-*	*-*	*-*	*-*	*-*	*-*
Interest rate options	2,239	-	-	-	-	2,239
Purchases	*-*	*-*	*-*	*-*	*-*	*-*
Sales	*2,239*	*-*	*-*	*-*	*-*	*2,239*
Interest rate swaps	2,272	3,135	74,757	-	-	80,164
Purchases	*2,272*	*3,135*	*74,757*	*-*	*-*	*80,164*
Sales	*-*	*-*	*-*	*-*	*-*	*-*
Currency Derivatives						
Spot exchange contracts	186,542	-	-	-	-	186,542
Purchases	*57,006*	*-*	*-*	*-*	*-*	*57,006*
Sales	*129,536*	*-*	*-*	*-*	*-*	*129,536*
Forward exchange contracts	183,272	46,169	9,604	2,241	-	241,286
Purchases	*116,948*	*19,292*	*7,779*	*2,241*	*-*	*146,260*
Sales	*66,324*	*26,877*	*1,825*	*-*	*-*	*95,026*
Currency/cross currency swaps	1,290,132	847,458	636,673	1,273,600	-	4,047,863
Purchases	*1,243,977*	*835,309*	*584,767*	*1,267,627*	*-*	*3,931,680*
Sales	*46,155*	*12,149*	*51,906*	*5,973*	*-*	*116,183*
Options	415,555	174,589	40,620	8,970	-	639,734
Purchases	*217,473*	*36,878*	*20,310*	*4,485*	*-*	*279,146*
Sales	*198,082*	*137,711*	*20,310*	*4,485*	*-*	*360,588*
Foreign currency futures	-	75,074	-	-	-	75,074
Purchases	*-*	*-*	*-*	*-*	*-*	*-*
Sale	*-*	*75,074*	*-*	*-*	*-*	*75,074*
Other foreign exchange contracts	983	36,668	-	-	-	37,651
Purchases	*983*	*1,966*	*-*	*-*	*-*	*2,949*
Sale	*-*	*34,702*	*-*	*-*	*-*	*34,702*
Subtotal Purchases	1,638,659	896,580	687,613	1,319,207	164,466	4,706,525
Subtotal Sales	442,336	286,513	74,041	10,458	-	813,348
Total of Transactions	2,080,995	1,183,093	761,654	1,329,665	164,466	5,519,873

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

4 Financial assets held for trading (continued)

	Notional amount with remaining life of					
At 31 December 2003	***Upto 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Future rate agreements	-	-	-	39,412	61,754	101,166
Purchases	-	-	-	*19,706*	*30,877*	*50,583*
Sales	-	-	-	*19,706*	*30,877*	*50,583*
Currency Derivatives						
Spot exchange contracts	198,404	-	-	-	-	198,404
Purchases	*83,387*	-	-	-	-	*83,387*
Sales	*115,017*	-	-	-	-	*115,017*
Forward exchange contracts	88,750	12,577	2,233	772	-	104,332
Purchases	*49,517*	*7,755*	*1,140*	*154*	-	*58,566*
Sales	*39,233*	*4,822*	*1,093*	*618*	-	*45,766*
Currency/cross currency swaps	3,107,225	525,812	511,309	249,382	-	4,393,728
Purchases	*2,916,933*	*521,341*	*511,309*	*236,692*	-	*4,186,275*
Sales	*190,292*	*4,471*	-	*12,690*	-	*207,453*
Options	37,089	55,558	-	77,176	-	169,823
Purchases	*6,219*	*50,932*	-	*77,176*	-	*134,327*
Sales	*30,870*	*4,626*	-	-	-	*35,496*
Foreign currency futures	-	92,611	-	-	-	92,611
Purchases	-	*92,611*	-	-	-	*92,611*
Sale	-	-	-	-	-	-
Other foreign exchange contracts	88,834	28,042	-	-	-	116,876
Purchases	*1,502*	*2,003*	-	-	-	*3,505*
Sale	*87,332*	*26,039*	-	-	-	*113,371*
Subtotal Purchases	3,057,558	674,642	512,449	333,728	30,877	4,609,254
Subtotal Sales	462,744	39,958	1,093	33,014	30,877	567,686
Total of Transactions	3,520,302	714,600	513,542	366,742	61,754	5,176,940

5 Loans and advances to banks

	30 September 2004			***31 December 2003***		
	Turkish Lira	***Foreign Currency***	***Total***	***Turkish Lira***	***Foreign Currency***	***Total***
Loans and advances-demand						
Domestic banks	13,720	451	14,171	3,100	5,218	8,318
Foreign banks	3,421	183,227	186,648	3	152,820	152,823
	17,141	183,678	200,819	3,103	158,038	161,141
Loans and advances-time						
Domestic banks	57,897	1,194,339	1,252,236	151,143	639,903	791,046
Foreign banks	181,514	697,053	878,567	35,025	434,646	469,671
	239,411	1,891,392	2,130,803	186,168	1,074,549	1,260,717
Accrued interest on loans and advances	808	2,337	3,145	423	2,201	2,624
Total loans and advances to banks	257,360	2,077,407	2,334,767	189,694	1,234,788	1,424,482
Less: allowance for uncollectibility	-	-	-	-	-	-
Net loans and advances to banks	257,360	2,077,407	2,334,767	189,694	1,234,788	1,424,482

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

5 Loans and advances to banks (continued)

As at 30 September 2004, time deposits are almost all short-term, maturing within one year, with interest rates ranging between 2-14% per annum for foreign currency time deposits and 21-26% per annum for Turkish lira time deposits (31 December 2003: 0.5-6% and 15-42%, respectively).

As at 30 September 2004, demand deposits at foreign banks include blocked accounts of TL 35,310 billions (31 December 2003: TL 39,544 billions) against the securitisation transactions on cheques, credit card receivables and insurance business.

6 Loans and advances to customers

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

	30 September 2004	*31 December 2003*
Industrial	3,635,979	2,309,827
Consumer loans	2,975,434	2,339,112
Turkish Treasury	2,702,606	1,674,116
Financial institutions	1,450,979	1,378,361
Service sector	1,261,828	891,746
Agriculture	422,497	221,783
Construction	415,462	373,919
Foreign trade	284,397	211,908
Tourism	263,416	204,345
Transportation	232,847	89,782
Domestic commerce	56,665	40,003
Media	18,248	18,992
Others	247,310	202,415
Total performing loans	13,967,668	9,956,309
Non-performing loans	409,306	340,156
Total gross loans	14,376,974	10,296,465
Accrued interest income on loans	274,659	248,335
Financial lease receivables, net of unearned income (Note 7)	373,554	281,126
Factoring receivables	81,643	105,274
Forfaiting receivables	59,341	50,232
Allowance for possible losses from loans and lease receivables	(273,701)	(221,624)
Loans and advances to customers	14,892,470	10,759,808

As at 30 September 2004, loans given to customers have interest rates between 1-14% (31 December 2003: 1-18%) per annum for foreign currency loans and 15-33% (31 December 2003: 29-49%) per annum for Turkish lira loans.

Included in loans and advances to customers were securities pledged under repurchase agreements with customers amounting to TL 840,152 billions (31 December 2003: TL 77,221 billions).

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

6 Loans and advances to customers (continued)

The specific allowance for possible losses is comprised of amounts for specifically identified as being impaired and non-performing loans and advances plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers.

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

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

	30 September 2004	*31 December 2003*
Balance at the beginning of the period/year	221,624	221,799
The effect of inflation on the beginning balance and current transactions	(15,730)	(32,073)
Write-offs	(10,170)	(7,479)
Recoveries	(24,817)	(31,028)
Provision for the period/year	102,794	70,405
Balance at the end of the period/year	273,701	221,624

7 Financial lease receivables

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

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

	30 September 2004	*31 December 2003*
Financial lease receivables, net of unearned income (Note 6)	373,554	281,126
Less: allowance for possible losses from lease receivables	(8,500)	(7,561)
	365,054	273,565
Analysis of net financial lease receivables		
Not later than 1 year	285,491	232,671
Later than 1 year and not later than 5 years	137,242	93,950
Later than 5 years	-	-
Financial lease receivables, gross	422,733	326,621
Unearned income	(57,679)	(53,056)
Financial lease receivables, net	365,054	273,565
Analysis of net financial lease receivables, net		
Not later than 1 year	248,887	195,425
Later than 1 year and not later than 5 years	116,167	78,140
Later than 5 years	-	-
Financial lease receivables, net	365,054	273,565

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

8 Other assets

	30 September 2004	*31 December 2003*
Tangible assets held for resale	558,418	614,761
Insurance premium receivables	79,288	58,565
Prepaid expenses, insurance claims and similar items	61,759	82,741
Accrued exchange gain on derivatives	58,805	163,260
Retail business stocks	51,370	53,262
Miscellaneous receivables	31,847	140,793
Taxes and funds to be refunded	12,888	12,489
Others	62,810	55,364
	917,185	1,181,235

The portion amounting to TL 272,271 billions (31 December 2003: TL 324,841 billions) of tangible assets held for resale comprise of real estate acquired by the Bank against its impaired receivables. Such assets are required to be disposed within three years following their acquisitions per the Turkish Banking Law. This legal period can be extended upon legal permission.

Impairment losses provided for decreases in the value of real estates held for resale were determined based upon expertise of independent appraiser firms. As of 30 September 2004, real estates held for resale with carrying values amounted to TL 208,706 billions (31 December 2003: TL 116,669 billions) impaired by TL 57,813 billions (31 December 2003: TL 37,186 billions).

9 Security investments

	30 September 2004				*31 December 2003*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments available-for-sale:					
Eurobonds	568,528	691,309	5.5-12.5	2034	1,722,733
Government bonds at floating rates	665,228	675,004	26-28	2006	933,736
Discounted government bonds in Turkish Lira	397,609	324,000	19.5-25	2005	206,096
Government bonds in foreign currency	202,622	204,149	4-7	2007	238,002
Bonds issued by foreign governments	159,920	162,150	2-11	2008	181,899
Bonds issued by corporates	86,072	89,714	9-13	2009	25,628
Government bonds in Turkish Lira	32,077	30,551	25.5-29.5	2005	2,761
Treasury bills in Turkish Lira	3,246	3,028	26.5	2005	19,281
Bonds issued by financial institutions		-			213,586
Others		570			5,142
Total securities available-for-sale		2,180,475			3,548,864

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

9 Security investments (continued)

	30 September 2004				31 December 2003
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Total securities available-for-sale		2,180,475			3,548,864
Debt and other instruments held-to-maturity:					
Government bonds indexed to foreign currency	1,650,036*	1,584,383	**(a)**	2006	3,203,756
Eurobonds	1,458,041	1,541,832	7-12	2030	1,079,576
Government bonds at floating rates	685,141	702,745	**(b)**	2006	672,138
Bonds issued by foreign governments	150,946	153,639	2.5-6	2008	166,568
Bonds issued by corporates	105,711	105,648	11.5-13	2007	79,197
Bonds issued by financial institutions	91,987	91,987	4.5-12	2014	17,451
Government bonds in Turkish Lira	81,400	81,069	24.5	2005	-
Discounted government bonds in Turkish lira	24,422	23,183	19-25	2006	32,791
Others		-			329
		4,284,486			5,251,806
Accrued interest on held-to-maturity portfolio		206,254			76,625
Total securities held-to-maturity		4,490,740			5,328,431
Total security investments		6,671,215			8,877,295

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

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

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

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

Included in government bonds and treasury bills were securities pledged under repurchase agreements with customers amounting to TL 1,716,549 billions (31 December 2003: TL 2,201,285 billions).

In the second quarter of 2004, the Bank management has decided to transfer the available-for-sale securities (eurobonds and government bonds in Turkish Lira and at floating rates) with a face value of TL 1,179,857 billions to its held-to-maturity portfolio. Despite this reclassification, the size of the securities held-to-maturity portfolio decreased from TL 5,328,431 billions as of 31 December 2003 to TL 4,490,740 billions as of 30 September 2004 as some securities matured and collected during the period.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

9 Security investments (continued)

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

	30 September 2004		31 December 2003	
	Face Value	Carrying value	Face Value	Carrying value
Collateralised to foreign banks	1,222,985	1,290,798	1,863,840	2,254,502
Deposited at Istanbul Stock Exchange	1,163,217	1,198,574	-	-
Deposited at CBT for interbank transactions	380,000	490,693	630,000	823,724
Reserve requirements at CBT	340,000	439,041	300,000	392,249
Deposited at CBT for foreign currency money market transactions	320,000	413,215	320,000	418,399
Deposited at Clearing Bank (Takasbank)	235,000	248,465	193,500	219,651
Deposited at CBT for repurchase transactions	63,586	68,223	76,374	88,612
Others		78,015		28,961
		4,227,024		4,226,098

10 Investments in equity participations

	30 September 2004		31 December 2003	
	Carrying Value	Ownership %	Carrying Value	Ownership %
Investments in associated companies:				
Garanti Turizm ve Yatırım İşl. AŞ	30,388	44.89	33,218	44.89
Petrotrans Nakliyat ve Tic. AŞ	9,781	99.99	10,692	99.99
Others	7,996		6,087	
	48,165		49,997	
Equity participations available-for-sale:				
Voyager Med. Tur. End. ve Tic. AŞ	166,132	77.00 ***(a)***	181,606	77.00
Akarnet Konakl. Tes. Yat. İşl. AŞ	29,193	100.00 ***(a)***	29,193	100.00
IMKB Takasbank AŞ	10,943	5.83	10,943	5.83
Doğuş Otomotiv Servis ve Tic. AŞ	-	-	140,101	19.82
Others	21,260		19,877	
	227,528		381,720	
	275,693		431,717	

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

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

10 Investments in equity participations (continued)

The participation in Doğuş Otomotiv Servis ve Tic. AŞ was sold to Doğuş İnşaat ve Ticaret AŞ at a price of TL 5,500 each, in total amounting to TL 113,626 billions equivalent of market value on 23 August 2004.

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

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

Impairment losses are provided for decreases in the value of certain investments in associated companies amounting to TL 4,119 billions in the current period. Accordingly, the cumulative provisions for such impairment losses increased to TL 199,553 billions as of 30 September 2004.

11 Tangible assets

Movement in tangible assets for the period of 1 January – 30 September 2004 is as follows:

	1January	*Additions*	*Adjustment for Currency Translation*	*Disposals*	*30 September*
Costs					
Land and buildings	1,549,923	12,517	(7,598)	(27,671)	1,527,171
Furniture, fixture and equipments	1,047,485	34,358	(2,228)	(29,323)	1,050,292
Leasehold improvements	389,109	21,128	-	(8,674)	401,563
	2,986,517	68,003	(9,826)	(65,668)	2,979,026
Less: Accumulated depreciation					
Buildings	159,239	23,472	(1,947)	(6,804)	173,960
Furniture, fixture and equipments	708,157	85,816	(769)	(25,997)	767,207
Leasehold improvements	215,278	31,338	-	(4,603)	242,013
	1,082,674	140,626	(2,716)	(37,404)	1,183,180
Construction in progress	11,205	1,105 ***(a)***	-	-	12,310
	1,915,048		(7,110)	(28,264)	1,808,156
Impairment in value of tangible assets	(128,890)				(133,027)
	1,786,158				1,675,129

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

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

11 Tangible assets (continued)

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

	1January	Additions	Adjustment for Currency Translation	Disposals	31 December
Costs					
Land and buildings	1,564,639	40,801	(5,449)	(50,068)	1,549,923
Furniture, fixture and equipments	1,086,567	67,860	(1,439)	(105,503)	1,047,485
Leasehold improvements	439,503	37,754	(1,196)	(86,952)	389,109
	3,090,709	146,415	(8,084)	(242,523)	2,986,517
Less: Accumulated depreciation					
Buildings	162,500	31,812	32	(35,105)	159,239
Furniture, fixture and equipments	693,672	119,841	(1,073)	(104,283)	708,157
Leasehold improvements	232,523	47,362	(1,058)	(63,549)	215,278
	1,088,695	199,015	(2,099)	(202,937)	1,082,674
Construction in progress	12,064	(859)*(a)*	-	-	11,205
	2,014,078		(5,985)	(39,586)	1,915,048
Impairment in value of tangible assets	(69,551)				(128,890)
	1,944,527				1,786,158

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

Depreciation expense for the nine-month period ended 30 September 2004 and for the three-month period ended 30 September 2004, amounts to TL 140,626 billions and TL 46,165 billions, respectively (the nine-month period ended 30 September 2003: TL 144,137 billions and the three-month period ended 30 September 2003: TL 46,777 billions). The premises are depreciated at the annual rate of 2% and the rates applied to furniture, fixtures and equipment range from 8% to 25%.

Impairment losses provided for decreases in the value of land and buildings were determined based upon expertise of independent appraiser firms. As of 30 September 2004, land and buildings with carrying values amounted to TL 260,130 billions (31 December 2003: TL 268,999 billions) impaired by TL 133,026 billions (31 December 2003: TL 128,890 billions).

12 Intangible assets

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

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

12 **Intangible assets** (continued)

As at 30 September 2004, goodwill is amortized on a straight line basis over 20 years, the time during which benefits are expected to be consumed, and reflected as TL 115,117 billions (31 December 2003:TL 131,926 billions), net of accumulated amortization, in the accompanying consolidated balance sheets.

Movement in goodwill for the period of 1 January – 30 September 2004 is as follows:

	1January	Additions	Disposals	30 September
Goodwill				
Tansaş Perakende Mağazacılık Ticaret AŞ	137,286	-	-	137,286
Doğuş Hava Taşımacılığı AŞ	46,919	-	-	46,919
Garanti Yatırım Menkul Kıymetler AŞ	24,656	-	-	24,656
Doc Finance SA	10,214	-	-	10,214
Garanti Finans Faktoring Hizmetleri AŞ	7,236	-	-	7,236
Garanti Finansal Kiralama AŞ	5,654	-	-	5,654
Sititur Tur.T.Taş.Org.Bilg.Dan.Y.San.veTic. AŞ	3,500	-	-	3,500
Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ	1,606	-	-	1,606
Garanti Sigorta AŞ	1,340	-	-	1,340
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	553	-	-	553
Garanti Emeklilik ve Hayat AŞ	46	-	-	46
Total goodwill	239,010	-	-	239,010
Less: Accumulated amortization				
Tansaş Perakende Mağazacılık Ticaret AŞ	43,658	12,139	-	55,797
Doğuş Hava Taşımacılığı AŞ	9,389	1,761	-	11,150
Garanti Yatırım Menkul Kıymetler AŞ	4,143	925	-	5,068
Doc Finance SA	2,397	385	-	2,782
Garanti Finans Faktoring Hizmetleri AŞ	723	271	-	994
Garanti Finansal Kiralama AŞ	566	211	-	777
Sititur Tur.T.Taş.Org.Bilg.Dan.Y. San.veTic. AŞ	351	131	-	482
Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ	160	60	-	220
Garanti Sigorta AŞ	266	52	-	318
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	54	22	-	76
Garanti Emeklilik ve Hayat AŞ	7	2	-	9
	61,714	15,959	-	77,673
Goodwill, net of accumulated amortization	177,296			161,337
Impairment in value of goodwill	(45,370)			(46,220)
	131,926			115,117

Impairment losses are provided for decreases in the value of consolidated entities which were determined assessing their internal and external sources. As of 30 September 2004, Doğuş Hava Taşımacılığı AŞ, Doc Finance SA and Sititur Tur. Tem. Taş. Org. Bilg. Dan. Yap.San. ve Tic. AŞ which have net goodwill amount of TL 35,769 billions, TL 7,433 billions and TL 3,018 billions, respectively were impaired by TL 46,220 billions in total (31 December 2003: TL 45,370 billions).

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inflation in TL units current at 30 September 2004 pursuant to IAS 29)

12 Intangible assets (continued)

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

	1January	Additions	Disposals	31 December
Goodwill				
Tansaş Perakende Mağazacılık Ticaret AŞ	137,286	-	-	137,286
Doğuş Hava Taşımacılığı AŞ	46,919	-	-	46,919
Garanti Yatırım Menkul Kıymetler AŞ	24,656	-	-	24,656
Docfinance SA	10,214	-	-	10,214
Garanti Finans Faktoring Hizmetleri AŞ	7,236	-	-	7,236
Garanti Finansal Kiralama AŞ	5,654	-	-	5,654
Sititur Tur.T.Taş.Org.Bilg.Dan.Y. San.veTic. AŞ	3,500	-	-	3,500
Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ	1,606	-	-	1,606
Garanti Sigorta AŞ	1,340	-	-	1,340
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	553	-	-	553
Garanti Emeklilik ve Hayat AŞ	46	-	-	46
Total goodwill	239,010	-	-	239,010
Less: Accumulated amortization				
Tansaş Perakende Mağazacılık Ticaret AŞ	27,460	16,198	-	43,658
Doğuş Hava Taşımacılığı AŞ	7,043	2,346	-	9,389
Garanti Yatırım Menkul Kıymetler AŞ	2,910	1,233	-	4,143
Docfinance SA	1,887	510	-	2,397
Garanti Finans Faktoring Hizmetleri AŞ	361	362	-	723
Garanti Finansal Kiralama AŞ	283	283	-	566
Sititur Tur.T.Taş.Org.Bilg.Dan.Y. San.veTic. AŞ	176	175	-	351
Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ	80	80	-	160
Garanti Sigorta AŞ	199	67	-	266
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	27	27	-	54
Garanti Emeklilik ve Hayat AŞ	5	2	-	7
	40,431	21,283	-	61,714
Goodwill, net of accumulated amortization	198,579			177,296
Impairment in value of goodwill	(42,219)			(45,370)
	156,360			131,926

13 Deposits from banks

Deposits from banks comprise the following:

	30 September 2004	31 December 2003
Payable on demand	43,385	21,316
Term deposits	847,432	966,957
	890,817	988,273
Accrued interest on deposits from banks	5,145	4,427
	895,962	992,700

Deposits from banks include both TL accounts of TL 201,575 billions (31 December 2003: TL 540,698 billions) and foreign currency accounts of TL 689,242 billions (31 December 2003: TL 447,575 billions).

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

14 Deposits from customers

Deposits from customers comprise the following:

	30 September 2004			31 December 2003
	Demand	***Time***	***Total***	***Total***
Foreign currency	4,330,211	7,494,433	11,824,644	11,623,935
Saving	414,507	3,275,968	3,690,475	3,230,797
Commercial	1,184,364	1,554,583	2,738,947	2,484,824
Public and other	360,889	75,267	436,156	286,420
	6,289,971	12,400,251	18,690,222	17,625,976
Accrued interest expenses on deposits from customers	-	133,654	133,654	167,860
	6,289,971	12,533,905	18,823,876	17,793,836

As at 30 September 2004, interest rates applicable to Turkish lira deposits and foreign currency deposits vary at ranges of 18-26% and 1.5-12.5% (31 December 2003: 26-42% and 1-6%), respectively.

15 Obligations under repurchase agreements

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

30 September 2004	***Carrying value***	***Fair value of underlying assets***	***Carrying amount of corresponding liabilities***	***Range of repurchase dates***	***Repurchase price***
Security investments	1,716,549	1,793,801	1,440,947	Oct'04-Apr'08	1,492,437
Originated loans	840,152	834,026	701,597	Oct'04-Sept'06	727,595
	2,556,701	2,627,827	2,142,544		2,220,032
31 December 2003					
Trading instruments	11,340	11,340	8,648	Jan.-Aug. 2004	9,943
Security investments	2,201,285	2,311,742	1,700,381	Jan.-Sept. 2004	1,713,712
Originated loans	77,221	90,499	57,882	April-Sept. 2004	58,896
	2,289,846	2,413,581	1,766,911		1,782,551

Accrued interest on obligations under repurchase agreements amounting to TL 10,811 billions (31 December 2003: TL 6,736 billions) is included in the carrying amount of corresponding liabilities.

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

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As at 30 September 2004, the maturities and interest rates of the obligations are within one day to four years and between 2-20% (31 December 2003: 1-20%).

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

16 Loans and advances from banks

Loans and advances from banks comprise the following:

	30 September 2004	*31 December 2003*
Short-term borrowings		
Domestic banks	282,759	260,642
Foreign banks	2,368,070	2,126,680
	2,650,829	2,387,322
Long-term debts		
Short-term portion	233,259	370,733
Medium and long-term portion	1,295,179	734,080
	1,528,438	1,104,813
Accrued interest on loans and advances from banks	35,489	35,150
	4,214,756	3,527,285

As at 30 September 2004, short-term borrowings from foreign banks included a one-year syndicated term-loan facility in the amount of US$ 450 millions (equivalent of TL 671,625 billions) signed on 20 November 2003 available to corporate customers to pre-finance export contracts. At 31 December 2003, short-term borrowings from foreign banks also included a one-year syndicated facility in the amount of EUR 400 millions matured in July 2004; and renewed to finance pre-finance export contracts of the Bank's corporate customers for the amount of EUR 450 millions (equivalent of TL 834,897 billions) on 9 July 2004 as signed with the 25 mandated arrangers.

Long-term debts comprise the following:

	30 September 2004					*31 December 2003*
	Interest rate%	*Latest Maturity*	*Amount in original currency*	*Short term portion*	*Medium and long term portion*	*Medium and long term debts*
DPR Securitisation-I	3.55-3.58	2008	US$350 mio	-	522,375	540,232
DPR Securitisation-II	2	2012	US$325mio	-	485,063	-
Cobank	1.31-2.32	2007	US$65 mio	56,147	40,236	52,965
Murabaha Syndication	4.99	2006	US$29 mio	13,105	30,890	-
Deutsche Bank	1.31-1.79	2007	US$28 mio	29,342	12,534	37,795
Standard Chartered	1.13-3.12	2006	US$23 mio	28,494	6,292	20,539
Anatolia Finance Company	7.24	2004	US$17 mio	25,024	-	-
Others				81,147	197,789	82,549
				233,259	1,295,179	734,080

In August 2004, the leasing affiliate of the Bank has secured a syndicated "Murabaha" facility of US$ 30 million with a term of 24 months through a consortium arranged by HSBC to support the growing demand for leasing transactions. In line with the repayment schedule, the outstanding balance of this loan as of 30 September 2004 is US$ 29 millions.

In June 2004, the Bank completed a securitisation (the "DPR Securitisation-II") transaction by issuance of two classes of certificates: US$175 million Floating Rate Series 2004-B and US$150 million Floating Rate Series 2004-C. The Series 2004-B issue has a financial guarantee issued by MBIA Insurance Corporation, a final maturity of 5 years and an average life of 3.6 years. The Series 2004-C issue has a financial guarantee issued by Ambac Assurance Corporation, a final maturity of 8 years and an average life of 5.6 years. The DPR-II securitises the Bank's payment orders created via SWIFT MT 103 or similar payment orders accepted as derived primarily from the Bank's trade finance and other corporate businesses and paid through foreign depository banks.

16 Loans and advances from banks (continued)

In December 2002, the Bank obtained a short-term fund in the amount of US$ 200 millions through its "DPR Securitisation" (the "DPR Securitisation-I"). The DPR Securitisation-I securitises the Bank's all right, title and interest to US dollar, Euro or Sterling-denominated MT100-series messages under the Society for Worldwide Interbank Financial Telecommunication (SWIFT) message system received by the Bank. Subsequently in October 2003, its maturity lengthened to five years as US$ 200 millions Floating Rate Series 2003-A issue and a further US$ 150 millions Floating Rate Series 2003-B issue was obtained in December 2003.

In February 1998, the Bank sold certain future credit card receivables due or to become due to the Bank from Visa International Service Association (Visa), MasterCard International Incorporated (MasterCard) and Europay International SA (Europay), to Anatolia Finance Company, a special purpose company (SPC) organized under the laws of the Cayman Islands for the amount of US$ 175 millions. The SPC sold to the Bank of New York, as trustee of the Credit Cards Receivables Trust 1998 - I (the Trust), which issued the trust certificates amounting to US$ 175 millions in total pursuant to the Trust Agreement dated 3 February 1998 between the SPC and the Bank of New York as trustee. The trust certificates are repaid in the period from March 1998 to December 2004 on a quarterly basis. In line with the repayment schedule, the outstanding balance of this loan as of 30 September 2004 is US$ 17 millions. The property of the Trust includes, among other things; (i) the right to receive a specified amount of current and future US Dollar amounts owed or to be owed by Visa, MasterCard and Europay to or for the account of Türkiye Garanti Bankası AŞ, in respect of credit and debit card merchant voucher receivables generated by the usage in Turkey of Visa, MasterCard ad Europay credit cards issued by non-Turkish financial institutions and acquisition of such voucher receivables by the Bank for processing and payment by Visa, MasterCard and Europay in accordance with their respective collection and settlement systems, subject to the pari-passu rights of the holders of the Prior Certificates, (ii) or funds collected or to be collected in respect of such receivables, (iii) or other payments by any other person in respect thereof and (iv) certain money on the deposit in certain accounts of the Trust.

17 Taxation on income

Corporate income tax is levied at the rate of 33% on the statutory Turkish Lira corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2004. This rate will be 30% in the following years. There is an additional tax computed only on the amounts of dividend distribution and is accrued only at the time of such payments. According to the amendments in tax legislations, which are effective from 24 April 2003, no income tax withholding is calculated over the dividends that are distributed to the shareholders from the profits of the period between 1999 and 2002 if these profits are exempted from corporation tax bases of the corporate.

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

17 Taxation on income (continued)

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

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

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

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

	30 September 2004	*%*	*30 September 2003*	*%*
Taxes on income per statutory tax rate	126,628	33.00	89,081	30.00
Permanent differences relating to the restatement of non-monetary items per IAS 29	37,151	9.68	(46,779)	(15.74)
Effect of permanent differences on consolidation adjustments	24,979	6.51	33,292	11.21
Income items exempt from tax or subject to different tax rates	(8,380)	(2.19)	(32,865)	(11.07)
Disallowable expenses	8,179	2.13	12,481	4.20
Investment incentives	(736)	(0.19)	2,676	0.90
Effect of change in legal tax rate	(11,512)	(3.00)	45,483	15.32
Others	(549)	(0.14)	1,290	0.43
Taxation charge	175,760	45.80	104,659	35.25

The taxation charge comprise the following:

	For the nine-month periods ended	
	30 September 2004	*30 September 2003*
Current taxes	28,607	21,152
Deferred taxes	147,153	83,507
Taxation charge	175,760	104,659

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

17 Taxation on income (continued)

In accordance with the related regulation for prepaid taxes on income, such advance payments during the year are being deducted from the final tax liability computed over current year operations. Accordingly, the taxation charge on income computed is not equal to the final tax liability appearing on the balance sheet.

The current taxes payable on income comprise the following:

	30 September 2004	*31 December 2003*
Provision for current taxes payable on income before deductions	175,760	(67,366)
Add: Taxes payable carried forward	7,396	7,597
Add/(less): Deferred tax assets/liabilities	(147,153)	94,393
Less: Restatement effect on current taxes payable on income for the change in the general purchasing power of TL at 30 September 2004	(2,918)	(1,531)
Taxes payable on income	33,085	33,093

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

	30 September 2004	*31 December 2003*
Deferred tax assets		
Tax losses carried forward	214,587	399,402
Impairment in value of investments in associated companies and tangible assets	40,823	19,187
Investment incentives and exemptions	24,401	25,869
Specific and general allowance for loan losses	16,686	15,304
Capitalised expenses and leasing obligations	14,662	15,253
Valuation difference on financial assets and liabilities	6,013	34,164
Tax base difference on tangible assets	(2,104)	-
Others, net	2,475	1,957
Total deferred tax assets	317,543	511,136
Deferred tax liabilities		
Total deferred tax liabilities	(1,043)	(5,153)

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

18 Other liabilities and accrued expenses

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

	30 September 2004	*31 December 2003*
Transfer orders	511,021	382,891
Miscellaneous payables	226,242	204,992
Insurance technical provisions	96,148	73,672
Withholding taxes	49,527	51,018
Unearned income	45,796	43,479
Payables to insurance and reinsurance companies relating to insurance operations	39,126	28,303
Reserve for severance payment	31,017	37,159
Factoring payables	28,459	49,384
Expense accruals	25,310	26,876
Blocked accounts	25,052	22,942
Payables to suppliers relating to financial leasing activities	14,569	10,066
General provision for non-cash loans	14,404	12,324
Others	66,499	59,030
	1,173,170	1,002,136

19 Shareholders' equity

The authorized nominal share capital of the Bank amounted to TL 1,200,000 billions comprising 2,399,999,999,654 registered shares of five hundred Turkish liras each and 1,728 registered shares of one hundred Turkish liras each. The portion of share capital arising from the amounts paid in by the shareholders was restated for the effects of inflation (refer to accounting policy (d)) in the accompanying consolidated financial statements; however, the transfers from revaluation surplus on fixed assets for statutory purposes and transfers from statutory retained earnings were eliminated. The Bank's nominal paid-in capital increased from TL 822,038 billions to TL 1,200,000 billions through appropriation of real estate sales income of TL 20,515 billions, equity participation sales income of TL 6,947 billions and retained earnings of TL 350,500 billions in the third quarter of 2004.

The Bank had made two transactions in 2001 to be subsidized from its major shareholder in order to mitigate the effects of its one-time losses resulting from economic crisis in Turkey. As a result of these transactions, the Bank had reflected an income in 2001. However, these transactions were in substance, capital contributions by shareholders since such financing could not have been entered into on an arm's-length basis with a third party. Consequently, "retained earnings" account was corrected by decreasing TL 168,228 billions and an additional paid-in capital by the same amount was accounted as at 30 September 2003.

The reserves include legal reserves amounting to TL 68,975 billions in total which were established by annual appropriations amounting to 5% of income disclosed in the Bank's and its affiliates' statutory accounts until it reaches 20% of paid-in share capital (first legal reserves). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital are to be appropriated to increase legal reserves (second legal reserves). The legal reserves are restricted and are not available for distribution as dividends unless they exceed 50% of the share capital. In the accompanying consolidated financial statements, legal reserves are included at their historical amounts. The reserves also include TL 14,000 billions appropriated by management for the purpose of general banking risks.

(Currency: Billions of Turkish Lira as adjusted for the effects of
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20 Fair value information

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

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

Management has estimated that the fair value of certain balance sheet instruments is not materially different than their recorded values except for security investments and Turkish Treasury caption under loans and advances to customers. These balance sheet instruments include loans and advances to banks and customers except for loans to Turkish Treasury against securities, obligations under repurchase agreements, loans and advances from banks, and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. Fair value of security investments and loans to Turkish Treasury against securities is TL 9,509,447 billions (31 December 2003: TL 10,699,486 billions), whereas the carrying amount is TL 9,444,602 billions (31 December 2003: TL 10,602,601 billions) in the accompanying consolidated balance sheet as at 30 September 2004.

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

21 Commitments and contingencies

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

Commitments and contingent liabilities comprise the following:

	30 September 2004	*31 December 2003*
Letters of guarantee	4,587,343	3,968,853
Letters of credit	1,767,938	1,434,189
Acceptance credits	669,935	570,115
Other guarantees and endorsements	-	21,734
	7,025,216	5,994,891

As at 30 September 2004, commitment for uncalled capital of affiliated companies amounts approximately to TL 13 billions (31 December 2003: TL 138 billions).

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inflation in TL units current at 30 September 2004 pursuant to IAS 29)

21 Commitments and contingencies (continued)

As at 30 September 2004, commitment for purchase and sale of foreign currencies under spot, forwards, swaps, future rate agreements, options and forward agreements for gold trading amounts to TL 5,519,873 billions (31 December 2003: TL 5,176,940 billions), almost all due within a year. The breakdown of outstanding commitments, by type, are presented as follows:

	30 September 2004		*31 December 2003*	
	Purchases	*Sales*	*Purchases*	*Sales*
Forward agreements for customer dealing activities	29,297	19,317	29,933	12,303
Currency swap agreements for customer dealing activities	46,164	10,760	34,811	16,469
Spot foreign currency transactions for customer dealing activities	13,920	7,241	8,550	3,309
Forward agreements for hedging purposes	116,963	75,709	28,633	33,463
Currency swap agreements for hedging purposes	3,885,516	105,423	4,151,464	190,984
Interest rate swap agreements	80,164	-	-	-
Interest rate and foreign currency options	279,146	362,827	134,327	35,496
Future rate agreements and foreign currency futures	209,320	75,074	143,194	50,583
Forward agreements for gold trading	2,949	34,702	3,505	113,371
Spot foreign currency transactions	43,086	122,295	74,837	111,708
	4,706,525	813,348	4,609,254	567,686

22 Risk management disclosures

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

The nature of the risks and the approach to managing risk differs fundamentally between the trading and non-trading portfolios; section 22.2 contains risk management information related to the trading portfolio and section 22.3 deals with the non-trading portfolio.

22.1 Derivative financial instruments

The Bank and its affiliates enter into a variety of derivative financial instruments for hedging and risk management purposes. This note describes the derivatives used. Further details of the objectives and strategies in the use of derivatives are set out in the sections of this note on non-trading activities. Details of the nature and terms of derivative instruments outstanding at the balance sheet dates are set out in note 21. Derivative financial instruments used include swaps, futures, forwards, options and other similar types of contracts whose value changes in response to changes in interest rates, foreign exchange rates and gold prices. Derivatives are individually negotiated over-the-counter contracts. A description of the main types of derivative instruments used is set out below:-

Swaps

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

22 Risk management disclosures (continued)

Futures and forwards

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

Options

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

22.2 Trading activities

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

Counterparty credit risk

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

22 Risk management disclosures (continued)

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

Market risk

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

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

22.3 Non-trading activities

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

Liquidity risk

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

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

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

	30 September 2004						*31 December 2003*					
	Up to 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*	*Up to 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*
MONETARY ASSETS												
Turkish Lira												
Cash and cash equivalents	340.121	-	-	-	-	340.121	379.987	-	-	-	-	379.987
Financial assets held for trading	2.094	6.405	32.874	50.969	92.108	184.450	2.889	16.725	5.748	37.822	36.222	99.406
Loans and advances to banks	247.395	24	3	9.956	-	257.378	179.349	10.348	-	-	-	189.697
Loans and advances to customers	2.908.205	345.620	428.281	540.017	2.094.646	6.316.769	1.849.164	174.843	201.629	744.070	1.055.996	4.025.702
Other assets	61.423	65.480	-	-	-	126.903	158.354	4.147	54.419	-	-	216.920
Security investments	8.003	6.014	65.863	846.235	944.897	1.871.012	345.666	120.283	15.900	467.235	959.796	1.908.880
Deferred tax assets	-	-	-	-	313.932	313.932	-	-	-	-	507.308	507.308
Total Turkish Lira monetary assets	3.567.241	423.543	527.021	1.447.177	3.445.583	9.410.565	2.915.409	326.346	277.696	1.249.127	2.559.322	7.327.900
Foreign currency												
Cash and cash equivalents	2.058.295	-	-	-	-	2.058.295	1.416.344	-	-	-	-	1.416.344
Financial assets held for trading	17	455.584	11.867	51.202	116.580	635.250	3.256	324.943	7.580	537.339	171.954	1.045.072
Loans and advances to banks	1.532.887	213.947	244.728	65.816	20.011	2.077.389	783.965	98.385	163.266	172.958	16.211	1.234.785
Loans and advances to customers	559.288	1.105.780	1.170.999	1.379.761	4.224.268	8.440.096	649.613	691.739	1.019.318	935.413	3.319.491	6.615.574
Other assets	74.521	13.808	-	-	-	88.329	54.587	55.923	50.715	24.001	899	186.125
Security investments	67.281	51.742	152.824	247.523	4.280.833	4.800.203	47.154	169.757	1.517.366	57.603	5.176.535	6.968.415
Deferred tax assets	-	-	-	-	3.611	3.611	-	-	-	-	3.828	3.828
Total foreign currency monetary assets	4.292.289	1.840.861	1.580.418	1.744.302	8.645.303	18.103.173	2.954.919	1.340.747	2.758.245	1.727.314	8.688.918	17.470.143
Total Monetary Assets	7.859.530	2.264.404	2.107.439	3.191.479	12.090.886	27.513.738	5.870.328	1.667.093	3.035.941	2.976.441	11.248.240	24.798.043
MONETARY LIABILITIES												
Turkish Lira												
Deposits	5.935.883	1.009.586	82.330	30.042	42.104	7.099.945	5.329.733	987.141	244.752	88.031	488	6.650.145
Obligations under repurchase agreements	1.147.948	-	-	-	50.390	1.198.338	82.615	-	-	-	-	82.615
Loans and advances from banks	46.606	28.703	65.071	16.722	-	157.102	49.153	29.221	40.984	27.947	-	147.305
Other liabilities and accrued expenses	216.236	83.234	32.396	67.879	47.286	447.031	253.581	50.282	39.671	78.398	54.895	476.827
Total Turkish Lira monetary liabilities	7.346.673	1.121.523	179.797	114.643	139.780	8.902.416	5.715.082	1.066.644	325.407	194.376	55.383	7.356.892
Foreign currency												
Deposits	9.910.564	1.598.929	357.640	584.458	168.302	12.619.893	9.508.096	1.499.453	409.254	297.191	422.397	12.136.391
Obligations under repurchase agreements	144.858	181.324	199.270	189.983	228.771	944.206	480.663	357.396	166.310	679.927	-	1.684.296
Loans and advances from banks	101.136	949.705	562.288	1.140.853	1.303.672	4.057.654	91.058	38.422	318.983	2.192.845	738.672	3.379.980
Other liabilities and accrued expenses	640.245	23.107	9.400	82.129	3.339	758.220	167.454	210.841	155.550	22.618	4.935	561.398
Total foreign currency monetary liabilities	10.796.803	2.753.065	1.128.598	1.997.423	1.704.084	18.379.973	10.247.271	2.106.112	1.050.097	3.192.581	1.166.004	17.762.065
Total Monetary Liabilities	18.143.476	3.874.588	1.308.395	2.112.066	1.843.864	27.282.389	15.962.353	3.172.756	1.375.504	3.386.957	1.221.387	25.118.957

22 Risk management disclosures (continued)

Market risk

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

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

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

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

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

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

22 Risk management disclosures (continued)

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

	30 September 2004			
	US$ %	*EURO* %	*TL* %	*Other Currencies* %
Assets				
Loans and advances to banks	0.92-4.50	1.85-4.00	21.05-21.58	2.50-14.00
Debt and other fixed or floating income instruments	5.60-10.58	8.30-9.60	30.06-34.10	-
Loans and advances to customers	4.10-12.00	4.75-6.36	26.13-36.83	2.17-14.00
Liabilities				
Deposits:				
- Foreign currency deposits	1.50-6.75	2.25-5.75	-	1.50-12.50
- Bank deposits	1.65-5.25	2.67-3.03	20.76-21.57	1.25 -1.50
- Saving deposits	-	-	21.90-24.23	-
- Commercial deposits	-	-	20.20-24.64	-
- Public and other deposits	-	-	24.22	-
Obligations under repurchase agreements	0.96-2.58	0.68-2.84	18.33	-
Loans and advances from banks	1.25-9.29	2.00-7.58	19.43-20.97	4.32

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

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

22 Risk management disclosures (continued)

Equity price risk

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

Currency risk

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

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

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

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

These exposures are as follows:

	30 September 2004			
	US$	EURO	Other Currencies	Total
Assets				
Cash and cash equivalents	1,291,432	758,906	7,957	2,058,295
Financial assets held for trading	612,088	14,847	8,315	635,250
Loans and advances to banks	1,476,105	541,164	60,120	2,077,389
Loans and advances to customers	6,874,039	1,438,875	125,780	8,438,694
Other assets	24,560	66,723	4,301	95,584
Security investments	4,260,143	538,785	1,275	4,800,203
Investments in equity participations	-	586	7,261	7,847
Tangible assets	653	68,431	2,321	71,405
Intangible assets	-	-	-	-
Deferred tax asset	355	2,288	968	3,611
Total Assets	14,539,375	3,430,605	218,298	18,188,278

(Currency: Billions of Turkish Lira as adjusted for the effects of
inflation in TL units current at 30 September 2004 pursuant to IAS 29)

22 Risk management disclosures (continued)

	30 September 2004			
	US$	EURO	Other Currencies	Total
Total Assets	14,539,375	3,430,605	218,298	18,188,278
Liabilities				
Deposits	6,737,572	5,368,251	514,070	12,619,893
Obligations under repurchase agreements	906,512	37,694	-	944,206
Loans and advances from banks	2,861,308	1,179,617	16,729	4,057,654
Current tax liability	-	28,201	191	28,392
Other liabilities and accrued expenses	582,637	133,888	13,303	729,828
Total Liabilities	11,088,029	6,747,651	544,293	18,379,973
Net On Balance Sheet Position	3,451,346	(3,317,046)	(325,995)	(191,695)
Net Off Balance Sheet Position	(3,511,581)	3,329,991	362,798	181,208
Net Position	(60,235)	12,945	36,803	(10,487)

	31 December 2003			
	US$	EURO	Other Currencies	Total
Total Assets	14,511,983	2,751,254	282,344	17,545,581
Total Liabilities	10,835,974	6,575,019	351,073	17,762,066
Net On Balance Sheet Position	3,676,009	(3,823,765)	(68,729)	(216,485)
Net Off Balance Sheet Position	(3,815,083)	3,825,034	142,146	152,097
Net Position	(139,074)	1,269	73,417	(64,388)

Of the amounts shown in the table above, at 30 September 2004, 93 % (31 December 2003: 70%) are economically hedged by currency swaps, forward contracts and other derivatives entered into to manage these currency exposures. In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank and its affiliates ensure that their net exposures are kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

The net of Russian Rubles denominated assets and liabilities as included in the above table at their TL equivalents, comprise net asset of TL 43,661 billions at 30 September 2004 (31 December 2003: TL 36,677 billions). For the purposes of the evaluation of the table above, these amounts should not be considered as hard currency.

For the first three quarters of 2004, volume of transactions in foreign currency, comprising foreign exchange operations, workers' remittances, capital movements, etc. amounts approximately to US$ 155,080 millions (the year 2003: US$ 95,138 millions).

22 **Risk management disclosures** (continued)

Credit risk

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

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

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

The Bank and its affiliates' primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Bank and its affiliates are exposed to credit risk on various other financial assets, including derivative instruments used for hedging and debt investments. The current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Bank and its affiliates are exposed to off balance sheet credit risk through guarantees issued (note 21).

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

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

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22 Risk management disclosures (continued)

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

	30 September 2004				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	14,159,374	26,979,733	18,174,118	6,764,147	66,230
Holland	155,332	1,250,130	1,060,324	28,395	2,620
USA	15,723	451,436	1,578,499	10,590	-
France	14,799	326,926	17,100	660	-
Russia	157,445	278,935	57,653	39,590	258
Germany	29,677	255,882	2,226,096	6,781	-
Romania	78,551	167,725	96,896	15,378	-
Switzerland	111,270	125,715	643,533	34,142	-
England	79,920	119,796	1,985,451	25,807	-
Luxembourg	-	51,846	451,734	-	-
Others	90,379	409,111	993,032	99,726	-
TOTAL	14,892,470	30,417,235	27,284,436	7,025,216	69,108

	31 December 2003				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	9,958,123	24,892,530	16,247,847	5,570,529	143,262
Holland	81,582	1,093,441	1,387,555	336,624	2,050
Switzerland	150,993	398,907	389,494	2,554	-
England	116,873	382,717	2,137,018	5	-
Russia	155,330	323,975	80,887	41,792	244
USA	10,563	174,065	1,158,543	109	-
Germany	76,426	131,082	2,311,610	277	-
Romania	68,636	112,916	89,597	-	-
Luxembourg	-	32,684	348,461	9,775	-
France	9,805	14,355	10,946	165	-
Others	131,477	487,894	959,156	33,061	-
TOTAL	10,759,808	28,044,566	25,121,114	5,994,891	145,556

The amounts reflected in the tables represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for uncollectibility. The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Approximately 73 % of the balance of outstanding loans is collateralized. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank and its affiliates' obligations. The extent of collateral held for guarantees and letters of credit is around 78 %.

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22 Risk management disclosures (continued)

The Bank generally seeks collateral security comprising real estate and other mortgages of varying ranking, charges on commodity inventories, letters of guarantee, promissory notes and similar items. The breakdown of cash and non-cash loans and advances to customers by type collateral is as follows:

	30 September 2004	*31 December 2003*
Cash loans		
Secured loans:	10,530,341	7,370,998
Secured by cash collateral	1,014,135	326,770
Secured by mortgages	1,148,679	598,086
Secured by government institutions or government securities	3,545,372	2,556,038
Guarantees issued by financial institutions	135,142	148,712
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	4,687,013	3,744,392
Unsecured loans	3,951,865	3,021,943
Total performing loans and financial lease receivables	14,482,206	10,392,941
Non-cash loans		
Secured loans:	5,505,585	4,942,873
Secured by cash collateral	578,421	753,383
Secured by mortgages	7,977	187,870
Secured by government institutions or government securities	143	49,514
Guarantees issued by financial institutions	46,936	121,358
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	4,872,105	3,830,748
Unsecured loans	1,519,631	1,052,018
Total non-cash loans	7,025,216	5,994,891

22.4 Hedging

Due to the Bank and its affiliates' overall interest rate risk position and funding structure, its risk management policies require that it should minimize its exposure to changes in foreign currency rates and manage interest rate, credit risk and market price risk exposure within certain guidelines. Derivative financial instruments are used to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instrument are used for this purpose, including interest rate swaps and currency swaps, options, financial futures, forward contracts and other derivatives. The purpose of the hedging activities is to protect the Bank and its affiliates from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Bank and its affiliates enter into transactions to ensure that it is economically hedged in accordance with risk management policies. In the accompanying consolidated financial statements, hedge accounting is applied for the cases where hedge accounting relationship is evidenced.

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23 Affiliates and associates

The table below sets out the Affiliates and shows their shareholding structure as at 30 September 2004:

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

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

The liquidation of Imperial Ottoman Bank Offshore Ltd. was completed in July 2004. Bosphorus Financial Services Ltd., Clover Investments Co. and Garanti Fund Management Co. Ltd. are under liquidation as of the reporting date. The liquidation procedures for the first two affiliates are expected to complete before the end of 2004, and for Garanti Fund Management Co. Ltd. during the year 2005.

23 Affiliates and associates (continued)

The table below sets out the Associates and shows their shareholding structure as at 30 September 2004:

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

24 Subsequent event

On 1 November 2004, Doğuş Holding AŞ has announced that the negotiations have been started with a foreign portfolio investor for issuing an option to purchase shares of the Bank and Tansaş Perakende Mağazacılık Ticaret AŞ currently held by Doğuş Holding AŞ.

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