ANNUAL REPORT 2000

GarantiBank

CONTENTS

THE BANK IN BRIEF

Garanti is a top-rated, successful, financially sound bank based in İstanbul, Turkey. It heads a financial services group that includes Ottoman Bank, subsidiary banks in the Netherlands and Russia, and leasing, insurance, asset management and brokerage companies. Other subsidiaries --Garanti Technology, Abacus, Garanti Payment Systems and Humanitas-- function as central service providers for the Doğuş Group. Majority owned by the Doğuş Group, a privately held diversified conglomerate, 31.51% percent of Garanti shares are publicly traded on the İstanbul Stock Exchange.

Dedicated to serving the financial needs of various segments of corporate, commercial, small business, up-scale and mid-market retail customers, Garanti has moved ahead to expand and reorganize its branch network while at the same time increasing utilization of its Call Center, Internet Branch and ATMs.

Garanti is a leader in cash management systems, credit cards, car and housing loans. The Bank's emphasis on innovation, quality, efficiency and corporate citizenship has enhanced its esteem in both local and international markets.

Garanti changed its logotype in 2000. While retaining the Bank's traditional four-leaf clover emblem, the updated logotype projects a more contemporary, dynamic and customer friendly image to coincide with the rollout of the new branch network.

FINANCIAL HIGHLIGHTS

CONSOLIDATED AND INFLATION ADJUSTED (IAS 29) FINANCIAL STATEMENTS OF GARANTİ BANK AND ITS AFFILIATES

	(US$ Millions) (1)		
	2000	1999	1998
Total Assets	14,692	12,962	10,670
Loans	5,886	4,397	4,365
Contingencies	4,870	4,025	4,463
Deposits	7,417	6,826	5,835
Shareholders' Equity	1,645	1,412	1,177
Paid-in Share Capital	1,211	1,211	765
Net Interest Income	1,098	1,526	1,627
Net Income	233	235	342
Return on Average Total Assets (%)	1.7	2.0	3.6
Return on Average Shareholders' Equity (%)	15.2	18.2	33.9
Net Interest Margin (%)	10.2	16.8	21.9
Adjusted Net Interest Margin (%)	8.0	11.7	16.1
Cost to Income Ratio (2) (%)	59.9	52.3	40.3

(1) All balances were adjusted for the effects of inflation in TL unit current at 31 December 2000 pursuant to IAS29 and then converted into US$ at the exchange rate of TL666,500/$

(2) Excluding extraordinary items (fees and commissions netted)

CHAIRMAN'S MESSAGE

In 2000, Garanti further strengthened its position, closing the year with a stronger balance sheet, a larger customer base and excellent credibility in local and international markets.

The year 2000 was marked by the implementation of an IMF-backed economic restructuring and disinflation program supported by lower interest rates and controlled foreign exchange rates. However towards year-end, the pressure placed on the financial markets by the program erupted in a liquidity crisis that presaged the unravelling of some of the program's main tenets in February 2001.

In this economic climate, Garanti fortified its standing as one of the best financial institutions in Turkey. Guided by a philosophy of customer satisfaction and service excellence, the Bank made progress in customer relationship management in all segments. Timely preparation for lower inflation enabled the Bank to increase cost efficiency and gain market share as margins declined on commercial lending and government securities trading. Unification of technology, operations, credit card operations and human resources management with Group banks, combined with high utilization of diversified delivery channels, created important cost savings and enhanced efficiency. Careful, risk-adverse asset-liability management was instrumental in steering the Bank through the troubled financial markets of November and December 2000.

The shareholders demonstrated their support for the Bank by authorizing an increase in paid-in share capital from TL260,000 billion to TL750,000 billion on February 23, 2001. This gives Garanti one of the highest paid-in capital base among Turkish banks. With a capital adequacy ratio well above the minimum required level, Garanti competes favorably in the international markets.

These factors --a strong capital base, high liquidity, financial management skills and responsiveness to changes in the operating environment-- will be critical for the success of the Bank in 2001 as the economy seeks a new equilibrium. Investments made in recent years in technology, human resources, premises, systems, procedures, distribution channels, customer relationships and brand image will carry the Bank ahead in the year to come.

The success of Garanti in 2000 rests on the strength of the management team and the high quality of its employees. Teamwork and participation underlie every aspect of the Bank's operations, encouraging and supporting the developments and the implementation of creative and productive ideas and strategies.

I wish to extend my thanks to the management and staff for their excellent performance and dedication during the past year, which proved a difficult one for the country. Garanti remains committed to increasing shareholder value and will do its utmost to achieve this objective in the year ahead.

AYHAN ŞAHENK
Chairman of the Board

BOARD OF DIRECTORS

AYHAN ŞAHENK
Chairman and
Managing Director
Doğuş Group of Companies and
Garanti Bank

YÜCEL ÇELİK
Vice Chairman and
Managing Director

FERİT FAİK ŞAHENK
Managing Director

SÜLEYMAN SÖZEN
Managing Director

Dr. MAHFİ EĞİLMEZ
Managing Director

Y. AKIN ÖNGÖR
Managing Director

ACLAN ACAR
Managing Director

Dr. AHMET KAMİL ESİRTGEN
Member of the Board

ERGUN ÖZEN
Member of the Board
President and CEO

Garanti Bank is a subsidiary of Doğuş Group.

CEO'S STATEMENT

The year 2000 was a successful year for Garanti. The Bank's strong performance on a consolidated basis is evidenced by its year-end financials. Total assets grow to $14,692 million, 13.3% higher than the preceding year and the Bank succeeded in maintaining a level of net income similar to prior year's at $233 million despite narrower interest margins and the payment of $178 million (TL119 trillion) for extraordinary taxes.

Total cash loans were up by 33.9% to $5,886 million while the securities portfolio maintained its prior year level with $4,097 million. As a result, the share of cash loans in total assets increased from 33.9% to 40.1%. Deposits also showed an encouraging growth, rising by 8.7% to $7,417 million.

The achievements of the year 2000 demonstrate the soundness of the Bank's customer and technology-focused strategies and initiatives, underlining the good performance of the Bank and its subsidiaries in an economic environment going through a remarkable period of change.

ENHANCED CREDIBILITY AND IMPORTANCE IN THE WORLD COMMUNITY

Implementation of long awaited structural reforms, and the IMF-supported disinflation program buoyed by a positive market reaction set the stage for sharp declines in margins, nominal interest rates and inflation. The economy picked up and GNP grew by 6.1%. Economic stability was complemented by political solidarity and decisive action of the coalition government in the first part of the year. Towards the end of the year, however, the lagging pace of reforms, delay in privatization offerings and highly publicized failures of several small banks created a climate of uncertainty. This erupted into a severe liquidity crisis in November that pushed interest rates to astronomical levels and squeezed foreign reserves. The pressure in the financial markets eased with the announcement of more policy strengthening and a request of access to the Supplementary Reserve Facility of $7.5 billion from IMF, in addition to standby credits of $1.7 billion during 2001. The size of the total program clearly demonstrates Turkey's enhanced credibility and importance in the world community.

During 2000, Garanti's strategy was to increase market share in all areas of banking in order to make up for lower margins and thus sustain balance sheet growth. We adapted risk-adverse policies to safeguard asset quality and to maintain high liquidity. An important portion of the Bank's T-bill position was liquidated in May and June and switched to short-term, flexible investment instruments. Thus, Garanti entered the December turmoil in a very liquid position and was able to successfully maintain its position through the crisis with minimal downside effects. However, the severity of the crisis increased systematic risk and notched up interest rates, creating new market realities for 2001.

We believe that in the next few years banking assets in the country will increase dramatically from the current level of 60% of GNP to 100%. Garanti is in a position to take advantage of this explosion to grow organically and through buy-outs. The Bank has the size and liquidity to be an opportunistic buyer as the overpopulated Turkish banking sector continues to consolidate. We anticipate that eventually four or five banks will handle 60-70% of banking business in Turkey. Garanti, as one of the top four private-sector financial institutions in Turkey today, will benefit immensely from this new environment.

A NEW ERA IN BANKING

2000 marked the beginning of a new era in banking in Turkey an era in which Garanti is positioned to make significant gains. We believe that Garanti is ahead of other banks in terms of infrastructure, delivery channels, management information systems, financial control and reporting, customer segmentation, operational efficiency and sales culture.

Garanti decreased its operational costs in real terms in 2000. Centralization and unification of the operations of Garanti and the two other banks owned by the Doğuş Group resulted in important cost savings and improved service quality. Similarly, centralization and outsourcing of human resources, technology and payment systems have created value for the Bank. Implementation of the Nokta project increased the size of our physical network from 230 to 264 points of service. Four new branch types with differentiated identities and service levels were created in line with our customer segmentation strategies, resulting in the redistribution of a substantial number of customers between branches.

Priority was given to selling more products to more customers. Our data warehousing and mining capabilities allow Garanti to provide specific customer/product targets to branches, measure the propensity of individual customers to use certain products, and design and implement sales campaigns with very high hit ratios.

Garanti focused on penetrating the retail and small business market. Results were encouraging: initially launched as a mass market credit card, AÇIK has developed into “fast food banking” for moderate income groups; market share increased in both TL and foreign currency deposits; retail loans- mainly car and housing credits -soared to 25% of the total loan portfolio; 100,000 new customers were gained by the introduction of a Small Business product bundle; and the number of credit cards exceeded one million.

In a major coup, Garanti launched Shop&Miles, Turkey’s first official air miles program in an exclusive agreement with Turkish Airlines. Bonus Card, the world’s first multi-branded chip-based credit card was an immediate success among middle-income customers. Virtual Card, an innovative non-physical debit card for use on the Internet, captured an important portion of Turkey’s nascent e-commerce market. Increases in the number of cards and in acquiring volumes have made Garanti one of the top players in credit cards in Turkey.

In corporate and commercial segments, effective risk management and the ability to see the real cost of transactions strengthened Garanti's competitive advantage. Close and multi-faceted relationships nurtured by dedicated customer representatives put the Bank in an excellent position to extend its business in these areas. Garanti believes there is lots of room to grow its corporate and commercial business by offering customers value-added services and products.

During 2000, Garanti significantly increased the volume of transactions handled through non-branch delivery channels. Efforts to direct customers to the Call Center, Internet Branch and ATMs have paid off handsomely: the Bank now handles 61% of all comparable transactions through these channels, making it the number one bank by far in this respect. We have continued to stay abreast of the latest technologies by introducing WAP (Wireless Application Protocol) and PALM applications. Once again, Garanti scored a first by launching a full Internet Branch and Call Center in English in December as part of a drive to win the business of the large expatriate community in Turkey.

A NEW BENCHMARK IN INTERNATIONAL BORROWING AND EQUITY OFFERINGS

In international markets, Garanti set a new benchmark as a private Turkish borrower, securing $1,013 million in two syndications and a US Commercial Paper facility. Additionally, the Bank placed one of the largest private sector bank equity offerings out of Turkey. The March offering of 8.05% of Garanti's share capital attracted broad investor participation in the United States and Europe, and was allocated to a total of 96 institutional investors at one of the lowest discounts of any international Turkish offering. This was the only international Turkish offering to be placed in its entirety with international investors. The transactions will substantially improve the capability of the Group for additional capital market issues.

Garanti puts a high value on investor relations. A website in English has been developed at www.garantibank.com that will soon offer a search engine for all sorts of economic and business data about Turkey. Regular correspondence and communication with investors and an active road show schedule make Garanti the best bank in Turkey in terms of investor relations.

GARANTI IS BECOMING A SALES MACHINE

In 2001, the Bank will push ahead to establish a strong sales culture in branches and the Call Center, with special emphasis on employees that have the most contact with customers. This drive will be supported by the Economic Value Added (EVA) project that targets tying remuneration to sales and profit, and the designation of branches as key profit centers.

Emphasis will also be placed on selling the products and services of our insurance, securities, leasing and asset management subsidiaries. Intensified sales efforts have already resulted in higher fee income for branches and affiliates in 2000 and this will continue to be a key area next year.

Investments in human resources, technology, alternative delivery channels and physical outlets will continue to be a priority in 2001. Projects on software and other applications to monitor and trace customer profitability are going ahead full speed and will make a very positive contribution to income in the coming years. Retail banking will be an area of focus and growth.

At Garanti, we believe in shared idea creation. We seek to empower our employees to innovate and achieve. In this spirit, I delivered an online presentation to the entire bank in October in order to share the vision and goals of Garanti in a non-inflationary environment.

An important part of Garanti's vision is our role as a corporate citizen that contributes imaginatively and generously to education, environmental protection, music, art and archaeology.

At the close of my first year as CEO, I would like to thank my predecessor Akın Öngör for his forethought and assistance in making a smooth transition. I am grateful for the support and guidance of the shareholders and Board of Directors. Most especially, I am appreciative of the non-stop pace maintained by Vice-Presidents, managers and staff throughout the year. Thanks to their efforts, Garanti enters 2001 in a very favourable position.

We profoundly regret to announce that Mr. Ayhan Şahenk, our Chairman and major shareholder, passed away on April 2, 2001. We will miss his intelligence, business sense and vision immensely.

ERGUN ÖZEN
President and CEO

SENIOR MANAGEMENT

1
ERGUN ÖZEN
President and CEO

2
GÜNİZ ŞENGÖLGE BİLGİN
Executive Vice President
Corporate Banking

3
KUBİLAY CİNEMRE
Executive Vice President
Treasury and Investment Banking

4
TOLGA EGEMEN
Executive Vice President
Financial Institutions

5
ALİ FUAT ERBİL
Executive Vice President
Human Resources and Channel Management

6
HÜSNÜ EREL
Executive Vice President
Operational Service

7
NAFİZ KARADERE
Executive Vice President
Retail Banking

8
GÜRSEL KUBİLAY
Executive Vice President
Financial Control and Planning

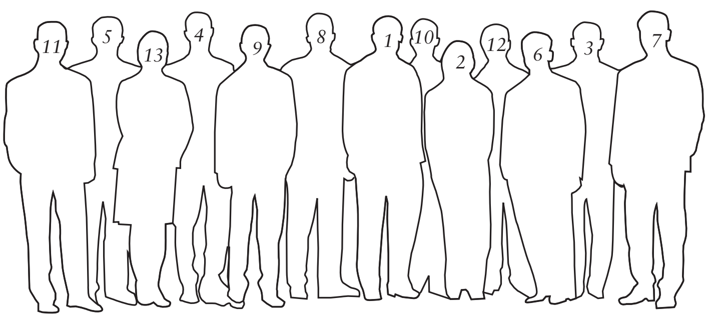
9
ADNAN MEMİŞ
Executive Vice President
Credit Policies and Support Services

10
MEHMET SEZGİN
General Manager
Garanti Payment Systems

11
ALİ TEMEL
Executive Vice President
Commercial Banking

12
CAN VERDİ
Executive Vice President
Legal Services

13
SEMA YURDUM
Executive Vice President
Management Services



FINANCIAL REVIEW

DISCUSSION OF EARNINGS

Garanti benefited from its liquidity-focused strategy and good asset quality in 2000. Total assets of Garanti increased by 13.3% to reach TL9,791,928 billion (US$14,692 million). The Bank's net income before extraordinary item grew by 32.4% in 2000 as compared to 1999 year-end. Net income was TL155,165 billion (US$233 million), down by a mere 1.0% on a year-on-year basis despite the adverse economic conditions experienced in Turkey especially in November and December.

NET INCOME

Garanti has released net income after minority interest and extraordinary items of TL155,165 billion (US$233 million) as of December 31, 2000. Net income was slightly down by 1.0% in real terms from TL156,726 billion (US$235 million) as at December 31, 1999. Despite adverse conditions especially in the last quarter of 2000, the Bank managed to keep its net income at the same level. However, net income before extraordinary items was realized as TL273,749 billion (US$411 million) in 2000, 32.4% higher than the TL206,761 billion (US$310 million) realized in 1999. Mainly due to declining net interest income, income before taxes was TL422,375 billion (US$634 million) on December 31, 2000, down from TL550,308 billion (US$826 million), implying a 23.2% year-on-year decrease in inflation adjusted terms. The burden of the earthquake related taxes was TL118,584 billion (US$178 million) for the year 2000.

NET INTEREST INCOME, NET INTEREST MARGIN AND OTHER OPERATING INCOME AND EXPENSES

As a result of declining spreads on securities and loans during 2000, interest income for year-end 2000 was TL1,813,290 billion (US$2,721 million), down by 24.5% in real terms over 1999 year-end figure. The share of interest on loans in total interest income increased to 41.9% in 2000 from 34.0% a year earlier. Due mainly to rising interest rates in the last two months of 2000, as a result of the November crisis, interest on deposits at banks went up by 10.1% year-on-year to TL248,298 billion (US$373 million) and composed 13.7% of total interest income. Primarily as a result of the fall in interest paid on deposits, which constituted 75.0% of total interest expenses, total interest expenses went down by 21.9% to TL1,081,369 billion (US$1,622 million) as at 31 December 2000. Net interest income was TL731,921 billion (US$1,098 million) in 2000, indicating a 28.0% fall in comparison with TL1,017,107 billion (US$1,526 million) in 1999. This drop in net interest income resulted in a net interest margin (adjusted for foreign exchange losses) of 8.0%, as compared to 11.7% in 1999.

Other operating income increased by 31.4% to TL596,111 billion (US$894 million) over TL453,540 billion (US$680 million) in 1999. However, when netted with fees and commissions paid, excluding trading account income and net income from sale of Tansaş and a few other investees' shares, net other operating income is calculated as TL236,325 billion (US$355 million), and rose by 61.1% on a year-on-year basis. Trading account income increased by 7.4% to TL239,834 billion (US$360 million) in 2000. Net fees and commissions were TL92,241 billion (US$138 million) for the year 2000, up by 20.9% on a year-on-year basis. The contribution from Garanti Securities and Garanti Portfolio Management to fees and commissions income increased compared to previous years, as a result of improved cross-selling activities via branches and telemarketing to customers. Retail business (Tansaş) added TL71,721 billion (US$108 million) to other operating income, whereas Garanti Insurance and Garanti Life Insurance, generated TL25,444 billion (US$38 million) of insurance business income for the Bank, 54.8% above last year's figure. Income from sale of participations is almost equivalent to the net profit of TL26,689 billion (US$40 million) arising from the sale of a 10% stake in Tansaş in February 2000. Other operating expenses (excluding foreign exchange losses and fees and commissions expenses) increased by 23.0% to TL654,888 billion (US$983 million) on a year-on-year basis. This increase mainly stemmed from rents, salaries and wages, depreciation expenses and other operating expenses. Tansaş contributed significantly to the Bank's operating expenses due to its aggressive expansion. In addition, Garanti's Nokta Project, which reshaped the configuration of the branch network and raised the number of branches during 2000, was also another factor for the increase in other expenses.

ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

Garanti reached a consolidated total asset size of TL9,791,928 billion (US$14,692 million) as of December 31, 2000. This indicates a 13.3% increase as compared to December 31, 1999. The growth in liquid assets were 4.3%, up from TL3,949,334 billion (US$5,925 million) in 1999 to TL4,117,579 billion (US$6,178 million) in 2000. The securities portfolio was TL2,730,450 billion (US$4,097 million) or 27.9% of total assets and was slightly up by 0.5% when compared to year-end 1999. As a result of the Bank's strategy of lowering interest rate risk, the commitments arising from agreements for repurchase/resale of government securities (the net repo portfolio) were 49.2% lower than in 1999. Total cash loans grew by 33.9% during the year 2000, increasing to TL3,922,979 billion (US$5,886 million) from TL2,930,644 billion (US$4,397 million) as at year-end 1999. In line with this growth, the share of cash loans in total assets was up to 40.1% for the current period compared to 33.9% in 1999. The share of non-performing loans (NPLs) to total cash loans was 2.2% in 2000, in comparison with 2.0% in 1999, one of the lowest in the banking sector.

On the liability side, deposits grew by 8.7% since year-end 1999 to TL4,943,460 billion (US$7,417 million) to make up 50.5% of total liabilities and shareholders' equity in 2000. Total borrowings (long and short-term including bonds) totalled TL2,808,892 billion (US$4,214 million) indicating a 27.3% growth over the 1999 figure of TL2,206,346 billion (US$3,310 million).

Total shareholders' equity increased by 16.5% to TL1,096,491 billion (US$1,645 million) at the end of 2000 as compared to TL941,326 billion (US$1,412 million) on December 31, 1999. The ratio of total shareholders' equity to total assets improved to 11.2% during the year 2000 from 10.9% as at FYE 1999 as a result of retention of earnings in the Bank.

BUSINESS REVIEW

CLICKS & BRICKS

Openness to change is the underlying factor of Garanti's continuing growth and success.

Garanti seeks to expand its customer base by finding the right mix for each customer in terms of delivery channels, products and service. The success of the Bank in 2000 and the years to come rests on its ability to penetrate new customer segments and increase its volume of business with existing customer groups.

Garanti is in an excellent position to do just this, thanks to the investment the Bank has made over the years in human resources, technology, efficiency and customer relationship management.

The execution of the Nokta Project has increased the physical size of the Bank to 264 branches. Priority was given to introducing AÇIK as a distinct brand for mid-market banking through the opening of 37 new AÇIK branches concentrated in the İstanbul, Ankara and İzmir urban areas.

In addition to building new branches, existing outlets were remodelled into new branch types designated as commercial, retail, mixed and AÇIK, each with its own identity and service level. This increased efficiency and had a positive impact on customer satisfaction.

One of Garanti's key targets is to serve customers through non-branch channels. By year-end, the Bank had achieved an average utilization of 25% for its Internet Branch, handling 400,000 transactions per month, more than twice 1999 figures. Utilization of the Call Center is a healthy 15%; during the year, the number of transactions per month increased by 60% to 200,000. ATMs continue to be an important outlet as well. The Bank added 143 new machines during the year to bring the total number to 526 by year-end.

ANSWERING THE NEEDS OF DIFFERENT TYPES OF CUSTOMERS IN EACH SEGMENT

Garanti aspires to be the first address for all financial needs of its customers. In 2000, Garanti further developed its already well-established position in corporate banking, serving 1,900 corporate customers through six dedicated branches.

Account officers, who are organized into 30 two-person teams, work to achieve targets for each customer and each product. Targets are based on a new MIS system that calculates the real cost of products and measures profitability per customer per product. This system resulted in better pricing and more accurate follow through and monitoring.

By segmenting and defining the needs of its customers and organizing systems accordingly, Garanti was able to manage a larger number of customers and increase product penetration. Importance was placed on managing the cash flow of clients who work through distributors and regional offices. The expanded branch outlet and number of ATMs enables Garanti to handle salary payments for large corporations with employees all over Turkey, thus creating new sets of customers for the Bank.

Cross-selling with Treasury Marketing, Project Finance, Financial Institutions and Cash Management departments, and also with Insurance, Leasing and Factoring subsidiaries was emphasized to increase non-interest earnings. Retail portfolio managers were assigned to corporate branches to service the needs of owners and top management of Garanti's corporate customers.

DEEPENING THE SCOPE OF CUSTOMER RELATIONSHIPS

Garanti remains the number one bank in Turkey in commercial banking, for companies with annual turnover between $2 and $50 million.

During 2000, the branch network was reshaped to better serve commercial banking customers. The number of mixed branches handling both commercial and retail customers, was reduced from 146 to 38 while 39 dedicated commercial branches were created. The Bank handled this change in a very personal way, visiting customers to explain the benefits of the new system.

Additionally, sales and credit functions in regional offices were separated for better vetting of credits and sharper focus on sales and marketing.

Garanti has succeeded in acting as the house bank for the majority of its customers. Efforts are now being directed to deepening the scope of customer relationships, with special focus on capturing salary payments and retail banking needs of company owners and managers.

The Bank gained market share during the year in the infrastructure construction and hazelnut export sectors. In 2001, the Bank will continue to develop its business in commercial banking, especially by focusing on exporters.

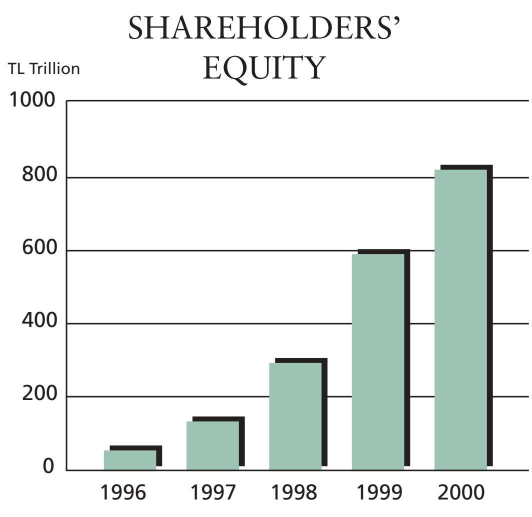
UNDERSTANDING CUSTOMER NEEDS IN A LOW INFLATION ENVIRONMENT

The Treasury department works closely with the Corporate, Commercial and Retail Banking departments to design and implement products and execute specific transactions. By uniting the Treasury's Marketing and Sales functions, better workflow management was achieved. Priority was given to developing and selling efficient products, with a focus on increasing sales volume and improving the cost/income ratio.

Project finance is an attractive area for Garanti, especially for energy projects. During the year, the department was restructured to ready it for a low interest climate. As one of the leading Turkish banks in the project finance area, Garanti enhanced its expertise not only on the Undersecretariat of Treasury borrower guaranteed projects but also on Build Operate Transfer (BOT) and Transfer of Operating Rights (TOR) projects and export credit agency financing. Risk management and contractual skills were strengthened and market share increased.

The first signs of a nascent corporate bond market appeared in 2000. Garanti acted as co-lead manager for a three-year 200 million Euro corporate bond issue for Vakıflar Bankası and arranged a private placement for a major holding.

Garanti sees a niche for integrated financial management and tax planning services to its corporate banking customers. Work is in progress to offer these B2B services through the Internet.



DIFFERENTIATING SERVICES INTO DIFFERENT BRANDS

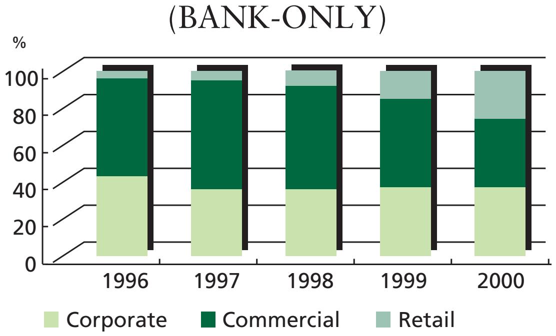
Garanti made a successful push to increase its business in 2000 by providing banking services to carefully defined groups of retail and small business customers. In retail banking, Garanti serves its customers through three lines of business-- retail banking for upscale customer segment, small business banking and mid-market banking under the AÇIK brand.

Investment banking and consumer loans are also positioned under retail banking. Commercial and retail business lines were completely separated at the Head Office and 15 Regional Retail Offices were established for marketing purposes. Furthermore, retail and small business portfolio managers were separated at branches for more focused service.

Detailed and precise customer information, motivated and sales-oriented branch personnel, fully functional delivery channels and technology made it possible for Garanti to widen its customer base, differentiate and segment products and services, and raise customer profitability.

Retail banking continued to grow this year in volume, profit and number of customers. Growth was spurred by an advanced technological infrastructure that enables Garanti to measure the propensity of customers to use certain products and channels, and to design and implement efficient CRM activities.

LOANS AS TO BUSINESS LINES (BANK-ONLY)



Garanti became a major player in car loans, with 25% of the market, and in housing loans, with a 10% market share. Precise scoring and parameters, secured assets and an effective collection process make consumer loans a low risk, high return area for the Bank.

Garanti is the first bank to identify small size enterprises with annual turnover of up to $2 million as an important target market. In 2000, Garanti introduced a Small Business product bundle that enables customers to receive all basic banking products and services easily and quickly. This innovation was well received in the market, enabling Garanti to gain 100,000 customers.

In 2001, further segmentation will be carried out to recognize the varying needs of different types of small businesses and to differentiate products, primary delivery channels and pricing of products accordingly. In the future, Garanti aspires to offer B2B services to small businesses in the areas of personnel recruitment, accounting and procurement.

As part of its drive to penetrate untapped portions of the market, Garanti transformed its mid-market AÇIK credit card into a full-service bank. AÇIK Banking is conceived as "fast food" banking accommodating small volumes and large numbers of customers quickly, functionally and inexpensively. Thus AÇIK has been developed as a distinct brand with separate outlets and processes and a bundled package of products including salary payments, credit and debit cards, non-branch banking, utility payments, insurance, mutual funds and interest earning accounts. Eventually, the Bank aims to serve 1,250,000 customers through AÇIK, utilizing 100 branches in carefully selected micro-markets, a Call Center, ATMs and Internet.

The Product Development Department develops products and services for each customer segment. In order to simplify the sales process, enable the sales force to increase product penetration and widen the customer base, the Product Development Department has focused on product bundles for AÇIK, small business and retail banking customers.

In addition to these product bundles, a long-term savings account combined with life insurance was introduced in November 2000 in preparation for the prospective legislation for pension funds in 2001.

ELMA (Excess Liquidity Management Account), an innovative product sold since 1995, was upgraded according to changing needs of customers. Introduced in July, this revision generated a 70% increase in the number of customers holding this type of account.

In 2001, Garanti intends to move forward to upgrade other existing products and introduce certain new products to bolster our leading position in retail banking.

INCREASING CUSTOMER LOYALTY

Garanti seeks to increase loyalty and deepen relationships with its customers in all segments. The Bank aspires to offer higher value added products to differentiate itself in a competitive market.

Investment Centers play a key role in this by providing brokerage services. Nine Investment Centers currently handle 2% of the total transaction volume on the İstanbul Stock Exchange, generating a commission income of $11 million in 2000.

In 2001, Garanti has become one of the top e-brokers in Turkey. After the start-up of WAN in late January 2001, the system will be totally digital, enabling direct trading. This will allow the Bank to execute a greater number of transaction orders for a larger number of customers in 2001.

Banking services in English were launched in December 2000, targeting 26,000 registered expatriates living in Turkey. An Internet Branch in English, a Call Center and selected branches staffed by English-proficient customer representatives will provide a full range of personalized services to non-Turkish speakers.

DESIGNING CARDS THAT PROVIDE TANGIBLE BENEFITS TO CUSTOMERS

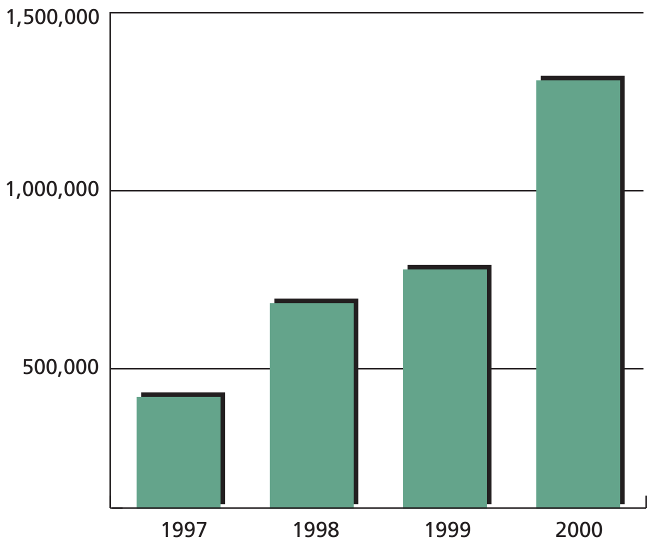
Garanti's traditional niche among upscale retail customers was strengthened in 2000 through personal portfolio management services, pre-approved credit lines and value-added credit cards designed according to life style segmentation. The Bank seeks to create brands that offer tangible benefits to customers.

Bonus Card, the world's first multi branded chip-based credit card, offers immediate return for mid-market customers. Cardholders accumulate cash bonuses that can be redeemed at partner merchants through POS machines and used immediately. Garanti has gained 340,000 new customers through MasterCard Bonus Card, which has received favourable attention around the world for its unique features.

Compared to Bonus, Shop&Miles Visa Card is conceived as delayed satisfaction for upscale customers in return for a bigger prize free travel. Turkey's first air miles card, the official card of Turkish Airlines, gives miles for purchases that are redeemable as free tickets or upgrades. The exclusive agreement with Turkish Airlines give Garanti access to the 11 members of the frequent flyer program, creating a new pool of around 160,000 potential customers for the Bank.

Virtual Card is a non-physical MasterCard that functions as a debit card for e-shopping. Cardholders transfer the exact amount of their purchase from their current account to their Virtual Card account, providing complete security against illegal use of their card number. MasterCard and Visa used Virtual Card's specifications as a model. Launched in May, Virtual Card had 16,000 active users by year-end, a good start for a market in which e-shopping has just started. In December 2000, a Virtual Credit Card was also launched.

NUMBER OF CREDIT CARDS



Visa Corporate Card was introduced during the year as Turkey's first and only corporate card targeting high level executives of multinational companies. Cardholders benefit from a special bonus points catalogue and executive club services offering hotel and rental car discounts.

Garanti also began issuing Platinum Card during the year and designed distinct catalogues for these wealthy individuals, including the World Signia Card users.

These initiatives garnered the highest increases in card numbers in the banking sector in 2000. Garanti now ranks third in total card volume, with an 8% market share, first in international acquiring with 32% of the market, and second for total acquiring, with a 18% market share. These cards and merchants constituted a total volume of $3.5 billion in 2000.

Garanti Payment Systems Inc handles credit card operations on behalf of Garanti and other Doğuş Group companies.

DEVELOPING NEW INTERNATIONAL BUSINESS

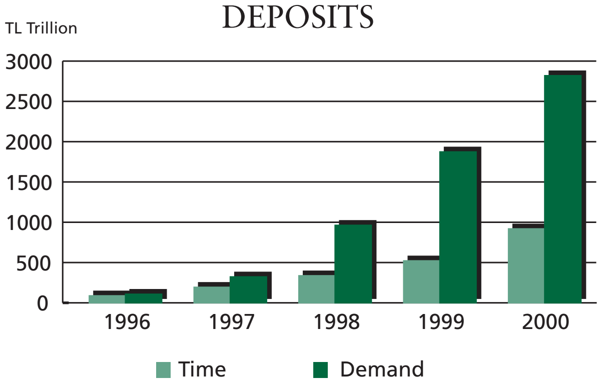
Garanti seeks to leverage its excellent existing relationships with correspondents to gain more business in order to generate higher fees and commission income from trade finance activities. In the new environment, actual fees and commissions are becoming a critical area. The Bank enjoys a track record of success in trade finance, handling 14% of Turkey's exports and 10% of imports in 2000, and seeks to increase this further in the coming years.

The overseas network is another key factor in the Bank's drive to increase its foreign trade business. Garanti's Dusseldorf branch became a UGBI branch, as part of an initiative to use UGBI to expand business in Germany, Turkey's most important European market and the home of millions of expatriate Turks. Garanti Bank Moscow has first mover advantage in Russia should bilateral trade develop in a positive direction.

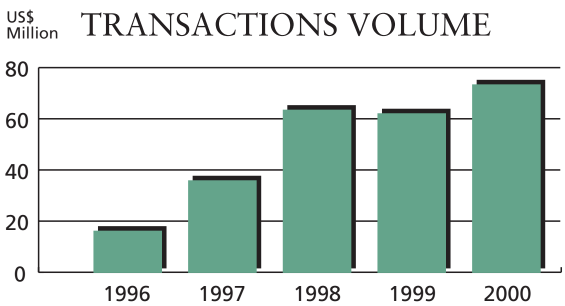
The Shanghai representative office also enjoys first mover advantage. The first and only Turkish bank outlet in Asia, the Shanghai office puts Garanti in a favourable position to establish relations with Chinese banks and to initiate and finalize business contacts with Turkish and Asian companies. Garanti sees Southeast Asia as a significant new market and substantially increased trade volumes there in 2000.

In 2001, the Bank is keen to augment its fees and commission income by initiating business contacts and trade activities between its customers and the counterparts. In line with this strategy, consideration is being given to opening a new representative office abroad.

STRUCTURE OF DEPOSITS



FOREIGN CURRENCY TRANSACTIONS VOLUME



A NEW BENCHMARK IN FOREIGN BORROWING

Garanti secured a total of $1,013 million from the international syndication and commercial paper markets in 2000, a record for a Turkish bank. In terms of cumulative foreign borrowing, Garanti ranks second next to the Republic of Turkey.

In March, the Bank tapped 400 million Euro in a one-year syndicated facility that attracted the participation of 70 banks from 25 countries. Due to over subscription, the amount of the facility was raised from 180 million Euro to 400 million Euro. As the first deal from Turkey in the Euro market in 2000, it was a groundbreaking transaction that led the way for other Turkish banks.

Garanti tapped the international syndication market again in July for a $400 million one year syndicated facility. Strong interest on the part of financial institutions boosted the amount from an initial $250 million.

In October, Garanti completed the renewal of a 364-day Direct Pay Letter of Credit and Reimbursement Facility in support of the Bank's U.S. Commercial Paper Program for $225 million with the participation of 25 banks from 12 countries. This is the largest USCP program for any Turkish bank this year.

Garanti handles the legal work for all international syndications, commercial paper and capital market transaction in-house. It has built up expertise in these areas by recruiting top people with backgrounds in major international law firms.

In 2001, Garanti will keep a close watch on international spreads and look for opportunities to tap the international capital markets through Eurobond issues or future flow asset backed or other types of securitizations with maturities of five to seven years.

MANAGING AND CONTROLLING RISK

Garanti recognizes the vital importance of risk management and financial control at all levels. The Bank has made systematic changes in the way it evaluates credit, market and operational risks, measures performance and reports information. Special attention is being paid to standardizing of reporting, processes and performance-evaluation.

Garanti will be the first bank in Turkey to apply Economic Value

Added (EVA) to measure business performance and develop an incentive system for remuneration. This system, which will be fully functional by end-2002, will be a critical tool in encouraging a sales and profit culture amongst bank employees.

An Integrated Risk Management (IRM) project was started in November, to enhance and integrate measurement and management of credit, market and operational risks, in line with the decree on risk management issued by the Banking Regulation and Supervisory Board (BRSB) in 2001.

New loan policies were formulated and implemented in 2000. Garanti's entire loan portfolio policies and processes were redesigned as a standardized process within set criteria. One important change is the establishment of a separate credit team to monitor and audit loans independently. Early warning systems have been put into place that enable the Bank to work with the borrower to prevent repayment problems. The new system ensures the soundness and productivity of the loan portfolio by speeding up and in some cases automating the approval process.

In an important change, the Financial Control department controls and reports on all Treasury activities and overseas branches, producing daily reports on trading positions and reporting to the Asset/Liability Committee. The ability to measure performance of Treasury independently has strengthened overall control and segregation of duties. As of July, the Financial Control department reports to the Audit Committee of the Board of Directors, made up of five Board members and the CEO. In 2001, a risk monitoring system for Investment Centers will be implemented.

A web-based management reporting system made detailed information on customer penetration and cross-selling data available as of June 2000. This has supported the development of a sophisticated budgeting system that keeps track of budget versus actual in terms of volume, margins and outside effects. This system enables business lines to budget on a customer and portfolio basis and rank portfolios and branches on both target and actual basis.

The systems developed during the year, by providing management with more precise tools, have generated a noticeable improvement in management effectiveness.

MAKING TRANSACTIONS QUICKLY AND INEXPENSIVELY

Merging the back office operations of Garanti Bank, Ottoman Bank and Körfezbank has been another key factor in improving performance. A new company, Abacus, was established in May 2000 as the combined operation center with 852 total employees, 329 of them part-time. This represents a workforce reduction of 450 people, yielding additional savings to Garanti of $16 million a year.

Abacus divides its workload into four basic areas: high volume transactions such as remittances, EFTs, and transfers; foreign trade and loans; item processing and data entry; cash and handling. This is the first time in Turkey that back office operations have been outsourced. Abacus has the biggest processing power in the financial sector in Turkey, executing 20 million transactions per day for 313 branches of the three banks of Doğuş Group and utilizes the advanced technological environment of Garanti Technology to provide cost efficient and quality services to banks.

In 2001, emphasis will be placed on further improving image processing, voice recognition technologies and automated workflow applications to increase efficiency and reduce manpower needs.

HARNESSING THE POWER OF NEW TECHNOLOGIES

Garanti Technology operates as an independent entity in charge of the information technology for Doğuş Group. It runs network services for 42 companies, hosting and system management services for 20 companies and application software services for 10 companies within the Group.

Garanti Technology manages 38,000 POS, 10,000 PCs and servers, 2000 lease lines, 620 ATMs, 200 UPS, 170,000 e-mail traffic and a central Call Center with 550 employees serving Garanti Bank, Ottoman Bank, AÇIK, Garanti Sigorta, Garanti Securities, Doğuş İletişim and IXIR. Garanti Technology handles 20 million transactions a day at 3300 mips, the biggest processing power in the financial sector in Turkey.

During the year, Garanti Technology has established strategic partnership agreements with Microsoft as MS Application Service provider and MS Certified Solution Provider, with Sun Microsystems as Sun I-Force

Partner to provide solutions for start-up business on the Internet, and with Cisco Systems as Silver Partner.

At the end of 2000, WOSA-XFS application for ATMs was launched for the first time in Turkey. This makes it possible to use ATMs for different purposes and use different hardware within a single application.

Internet services, widely recognized as Turkey's best, were improved during the year. A financial portal for ISE was added that gives full information on trading and quotes for all listed companies and interest rates for all financial institutions in Turkey. Bank and credit card statements are now available through the Internet and improved printing capabilities with the support of color printers make it possible to send and customized statements.

In 2001, Garanti Technology will study market opportunities to market these services outside the Group through joint ventures.

INVESTMENT IN INTELLECTUAL CAPITAL

Humanitas was founded as an independent entity at the end of 1999 with the ultimate aim of delivering high quality, strategic, innovative and sophisticated human resources services to Doğuş Group companies. Humanitas aspires to contribute to the highly dynamic and result oriented work culture of the Group.

Throughout the year, as a committed strategic partner of Garanti, Humanitas has carried out projects to fully support the objectives of the business lines in the HR fields of recruitment, training, assessment, executive development, executive search and organizational development. In line with the marketing and sales culture of Garanti, various important human resources initiatives have been taken. Increased emphasis has been given to cost sensitive and effective performance management. In this respect 2000 proved to be an exceptional period of harnessing the outcomes of several business and organizational development projects.

MAKING A REAL DIFFERENCE

Garanti continues to evidence its leadership in cultural areas as well as in banking technology and marketing. Through sponsorships and activities over the year, Garanti has made a real difference in environmental protection, culture, art and education.

Garanti has supported various environmental conservation programs carried out by The Society for the Protection of Nature since 1992, in the belief that conservation of nature is the only acceptable basis for responsible and sustainable economic development. The Bank also sponsors an Environmental News Competition and International Environmental Film Festival to raise public awareness and encourage media attention to environmental issues.

A founding member of the İstanbul Foundation for Art and Culture, Garanti continues to sponsor the International İstanbul Jazz Festival, which is held every July.

The Lycian Road from Fethiye to Antalya, winner of the environment prize in the “Four Spotlights on Tomorrow” competition held to encourage worthwhile new projects on the occasion of the Bank’s 50th anniversary, was opened to trekkers in the summer and a nine-part television documentary promoting the long distance trekking trail was prepared.

Archaeology is another area of interest for Garanti. The Bank underwrote the restoration and renovation of the 117-year-old Museum of the Ancient Orient, which reopened in September after two years of work. The Museum forms part of the İstanbul Archaeological Museums complex and displays a spectacular collection of pre-Islamic objects.

The Bank continues its active involvement in the contemporary art scene. In 2000, eight exhibitions of modern Turkish painters were held in the Garanti Art Gallery in Beyoğlu/İstanbul and an illustrated book on Komet, an important contemporary painter, was published.

Garanti attaches great importance to education and is a generous donor of scholarships to university students.

Garanti’s commitment to add value to the community will continue in 2001.

ECONOMIC BACKROUND

The Turkish economy grew strongly in 2000 despite financial turmoil in the latter half of the final quarter. Industrial output rose by an average of 6.1% during the year in reflection of the pick-up in economic activity due to sharply lower interest rates and higher consumer confidence. Aggregate demand growth was led by consumption expenditures, with durables in the forefront. This growth pattern defined the nature of banking activity in 2000 as financial institutions strove to meet strong retail loan demand as attested to by developments in the automotive sector. Passenger car sales grew by 62% year-on-year to 466,700 units, and were up by 6% from the previous record level set in 1993. Imported auto sales in particular rose sharply by 98.2%, whilst domestic brand sales rose by 31.4% year-on-year.

Net exports fell sharply in 2000 as the crawling peg exchange rate regime altered preferences to the benefit of traded goods. The fast pace of national income growth --understated in some part due to a construction moratorium in twenty-seven provinces following the earthquake of August 1999 and the damage at a major refinery facility-- in conjunction with the crawling peg exchange rate regime translated to a massive boom in imports. Value of merchandise imports rose 32.7% year-on-year to US$54 billion in 2000 from US$40.7 billion in 1999. Value of merchandise exports stagnated in the same period, registering 2.8% growth to US$27.8 billion. The trade deficit thus ballooned to US$26.7 billion from US$14.1 billion a year earlier.

Balance of payments deteriorated sharply in line with Turkey's massive merchandise trade deficit despite higher tourism receipts (up by 58.8% year-on-year to US$5.9 billion) and shuttle trade revenue (up by 30.6% year-on-year to US$2.9 billion). The current account deficit reached US$9.8 billion, or equivalent to approximately 5% of national income.

External factors were important determinants in the weakening of the balance of payments accounts. A tripling of oil prices from 1999 was one culprit. The strength of the US$ vis-a-vis the Euro also posed problems as the Lira had been fixed against a currency basket composed of one Dollar and 0.77 Euros. The weight of the US$ rose from about 56% at the start of 2000 to 61% in November 2000, hurting Turkish exports to Europe, which account for half the country's trade.

A key factor contributing to the current account deficit was an appreciation in the real exchange rate as inflation exceeded the annual devaluation rate of the Lira vis-a-vis the currency basket by a double-digit margin. The worsening of the current account may also be partially attributed to pent-up demand from the high interest period in 1999. A current account deficit represents an excess of national spending over saving. The budget deficit in 2000 was roughly 10% despite a record rise in the country's primary surplus. In sum, the combination of high public sector dissaving with lower private sector saving culminated in a record current account deficit.

A better than expected fiscal performance was the result of higher than targeted national income growth. Consolidated budget revenues of US$54 billion easily covered non-interest expenditures of US$41.4 billion, leading to a primary surplus of US$12.5 billion for the year. Privatization in 2000 added up to about US$5.5 billion despite the delay in the Turk Telekom sale, US$3.5 billion of which was collected during the year. A portion of the payment for a license to operate a GSM network went into the Treasury coffers in February 2001. The 2000 budget continued to register red ink to the tune of US$21 billion, however, because of massive interest payments (ninety-four percent of which went towards domestic debt service). The budget deficit thus tallied to approximately 10% of national income. 2001 was to be the year in which massive fiscal imbalances would finally be reduced. The budget deficit was targeted to decline to 3.4% of national income on the back of lower interest payments courtesy of the reduced cost of borrowing (weighted average was 38% pa in 2000, down from triple digit levels a year earlier) to the Treasury during 2000.

Annual consumer price inflation fell continuously during the year to 39% year-on-year in 2000 from 68.8% year-on-year in 1999. Wholesale price inflation fell to 32.7% year-on-year from 62.9% a year earlier. The inflation rate thus fell to a fourteen year low although it did not meet official year-end targets of 25% and 20% year-on-year, respectively.

Better banking sector regulation, a sustainable social security system, privatization to the tune of US$5.5 billion, agricultural reform, and fiscal transparency were some landmarks in structural reform efforts in 2000. Further progress on privatization did, however, lose momentum in the second half of the year primarily due to a souring of global sentiment on the back of reduced US growth prospects, while the problems of telecommunication firms worldwide specifically hurt Turk Telekom's privatization prospects in the near term.

During the last ten days of November and in early December 2000, Turkish financial markets experienced a period of high volatility. Financial difficulties of one medium-sized bank, which was subsequently taken over by the Saving Deposit Insurance Fund, and the sell-off by that bank of large stocks of government paper in the secondary market led primary dealers to suspend the posting of rates on government paper. This triggered capital outflows, in spite of the rise of interest rates of 100–200 percent. The origin of the turmoil lay in a loss of trust amongst banks that regularly fund each other's short-term cash requirements. Events gathered momentum after this point with foreign investors rushing out, and certain market players closing open positions in an attempt to avoid year-end bunching (traditionally, banks close positions year-end, and re-open in new year). The Central Bank (CBRT) provided liquidity to banks via open market purchases, but this simply fuelled FX demand, although it had been believed that FX demand would be restrained given that TL interest rates were high despite CBRT funding. Alas, FX flows demonstrated little response to higher yields, continuing to drain CBRT FX reserves. The cumulative effect was a loss of roughly US$6 billion in CBRT FX reserves with an equivalent amount flowing out of the country. The turmoil was finally checked by a swift IMF commitment of US$10.4 billion to restore confidence in the markets. Credibility of the exchange rate path could not be restored, however. Weak market sentiment finally led to the abandonment of the peg regime in February 2001.

TÜRKİYE GARANTİ BANKASI A.Ş.
AND ITS AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2000 AND 1999
WITH INDEPENDENT AUDITOR'S
REPORT THEREON

KPMG

Cevdet Suner Denetim ve
Yeminli Mali Müşavirlik A.Ş.

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Independent Auditor's Report

To the Board of Directors of
Türkiye Garanti Bankası A.Ş.,

We have audited the accompanying consolidated balance sheets of Türkiye Garanti Bankası Anonim Şirketi (the Bank) and its affiliates as of 31 December 2000 and 1999; and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Garanti Bankası Anonim Şirketi and its affiliates as of 31 December 2000 and 1999; and the consolidated results of their operations and their consolidated cash flows for the years then ended, in accordance with statements of International Accounting Standards issued by the International Accounting Standards Committee.

İstanbul,
19 February 2001

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

Member Firm of
Klynveld Peat Marwick Goerdeler

TÜRKİYE GARANTİ BANKASI A.Ş.
AND ITS AFFILIATES
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2000 AND 1999

(As adjusted for the effects of inflation in TL units current at 31 December 2000 pursuant to IAS 29)

ASSETS	2000 TL billions	1999 TL billions
Cash and due from banks (Note 5)	1,305,440	1,178,638
Interbank placings	81,689	53,149
Reserve deposits at Central Bank (Note 6)	300,013	286,651
Securities (Note 7)	2,730,450	2,717,547
Loans, advances and discounts,		
less allowance for possible losses (Note 8)	3,922,979	2,930,644
Accrued interest, prepaid expenses		
and other assets (Note 9)	532,920	685,773
Investments (Note 10)	104,727	80,126
Bank premises and equipment, net (Note 11)	713,326	589,908
Intangible assets, net (Note 12)	100,384	116,563
Total Assets	9,791,928	8,638,999

The accompanying notes form integral parts of these financial statements.

TÜRKİYE GARANTİ BANKASI A.Ş.
AND ITS AFFILIATES
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2000 AND 1999

(As adjusted for the effects of inflation in TL units current at 31 December 2000 pursuant to IAS 29)

LIABILITIES AND SHAREHOLDERS' EQUITY	2000 TL billions	1999 TL billions
Deposits (Note 13)		
Demand	1,044,926	1,091,515
Time	3,898,534	3,458,221
	4,943,460	4,549,736
Interbank takings	319,033	223,435
Short-term borrowings (Note 14)	2,111,118	1,235,004
Short-term bonds payable (Note 15)	21,314	243,292
Taxation on income (Note 16)		
Current tax liability	30,260	152,346
Deferred tax liability	33,902	98,282
	64,162	250,628
Accrued interest and other liabilities (Note 17)	529,563	441,211
Long-term debts (Note 18)	676,460	728,050
Total liabilities	8,665,110	7,671,356
Minority interest	30,327	26,317
Shareholders' equity (Note 19) :-		
Share capital; authorized, issued and fully paid	807,313	807,313
Retained earnings	289,178	134,013
Total shareholders' equity	1,096,491	941,326
Total Liabilities and Shareholders' Equity	9,791,928	8,638,999

Commitments and contingencies (Note 22)

The accompanying notes form integral parts of these financial statements.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS AFFILIATES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2000 AND 1999

(As adjusted for the effects of inflation in TL units current at 31 December 2000 pursuant to IAS 29)

	2000 TL billions	1999 TL billions
Interest income:-		
Interest on securities	771,755	1,301,049
Interest on loans	759,404	815,828
Interest on deposits at banks	248,298	225,484
Interest on financial leases	11,444	14,273
Interest on blocked accounts with Central Bank	-	26,009
Others	22,389	18,566
Total interest income	**1,813,290**	**2,401,209**
Interest expenses:-		
Interest on bank deposits	429,947	540,543
Interest on saving, commercial and public deposits	381,244	502,529
Interest on borrowings	224,634	251,726
Interest on bonds	10,160	32,648
Others	35,384	56,656
Total interest expenses	**1,081,369**	**1,384,102**
Net interest income	**731,921**	**1,017,107**
Provision for possible loan losses (Note 8)	**74,772**	**39,363**
Net interest income after provision for possible loan losses	**657,149**	**977,744**
Other operating income:-		
Trading account income, net	239,834	223,289
Fees and commissions	184,917	163,287
Retail business income, net	71,721	41,816
Income on sale of interests in consolidated affiliates, net	27,276	-
Insurance business income, net	25,444	16,441
Dividends received from affiliated companies	2,421	2,702
Other operating income	44,498	6,005
Total other operating income	**596,111**	**453,540**
Other operating expenses:-		
Salaries and wages	201,663	189,061
Fees and commissions	92,676	83,578
Foreign exchange loss, net	83,321	265,062
Depreciation and amortization	68,795	54,821
Employee benefits	55,751	51,275
Advertising expenses	36,561	33,110
Rent expenses	30,983	18,165
Taxes and duties other than on income	26,215	17,520
EDP expenses	21,976	22,943
Saving deposits insurance fund	17,744	16,327
Utility expenses	10,518	13,131
Repair and maintenance expenses	8,080	5,637
Research and development expenses	7,721	14,133
Stationary expenses	6,868	6,030
Provision for severance payments	3,974	9,827
Other operating expenses	158,039	80,356
Total other operating expenses	**830,885**	**880,976**
Income before taxes	**422,375**	**550,308**
Provision for taxes on income (Note 16)	**(66,773)**	**(176,545)**
Net income before minority interest	**355,602**	**373,763**
Minority interest	**17,174**	**2,718**
Net income before loss on net monetory position	**372,776**	**376,481**
Loss on net monetary position	**(99,027)**	**(169,720)**
Net income before extraordinary item	**273,749**	**206,761**
Extraordinary item (Note 20)	**(118,584)**	**(50,035)**
Net income	**155,165**	**156,726**
Weighted average number of shares with TL500 value each; including those with TL100 face value as expressed in terms of TL500 face value (Notes 3.19 and 19)	**520,000,000,000**	**520,000,000,000**
Earnings per share (Full TL amount)	**298.39**	**301.40**

The accompanying notes form integral parts of these financial statements.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS AFFILIATES CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2000 AND 1999

(As adjusted for the effects of inflation in TL units current at 31 December 2000 pursuant to IAS 29)

	Share Capital TL billions	Retained Earnings Legal Reserves TL billions	Retained Earnings Unappropriated Earnings TL billions	Retained Earnings Total TL billions	Shareholders' Equity TL billions
Balances, 1 January 1999	**510,015**	**34,818**	**239,767**	**274,585**	**784,600**
Appropriation of retained earnings:					
Transfer to legal reserves		3,803	(3,803)		
Restatement effect of legal reserves in TL unit current at 31 December 2000		(14,995)	14,995		
Increase in capital:					
Transfer from retained earnings	297,298		(297,298)	(297,298)	
Net income for the year			156,726	156,726	156,726
Balances, 31 December 1999	**807,313**	23,626	110,387	134,013	941,326
Appropriation of retained earnings:					
Transfer to legal reserves		14,701	(14,701)		
Disposal of legal reserves of a consolidated affiliate sold during the year		(41)	41		
Restatement effect of legal reserves in TL unit current at 31 December 2000		(7,989)	7,989		
Net income for the year			155,165	155,165	155,165
Balances, 31 December 2000	**807,313**	**30,297**	**258,881**	**289,178**	**1,096,491**

The accompanying notes form integral parts of these financial statements.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NOTES TO 31 DECEMBER 2000 AND 1999

(As adjusted for the effects of inflation in TL units current at 31 December 2000 pursuant to IAS 29)

	2000 TL billions	1999 TL billions
Cash flows from operating activities:-		
Income before tax, minority interest and extraordinary item for the year	323,348	330,553
Components of net income not generating or using liquidity:-		
Provision for possible loan losses	74,772	39,363
Provision for severance payment	3,974	9,827
Depreciation and amortisation	68,795	54,821
Provision for earthquake taxes	-	50,035
Change in accrued interest and other income	458,840	(269,289)
Change in accrued interest and other expense	(31,094)	47,409
(Reversal of)/decrease in value of investments	-	(539)
Monetary loss effect of above corrections	(47,236)	(98,931)
Operating profit before changes in operating assets and liabilities	**851,399**	**163,249**
Increase in deposits	393,724	660,749
Increase in gross loans, advances and discounts	(1,042,738)	(38,094)
Increase in securities	(99,088)	(1,167,525)
Increase in term placements at banks	(123,142)	(95,712)
(Increase)/decrease in prepaid expenses and other assets	(122,792)	45,471
Increase in reserve deposits at Central Bank	(13,362)	(64,331)
Extraordinary item paid	(162,225)	(1,848)
Income taxes paid	(132,573)	(74,210)
Net cash used in operating activities	**(450,797)**	**(572,251)**
Cash flows from investing activities:-		
Increase in investments in affiliated companies-net	27,989	1,684
Increase in bank premises and equipment-net	189,096	200,565
(Decrease)/increase in goodwill	(13,249)	55,213
Net cash used in investing activities	**(203,836)**	**(257,462)**
Cash flows from financing activities:-		
Increase in interbank takings	95,598	68,752
Increase in short-term borrowings	876,114	490,914
Decrease in short-term bonds payable	(221,978)	(4,428)
Decrease in long-term debts	(51,590)	(100,407)
Increase in other liabilities	177,122	30,594
Proceeds from issuance of share capital to minorities	20,312	3,694
Increase in minority interest due to consolidated subsidiaries	-	19,981
Net cash provided by financing activities	**895,578**	**509,100**
Net increase/(decrease) in cash and cash equivalents	**240,945**	**(320,613)**
Cash and cash equivalents at beginning of period	1,271,120	1,591,733
Cash and cash equivalents at end of period (Note 3.20)	**1,512,065**	**1,271,120**

The accompanying notes form integral parts of these financial statements.

TÜRKİYE GARANTİ BANKASI A.Ş.
AND ITS AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2000 AND 1999

(As adjusted for the effects of inflation in TL units current at 31 December 2000 pursuant to IAS 29)

(1) Activities and ownership

Türkiye Garanti Bankası A.Ş. (the Bank) is principally engaged in wholesale and retail banking operations in Turkey. The Bank's head office is located in İstanbul. The Bank presently has 220 branches dispersed throughout the country; 3 branches in Luxembourg, Malta and Dusseldorf; and 44 "Open (Clover) Branches" which operate solely in credit card business.

The Bank has 100% ownership in United Garanti Bank International N.V., a bank established in late 1990 in Amsterdam; 80% ownership in Garanti Finansal Kiralama A.Ş., a leasing company also established in late 1990; 100% ownership in Garanti Bilişim Teknolojisi ve Ticaret T.A.Ş., formerly named as Garanti Ticaret T.A.Ş.; a company engaged in EDP services mainly for banks; 100% ownership in Garanti Bank Moscow, a bank established in late 1996; 100% indirect ownership in Osmanlı Bankası A.Ş.; a very well-known bank originally established as Imperial Ottoman Bank in 1863, acted as the State Bank until the formation of the Central Bank of Turkey and of which shares were acquired indirectly by the Bank in June 1996 by transferring all the shares of Compagnie Ottomane d'Investissement B.V. (COIBV), the Dutch parent of Osmanlı Bankası A.Ş., through the Bank's subsidiaries in Malta and Luxembourg, in October 1999, this structure was ceased and the Bank directly acquired COIBV; together with Osmanlı Bankası A.Ş.; 95% ownership in Garanti Portföy Yönetimi A.Ş., a company established in July 1997 and engaged mainly in providing portfolio management services; 100% ownership in Instruments Finance Company, a special purpose company organised under the laws of Cayman Islands in February 1997, for the purpose of issuance of the Floating Rate Certificates as explained in more detail in Note 18; 99.99% ownership in Garanti Financial Services plc, a company established in December 1997 and engaged in providing financial services to the customers in Ireland; 100% ownership in Garanti Fund Management Co Ltd, a fund managing company established in Malta in February 1998; 100% ownership in Ana Konut Danışmanlık A.Ş. a company acquired in February 1998; 100% ownership in Şahintur Şahinler Otelcilik Turz. Yat. İşl. A.Ş.; 99.99% ownership in Lasaş Lastikleri San. ve Tic. A.Ş.; 29% ownership in and majority voting rights in the Board of Directors of Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticaret A.Ş. (Tansaş), a company engaged in the sale of consumer products throughout Turkey through its distribution network consisting of 201 supermarkets, acquired in January 1999; 83.28% ownership in Doc Finance S.A. acquired in February 1999; 75.78% ownership in Garanti Yatırım Menkul Kıymetler A.Ş., a company engaged in providing brokerage and intermediary services in trading equity and debt securities, acquired in February 1999 and; 76.40% ownership in Doğuş Hava Taşımacılığı A.Ş., a company engaged in air transportation services, acquired in March 1999. In the last quarter of 1999, the Bank established Clover Bank Off-Shore Ltd under the laws of Turkish Republic of Northern Cyprus (TRNC) with ownership of 100% to be engaged in all the banking activities in TRNC; and acquired 99.99% and 100% ownerships in Garanti Sigorta A.Ş., an insurance company engaged in mainly all the insurance branches except for life and health and Garanti Hayat Sigorta A.Ş., an insurance company engaged in the branches of health and life, respectively. The financial statements of these affiliates are consolidated in the accompanying financial statements.

In December 1999, the Bank established Garanti Ödeme Sistemleri A.Ş., a seperate entity for the management of the Bank's credit card business with ownership of 100%. Also in December 1999, the Bank contributed the share capital of a newly established joint venture between Volkswagen and Doğuş Groups, namely "Volkswagen Doğuş Tüketici Finansmanı A.Ş.", by TL3,438 billions representing 37% of the issued capital; this company is mainly engaged in the financing of the customers for their purchases of Volkswagen branded cars. These affiliates are not consolidated as they did not have any material operations as at 31 December 2000.

On 18 February 2000, the Bank sold a 10% stake in Tansaş to Start Investments Limited, a foreign investment company. Accordingly, the ownership interest of the Bank in this company decreased to 19%; however together with 3.30% ownership interest held by the Bank's 100% owned affiliate, Ana Konut Danışmanlık A.Ş., the aggregate ownership of 22.30% in Tansaş, is still sufficient to provide the majority voting rights in the Board of Directors of this Company. The net profit of TL26,869 billions arising from this sale is reflected in "income on sale of interests in consolidated affiliates, net", in the accompanying consolidated statements of income for the year ended 31 December 2000.

In July 2000, Osmanlı Bankası A.Ş., a consolidated affiliate, fully divested all its interest in Sititur Turizm Temizlik Taşımacılık Organizasyon Bilgisayar Danışmanlık Yapı Sanayi ve Ticaret A.Ş. (Sititur). The net profit of TL3,248 billions arising from this sale is reflected in "income on sale of interests in consolidated affiliates, net", in the accompanying consolidated statements of income for the year ended 31 December 2000.

In November 2000, Garanti Bilişim Teknolojisi ve Tic. T.A.Ş., a consolidated affiliate, sold its interest in Filiz Gıda ve Değirmencilik A.Ş. and Doğuş İnşaat ve Ticaret A.Ş.. The net loss of TL2,547 billions arising from this sale is reflected in “income on sale of interests in consolidated affiliates, net”, in the accompanying consolidated statements of income for the year ended 31 December 2000.

In November 2000, Lasaş Lastik San. ve Tic. A.Ş., a consolidated affiliate, sold its interest in Doğuş Yapı San. A.Ş., Gücüm Civata Tic. San. A.Ş. and Genoto İmalat ve San. A.Ş.. The net loss of TL273 billions arising from this sale is reflected in “income on sale of interests in consolidated affiliates, net”, in the accompanying consolidated statements of income for the year ended 31 December 2000.

In December 2000, the Bank fully divested all its interest in CI Finance Ltd. and CI Investments Ltd. The net loss of TL21 billions arising from this sale is reflected in “income on sale on interests in consolidated affiliates, net”, in the accompanying consolidated statements of income for the year ended 31 December 2000.

The principal shareholders of the Bank are the Doğuş Group and its holding company, Doğuş Holding A.Ş., which currently holds 40.60% of the issued capital.

Doğuş Holding A.Ş., Doğuş İnşaat ve Ticaret A.Ş., Doğuş Otomotiv Sanayi ve Ticaret A.Ş. and Somtaş Tarım ve Ticaret A.Ş. have sold (i) an aggregate of 36,400,000,000 common shares in registered form each with nominal value of TL500 (“Shares”) representing 7.0% of the share capital of Türkiye Garanti Bankası A.Ş. on 24 March 2000 and (ii) additional 5,460,000,000 shares in registered form each with nominal value of TL500 representing 1.05% of the share capital of the Bank by 31 March 2000 to foreign investors abroad at the price TL7,900 for each unit of two shares. Accordingly, the total ownership interest in the Bank of those shareholders other than the Doğuş Group Companies and the individuals controlling this Group increased to 31.51%.

(2) Basis of presentation of the financial statements

The consolidated entities in Turkey, maintain their books of accounts and prepare their statutory financial statements in Turkish Lira in accordance with the Turkish Uniform Chart of Accounts, the Turkish Commercial Code (the “TCC”) and tax legislation (collectively, “Turkish Practices”); while the other consolidated entities maintain their books of account and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

The accompanying consolidated financial statements (the IAS Financial Statements) are based on the statutory records, which are maintained under the historical cost convention, (except for the revaluation of tangible assets) with adjustments and reclassifications including restatement for the changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with Statements of International Accounting Standards (“IAS”) issued by the International Accounting Standards Committee. The restatement for the changes in the general purchasing power of the Turkish Lira (TL) as at 31 December 2000 is 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%. The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index (“WPI”) published by the State Institute of Statistics (“SIS”). Such indices and conversion factors used to restate the accompanying financial statements at 31 December 2000, 1999 and 1998, are given below:-

Date	Index	Conversion factor
31 December 2000	2,626.0	1,000
31 December 1999	1,978.5	1,327
31 December 1998	1,215.1	2,161

The main guidelines for the above mentioned restatement 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 are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.

- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date, and components shareholders' equity are restated by applying the relevant (monthly, yearly average, year end) conversion factors. Additions to premises and equipment in the year of acquisitions are restated using the relevant conversion factors.

Commencing for the financial statements for the periods ended 30 June 1999 and after, the Bank adopts a new policy for the restatement of transfers from retained earnings to share capital. Accordingly, the Bank started to transfer only up to the level of the restated amounts of such earnings as shown in the individual IAS financial statements of the consolidated entities concerned if their nominal values per statutory books as restated are higher.

- All items in the statements of income are restated by applying the monthly conversion factors except for those amounts deriving from non-monetary items, which are calculated based on the restated values of the related items.

- The effect of general inflation on the consolidated entities' net monetary position is included in the statements of income as monetary gain or loss.

(3) Significant accounting policies

3.1 INCOME AND EXPENSE RECOGNITION

General:-

The accrual basis of accounting is followed for the recognition of income and expense items, except for interest income on overdue loans which is generally recognised only when received. Certain commissions, such as those deriving from letters of guarantee, are also usually recognised as income only when received.

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 on the basis that premiums are written on the middle day of each month (the twenty fourth basis).

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).

3.2 SECURITIES

Debt securities, primarily government bonds and treasury bills intended to be held for not more than one year (trading securities), are reflected at market values. Whereas debt securities intended to be held to maturity (investment securities) are carried at cost as adjusted for amortisation of premium and accretion of discount. Designation as an investment security is made at the time of acquisition and is based on the intend to hold the security for long-term investment.

Equity share certificates that are quoted at the stock exchange and all other securities, are reflected at market values ruling at period end.

Earned interest and gains or losses on the sales of securities are included in current operations (Note 7). Accrued interests on zero coupon securities are included in the carrying amount of the corresponding securities while accrued interests on other marketable securities are included in "accrued interest, prepaid expenses and other assets".

Securities, where original maturity periods at the time of purchase is less than three months, are considered as cash equivalents for the purposes of the statements of cash flows.

3.3 SECURITIES UNDER REPURCHASE AND RESALE TRANSACTIONS

These types of transactions of the Bank are short-term and entirely involve government securities. Securities sold under repurchase agreements, are deducted from the security portfolio. Any gain or loss at the time of sale is reflected in 'trading account income, net' in the statement of income. Obligations relating to purchases or sales of securities under agreements for repurchase or resale are recognised as commitments (Note 22).

3.4 LOANS, ADVANCES AND DISCOUNTS

Loans and advances are stated at the principal amounts outstanding plus accrued interest, other than for loans placed on a non-accrual status. Accrual of interest is discontinued when payment of principal or interest by the borrower is considered doubtful. Discounts are stated at the amount disbursed plus a proportionate amount of the discount earned up to balance sheet date.

3.5 ALLOWANCE FOR POSSIBLE LOAN LOSSES

The Bank provides allowances for specific loan losses and losses under guarantees and commitments. Such allowance reflects the Bank's estimate of the amount of loans, which may ultimately be uncollectible due to borrowers' inability to repay and/or to shortfalls in the realisable value of collateral. The allowance also takes into account the Bank's exposure with respect to guarantees and other similar items issued on behalf of customers. Provision for possible losses is made on the allowance method and, accordingly, all provisions are credited to the allowance accounts and all write-offs and recoveries (reversals related to collection of prior periods' provisions credited to other income) are debited thereto. The amount required to maintain the allowance at the level considered adequate to cover the Bank's credit risk, is charged against income.

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. The Bank's general provision level also meets the statutory requirement, valid since 1 January 1998 and revised in August and December 1999, for provision of 0.5% on loans and 0.1% on guarantees and commitments.

3.6 INVESTMENTS IN AFFILIATED COMPANIES

The companies in which the direct and indirect ownership of Türkiye Garanti Bankası A.Ş. exceed 50% and/or which the Bank has controlling power over its operations through ownership of shares providing majority voting rights at the level of the Board of Directors or other similar incentives and rights as discussed in Note 1 above, are defined as consolidated affiliates. The financial statements include the accounts of the Bank and these affiliates which are consolidated. All material intercompany transactions and balances have been eliminated.

Investments in other affiliated companies are generally recorded at historical cost, reduced where necessary to reflect permanent impairments in value. Dividends obtained from the non-consolidated affiliated companies are recorded as income when received. Such entities in which the Bank holds a 20% to 50% interest are equitised based on their financial statements which are prepared in accordance with International Accounting Standards, if there is significant influence. Otherwise, they are accounted for at cost.

3.7 DEPRECIATION

The Bank premises and equipment is 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. Leasehold improvements are amortised over the periods of the respective leases, also on a straight-line basis. Expenditures for major renewals and betterment of premises and equipment are capitalised and depreciated over the remaining useful lives of the related assets, whereas the costs of ordinary maintenance and repairs are expensed as incurred.

3.8 FINANCIAL LEASES

As lessee:-

Financial leases are recognised in the balance sheet by recording an asset and liability equal to the present value of minimum lease payments at the inception of the lease. Capitalised leased assets are depreciated in accordance with depreciation policy noted above, except where there is no reasonable certainty of obtaining ownership by the end of the lease term, in which case the asset is fully depreciated over the shorter of the lease term or its useful life. Lease liabilities are reduced by repayments of principal, while the finance charge component of the lease payment is charged directly to income.

As lessor:-

Assets leased under agreements that transfer substantially all the risks and rewards associated with ownership to customers, other than the legal title, are classified as finance leases. The leasing operations of the Bank's affiliate operating in leasing business, consist principally of the leasing of textile machinery, manufacturing machinery, printing, medical, construction, data processing, transportation and office equipment.

The sum of the minimum lease payments is recorded as gross investment in the leases. The difference between the gross investment and the cost of leased assets is recorded as unearned income and it is deducted from the gross investment in the leases. Income from finance leases is credited to the statement of income in a pattern reflecting a constant periodic rate of return on the net investments.

3.9 GOODWILL/NEGATIVE GOODWILL

Positive and negative goodwills resulting from the indirect acquisition of 100% ownership in Osmanlı Bankası A.Ş. in 1996, the direct acquisition of 100% ownership in Ana Konut Danışmanlık A.Ş. in 1998 and; 19% ownership in Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticaret A.Ş., 83.28% ownership in Doc Finance S.A., 75.78% ownership in Garanti Yatırım Menkul Kıymetler A.Ş., 76.40% ownership in Doğuş Hava Taşımacılığı A.Ş., 99.99% ownership in Garanti Sigorta A.Ş. and 100% ownership in Garanti Hayat Sigorta A.Ş. in 1999 and consist of the excess/shortage of the total acquisition costs over/under the net assets of these consolidated entities at the dates of acquisitions. Such goodwill amounts are amortised on a straight line basis over 20 years, the time during which benefits are expected to be consumed. Negative goodwill on the acquisition of Ana Konut Danışmanlık A.Ş., is included under 'other liabilities' in the accompanying consolidated financial statements and credited to income over 20 years, the time during which benefit is expected to be consumed.

3.10 FOREIGN CURRENCY TRANSACTIONS

Gains and losses arising from foreign currency transactions are reflected in the statement of income as realised during the course of the period. Foreign currency assets and liabilities have been translated into Turkish Lira at foreign exchange rates prevailing at the period-end, the effects of which are also reflected in the statement of income as foreign exchange gain or loss.

3.11 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.

3.12 RETIREMENT PLAN

The Bank has a trustee retirement plan covering all employees. Annual contributions are computed as a percentage of qualifying compensation and contributed by employees. Deficits, if any, are to be borne by the Bank.

However, based on previous experience, management believes that any future cash flow, if any, for the purposes of this retirement plan will be insignificant.

3.13 RESERVE FOR SEVERANCE PAYMENTS

Under the relevant provision of Turkish Labour Law, the Bank is required to make certain lump-sum payments to employees whose employment ceases due to retirement or reasons other than misconduct or resignation. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognized in the accompanying consolidated financial statements as accrued.

3.14 TAXES ON INCOME

Taxes on income for the year comprises 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 year 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 effect neither accounting nor taxable profit (Note 16).

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. 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.

As permitted by IAS and starting from June 2000, the deferred tax assets and liabilities relating to a consolidated affiliate reporting to a specific tax office are offset against each other in the accompanying consolidated financial statements.

3.15 FORWARD FOREIGN EXCHANGE CONTRACTS

Forward foreign exchange contracts which are entered into in connection with loans and borrowings for hedging purposes are treated as spot exchange contracts and, consequently, are valued at the spot rate; discounts or premiums recorded at the date of transaction are posted to the statement of income over the life of the contract (Note 22).

3.16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in current market exchange.

The following methods and assumptions were used to estimate the fair value of the Bank's financial instruments :-

Financial assets

Monetary assets for which fair value approximates carrying value:-

Balances denominated in foreign currencies are translated at period-end exchange rates.

The fair values of certain financial assets carried at cost, including cash and due from banks, deposits with banks, securities other than share certificates quoted at the stock exchange plus the respective accrued interest; share certificates quoted at the stock exchange, are reflected at their market values; and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

The fair value of loans is also considered to approximate the carrying value. The major portion of loans have interest rates that are fixed on an entry value basis. The management believes that the risk factors embedded in the entry value of interest rates, along with the related allowances for collectibility as explained in 3.5 above, result in a fair valuation of such loans on an entry value basis.

Financial liabilities

Monetary liabilities for which fair value approximates carrying value:-

The fair value of customer deposits, funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

The Bank carries trading liabilities, as well as derivatives and foreign exchange instruments, at their estimated fair value.

Long-term debts which, in principle at variable rates, denominated in foreign currencies are translated at period-end exchange rates and accordingly their fair values approximate their carrying values. The carrying values of long-term debts in Turkish Lira along with the related accrued interest are estimated to be their fair values.

Derivatives and hedging

The Bank uses derivative financial instruments to manage its exposures to foreign exchange, interest rate and commodity price risks arising from operational, financing and investing activities. In accordance with its treasury policy, in principle, the Bank does not currently hold or issue derivatives for trading purposes. The derivatives used for hedging purposes are accounted in the same way as the hedged transaction and offsetting gains and losses are recognised in the statement of income in the same financial period.

Interest rate risk

The Bank is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities and interest rate swap contracts. Interest differentials under swap agreements are accrued and recorded in the statement of income against interest expenses of the hedged loans.

Funding risk

The Bank manages its ability to fund the existing and prospective debt requirements and liquidity mismatches by maintaining adequate committed funding lines from high quality lenders.

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by internal credit ratings and limiting the aggregate risk to any individual counterparty. The credit risk of the Bank is highly diversified due to the large number of entities comprising the customer bases and their dispersion across many different industries.

Foreign exchange risk

The Bank is exposed to foreign exchange risk through the impact of exchange rate changes on liabilities and assets denominated in foreign currencies. These exposures are managed by using natural hedges that arise from offsetting foreign exchange assets and liabilities and forward foreign exchange and currency swap contracts.

Forward foreign exchange and currency swap contracts are mainly entered into as hedges against foreign currency loans and borrowings. These contacts are treated as spot exchange contracts and, consequently, are valued at the spot rate; discounts or premiums recorded at the date of transaction are posted to the statement of income over the life of the contract.

3.17 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.

3.18 CAPITAL INCREASE

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

3.19 EARNINGS PER SHARE

Earnings per share disclosed in the accompanying consolidated statements of income are determined by dividing net income 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.

3.20 REPORTING OF CASH FLOWS

Cash and cash equivalents include only cash and due from banks and securities with original maturity periods of less than three months. Cash and cash equivalents as at 31 December 2000 and 1999, included in the accompanying consolidated statements of cash flows, are as follows:

	2000 TL billions	1999 TL billions
Cash and due from banks	1,087,616	1,055,414
Securities	424,449	215,706
	1,512,065	1,271,120

(4) Related parties

For the purpose of this report, the Doğuş Group's (Note 1) non-financial and financial companies and its principal shareholders 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. Interest rates applicable to foreign currency loans and deposits vary at ranges of 3.5-30% and 2.7-40%, and; for Turkish Lira loans and deposits vary at ranges of 33-90% and 26-90% (1999: 3.1-16.8% and 2.9-17% and; for Turkish Lira loans and deposits: 68-101% and 62-102%), respectively. Various commission rates are applied to transactions involving guarantees and commitments.

The Bank has the following balances outstanding from related parties:-

	2000 TL billions	1999 TL billions
Bank placements	22,684	60,837
Loans granted	88,087	99,947
Bank takings	3,852	25,991
Deposits received	25,278	2,808
Commitments and contingencies		
Non-cash loans	84,205	80,933
Derivative transactions	78,404	55,007
Repurchase transactions	9,664	15,021
	172,273	150,961
Fixed asset purchases	2,724	-
Interest income	28,931	41,204
Income on sale of interests in consolidated affiliates, net	428	-

(5) Cash and due from banks

Cash and due from banks comprise of the following:-

	2000			1999		
	Turkish Lira	Foreign Currency	Total	Turkish Lira	Foreign Currency	Total
Cash at branches	24,071	34,669	58,740	21,868	44,693	66,561
Due from banks-demand						
Central bank of Turkey	3,885	92,555	96,440	37,181	66,293	103,474
Domestic banks	7,408	10,799	18,207	2,998	1,030	4,028
Foreign banks	15	140,596	140,611	861	84,720	85,581
	11,308	243,950	255,258	41,040	152,043	193,083
Due from banks-time						
Central bank of Turkey	-	-	-	-	-	-
Domestic banks	659,857	5,136	664,993	37,250	72,931	110,181
Foreign banks	39,957	286,492	326,449	7,827	800,986	808,813
	699,814	291,628	991,442	45,077	873,917	918,994
Total cash and due from banks	735,193	570,247	1,305,440	107,985	1,070,653	1,178,638

As at 31 December 2000, time deposits are all short-term, maturing within one year, with interest rates ranging between 4-27% per annum for foreign currency time deposits and 30-145% per annum for Turkish Lira time deposits (1999: 4.63-14% and 46-120%, respectively).

(6) Reserve deposits at Central Bank

Reserve deposits represent the minimum cash reserve maintained with the Central Bank, as required by the Turkish Banking Law, calculated on the basis of customer deposits taken at the rates determined by the Central Bank. In accordance with the current legislation, the reserve deposit rates for Turkish Lira and foreign currency deposits are 4% (1999: 6%) and 11%, respectively. These reserve deposit rates are applicable to both time and demand deposits.

(7) Securities

Securities portfolios comprise of the following:-

	2000				1999
	Face Value TL billions	Book Value TL billions	Interest Rate Range %	Latest Maturity	Book Value TL billions
Trading portfolio					
Participating shares of mutual funds in foreign currency	-	360,033	-	-	-
Gold	-	339,334	-	-	362,892
Bonds issued by foreign institutions	213,404	197,475	-	2001	-
Participating shares of mutual funds in Turkish Lira	-	143,599	-	-	-
Government bonds in Turkish Lira	157,535	116,588	28-362	2004	607,219
Treasury bills	47,832	23,690	25.05-143.6	2002	32,367
Government bonds floating rates (a)	9,888	10,448	-	2002	8,303
Bonds issued by foreign governments	6,524	6,428	10-20	2030	-
Eurobonds	4,843	4,612	8.12-26	2030	-
Others		3,733			-
Total trading portfolio		1,205,940			1,010,781
Investment portfolio					
Government bonds floating rates (a)	536,812	570,020	-	2002	105,140
Government bonds in Turkish Lira	460,427	455,993	10.00-357.00	2002	813,079
Government bonds in foreign currency	229,844	239,209	12	2030	24,316
Eurobonds	215,177	213,215	7.25-12.75	2030	117,178
Euroyen	17,862	20,885	5.76-6	2002	24,501
Treasury bills	26,337	16,406	31.5-143.6	2001	53,970
Bonds issued by foreign governments	3,049	3,049	5.75-52	2007	3,440
Securities issued by foreign institutions	-	-	-	-	239,729
Gold	-	-	-	-	142,780
Participating shares of mutual funds in Turkish Lira	-	-	-	-	95,453
Participating shares of mutual funds in foreign currency	-	-	-	-	66,870
Others		5,733			20,310
Total investment portfolio		1,524,510			1,706,766
Total		2,730,450			2,717,547

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

Profit on securities transactions amounting to TL239,834 billions (1999: TL223,289 billions) in total is included in trading account income.

Unmatured interest accrued on securities amounting to TL37,702 billions (1999: TL237,792 billions) in total, is included in "other assets" (Note 9).

The following table summarizes securities that were deposited as collaterals with respect to various banking transactions (foreign currency amounts in millions):

	2000		1999	
	Nominal	Carrying Value	Nominal	Carrying Value
Euroyens issued in JPY	JPY 1,976	JPY 2,333	JPY 1,976	JPY 2,333
TL equivalent		13,863		12,254
Eurobonds issued in Euro	EUR 26	EUR26	-	-
TL equivalent		16,459		-
Eurobonds in foreign currency issued in USD	USD 337	USD 352	USD 25	USD 25
TL equivalent		236,479		13,607
Deposited at Central Bank of Luxembourg	EUR 5	EUR 5	EUR 5	EUR 5
		2,818		3,282
Deposited at Central Bank of Turkey for foreign currency money market transactions	351,805	327,741	223,456	157,491
(coupon)	9,000	4,143	-	-
(coupon)	10,644	3,785	-	-
Deposited in the İstanbul Stock Exchange	29,944	27,264	7,000	8,041
(coupon)	2,000	304	-	-
(coupon)	8,644	623	-	-
Reserve requirements at Central Bank of Turkey	159,100	153,076	119,400	90,822
(coupon)	2,000	144	-	-
Deposited at Central Bank of Turkey for interbank transactions	136,939	135,093	123,339	90,440
Deposited at Clearing Bank (Takasbank)	70,815	76,072	20,028	13,067
Salomon Brothers Inc.	12,050	10,072	-	-
Lehman Brothers Ltd.	660	728	-	-
		1,008,664		389,004

(8) Loans, advances and discounts

Outstanding loans, advances and discounts are divided between economic sectors and loan types as follows:-

	2000 TL billions	1999 TL billions
Industrial	1,474,166	932,382
Consumer loans	471,400	324,948
Financial institutions	353,826	257,959
Construction	319,956	293,320
Foreign trade	277,984	497,455
Service sector	277,839	102,574
Tourism	145,922	140,637
Agriculture	136,926	119,830
Transportation	95,410	35,440
Domestic commerce	28,901	33,174
Media	22,219	-
Others	339,494	194,881
Total performing loans	3,944,043	2,932,600
Non-performing loans	88,363	60,534
Total gross loans	4,032,406	2,993,134
Allowance for possible losses	(109,427)	(62,490)
Loans, net	3,922,979	2,930,644

Loans given to customers have interest rates between 3.2-30% (1999: 3.1-19%) per annum for foreign currency loans and 21.7-103.6% (1999: 61.7-108.45%) per annum for Turkish Lira loans.

Gross performing loans, advances and discounts comprise of collateralized and uncollateralized items as follows:-

	2000 TL billions	1999 TL billions
Collateralized loans	2,660,576	2,121,904
Uncollateralized loans	1,283,467	810,696
	3,944,043	2,932,600

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 specific allowance for possible losses is comprised of amounts for specifically identified problem and non-performing loans, advances and discounts 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 calculating the specific allowances, the Bank takes account of the rates of allowance for various categories of loans required by Turkish banking regulations.

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. The Bank's general provision level also meets the statutory requirement, valid since 1 January 1998 and revised in August and December 1999, for provision of 0.5% on loans and 0.1% on guarantees and commitments.

Movements in the allowance account during the year ended 31 December 2000 and 1999, are as follows:-

	2000 TL billions	1999 TL billions
Balance, beginning of period	62,490	53,464
Restatement effect of the beginning balance and current year provision	(18,426)	(27,412)
Allowance account balance per the balance sheets of new subsidiaries at the date of their acquisitions by the Bank	-	1,609
Write-offs	(8,675)	(1,845)
Recoveries (reversals related to collection of prior periods' provisions credited to other income)	(1,743)	(2,332)
Provision for the period	75,781	39,006
Balance, end of period	109,427	62,490

(9) Accrued interest, prepaid expenses and other assets

Accrued interest, prepaid expenses and other assets comprise of the following items:-

	2000 TL billions	1999 TL billions
Assets held for resale	114,972	104,242
Minimum lease payment receivables	99,205	35,633
Accrued interest on due from banks and similar items	47,328	37,665
Accrued interest on securities	45,220	237,792
Prepaid expenses, insurance claims and similar items	41,924	14,415
Retail business stocks	39,892	26,984
Miscellaneous receivables	32,652	40,934
Insurance premium receivables	28,517	12,559
Advances for foundation of investment funds	12,637	-
Accrued exchange gain on derivatives	9,916	13,198
Purchased cheques	8,927	7,068
Taxes and funds to be refunded	8,185	934
Advances for fixed asset purchases	2,977	4,345
Deferred tax asset (a)	-	89,454
Cheques at clearing house	-	11,150
Others	40,568	49,400
	532,920	685,773

(a) As permitted by IAS and starting from June 2000, the deferred tax assets and liabilities relating to a consolidated affiliate reporting to a specific tax office are offset against each other in the accompanying consolidated financial statements.

(10) Investments in affiliated companies

The Bank holds investments in the following affiliates:-

	2000		1999	
	Carrying Value TL billions	Ownership %	Carrying Value TL billions	Ownership %
İksir Ulusl. El. Tic. Bilg. ve Hab. Hiz. A.Ş.	23,089	48.50	546	38.50
Petrotrans Nakliyat ve Ticaret A.Ş.	20,129	100.00	20,129	100.00
Garanti Turizm ve Yatırım İşl. A.Ş.	19,915	44.89	17,175	44.89
Doğuş Turizm Sağlık Yatırım İşl. Tic. A.Ş.	12,786	40.00	12,786	40.00
Aktif Finans Factoring Hizmetleri A.Ş.	10,235	19.56	9,205	19.56
Sınai Yatırım Bankası A.O.	9,619	8.00	8,970	10.00
Others	8,954		11,315	
	104,727		80,126	

Equity participations of 20% and over are equitised on the basis of their financial statements prepared in accordance with International Accounting Standards, if the Bank has any significant influence. Otherwise they are accounted for at cost.

The Bank had previously made available loans to Petrotrans Nakliyat Ticaret A.Ş. (Petrotrans) in an amount equal to USD29.5 millions. However due to fact that the financial condition of the company deteriorated, the Bank decided to takeover the shares of the company on 30 November 1997 at the same amount of TL equivalent of its outstanding loan receivable at that date. Petrotrans is the landlord of a very large area along the Mediterranean coast in Adana region. This area is considered to become the transshipment area for the terminals of the oil pipelines coming from Iraq and the Caspian Sea area and their access to Mediterranean Sea. Consequently, it is the Bank's opinion that the value of the company's property exceeds the outstanding carrying value of the investment. The financial statements of Petrotrans are not consolidated with those of the Bank because of the fact that Petrotrans is presently a dormant company.

Doğuş Turizm Sağlık Yatırım İşletmeciliği Ticaret A.Ş. was formerly Genoto General Otomotiv San. Tic. A.Ş.. The company has changed its name and nature of its operations in February 2000.

(11) Bank premises and equipment

Movement in bank premises and equipment for the period of 1 January - 31 December 2000 is as follows:-

	1 January TL billions	Additions TL billions	Disposals TL billions	Disposal of a consolidated affiliate sold	31 December TL billions
Costs:					
Land and buildings	384,049	20,751	(8,629)	(8,049)	388,122
Furniture, fixture and equipments	335,345	106,067	(7,722)	(123)	433,567
Leasehold improvements	87,413	65,753	(2,452)	(82)	150,632
	806,807	192,571	(18,803)	(8,254)	972,321
Less: Accumulated depreciation					
Land and buildings	36,042	7,598	(660)	(176)	42,804
Furniture, fixture and equipments	186,745	44,842	(4,208)	(29)	227,350
Leasehold improvements	47,780	14,737	(1,020)	(27)	61,470
	270,567	67,177	(5,888)	(232)	331,624
Construction in progress	53,668				72,629
	589,908				713,326

Depreciation expense in 2000 amounts to TL65,678 billions (1999: TL50,447 billions). Bank premises are depreciated at the annual rate of 2% and the rates applied to furniture, fixtures and equipment range from 8% to 25%.

(12) Intangible asset

Intangible asset represents goodwill arising from the indirect acquisition of 100% ownership in Osmanlı Bankası A.Ş. in June 1996 and; the direct acquisitions of 19% ownership in and majority voting rights in the Board of Directors of Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticaret A.Ş., 83.28% ownership in Doc Finance S.A., 75.78% ownership in Garanti Yatırım Menkul Kıymetler A.Ş., 76.40% ownership in Doğuş Hava Taşımacılığı A.Ş., 99.99% ownership in Garanti Sigorta A.Ş. and 100% ownership in Garanti Hayat Sigorta A.Ş. in 1999, and consists of the excesses of the total acquisition costs over net assets of these consolidated entities at the dates of acquisition.

Goodwill is amortised on a straight line basis over 20 years, the time during which benefits are expected to be consumed, and reflected as TL100,384 billions (1999: TL116,563 billions), net of accumulated amortisation, in the accompanying consolidated balance sheets at 31 December 2000 and 1999.

(13) Deposits

Deposits comprise of the following:-

	2000			1999
	Demand TL billions	Time TL billions	Total TL billions	Total TL billions
Foreign currency	790,925	2,078,662	2,869,587	2,859,168
Interbank (a)	15,747	1,149,387	1,165,134	1,100,275
Saving	65,995	483,052	549,047	314,719
Commercial	166,556	166,774	333,330	248,001
Public and other	5,703	20,659	26,362	27,573
	1,044,926	3,898,534	4,943,460	4,549,736

(a) Interbank deposits include both TL accounts of TL708,125 billions (1999: TL762,312 billions) and foreign currency accounts of TL457,009 billions (1999: TL337,963 billions).

Interest rates applicable to Turkish Lira deposits and foreign currency deposits vary at ranges of 26-110% and 2.5-40% (1999: 40-140% and 1.35-17%), respectively.

(14) Short-term borrowings

Short-term borrowings comprise of the following:-

	2000 TL billions	1999 TL billions
Domestic banks	367,756	177,945
Foreign banks	1,743,362	1,057,059
	2,111,118	1,235,004

As at 31 December 1999, short-term borrowings from foreign banks included a syndicated pre-export credit facility available to Turkish exporters in the amount of DEM325 millions provided by twentyseven international banks, matured on 27 March 1999 and rollovered to 14 April 2000 for the equivalent of EUR180 millions and further rollovered for one-year for the amount of EUR400 millions and provided by seventy international banks through the arrangement of twelve foreign banks; a club loan facility amounting to USD65 millions provided by thirteen international banks through the agency of Bank of New York matured on 29 December 1999, and rollovered to 12 October 2000; and a syndicated loan facility in the amount of USD57.6 millions provided by sixteen international banks through the arrangement of Rabobank Amsterdam and matured on 25 August 2000. There was also a one-year pre-export loan facility in the amount of USD250 millions matured on 10 June 2000 and rollovered for one year for the equivalent of USD400 millions and provided by sixtyfour international banks.

In May 2000, Osmanlı Bankası A.Ş., a consolidated affiliate, obtained a syndicated loan facility in the amount of USD100 millions provided by eighteen international banks and maturing on 16 May 2001; a club loan facility in the amount of USD120 millions provided by sixteen international banks through the agency of Deutsche Bank AG Luxembourg and maturing on 26 October 2001.

(15) Short-term bonds payable

Short-term bonds payable comprise of the following:-

	2000			1999
	Amount in Original Currency in millions	Interest Rates %	TL billions	TL billions
Indenture notes	USD 28.8	Libor+2	19,162	20,696
Euro commercial papers			-	32,576
Commercial paper notes			-	138,057
Bearer notes			-	46,227
Other bonds			2,152	6,754
			21,314	244,310
Less: Discounted portion			-	(1,018)
			21,314	243,292

Accrued interest on bonds payable amounting to TL3,664 billions (31 December 1999: TL3,427 billions) in total is included in “other interest and expense accruals” (Note 17).

(16) Taxation

The new act passed in the Parliament in July 1998 made significant changes on corporation tax charges effective for periods starting on or after 1 January 1999. Accordingly, the corporation tax rate is 30%; contribution to a state fund is 10% of this tax which results in effective corporation tax rate of 33%. In addition, there will be an income tax charge; Council of Ministers was authorised to determine this income tax rate up to the level of 25%, contribution to a state fund remained as 10% of this tax as well. Presently, this income tax charge is at the rate of 5% (for companies of which shares are not publicly traded; 15%) to be computed only on the amounts of dividend distribution and accrued only at the time of such payments.

Deferred income tax is provided, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for permanent differences not deductible for tax purposes and initial recognition of assets and liabilities which effect neither accounting nor taxable profit.

As permitted by IAS and starting from June 2000, the deferred tax assets and liabilities relating to a consolidated affiliate reporting to a specific tax office are offset against each other in the accompanying consolidated financial statements as of and for the year ended 31 December 2000.

The total provisions 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:-

	2000 TL billions	%	1999 TL billions	%
Taxes on income per statutory tax rate	**67,572**	**33.00**	**109,980**	**33.00**
Income items exempt from tax or subject to different tax rates	(65,316)	(31.90)	(33,346)	(10.00)
Permanent differences relating to the restatement of non-monetary items per IAS29	73,677	35.98	104,569	31.38
Effect of permanent differences on consolidation adjustments	26,276	12.84	20,318	6.10
Effect of different tax rates applicable to the consolidated affiliates	(36,951)	(18.05)	(11,559)	(3.47)
Disallowable expenses	1,515	0.74	2,601	0.78
Tax saving on investment incentives, net	-	-	(16,018)	(4.82)
Provision for taxes on income	**66,773**	**32.61**	**176,545**	**52.97**

The provision for taxes on income comprise the following items:-

	2000 TL billions	1999 TL billions
Current corporation and income taxes	24,523	169,938
Net increase in deferred tax on taxable temporary differences	42,250	6,607
Provision for taxes on income	**66,773**	**176,545**

In accordance with the related regulation for prepaid taxes on income, such advances 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 movements of current taxes payable on income in the year of 2000 and 1999 are shown below:-

Provision for current taxes payable on income before deductions	**66,773**	**176,545**
Add: Taxes carried forward	10,269	4,406
Less: Deferred tax liabilities	(42,250)	(6,607)
Less: Restatement effect on current taxes payable on income for the change in the general purchasing power of TL at 31 December 2000	(4,532)	(21,998)
Taxes payable on income	**30,260**	**152,346**

Deferred tax assets and liabilities as at 31 December 2000 and 1999 are attributable to the items detailed in the table below:-

Deferred tax assets		
Tax losses carried forward	21,896	-
Specific and general allowance for loan losses	19,492	15,995
General provision for banking and leasing risks	5,470	5,033
Capitalised expenses	3,980	-
Reserve for retirement pay	2,622	5,378
Tax legislation effect on securities	-	46,127
Provision for extraordinary item (Note 20)	-	15,933
Others	2,113	988
Total deferred tax assets	55,573	89,454
Deferred tax liabilities		
Restatement of bank premises and equipment per IAS 29	52,995	46,738
Accrued interests and foreign exchange gains on securities	33,017	51,035
Others	3,463	509
Total deferred tax liabilities	89,475	98,282
Net deferred tax liabilities	**33,902**	**8,828**

In Turkey, there are no procedures for the final agreement of tax assessments. Tax returns are filed within four months at the end of year to which they relate. The tax authorities may, however, examine the accounting records and/or revise assessments within five years.

(17) Accrued interest and other liabilities

The principal components of these captions are as follows:-

	2000 TL billions	1999 TL billions
Miscellaneous payables	120,709	45,975
Accrued interest on deposits	90,343	135,186
Transfer orders	77,239	13,632
Accrued interest on borrowings	55,066	44,660
Withholding taxes	35,743	25,787
Insurance technical provisions	20,887	13,769
Blocked accounts	16,601	10,264
Payables to insurance and reinsurance companies relating to insurance operations	16,083	6,074
Reserve for severance payment	10,455	17,880
Payables to suppliers relating to financial leasing activities	10,356	20,720
Interest and expense accruals other than on deposits and borrowings	10,315	6,973
General provision for banking risks	10,000	13,273
General provision for non-cash loans	3,949	2,739
Provision for earthquake taxes (Note 20)	-	48,188
Others	51,817	36,091
	529,563	441,211

(18) Long-term debts

Long-term debts comprise of the following:-

	2000					1999
	Interest Rate %	Maturity	Amount in Original Currency in millions	Short-term Portion TL billions	Medium and Long-term Portion TL billions	Long-term Debts TL billions
Funds from financial institutions:						
Pera Financial Services Company	9.375	2002	USD 246	-	163,740	176,845
TPR Securitisation-I	9	2004	USD 171	28,392	85,485	122,991
Anatolia Finance Company	7.48	2004	USD 130	11,664	74,648	107,077
TPR Securitisation-II	8.75-Eurolibor+4	2004	EUR 100	-	61,856	72,019
International Finance Corporation	8.65	2005	USD 91	12,214	48,856	64,939
International Finance Corporation	8.59-Libor+2.5	2004	USD 84	13,936	41,808	60,205
International Finance Corporation	Libor+3.375	2004	USD 4	746	1,866	2,867
First Fidelity Bank	7.83-9.75	2002	USD 42	15,574	12,413	30,150
First Fidelity Bank	7.83	2002	USD 9	1,675	4,470	6,638
ABN Amro Bank	4-6.3	2004	NLG 72	-	20,257	17,732
Credit Suisse	2.45	2010	USD 30	1,255	18,898	-
DEG	6.8	2004	EUR 15	-	9,301	-
DEG	Fibor+3.5	2002	DEM 4	474	712	1,379
Royalbank of Canada	Libor+0.15	2002	USD 2	774	768	4,583
Demirhalkbank N.V.				-	-	16,548
Others				12,411	95,835	16,966
Bonds:						
Bearer notes	8	2003	EUR 48	-	29,607	-
Indenture notes	Libor+2	2002	USD 38	19,162	5,940	27,111
				118,277	676,460	728,050

Short-term portions of funds from financial institutions and bonds are classified under short-term borrowings (Note 14) and short-term bonds payable (Note 15), respectively.

The Bank borrowed USD350 millions from Pera Financial Services Company, being the proceeds of an issue of 9 3/8 per cent notes by Pera Financial Services Company. Such notes are secured, by among other things, an assignment of the loan agreement between the Bank and Pera Financial Services Company in favour of a trustee for the benefit of the holders of such notes.

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 S.A. (Europay), to Anatolia Finance Company, a special purpose company organized under the laws of the Cayman Islands (SPC) for the amount of USD175 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 USD175 millions in total pursuant to the Trust Agreement dated 3 February 1998 between the SPC and the Bank of New York as trustee. The Trust certificates will be repaid in the period from March 1998 to December 2004 on a quarterly basis. 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 A.Ş., 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.

The Bank borrowed USD115 millions as a 7-year private placement bond issue maturing at 2004. The loan which was arranged by JP Morgan was established as a single asset securitisation under the IFC umbrella.

First Fidelity Bank (FFB) loans correspond to the obligation arising from the sale to FFB of the Bank's future receivables in connection with its credit card securitisation program in which FFB is the Trustee bank. The proceeds received from these transactions are classified as obligation under long-term debts.

Indenture notes amounting to USD115 millions represent Garanti Grantor Trust 1997- "A" Floating Rate Certificates Due 2002. These notes are secured by substantially all of the assets of Instruments Finance Company, a special purpose company (SPC) wholly owned by the Bank and organized under the laws of Cayman Islands, which consists primarily of the SPC's rights and interests in the obligation of the Bank to sell to the SPC all of its right, title and interest in and to certain instruments, primarily comprised of the traveller's checks, eurocheques and cashier's checks or other checks which are (i) drawn on financial institutions or money-transfer service organisations located in and denominated in currencies of the United States of America, the Federal Republic of Germany or the United Kingdom or (ii) drawn on financial institutions located in any other jurisdiction that has an investment grade rating on its foreign-currency denominated sovereign debt and whose currency is freely convertible into US Dollars and which, in each case, have been encashed by the branches of the Bank located in Turkey.

In June 1998, the Bank borrowed a syndicated loan in the amount of USD100 millions maturing at 2002 of which 15% was provided by International Finance Corporation and the remaining by six investment institutions through the arrangement of JP Morgan.

An aggregate principle amount of USD100 millions was extended by International Finance Corporation (IFC) as a loan to Osmanlı Bankası A.Ş., a consolidated affiliate, in September 1998. This facility consisted of a direct loan by IFC (A Loan) in the amount USD15 millions and a B Loan in the amount of USD85 millions, which was securitised under the name of Osmanlı Bankası-IFC Trust I and II; were privately placed to United States insurance companies. Proceeds of this facility was used to on-lend to private Turkish companies for project finance, capital equipment financing, as well as short-term trade financing. While the maturity of the facility is seven years, repayment terms involve a two-year grace period during which only interest is to be serviced.

In June 1999, the Bank obtained a fund in the amount of USD200 millions through its Trade Payment Rights Securitisation transaction (the "TPR Securitisation-I"). The TPR Securitisation-I consists of a floating and fixed tranche for an amount of USD29 millions and USD171 millions, respectively. The TPR Securitisation-I securitises the Bank's collection and reimbursement rights related to export transactions, specifically letters of credits and cash against documents transactions, and has a maturity of 5 years with an average life of 3.14 years. The TPR Securitisation-I was arranged by Bank of America Securities LLC, Bank of America International Limited and Credit Suisse First Boston Corporation (CSFB) was appointed as co-manager.

In December 1999, Osmanlı Bankası A.Ş., a consolidated affiliate, obtained a fund in the amount of EUR100 millions through its Trade Payment Rights Securitisation transaction (the "TPR Securitisation-II"). The TPR Securitisation-II consists of two tranches amounting to EUR81 millions and EUR19 millions. The TPR Securitisation-II securitises Osmanlı Bankası A.Ş.'s collection and reimbursement rights related to export transactions, specifically letters of credits and cash against documents transactions, and has a maturity of 5 years with an average life of 3.5 years. The TPR Securitisation-II was arranged under the management of Dresdner Bank AG and Banca d'Intermediazione Mobiliare IMI.

Bearer notes amounting to EUR45,750,000 represent the 8% Euro notes bearing interest from 21 March 2000 per annum payable annually in arrear on 21 March in each year commencing on 21 March 2001 and maturing in 2003 issued by United Garanti Bank International (UGBI), a consolidated affiliate, in March 2000 through the arrangement of Goldman Sachs International. The notes comprising 4,575 units will be in the denomination of EUR10,000 each. Unless previously redeemed or canceled, the notes will be redeemed at their principal amount on 21 March, 2003 and are subject to redemption in whole at their principal amount at the option of UGBI at any time in the event of certain changes affecting taxation in the Netherlands.

(19) Shareholders' equity

The authorised and paid-in nominal share capital of the Bank is TL260,000 billions comprising 519,999,999,653 registered shares of five hundred Turkish Liras each and 1,735 registered shares of one hundred Turkish Liras each. The portion of share capital arising from the amounts paid in by the shareholders and the transfers from retained earnings were restated for the effects of inflation; however, the transfers from revaluation surplus on fixed assets for statutory purposes are not restated. Accordingly, the share capital is reflected at restated amounts in the accompanying consolidated financial statements.

The legal reserve is established by annual appropriations amounting to 5% of income disclosed in the Bank's 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 reserve is restricted and is not available for distribution as dividends. In the accompanying consolidated financial statements, legal reserves are included in retained earnings at their historical amounts.

(20) Extraordinary item

Late in 1999, Turkish Government has imposed a one time only extraordinary tax measures to finance the public expenditures caused by the massive earthquakes on 17 August and 12 November 1999 in Marmara Region.

One of such tax measures is "additional income and corporate tax". In principal, all individuals, excluding wage earners, and corporate taxpayers are required to pay an additional income or corporate tax at 5% on their taxable bases filed for the year of 1998. The tax base for the 5% additional tax is just the same as the tax base on which the income or corporate tax was charged for the year 1998. The Bank fully provided for these taxes amounting to TL10,054 billions in the accompanying consolidated financial statements as at 31 December 1999.

Another additional tax imposed by the Turkish Government is the withholding tax on interest income on government securities that will be held at maturity. The tax rate on such interest income changes from 4% to 19% according to maturities of the securities. Accordingly, the Bank either paid or fully provided for these taxes amounting to TL118,584 billions (1999: TL39,981 billions) on accrued interest on government securities as "extraordinary item" in the accompanying consolidated statements of income for the year ended 31 December 2000.

As of 31 December 2000, there is not any unpaid portion of such taxes (1999: TL48,188 billions) classified under "accrued interest and other liabilities" as "provision for earthquake taxes" in the accompanying consolidated balance sheets (Note 17).

(21) Maturity profiles

	31 December 2000						31 December 1999					
	Upto 1 month TL billions	1 to 3 months TL billions	3 to 6 months TL billions	6 to 12 months TL billions	Over 1 year TL billions	Total TL billions	Upto 1 month TL billions	1 to 3 months TL billions	3 to 6 months TL billions	6 to 12 months TL billions	Over 1 year TL billions	Total TL billions
MONETARY ASSETS												
Turkish Lira												
Cash and due from banks	696,607	25,934	11,651	1,001	-	735,193	73,401	9,514	17,235	7,835	-	107,985
Interbank placings	-	-	-	-	-	-	3,850	-	-	-	-	3,850
Reserve deposits at Central Bank	34,561	-	-	-	-	34,561	20,241	419	280	141	34	21,115
Securities	65,816	239,746	195,714	144,340	697,336	1,342,952	20,177	400,494	638,173	196,777	467,108	1,722,729
Loans, advances and discounts	321,974	226,515	229,929	178,234	174,340	1,130,992	211,699	184,864	86,471	189,377	67,073	739,484
Other assets	57,645	43,372	6,117	26,634	23,529	157,297	256,690	22,986	8,156	58,546	28,007	374,385
Total Turkish Lira assets	1,176,603	535,567	443,411	350,209	895,205	3,400,995	586,058	618,277	750,315	452,676	562,222	2,969,548
Foreign currency												
Cash and due from banks	496,670	26,835	16,708	24,638	5,396	570,247	553,419	232,730	140,324	144,180	-	1,070,653
Interbank placings	81,689	-	-	-	-	81,689	7,855	41,444	-	-	-	49,299
Reserve deposits at Central Bank	265,452	-	-	-	-	265,452	241,975	18,726	3,021	-	1,813	265,535
Securities	231	197,476	13,632	245	1,175,914	1,387,498	390,759	5,835	364	77,386	520,474	994,818
Loans, advances and discounts	224,228	448,921	839,566	762,565	537,771	2,813,051	226,813	441,321	706,208	520,152	296,666	2,191,160
Other assets	22,467	23,066	26,826	27,972	67,342	167,673	126,727	4,205	6,135	9,896	18,785	165,748
Total foreign currency assets	1,090,737	696,298	896,732	815,420	1,786,423	5,285,610	1,547,548	744,261	856,052	751,614	837,738	4,737,213
Total Monetary Assets	2,267,340	1,231,865	1,340,143	1,165,629	2,681,628	8,686,605	2,133,606	1,362,538	1,606,367	1,204,290	1,399,960	7,706,761
MONETARY LIABILITIES												
Turkish Lira												
Deposits	1,198,111	361,935	34,995	10,772	141	1,605,954	979,416	270,273	66,359	33,580	1	1,349,629
Interbank takings	71,750	-	-	-	-	71,750	53,090	-	-	-	-	53,090
Short-term borrowings	30,141	2,535	2,457	5	-	35,138	31,981	4,053	28,077	8,703	-	72,814
Short-term bonds payable	1,397	755	-	-	-	2,152	3,423	3,331	-	-	-	6,754
Long-term debts	-	-	-	-	42	42	-	-	-	-	-	-
Other liabilities	136,058	43,756	24,079	20,256	167,486	391,635	82,599	26,388	70,484	20,907	348,749	549,127
Total Turkish Lira liabilities	1,437,457	408,981	61,531	31,033	167,669	2,106,671	1,150,509	304,045	164,920	63,190	348,750	2,031,414
Foreign currency												
Deposits	2,762,106	352,382	69,043	105,266	48,709	3,337,506	2,404,706	552,230	110,154	119,236	13,781	3,200,107
Interbank takings	247,283	-	-	-	-	247,283	169,624	721	-	-	-	170,345
Short-term borrowings	669,366	430,232	330,592	645,790	-	2,075,980	205,391	215,189	418,310	323,300	-	1,162,190
Short-term bonds payable	4,407	-	1,533	13,222	-	19,162	14,346	4,376	193,390	24,426	-	236,538
Long-term debts	-	-	-	-	676,418	676,418	-	-	-	-	728,050	728,050
Other liabilities	56,838	15,847	12,822	37,390	78,477	201,374	27,142	7,123	17,743	9,769	78,526	140,303
Total foreign currency liabilities	3,740,000	798,461	413,990	801,668	803,604	6,557,723	2,821,209	779,639	739,597	476,731	820,357	5,637,533
Total Monetary Liabilities	5,177,457	1,207,442	475,521	832,701	971,273	8,664,394	3,971,718	1,083,684	904,517	539,921	1,169,107	7,668,947

(22) Commitments and contingencies

In the normal course of banking activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the accompanying consolidated financial statements, including letters of guarantee, acceptance credits and letters of credit, and resale and repurchase transactions on securities.

Commitments and contingent liabilities arising in the ordinary course of business comprise of the following items:-

	2000 TL billions	1999 TL billions
Letters of guarantee	2,141,799	1,753,912
Letters of credit	863,182	665,022
Acceptance credits	202,403	196,408
Other guarantees and endorsements	38,407	67,104
	3,245,791	2,682,446

As at 31 December 2000, commitment for uncalled capital of affiliated companies amounts approximately to TL5,346 billions (1999: TL20,050 billions).

Commitment for purchase and sale of foreign currencies under spot, forward, swap, future rate agreements (FRA) or options and for gold trading amounts to TL3,368,365 billions (1999: TL2,576,842 billions), approximately 97% due within one year.

The breakdown of such commitments outstanding, by types, are presented as follows:-

	2000		1999	
	Purchases TL billions	Sales TL billions	Purchases TL billions	Sales TL billions
Forward agreements for customer dealing activities	146,121	87,975	49,182	36,613
Swap agreements for customer dealing activities	6,273	6,932	-	-
Spot foreign currency transactions for customer dealing activities	44,603	13	-	-
Forward agreements for hedging purposes	1,209,870	634,708	820,075	456,347
Forward agreements for gold trading	-	2,914	5,874	156,854
Currency swap agreements for hedging purposes	272,236	658,416	391,571	621,122
Interest rate swap agreements for hedging purposes	2,419	2,724	-	6,451
FRAs	31,985	72,982	-	-
Options	144,533	-	-	1,025
Spot foreign currency transactions	31,553	12,108	9,017	22,711
	1,889,593	1,478,772	1,275,719	1,301,123

Commitment arising from agreements for repurchase/resale of government securities at 31 December 2000 amounts to TL630,569 billions (1999: TL1,116,348 billions).

(23) Currency structure of assets and liabilities

Substantial volumes of business are conducted in foreign currencies. Assets denominated in foreign currencies are funded by foreign currency customer deposits and by deposits or loans taken from foreign banks.

The Bank's foreign currency assets and liabilities may be analysed as follows (TL equivalents):-

	2000 TL billions	1999 TL billions
Cash and due from banks	651,936	1,119,952
Reserve deposits at Central Bank	265,452	265,535
Securities	1,387,498	994,818
Loans, advances and discounts, less allowance for possible losses	2,813,385	2,191,160
Other assets	353,724	350,444
	5,471,995	4,921,909
Funding sources	6,355,752	5,483,400
Other liabilities	201,346	140,306
	6,557,098	5,623,706
Short position before derivative contracts	(1,085,103)	(701,797)
Derivative contracts (a)	817,980	429,686
Net short position	(267,123)	(272,111)

(a) The Bank hedged a portion of its short position amounting to 1,085,103 billions (1999: 701,797 billions) at TL equivalents at 31 December 2000 by forward contracts approximately 97% maturing in one year which represent total net commitment to buy approximately USD1,227 millions (US dollar equivalent of TL817,980 billions at exchange rate prevailing on 31 December 2000) (1999: USD600 millions) at varying exchange rates indicated in the corresponding contracts.

The major currencies included above are US Dollar, Euro, Deutsche Mark, Pounds Sterling and Swiss Francs. However, for the purposes of the evaluation of the table above, special emphasis should be given to the assets and liabilities denominated in Russian Roubles which are considered as foreign currency items. Russia is a highly inflationary environment as evidenced by a very high cumulative inflation rate of 240.0% for the three years ended 31 December 2000. The Russian Roubles denominated net assets as included in the above table at their TL equivalents at 31 December 2000 amounted to 43,087 billions (1999: 10,151 billions).

Volume of transactions in foreign currency, comprising foreign exchange operations, workers' remittances, capital movements, etc. amounts approximately to USD83,071 millions (for the year ended 1999: USD61,960 millions) for the year ended 31 December 2000.

(24) Financial statements of consolidated affiliates

As discussed in greater detail in Notes 1 and 3, Osmanlı Bankası A.Ş. group of companies, United Garanti Bank International N.V., Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticaret A.Ş., Garanti Finansal Kiralama A.Ş., Garanti Bank Moscow, Ana Konut Danışmanlık A.Ş., D.O.C. Finance S.A., Garanti Financial Services plc., Garanti Sigorta A.Ş., Doğuş Hava Taşımacılığı A.Ş., Clover Invetment Ltd, Instruments Finance Company, Lasaş Lastik San. ve Tic. A.Ş., Garanti Yatırım Menkul Kıymetler A.Ş., Clover Bank Off-Shore Ltd.,Garanti Hayat Sigorta A.Ş., Garanti Portföy Yönetimi A.Ş., Marmo S.A., Garanti Bilişim Teknolojisi ve Ticaret T.A.Ş., Şahinler Otelcilik A.Ş., Garanti Fund Management, Bosphorus Financial Services Ltd. are consolidated in the accompanying financial statements. The summarised balance sheets of these affiliates at 31 December 2000 and 1999 which are consolidated, are as follows:

	31 December 2000										
	Osmanlı Bankası A.Ş. Consolidated TL billions	United Garanti Bank Int. N.V. TL billions	Tansaş İzmir B.Ş.B. İç. ve Dış. Tic. A.Ş. TL billions	Garanti Finansal Kiralama A.Ş. TL billions	Garanti Bank Moscow TL billions	Ana Konut Danışmanlık A.Ş. TL billions	D.O.C Finance S.A. TL billions	Garanti Financial Services TL billions	Garanti Sigorta A.Ş. TL billions	Doğuş Hava Taşımacılığı A.Ş. TL billions	Clover Investment Ltd TL billions
ASSETS											
Cash and due from banks	211,774	244,700	20,084	37,899	28,529	44	159	99	1,732	226	22,262
Interbank placings	81,689	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	63,722	-	-	-	-	-	-	-	-	-	-
Securities	747,764	54,314	700	8,559	26,555	4,687	-	-	8,863	100	-
Loans, net	770,397	639,985	-	-	11,975	-	53,287	51,395	-	-	-
Accrued interest, prepaid expenses and other assets	51,128	24,752	69,586	116,844	6,000	3,038	27	42	29,063	866	481
Investments	21,817	84	518	1,033	-	244	-	-	1,812	22	7,221
Property and equipment, net	132,851	14,353	104,368	1,637	845	57,712	11	14	858	41,109	-
Intangible assets, net	60,574	-	-	-	-	-	-	-	-	-	-
Total Assets	2,141,716	978,188	195,256	165,972	73,904	65,725	53,484	51,550	42,328	42,323	29,964
LIABILITIES AND SHAREHOLDERS' EQUITY											
Deposits	1,007,970	774,972	-	-	52,566	-	-	48,434	-	-	-
Interbank takings	93,967	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	579,581	3,842	52,219	66,398	-	697	36,789	67	-	3,136	-
Short-term bonds payable	-	-	-	-	-	-	-	-	-	-	-
Accrued interest and other liabilities	86,946	39,427	114,570	21,045	4,807	3,371	1,825	1,540	35,887	3,684	1,151
Long-term debts	114,622	80,908	16,442	55,774	-	13,739	11,955	-	-	29,977	27,238
Total Liabilities	1,883,086	899,149	183,231	143,217	57,373	17,807	50,569	50,041	35,887	36,797	28,389
Minority Interest	11,079	-	(79)	-	-	-	-	-	-	-	-
Shareholders' Equity:-											
Share capital	118,512	38,526	22,501	23,109	13,762	59,128	4,893	1,758	16,163	38,845	200
Legal reserves and retained earnings	129,039	40,513	(10,397)	(354)	2,769	(11,210)	(1,978)	(249)	(9,722)	(33,319)	1,375
Total Shareholders' Equity	247,551	79,039	12,104	22,755	16,531	47,918	2,915	1,509	6,441	5,526	1,575
Total Liabilities and Shareholders' Equity	2,141,716	978,188	195,256	165,972	73,904	65,725	53,484	51,550	42,328	42,323	29,964

31 December 2000 (Continued)

	Instruments Finance Company TL billions	Lasaş Lastik San. ve Tic. A.Ş. TL billions	Garanti Yatırım Menkul Kıymetler A.Ş. TL billions	Clover Bank Off-Shore Ltd. TL billions	Garanti Hayat Sigorta A.Ş. TL billions	Garanti Portföy Yönetimi A.Ş. TL billions	Marmo S.A. TL billions	Garanti Bilişim Teknolojisi ve Tic. T.A.Ş. TL billions	Şahintur Şahinler Otelcilik A.Ş. TL billions	Garanti Fund Management TL billions	Bosphorus Financial Services Ltd. TL billions
ASSETS											
Cash and due from banks	5,480	39	29	9,772	1,793	5	6,650	41	41	544	29
Interbank placings	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	-	-	-	-	-	-	-	-	-	-	-
Securities	-	107	11,138	3,571	6,784	7,501	-	298	194	162	-
Loans, net	20,672	-	-	-	-	-	-	-	-	-	-
Accrued interest, prepaid expenses and other assets	302	2,077	2,297	3,405	4,028	2,091	41	2,692	13	38	3
Investments	-	304	2,534	-	2	-	-	1,325	2	3	200
Property and equipment, net	-	21,420	1,958	18	1,457	254	-	568	2,018	78	-
Intangible assets, net	-	-	-	-	-	-	-	-	-	-	-
Total Assets	26,454	23,947	17,956	16,766	14,064	9,851	6,691	4,924	2,268	825	232
LIABILITIES AND SHAREHOLDERS' EQUITY											
Deposits	-	-	-	5,666	-	-	-	-	-	-	-
Interbank takings	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	-	-	3,375	-	-	-	-	-	-	-	-
Short-term bonds payable	19,162	-	-	2,152	-	-	-	-	-	-	-
Accrued interest and other liabilities	534	3,428	2,837	5,295	6,885	2,679	31	1,957	487	433	2
Long-term debts	5,940	-	-	-	-	-	-	-	-	167	-
Total Liabilities	25,636	3,428	6,212	13,113	6,885	2,679	31	1,957	487	600	2
Minority Interest	-	-	-	-	-	-	-	-	-	-	-
Shareholders' Equity:-											
Share capital	17	17,944	7,483	2,999	5,874	1,766	7,221	36,380	2,982	67	67
Legal reserves and retained earnings	801	2,575	4,261	654	1,305	5,406	(561)	(33,413)	(1,201)	158	163
Total Shareholders' Equity	818	20,519	11,744	3,653	7,179	7,172	6,660	2,967	1,781	225	230
Total Liabilities and Shareholders' Equity	26,454	23,947	17,956	16,766	14,064	9,851	6,691	4,924	2,268	825	232

	31 December 1999												
	Osmanlı Bankası A.Ş. Consolidated TL billions	United Garanti Bank Int. N.V. TL billions	Garanti Finansal Kiralama A.Ş. TL billions	Tansaş İzmir B.Ş.B. İç ve Dış Tic. A.Ş. TL billions	Garanti Funding Corporation I TL billions	Garanti Funding Corporation II TL billions	Ana Konut Danışmanlık A.Ş. TL billions	Instruments Finance Company TL billions	Garanti Bank Moscow TL billions	D.O.C Finance S.A. TL billions	Clover Investment Ltd TL billions	Lasaş Lastik San. ve Tic. A.Ş. TL billions	Doğuş Hava Taşımacılığı A.Ş. TL billions
ASSETS													
Cash and due from banks	488,104	189,835	27,274	3,715	69,043	69,096	82	6,374	8,023	254	22,299	9	192
Interbank placings	53,149	-	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	63,908	-	-	-	-	-	-	-	-	-	-	-	-
Securities	533,341	45,946	24,390	1,676	-	-	5,758	-	16,466	364	-	174	53
Loans, net	434,167	660,966	-	-	-	-	-	42,251	16,674	39,241	-	-	-
Accrued interest, prepaid expenses and													
other assets	84,297	7,546	81,602	39,572	-	-	2,007	558	1,035	102	390	736	2,894
Investments	15,322	41	1,067	514	-	-	9	-	-	-	7,799	810	3
Property and equipment, net	151,035	8,556	1,368	36,070	-	-	44,544	-	767	19	-	21,721	18,983
Intangible assets, net	62,279	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	1,885,602	912,890	135,701	81,547	69,043	69,096	52,400	49,183	42,965	39,980	30,488	23,450	22,125
LIABILITIES AND SHAREHOLDERS' EQUITY													
Deposits	864,916	705,906	-	-	-	-	-	-	25,626	-	-	-	-
Interbank takings	68,697	-	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	374,402	78,968	80,172	654	-	-	31	-	-	36,461	653	-	6,161
Short-term bonds payable	46,227	-	-	-	69,002	69,055	-	20,696	-	-	-	-	-
Accrued interest and other liabilities	112,644	34,774	30,765	49,106	5	5	46	928	1,406	380	167	461	458
Long-term debts	163,417	34,120	9,097	9,299	-	-	12,719	27,111	-	-	26,909	-	4,265
Total Liabilities	1,630,303	853,768	120,034	59,059	69,007	69,060	12,796	48,735	27,032	36,841	27,729	461	10,884
Minority Interest	3,536	-	-	(35)	-	-	-	-	-	-	-	-	-
Shareholders' Equity:-													
Share capital	138,385	24,545	17,180	10,631	36	36	47,475	19	18,383	5,401	216	17,943	37,169
Legal reserves and retained earnings	113,378	34,577	(1,513)	11,892	-	-	(7,871)	429	(2,450)	(2,262)	2,543	5,046	(25,928)
Total Shareholders' Equity	251,763	59,122	15,667	22,523	36	36	39,604	448	15,933	3,139	2,759	22,989	11,241
Total Liabilities and Shareholders' Equity	1,885,602	912,890	135,701	81,547	69,043	69,096	52,400	49,183	42,965	39,980	30,488	23,450	22,125

31 December 1999 (Continued)

	Garanti Sigorta A.Ş. TL billions	Garanti Finansal Services TL billions	Garanti Yatırım Menkul Kıymetler A.Ş. TL billions	Clover Bank Off-Shore Ltd. TL billions	Garanti Hayat Sigorta A.Ş. TL billions	Garanti Bilişim Teknolojisi ve Tic. T.A.Ş. TL billions	Marmo S.A. TL billions	Garanti Portföy Yönetimi A.Ş. TL billions	Şahintur Şahinler Otelcilik A.Ş. TL billions	Garanti Fund Management TL billions	CI Finance Ltd. TL billions	CI Investment Ltd. TL billions	Bosphorus Financial Services Ltd. TL billions
ASSETS													
Cash and due from banks	1,935	81	12	7,313	2,319	394	5,103	916	218	372	49	49	49
Interbank placings	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities	3,412	1,005	8,836	3,308	1,720	-	-	1,066	-	188	-	-	-
Loans, net	-	14,889	-	-	-	-	-	-	-	-	-	-	-
Accrued interest, prepaid expenses and													
other assets	12,765	55	1,456	123	3,925	3,607	-	1,322	20	23	52	52	52
Investments	1,812	-	242	-	3	3,704	-	-	3	4	72	72	72
Property and equipment, net	949	19	1,802	21	1,416	431	-	227	2,056	104	-	-	-
Intangible assets, net	-	-	-	-	-	11	-	-	-	-	-	-	-
Total Assets	20,873	16,049	12,348	10,765	9,383	8,147	5,103	3,531	2,297	691	173	173	173
LIABILITIES AND SHAREHOLDERS' EQUITY													
Deposits	-	14,678	-	-	-	-	-	-	-	-	-	-	-
Interbank takings	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	-	-	3,097	-	-	-	-	-	-	-	-	-	-
Short-term bonds payable	-	-	-	6,750	-	-	-	-	-	-	-	-	-
Accrued interest and other liabilities	17,876	218	1,903	441	4,874	1,581	25	1,126	-	301	8	8	8
Long-term debts	-	-	-	-	-	-	-	-	-	181	-	-	-
Total Liabilities	17,876	14,896	5,000	7,191	4,874	1,581	25	1,126	-	482	8	8	8
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholders' Equity:-													
Share capital	13,626	1,899	6,675	3,240	4,700	36,380	7,799	1,206	2,981	72	72	72	72
Legal reserves and retained earnings	(10,629)	(746)	673	334	(191)	(29,814)	(2,721)	1,199	(684)	137	93	93	93
Total Shareholders' Equity	2,997	1,153	7,348	3,574	4,509	6,566	5,078	2,405	2,297	209	165	165	165
Total Liabilities and Shareholders' Equity	20,873	16,049	12,348	10,765	9,383	8,147	5,103	3,531	2,297	691	173	173	173

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CORPORATE INFORMATION

Garanti Bank common stock is listed on the İstanbul Stock Exchange and the London Stock Exchange. Analysts, portfolio managers and other investors seeking further information on Garanti Bank may contact our Investor Relations Department at (+90212) 335 31 50.

Number of Shares (million)	520,000
Free float (December 31, 1999, %)	23.46
Free float (March 31, 2000, %)	31.51
US Exchange (ADRs)	PORTAL
DR: Underlying Share Ratio (1999)	1:200
DR: Underlying Share Ratio (2000)	1:2000
Ticker symbols	Reuters: GARAN.IS
	Bloomberg: GARAN TI

Garanti Bank's annual reports, interim financial statements, corporate announcements, news releases, and company presentations as well as other relevant information can be found on Garanti Bank's web site at www.garantibank.com

GarantiBank

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