



Interim report

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SUBJECT : Q1/2001 FINANCIAL STATEMENTS
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I. TURKISH ECONOMY IN Q1/2001

The Turkish economy contracted in the first quarter of 2001 due to market uncertainty, high interest rates, and the sudden, unannounced abandonment of the crawling peg exchange rate regime on February 22nd. Market sentiment, on the mend after additional external financial support in mid-December, deteriorated in late February due to political difficulties, and resignations by both the Central Bank governor and the Head of the Treasury Undersecretariat. Sentiment improved in March with the appointment of a new Economics Minister with far-reaching authority to tackle economic turmoil and re-establish growth. Strong expressions of external support by the G-7 countries culminated in the announcement of a new loan package – via IMF and World Bank - amounting to about US\$15 Billion in 2001, with a repayment period of between three to five years.

Industrial output, a reliable proxy for national income trends, declined by an average of 2.0% during the first quarter in reflection of the drop in economic activity due to sharply higher interest rates and lower consumer confidence. Aggregate demand contraction was led by a decline in consumption expenditures, with durables on the forefront. Auto sales fell by 62% year-on-year to 39,586 units in 2001Q1. Imported auto sales fell sharply as well by 62% to 19,115 units in comparison to first quarter last year.

Contraction in aggregate demand was not across the board, however, with net exports contributing positively to national income growth. Net exports had fallen 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 had also translated to a massive boom in imports in 2000. The reverse was the result of the Lira's float and national income contraction, with imports falling significantly after February 2001. Value of merchandise imports rose 3.7% year-on-year to US\$ 7.4 billion in the first two months of 2001 from US\$ 7.2 billion in 2000. Value of merchandise imports fell

by 12.3% year-on-year to US\$ 3.5 billion in February 2001 from US\$ 3.9 billion in 2000. Value of merchandise exports rose in the first two months, registering 4.5% growth to US\$ 4.6 billion. The trade deficit thus rose slightly to US\$ 2.84 billion from US\$ 2.77 billion a year earlier in the first two months of 2001. Net exports will continue to rise as imports fall from a year earlier, and exports respond to a more competitive valuation for the Lira.

Balance of payments developments are expected to be positive due to sharply higher tourism and shuttle trade revenues. The current account deficit was US\$0.6 Billion in January 2001, yet to reflect the impact of the decision to float the Lira vis-a-vis other currencies.

A better than expected fiscal performance in the first quarter was the result of higher indirect tax rates, GSM license fee receipt in February 2001, and profit transfer from the Central Bank to the Treasury. Expenditures fell by 6.4% year-on-year in nominal terms, or 28% in real terms adjusted by average CPI inflation. Revenues rose by a nominal 41.2% in 2001Q1, representing a 9.7% real increase from a year earlier. The government thus ran a strong primary surplus of US\$5.3 Billion in the first quarter, a 34.4% rise from 2000Q1.

Annual consumer price inflation had fallen continuously during 2000 to 39% year-on-year from 68.8% year-on-year in 1999. Wholesale price inflation had fallen to 32.7% year-on-year from 62.9% a year earlier. The inflation rate had thus dropped to a fourteen year low despite the inability to meet official year-end targets of 25% and 20% year-on-year, respectively. The decision to float the Lira created a temporary up-tick in the monthly and thus annual inflation rates. WPI inflation rose to 50.9% year-on-year in April 2001, whilst CPI inflation rose to 48.3% year-on-year in the same period. Official year-end inflation targets for 2001 and 2002 now stand at 57.6% and 16.6%, respectively.

Structural reform has been put on a fast-track once again. The Central Bank has gained a high degree of independence with the passage of new legislation. Various markets, hitherto public sector monopolies or monopsonies, have also become deregulated as a result of new laws. Strong commitment to structural reform has been well received by the markets as attested to by a strong rally in the Istanbul Stock Exchange following the passage of new laws.

II. GARANTI BANK Q1/2001

Key Information

Branches	278	Credit Cards	1,255,977
Offices	18	Debit Cards	1,237,710
Employees (Excluding security)	4,137	ATM's	560
Internet Customers*	292,328	POS's	41,341
Telephone Banking Customers*	318,510	ADC Utilization Rate **	63.2%

* *Reclassified as active banking customers.*

** *As of March 2001. (Percentage of total comparable transactions including cash transactions)*

Developments and Important Subsequent Events

We profoundly regret to announce that Mr. Ayhan Sahenk, our chairman and major shareholder, passed away on April 2, 2001 in Istanbul at the age of 72. Mr. Sahenk, a civil engineer, started his career in 1951 by founding Dogus Construction and Contracting Co., which grew over the years into an internationally known contractor for major infrastructure projects. Dogus became a holding company in 1975 as business interests diversified. Mr. Sahenk acquired the majority share in Garanti Bank in 1983 and proceeded to build it into one of Turkey's top four commercial banks. We will miss his intelligence, business sense and vision immensely. On April 20, 2001, his son Mr. Ferit Sahenk was appointed Chairman of the Board of Garanti Bank.

During the month of March, Garanti became the first Turkish Bank to tap the international syndication market since the floating of the Lira on February 22, 2001. Garanti signed a Euro 350 million syndicated loan facility on March 16 in London. The loan amount was increased from Euro 275 million to Euro 350 million due to strong interest on the part of 34 banks. The new loan followed the repayment of an outstanding Euro 400 facility on March 10. The syndication was hailed as a demonstration of international confidence in both Garanti and Turkey, since there was no announced economic program.

The Board of Directors also approved the decision to raise issued capital by TL490 Trillion to TL750 Trillion, up from TL260 Trillion. The increase will be funded from retained earnings from 1999 and 2000, the fixed asset revaluation fund and sale of real estate. The shares representing this capital increase will be given in the form of bonus shares to the Bank's shareholders.

Real-time online brokerage services through our Internet Branch were launched in Q1/2001. The totally digital direct trading system enables customers to place buy and sell orders for stocks on the Istanbul Stock Exchange in a real-time environment and monitor the progress of their order. With this initiative, Garanti targets becoming one of the top e-brokers in Turkey. We believe the new system will be instrumental in executing a greater number of transaction orders for a larger number of customers in 2001.

As at March 31, 2001, Garanti Bank has increased its POS to 41,341, and raised its market share to 13.10%, in comparison with 12.7% in December 31, 2000. The efficiency of Garanti's POS machines was 31%, above the market average, as calculated by transaction amount per POS. Number of credit cards were 1,255,977 by the end of the first quarter of 2001, raising Garanti to number three in the market, the first time in its history. Parallel to the increase in number of credit cards, total issuing volume of Garanti rose to 9.2%, up from 8.1% in 2000 year-end. On the acquirer side, the Bank's market share was 17.2%. On international acquiring, Garanti remained the number one bank and improved its market share further, to 32.3%. Also during the first quarter, Garanti issued Turkey's first Virtual Credit Card. This is a non-physical Mastercard that provides complete security for users. Bonus Card, the world's first multi branded chip-based credit card, continued to expand its merchant network and reached 37 members. Garanti plans to continue emphasizing value-added cards in 2001, such as Bonus Card and Shop & Miles, Turkey's first air miles card.

Usage of alternative delivery channels was 63.2% including cash withdrawals, and 51.8% excluding cash withdrawals. In non-cash transactions, the share of Internet banking and telephone banking rose to 31.0% and 15.0% respectively. When the cash transactions are included, ATM usage rose to 35.9%.

A discussion and analysis of the Bank's Q1/2001 results are provided below:

Operating Performance

Garanti released TL51,790 Billion (US\$67 Million) of earnings before tax for the first quarter of 2001. The Bank's net profit was TL36,790 Billion (US\$48 Million) as of March 31, 2001. On a quarterly basis, net income was almost flat (down by 1.9%) in real terms in the first quarter of 2001 as compared to the fourth quarter of 2000. Garanti has benefited significantly from its liquid position during a period of extreme financial turbulence.

Interest income increased by 32.8% in real terms to TL635,222 Billion (US\$821 Million) as at March 31, 2001 from TL336,566 Billion (US\$598 Million) as at March 31, 2000. Interest income was up on a quarterly basis by 90.3% in real terms as compared to the previous quarter. The Bank achieved this by maintaining its net-lender position in the February crisis and also obtaining a strong growth in interest income from Turkish Lira and foreign currency loans as a result of rising interest rates. In the first quarter of 2001, interest income from banks were up by 602.8% y-o-y in real terms to reach TL223,095 Billion (US\$288 Million) and made up 35.1% of total interest income as compared to 6.6% in Q1/2000 and 13.0% in YE2000. Interest income from loans were also up by 101.5% in real terms on a y-o-y basis from TL98,637 Billion (US\$175 Million) in Q1/2000 to TL282,490 Billion (US\$365 Million) in Q1/2001. The quarterly real increase in this item was 23.6% as compared to the previous quarter. Interest earned on loans composed 44.5% of total interest income in Q1/2001, in comparison with 29.3% in Q1/2000 and 45.9% in YE2000. The devaluation of the Turkish Lira in February 2001 was the main reason for the 55.4% jump in interest earned on foreign currency loans on a quarterly basis. On the other hand, higher interest rates on floating TL loans also increased the income from TL loans by 16.2% in real terms on a quarterly basis despite a real decrease in total TL loans. Although interest earned on securities was down by 63.0% in real terms from TL212,378 Billion (US\$377 Million) as in 31 March 2000 to TL111,792 Billion (US\$145 Million) as in 31 March 2001, this item went up by 361.6% in real terms on a quarterly basis over the last quarter of 2000. This increase was mainly attributable to a higher long-term securities (investment) portfolio, 57% of which were securities held for obligatory purposes and which were valued on an accrual basis. Interest income from securities composed 17.6% of the total interest income in Q1/2001, as compared with 63.1% in Q1/2000 and 39.7% in YE2000.

Soaring interest rates since the last quarter of 2000 was the key factor behind the 104.6% real increase in total interest expenses on a y-o-y basis. Interest expense went up to TL468,353 Billion (US\$606 Million) as at March 31, 2001 from TL161,107 Billion (US\$286 Million) as at March 31, 2000. Interest paid on deposits composed 81.2% of total interest expense in Q1/2001 as compared to 79.7% in Q1/2000 and 78.6% in YE2000. Interest paid on deposits increased by 108.5% y-o-y in real terms from TL128,341 Billion (US\$228 Million) in Q1/2000 to TL380,333 Billion (US\$492 Million) in Q1/2001. On a quarterly basis, interest paid on deposits went up by 93.9% in real terms as compared to Q4/2000 due to expanding

Turkish Lira saving and commercial deposits and higher rates. On a quarterly basis, interest on bank deposits composed 53.1% of the total interest on deposits in Q1/2001 as compared to 58.3% in Q4/2000. The interest paid on foreign currency deposits were up by 22.4% in real terms since Q4/2000 on a quarterly basis as a result of higher exchange rates and increased costs of funding. Interest paid to deposits to total average deposits (cost of deposits) was 41.7% as of March 31, 2001, as compared to 20.0% as of March 31, 2000 and 18.1% as of December 31, 2000. The adverse economic conditions and climbing interest rates are the primary reasons behind rising cost of deposits. Interest paid on borrowed funds was up by 17.4% y-o-y in real terms to TL50,204 Billion (US\$65 Million) as compared to Q1/2000 in line with rising cost of foreign currency funding.

On a quarterly basis, net interest income was up by 96.4% in real terms as compared to Q4/2000. Hence, Garanti as a net-lender during the financial turmoil, compensated for the rising cost of TL and foreign currency funding by lending with at even higher interest rates. However, as at March 31, 2001, net interest income was TL166,869 Billion (US\$216 Million), as compared to TL175,460 Billion (US\$312 Million) on March 31, 2000 as a result of much lower spreads. NIM was up to 12.3% by the end of Q1/2001, from 10.9% in YE2000. Yet, NIM adjusted by foreign exchange losses was realized as 8.4% in March 31, 2001, slightly lower than 8.6% as in the previous quarter as a result of increased foreign exchange loss after devaluation.

As of March 31, 2001, non-interest income, net of foreign exchange loss, fees and commissions paid and trading income (net non-interest income), was TL79,689 Billion (US\$103 Million). This indicates a 200.4% year-on-year increase in real terms over the Q1/2000 figure of TL18,670 Billion (US\$33 Million). Netted fees and commissions were TL15,971 Billion (US\$21 Million) as of March 31, 2001, up by 40.4% in real terms over TL8,007 Billion (US\$14 Million) as in March 31, 2000. Net fees and commissions to net interest margin ratio was 9.6% in Q1/2001 up from 4.6% in Q1/2000. Net fees and commissions earned on non-cash loans rose significantly by 85.6% on a quarterly basis. Garanti enjoyed an increase in fees and commissions received from non-cash loans, benefiting from its top rated bank status. Accordingly, the Bank's market shares in exports and imports were to 14% and 11% respectively. During Q1/2001, the Bank posted a net trading account loss of TL30,678 Billion (US\$40 Million) as a reflection of falling bond prices and reduced trading activity in the capital markets. Therefore, net operating income (including the trading account loss) was down by 35.4% y-o-y in real terms as compared to March 31, 2000. Net operating income as a percentage of total net operating income (net interest income plus net non-interest income) decreased slightly to 22.7% as at March 31, 2001, down from 23.3% on March 31, 2000. Dividends received and other non-interest income items were the two major income generators that compensated for the trading loss. Dividends received grew by 225.1% year-on-year and 97.5% on a quarterly basis in real terms, reaching TL38,752 Billion (US\$50 Million) as of March 31, 2001. UGBI, Garanti's subsidiary bank in the Netherlands, raised its capital and distributed bonus shares, which contributed significantly to the Bank's dividend income. As of the same period, other income was realized as TL24,966 Billion (US\$32 Million), up from TL2,274 Billion (US\$4 Million) on March 31, 2000. About 60% of this income stems from sale of fixed assets.

Total other expenses, excluding the extraordinary item, foreign exchange loss, fees and commission expenses and trading account loss (netted other expenses) was TL107,126

Billion (US\$139 Million) as at March 31, 2001, up by 26.2% in real terms from TL59,750 Billion (US\$106 Million) as at March 31, 2000. However, on a quarterly basis the Bank managed to decrease its netted other expenses in real terms by 26.0% in Q1/2001 as compared to Q4/2000 as a result of the cost cutting measures taken since the November 2000 crisis. This was achieved despite rising number of branches. Personnel costs were down by 20.7% to TL26,287 Billion (US\$34 Million) as at March 31, 2001 as compared with TL23,331 Billion (US\$41 Million) a year earlier. Personnel expenses composed 24.5% of netted other expenses in Q1/2001 down from 39.0% in Q1/2000. Other non-interest expenses were TL40,520 Billion (US\$52 Million). This figure includes expenses regarding "Garanti Payment Systems", human resources related expenditures and operations. Other non-interest expenses, which composed 37.8% of netted other operating expenses, is 35.5% lower than that of Q4/2000 on a quarterly basis. Extraordinary expenses reflecting the one-time earthquake taxes were mostly covered in 2000 and only TL11,758 Billion (US\$15 Million) were set aside in Q1/2001. This figure will further decrease in the coming periods. On a y-o-y basis, provisions for possible loan losses increased by 136.9% in real terms in Q1/2001, reflecting increased lending activity.

Due to the devaluation of the TL, net foreign exchange loss was TL45,208 Billion (US\$58 Million) as at March 31, 2001, up from TL4,125 Billion (US\$4 Million) as at the last quarter of 2000.

Garanti's Cost/Income ratio excluding the extraordinary item was 54.3% as at March 31, 2001 up from 43.1% as at December 31, 2000. However, Cost/Income ratio is falling on a quarterly basis, as the quarter-only C/I ratio was 63.5% in Q4/2000. In a more stable environment and as the results of the Bank's comprehensive cost cutting program are realized, this ratio will improve further to below 50% levels.

Earnings before taxes were TL51,790 Billion (US\$67 Million) on March 31, 2001. The effective tax rate was 29.0% in Q1/2001, as compared to 22.6% in YE2000. Net income was realized as TL36,790 Billion (US\$48 Million) in Q1/2001 as compared to TL70,035 Billion (US\$124 Million) in Q1/2000. Return on average assets (ROAA) and Return on average equity (ROAE) ratios of the Bank as of March 31, 2000 are 2.07% and 17.70%, respectively.

Balance Sheet

Total assets of Garanti were TL7,632,938 Billion (US\$7,951 Million) as at March 31, 2001, as compared to TL5,193,909 Billion (US\$8,829 Million) on March 31, 2000. Total assets were up by 8.8% in real terms y-o-y. Growth in cash loans was the main driver in y-o-y growth.

Cash and due from banks were TL1,044,196 Billion (US\$1,088 Million) and made up 13.7% of total assets in Q1/2001 as compared to 13.3% in March 31, 2000. This figure was 11.5% higher in real terms as compared to Q1/2000. Garanti entered the February 2001 crisis with a stronger cash position as compared to the previous quarter and benefited from the soaring interest rates as explained above. Investment securities were down by 50.8% in real terms to TL543,532 Billion (US\$566 Million) as at March 31, 2001 from TL954,818 Billion (US\$2,021 Million) as at December 31, 2000. However, other long term investments increased by 34.9% in real terms to TL1,322,967 Billion (US\$1,378 Million) since YE2000.

Of total investment and long term securities, TL751,644 Billion (US\$783 Million) was held for obligatory purposes. The share of total securities (investment securities and other long-term investments) in total assets came down to 24.5% on March 31, 2001 from 27.3% on December 31, 2000. Total securities were TL1,866,499 Billion (US\$1,944 Million) on March 31, 2001, 10.5% lower in real terms than TL1,803,146 Billion (US\$2,705 Million) on December 31, 2000. In line with the Bank's strategy of decreasing its interest rate risk, net repo position was TL54,551 Billion (US\$57 Million) as at March 31, 2000, 87.0% lower in real terms than previous quarter's figure of TL361,811 Billion (US\$543 Million). In line with this, net repo portfolio to assets ratio was down to 0.7% in 2000 from 5.2% in YE2000.

Cash loans increased by 32.4% in real terms to TL2,800,962 Billion (US\$2,918 Million) on March 31, 2001, composing 36.7% of total assets up from 30.1% a year earlier. The 23.8% real decrease in TL loans was balanced by a 9.2% real increase in foreign currency loans as compared to YE2000. The share of FC loans in total loans increased to 69.5% on March 31, 2001, from 61.4% on December 31, 2000. Short-term cash loans made up 48.7% of total cash loans in Q1/2001, as compared to 60.5% in Q1/2000. The shares of corporate and commercial loans in the total cash loans were 43.5% and 32.3% respectively, whereas the share of retail loans, including small business, were 24.2% as at March 31, 2001. Non-performing loans were TL86,902 Billion (US\$91 Million) as of Q1/2001 as compared to TL66,689 Billion (US\$100 Million) as of YE2000. Non-performing loans to cash loans were 3.1% as of March 31, 2001, up from 2.7% at the end of 2000. The Bank forecasted this increase in its NPL ratio because of the serious effects of devaluation on small and medium-sized companies. However, this ratio is still among the lowest in the Turkish banking sector, thanks to Garanti's sophisticated risk management. Non-performing loans to total cash and non-cash loans were also increased slightly to 1.48% as at Q1/2000 as compared to 1.40% in the previous quarter. The Bank has set aside a 78.94% of provisioning for non-performing loans. The Bank has provisioned 85% for loans, which have limited collectability, although 100% of provision was set aside for the ones, which have uncertain collectability and non-collectables. Cash and non-cash loans extended to related party made up 7.7% and 4.5% of the total cash and total non-cash loans, respectively, again, one of the lowest in its peer group.

Deposits were TL3,867,717 Billion (US\$4,029 Million) as of March 31, 2001 as compared to TL3,437,096 Billion (US\$5,157 Million) in December 31, 2000 and TL2,737,091 Billion (US\$4,653 Million) in March 31, 2000. Saving deposits and commercial deposits went up by 59.8% and 112.1% respectively in real terms year-on-year. These items were also up in real terms as compared to YE2000, most of the increase stemming from the deposits coming from state banks. The share of total deposits in total assets was 50.7% on March 31, 2000. Foreign currency deposits composed 64.0% of total deposits in Q1/2001, as compared to 65.4% as in year-end 2000. Excluding bank deposits and gold, foreign currency deposits were TL2,048,254 Billion (US\$2,134 Million), and made up 67.1% of total core deposits as compared to 75.0% in the previous period. Excluding bank deposits and gold, FC time deposits composed 78.3% of total FC deposits whereas the share of TL time deposits in total TL deposits was 85.6% on March 31, 2001, up from 74.1% on December 31, 2000 and 56.3% on March 31 2000. As of March 31, 2001, 84.2% of total deposits were time deposits, up from 82.0% in YE2000.

Total funds borrowed including the interbank takings increased by %3.9 in real terms since YE2000 to TL2,394,317 Billion (US\$2,494 Million) as at March 31, 2000, composing 31.4% of total liabilities and shareholders' equity, as compared to 30.2% in YE2000 and 25.2% on March 31, 2000.

Total shareholders' equity including net income was TL845,391 Billion (US\$881 Million) on March 31, 2001. Total equity to total assets ratio was 11.1% as of March 31, 2001 as compared to 12.4% on December 31, 2000 and 12.9% on March 31, 2000. Capital adequacy ratio in Q1/2001 was 8.6% as compared with 12.7% in YE2000.

Net foreign currency position of the Bank was US\$87 Million as of March 31, 2001, down from US\$133 Million in year-end 2000. Current period's short position corresponds to 16.98% of the Bank's equity base, calculated in line with the Central Bank's guidelines.

Exchange Rates

US\$1= TL960,000	As of Mar. 31, 2001	US\$1=TL773,430	2001 Jan. – Mar. average
US\$1= TL666,500	As of Dec. 31, 2000	US\$1=TL623,998	2000 Jan. – Dec. average
US\$1= TL588,250	As of Mar. 31, 2000	US\$1=TL562,660	2000 Jan. – Mar. average

Inflation Rate (WPI)

	End of Period	Average
2000 December – 2001 March	15.6%	6.9%
2000 March – 2001 March	35.1%	42.1%

KEY RATIOS

	31.03.2001	31.12.2000	31.03.2000	31.12.1999
<i>Asset Quality and Liquidity Ratios</i>				
NPL / Cash Loans	3.10%	2.66%	1.91%	1.94%
NPL/ Cash +Non-Cash Loans	1.48%	1.40%	0.90%	0.92%
Allowance for Loan Losses/NPL	78.94%	91.46%	100.0%	100.00%
Deposits/Total Assets	50.67%	52.00%	52.70%	52.82%
Cash Loans/Total Assets	36.70%	38.00%	30.14%	31.37%
Liquid Assets/Total Assets	38.13%	41.54%	41.38%	40.92%
<i>Profitability Ratios</i>				
NIM	12.30%	10.87%	20.28%	19.41%
Adjusted NIM	8.41%	8.55%	16.58%	13.81%
ROAA	2.07%	3.68%	5.76%	5.26%
ROAE	17.70%	29.24%	44.56%	41.40%
Non-interest Income/Total Operating Income	22.70%	42.02%	23.34%	18.86%
Cost / Income ⁽¹⁾	62.04%	57.54%	47.12%	42.97%
Cost / Income ⁽²⁾	54.25%	43.05%	27.04%	37.55%
Net Operating Expense ⁽²⁾ (excl. FX loss) / Total Average Assets	6.02%	6.52%	4.91%	6.25%
Effective Tax Rate	28.96%	22.61%	29.99%	25.50%

(1) Including the extraordinary earthquake taxes.

(2) Excluding the extraordinary earthquake taxes.

Turkiye Garanti Bankası Anonim Sirketi

**Financial Statements
31 March 2001 and 2000**

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TURKIYE GARANTI BANKASI A.S.

	Unaudited	
BALANCE SHEETS-ASSETS (in billions TL)	31.03.2001	31.03.2000
Liquid assets	68,297	24,796
Cash, local currency	10,731	5,004
Cash, foreign currency	50,912	14,821
Others	6,654	4,971
Due from banks	747,899	665,357
Central Bank of Turkey	168,938	69,387
Other banks	578,961	595,970
-Domestic banks	36,823	241,440
-Foreign banks	542,138	354,530
Other financial institutions	-	-
Interbank funds sold	228,000	3,000
Securities (Net)	543,532	1,188,797
Government bonds and treasury bills	24,399	673,707
Other bonds	-	-
Equity shares	218	440
Other securities	518,975	514,650
Loans	2,800,962	1,565,477
Short-term	1,365,220	947,493
Medium and long-term	1,435,742	617,984
Receivables under follow-up (Net)	18,301	-
Limited collectibility (net)	12,998	-
- Gross receivables	19,105	-
- Provision (-)	6,107	-
Collectibility uncertain (net)	5,183	-
- Gross receivables	37,941	-
- Provision (-)	32,758	-
Uncollectible (net)	120	-
- Gross receivables	29,855	29,869
- Provision (-)	29,735	29,869
Accrued interest and income	443,312	500,514
Loans	254,066	70,537
Securities	64,444	291,390
Others	124,802	138,587
Receivables from financial leasing activities (Net)	-	-
Receivables from financial leasing activities	-	-
Unearned income (-)	-	-
Reserve deposits	257,549	196,081
Miscellaneous receivables	64,340	16,366
Investments (Net)	63,203	93,406
Financial companies	2,590	4,390
Non-financial companies	60,613	89,016
Affiliated companies (Net)	450,687	272,022
Financial companies	409,617	242,735
Non-financial companies	41,070	29,287
Other long-term investments (Net)	1,322,967	267,411
Equity shares	3,858	3,020
Others	1,319,109	264,391
Bank premises and equipment (Net)	338,227	220,657
Carrying value	419,731	265,883
Accumulated depreciation (-)	81,504	45,226
Other assets	285,662	180,025
TOTAL ASSETS	7,632,938	5,193,909

TURKIYE GARANTI BANKASI A.S.

BALANCE SHEETS-LIABILITIES AND

Unaudited

SHAREHOLDERS' EQUITY (in billions TL)	31.03.2001	31.03.2000
Deposits	3,867,717	2,737,091
Saving deposits	545,249	252,565
Deposits of official authorities and organisations	4,072	14,084
Commercial deposits	372,346	129,939
Deposits of other organisations	64,625	43,638
Bank deposits	817,170	582,009
Foreign currency deposits	2,048,069	1,711,675
Gold deposits	16,186	3,181
Interbank funds borrowed	402,476	93,861
Funds borrowed	1,991,840	1,204,381
Central Bank of Turkey	-	-
Others	1,991,840	1,204,381
-Domestic banks and organisations	71,509	65,618
-Foreign banks and organisations	1,920,331	1,138,763
-Subordinated debts	-	-
Funds	-	-
Securities issued (Net)	-	13,809
Notes	-	-
Asset backed securities	-	-
Bonds	-	13,809
Accrued interest and expense	192,060	181,249
Deposits	151,120	140,913
Funds borrowed	31,902	20,583
Others	9,038	19,753
Payables from financial leasing activities (Net)	-	-
Payables from financial leasing activities	-	-
Deferred expenses (-)	-	-
Taxes, stamps, premiums and other duties	16,317	8,798
Import transfer orders	122,902	8,088
Miscellaneous payables	79,500	45,186
Reserves	81,280	164,596
Reserve for retirement pay	6,918	5,168
General provision for loan losses	27,550	9,610
Reserve for taxes on income	25,176	108,714
Other provisions	21,636	41,104
Other liabilities	33,455	65,980
Shareholders' equity	808,601	600,835
Share capital	260,000	260,000
-Nominal capital	260,000	260,000
-Unpaid capital (-)	-	-
Legal reserves	34,717	24,349
-Legal reserves I&II	33,668	23,404
-Share premium	-	-
-Other legal reserves	1,049	945
Extraordinary reserves	372,590	192,552
Revaluation surpluses	131,543	60,908
Valuation increments	9,751	63,026
Loss	-	-
-Loss for the period	-	-
-Prior years' losses	-	-
Income	36,790	70,035
-Net income for the period	36,790	70,035
-Prior years' income	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,632,938	5,193,909
COMMITMENTS AND CONTINGENCIES		
Guarantees and endorsements	3,079,641	1,768,391
Commitments	66,072	743,443
Derivative transactions	3,580,393	1,951,564
TOTAL	6,726,106	4,463,398

TURKIYE GARANTI BANKASI A.S.

		Unaudited	
STATEMENTS OF INCOME (in billions TL)		31.03.2001	31.03.2001
I.	INTEREST INCOME	635,222	336,566
	Interest on loans	282,490	98,636
	TL loans	215,352	65,894
	-Short-term loans	186,538	65,593
	-Medium and long-term loans	28,814	301
	Foreign currency loans	67,008	32,594
	-Short-term loans	34,104	16,327
	-Medium and long-term loans	32,904	16,267
	Interest on loans under follow-up	130	148
	Interest from banks	223,095	22,339
	Central Bank of Turkey	822	-
	Domestic banks	132,795	13,533
	Foreign banks	89,478	8,806
	Interest on interbank funds sold	4,644	320
	Interest on securities	111,792	212,379
	Government bonds and treasury bills	78,655	192,123
	Other securities	33,137	20,256
	Other interest income	13,201	2,892
II.	INTEREST EXPENSE	468,353	161,107
	Interest expense on deposits	380,333	128,342
	Saving deposits	95,104	26,449
	Deposits of official authorities and organisations	169	793
	Commercial deposits	35,805	9,105
	Deposits of other organisations	4,155	291
	Bank deposits	201,903	63,506
	Foreign currency deposits	43,124	28,197
	Gold deposits	73	1
	Interest on interbank funds borrowed	35,229	2,001
	Interest on funds borrowed	50,204	30,093
	Central Bank of Turkey	-	-
	Domestic banks	5,220	3,338
	Foreign banks	36,643	16,522
	Other organisations	8,341	10,233
	Interest on securities issued	-	502
	Other interest expense	2,587	169
III.	NET INTEREST MARGIN (I-II)	166,869	175,459
IV.	OTHER INCOME	2,648,868	224,489
	Commissions and fees received	44,187	20,512
	Loans	1,930	631
	Documentary credits and letters of guarantee	6,995	2,855
	Others	35,262	17,026
	Trading account income	126,316	36,269
	Foreign exchange gain	2,414,647	157,045
	Dividends received	38,752	8,389
	Extraordinary income	-	-
	Others	24,966	2,274
V.	OPERATING EXPENSES	2,763,947	299,913
	Commissions and fees paid	28,216	12,505
	Funds borrowed	884	1,974
	Documentary credits	73	-
	Others	27,259	10,531
	Trading account loss	156,993	1,520
	Foreign exchange loss	2,459,855	186,769
	Personnel expenses	26,287	23,331
	Provision for retirement pay	250	500
	Rent expenses	6,066	2,984
	Depreciation and amortisation expenses	5,555	3,655
	Taxes, stamps and other duties	8,823	3,201
	Extraordinary expenses	11,758	39,369
	Provision for loan losses	7,607	2,259
	Other provisions	12,017	826
	Others	40,520	22,994
VI.	NET OTHER INCOME/(EXPENSE) (IV-V)	(115,079)	(75,424)
VII.	INCOME BEFORE TAXES (III+VI)	51,790	100,035
VIII.	PROVISION FOR TAXES ON INCOME	15,000	30,000
IX.	NET INCOME FOR THE PERIOD (VII-VIII)	36,790	70,035

TURKIYE GARANTI BANKASI A.S.

(Currency – Billions of Turkish Lira)

I- GENERAL NOTES ON THE BANK'S FINANCIAL POSITION

A. Disclosures on Current Period Operations

(1) The financial statements were approved on **27 April 2001 (2000: 21 April 2000)**.

(2) a) Accounting policies:-

Accounting policies of the Bank are set in accordance with the uniform chart of accounts, the uniform balance sheet and statement of income and the uniform notes to the financial statements, and accounting and valuation standards as described in Article 13 "Accounting and Recording Rules" of (Turkish) Banking Law No.4389.

Significant accounting policies applied by the Bank are summarised below:-

Income and expense recognition:

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

Securities, investments, affiliated companies and other long-term investments:

Valuation principles applied for securities, investments, affiliated companies and other long-term investments are explained below in (5).

Securities under repurchase transactions:

Securities sold under repurchase agreements are marked to market. These types of transactions of the Bank are short-term and entirely involve government securities. Any gain or loss at the time of sale is reflected in "trading account income/loss" in the statement of income.

Provision for loan losses:

The Bank provides allowances for specific loan losses and general provisions for inherent credit risks on its assets in accordance with the degree no.99/13761 on identification of and provision against non-performing loans and other receivables as published in Official Gazette no.23913 dated 21 December 1999, and the related article no.1 as published in Official Gazette no.24006 dated 31 March 2000.

Depreciation:

Bank premises and equipment is depreciated in accordance with the Turkish Tax Laws at rates approximating their estimated useful lives on a straight-line basis. These rates are as follows:

Buildings	2%
Motor vehicles	15%
Other fixed assets	5-20%

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

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.

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 balance sheets, since such items are not under the ownership of the Bank.

b) Changes in the accounting policies and effects of such changes on the financial statements:-

There were no changes in the accounting policies except for those changes in "Valuation Principles" that are explained fully in (4) below including their effects on the Bank's financial results.

(3) Application of the basic accounting principles; going-concern, accrual basis accounting and consistency concepts:-

The financial statements are prepared on the basis of going-concern, accrual basis accounting and consistency principles except for the matter discussed below in (4).

(4) Changes to the valuation policies, if any, and effects of such changes on the financial statements:-

Prior to the current period, all securities used to be valued on a "simple interest rate basis". Following the related amendments to the Turkish Uniform Chart of Accounts for Banks valid since 15 June 2000, marketable securities classified under "Securities" were marked to market, whereas the ones classified under "Other long-term investments" were valued on a "simple interest rate basis" as before. Current period interest income on securities was affected adversely by TL4,347 due to the difference between "market values" and "simple-interest-rate-basis values" of marketable securities classified under "Securities".

(5) Valuation methods of securities (including investments, affiliated companies and other long-term investments):-

A. Securities :

Securities in Turkish Lira:-

1- Equity shares

Equity shares comprised of securities quoted on the Istanbul Stock Exchange. Such shares are valued according to the weighted average prices at the Istanbul Stock Exchange for the last 30 working days. The valuation increments are booked under the "valuation increments" heading as a component of shareholders' equity.

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

2- Others

Other securities classified under “securities in Turkish Lira” are marked to market.

Securities in foreign currencies:-

1- Others

Securities in foreign currencies are booked at purchase costs and valued on a “simple interest rate basis” as they are not traded in the İstanbul Stock Exchange, and converted into Turkish Lira at the prevailing exchange rates at balance sheet date.

B. Investments :

Securities in Turkish Lira:-

Investment quoted on the Istanbul Stock Exchange are valued according to the weighted average prices at the Istanbul Stock Exchange for the last 30 working days (2000: the last five working days). The valuation increments are booked under the "valuation increments" heading as a component of shareholders' equity.

Other investments are recorded at purchase costs and bonus shares received.

Securities in foreign currencies:-

Investments in foreign currencies are recorded at purchase costs, and converted into Turkish Lira at the prevailing exchange rates at balance sheet date.

C. Investments in affiliated companies :

Valuation principles for investments in affiliated companies are the same with the principles applied for investments as explained above in (5).B.

D. Other long-term investments :

Securities in Turkish Lira:-

1- Equity shares

Valuation principles for equity shares classified under other long-term investments are the same with the principles applied for investments as explained above in (5).B.

2- Others

a) Long-term investments

Treasury bills and government bonds classified under “Investment Portfolio” are booked at purchase costs and valued on a "simple interest rate basis". Interest earned upto the balance sheet date is classified under “accrued interest and income on securities”.

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

b) Pledged securities

Securities provided as collateral against legal obligations are booked at purchase costs and valued on a "simple interest rate basis". Interest earned upto the balance sheet date is classified under "accrued interest and income on securities".

Securities in foreign currencies:-

1- Others

a) Long-term investments

Long-term foreign currency investments classified under "Investment Portfolio" are booked at purchase costs and valued on a "simple interest rate basis". Interest earned upto the balance sheet date is classified under "accrued interest and income on securities".

(6) Method of depreciation applied, any changes in methodology and effects of such changes:-

Bank premises and equipment are depreciated on a "straight-line basis". There have not been any changes made in depreciation methods used during the current period.

(7) US dollar exchange rate used in translation of foreign currency items in the financial statements, into the Turkish lira (TL) at the date of balance sheet, and US dollar exchange rates for TL announced by the Bank applicable to its transactions for the last five working days of the period are as follows:-

A. The US dollar exchange rate for TL used for the preparation of the financial statements at 31 March 2001, was TL960,000 (2000: TL588,250).

B. The US dollar exchange rates for TL announced by the Bank for the last five working days of the current and previous periods were as follows:-

	<u>Current Period</u>	<u>Prior Period</u>
US dollar purchase rate <u>at the date of balance sheet</u>	960,000	585,400
US dollar purchase rates for the days before <u>balance sheet date</u>		
Day 1	950,000	586,100
Day 2	1,000,000	584,500
Day 3	930,000	581,500
Day 4	920,000	578,650
Day 5	935,000	578,850

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

- (8) US dollar equivalents of assets and liabilities denominated in foreign currencies and foreign currency open positions at the date of balance sheets were as follows:-

	<u>Current Period</u>		<u>Prior Period</u>	
	<u>Turkish Lira</u>	<u>US dollar equivalents \$ million</u>	<u>Turkish Lira</u>	<u>US dollar equivalents \$ million</u>
I – FOREIGN CURRENCY ASSETS				
1) Liquid Assets (cash on hand, cash in transit, purchased cheques)	57,566	60	19,791	34
2) Central Bank of Turkey	142,274	148	53,497	91
3) Domestic banks (excluding interbank deposits)	-	-	64,414	110
4) Foreign banks	542,138	565	354,531	603
5) Securities (Net)	518,975	541	461,164	784
6) Loans	1,947,644	2,029	1,060,410	1,803
7) Reserve deposits	219,382	229	177,164	301
8) Foreign currency-indexed assets (a+b)	172,800	180	45,557	77
a) Loans	121,096	126	-	-
b) Others	51,704	54	45,557	77
9) Accrued interest and income	128,137	133	106,968	182
10) Other assets	785,409	818	326,074	554
COMMITMENTS AND CONTINGENCIES	1,217,730	1,268	909,017	1,545
11) Repurchase contracts	293	-	-	-
12) Forward currency purchases	1,217,437	1,268	909,017	1,545
TOTAL FOREIGN CURRENCY ASSETS	<u>5,732,055</u>	<u>5,971</u>	<u>3,578,607</u>	<u>6,083</u>
II – FOREIGN CURRENCY LIABILITIES				
1) Foreign currency deposits	2,048,069	2,133	1,711,675	2,910
2) Gold deposits	16,186	17	3,181	5
3) Bank deposits	410,904	428	109,804	187
4) Funds borrowed from Central Bank of Turkey	-	-	-	-
5) Funds borrowed from domestic banks (excluding interbank takings)	46,026	48	56,283	96
6) Funds borrowed from other domestic organisations	-	-	-	-
7) Foreign borrowings	1,920,331	2,000	1,134,763	1,929
8) Securities issued (Net)	-	-	13,809	23
9) Foreign currency-indexed liabilities (a+b)	-	-	-	-
a) Funds borrowed	-	-	-	-
b) Others	-	-	-	-
10) Accrued interest and expense	56,274	59	56,099	95
11) Other liabilities	547,639	570	134,489	229
COMMITMENTS AND CONTINGENCIES	770,565	803	427,649	727
12) Resale contracts	293	-	-	-
13) Forward currency sales	770,272	803	427,649	727
TOTAL FOREIGN CURRENCY LIABILITIES	<u>5,815,994</u>	<u>6,058</u>	<u>3,647,752</u>	<u>6,201</u>
FOREIGN CURRENCY NET POSITION (I – II)	<u>(83,939)</u>	<u>(87)</u>	<u>(69,145)</u>	<u>(118)</u>

The foreign currency balance sheet is managed in accordance with the Bank's liquidity and provisioning policies and in full compliance with the legal legislation.

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

The open foreign currency position is managed in paralel to the currency basket (usd 1+euro 0.77) announced by the Central Bank of Turkey, therefore does not bear any further exchange rate fluctuation risk. Exchange rate, interest rate and maturity mismatching risks are minimised, especially through derivative instruments like currency swaps, forward currency deals, interest swaps and similar instruments.

Foreign currency assets and liabilities of the Bank per major currencies, were as follows as at 31 March 2001:-

	<u>US Dollars</u>	<u>Euro Group**</u>	<u>Euro</u>	<u>Others in US dollar equivalents***</u>
I- Foreign Currency Assets				
Liquid assets	41,642	15,107	3,538	1,876
Due from banks	604,288	1,183	103,299	16,477
Securities (net)	39,698	650	1,000	499,445
Loans	1,389,684	476,863	192,675	48,510
Other long-term investments (net)	355,124	1,545	22,213	-
Other foreign currency assets*	1,915,644	89,402	245,509	41,452
Total Foreign Currency Assets	4,346,080	584,750	568,234	607,761
II- Foreign Currency Liabilities				
Deposits	2,077,780	402,040	109,559	49,228
Funds borrowed	1,886,367	11,534	610,952	32,070
Securities issued (net)	-	-	-	-
Other foreign currency liabilities*	799,931	20,893	193,189	23,731
Total Foreign Currency Liabilities	4,764,078	434,467	913,700	105,028
Difference (I - II)	(417,998)	150,283	(345,466)	502,732

* All other foreign currency assets and liabilities including off balance sheet items

** Currencies to be converted into Euro, total in Euro terms (like DEM, FRF etc.)

*** US dollar equivalent of all other currencies having less than 10% share in foreign currency assets and liabilities

(9) Bank premises and equipment, and insurance coverages:-

	31 March 2001		
	<u>Book Values in Gross</u>	<u>Accumulated Depreciation</u>	<u>Insurance Coverage</u>
Movables	131,491	65,262	123,198
Immovables	195,456	8,551	73,207
1-Assets under use for banking activities	195,456	8,551	73,207
2-Others	-	-	-
Special costs	15,492	7,691	-
Assets held for resale	77,292	-	-
1-Stocks	766	-	-
2-Immovables	76,526	-	-
Assets held under financial leases*	12,948	2,675	-

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

	31 March 2000		
	<u>Book Values in Gross</u>	<u>Accumulated Depreciation</u>	<u>Insurance Coverage</u>
Movables	75,174	35,768	74,448
Immovables	136,863	5,777	150,497
1-Assets under use for banking activities	136,863	5,777	150,497
2-Others	-	-	-
Special costs	8,695	3,680	-
Assets held for resale	45,151	-	-
1-Stocks	138	-	-
2-Immovables	45,013	-	-
Assets held under financial leases*	6,127	958	-

* Financial leasing transactions are accounted for in accordance with Turkish legislation, not IAS17. Accordingly, fixed assets acquired through financial leases are not reflected in the accompanying financial statements as further discussed in Section II. (18)

(10) Significant commitments and contingencies from which probable gains/losses may occur, although amounts can not be reasonably estimated:-

There were no such cases.

(11) Other matters which had significant effects on the financial statements and therefore should be disclosed for the purpose of presentation of fair and sufficient information on the financial statements:-

The reserve for retirement pay at 31 March 2001, amounted to TL6,918 (2000: TL5,168) of which TL250 (2000: TL500) was provided in the current period. The provision made in the current period against non-performing loans, amounted to TL7,607 (2000: TL2,259), and accordingly total provision for non-performing loans reached to TL68,601 (2000: TL29,870) as at 31 March 2001 considering the effects of loans written-off or collected during the period; for non-cash loans not liquidated yet but considered uncertain a further provision of TL66 (2000: TL.....-.....) was made, and furthermore the general provision made for credit risks amounted to TL2,017 (2000: TL826) and accordingly such provisions reached to TL27,550 (2000: TL9,610) in total considering the effect of changes in the related legislation during the period. Moreover, as at 31 March 2001, an additional general provision of TL10,000 (2000:-.....) was made in the current period, and accordingly total general provision excluding the general provision for credit risks reached to TL20,000 in the accompanying balance sheet.

(12) The external audit firm is Cevdet Suner Denetim ve Yeminli Mali Musavirlik Anonim Sirketi (a member firm of KPMG).

B. Other Disclosures

(13) Significant events and matters arising subsequent to the date of balance sheet:-

There were no such events or matters.

(14) Foreign branches:-

<u>Location</u>	<u>Total Assets(TL)</u>	<u>Legal Capital</u>
1- Luxembourg	1,100,303	USD 40,000,000
2- Malta	1,801,455	-

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

II- NOTES TO BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS

(1) TL.....-..... (2000: TL.....-.....) of cash at the Central Bank was deposited under blocked accounts.

(2) a- Due from foreign banks:-

	<u>Current Period</u>		<u>Prior Period</u>	
	<u>Turkish Lira</u>	<u>US dollar Equivalents in Millions</u>	<u>Turkish Lira</u>	<u>US dollar Equivalents in Millions</u>
Unrestricted balance	519,776	542	342,636	583
Restricted balance	<u>22,362</u>	<u>23</u>	<u>11,894</u>	<u>20</u>
Total	<u>542,138</u>	<u>565</u>	<u>354,530</u>	<u>603</u>

b- Breakdown of due from foreign banks according to their origins:-

<u>OECD Countries</u>		<u>Other Countries</u>	
<u>Country</u>	<u>Balance (TL)</u>	<u>Country</u>	<u>Balance (TL)</u>
1. United Kingdom	139,707	1. Russia	3,874
2. USA	111,262	2. S. Arabia	285
3. Germany	82,237	3. Iraq	<u>1</u>
4. Luxembourg	76,636		
5. The Netherlands	43,773		<u>4,160</u>
6. Cyprus	23,885		
7. Austria	12,740		
8. Ireland	11,846		
9. Canada	9,753		
10. Norway	9,740		
11. Italy	5,098		
12. Denmark	2,543		
13. Switzerland	1,278		
14. Japan	329		
15. Malta	202		
16. Sweden	185		
17. France	133		
18. Belgium	76		
19. Spain	67		
20. Australia	19		
21. Greece	<u>1</u>		
	<u>537,978</u>		

(3) a- TL33 (2000: TL299) of "securities" balance represents the "valuation increment" on securities.

b- Total carrying value of equity shares of which market values exceeded their costs and which were stated at cost in the balance sheet amounted to TL.....-..... (2000: TL-.....), total costs of securities recorded at their market values amounted to TL185 (2000: TL185).

c- TL751,644 (2000: TL70,823) of securities and long-term investments comprised of securities held in compliance with legal requirements.

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

d- Breakdown of securities for the current period:-

	<u>Purchase Costs</u>	<u>Market Value</u>	<u>Value per Central Bank of Turkey*</u>	<u>Provision for Diminishing in Value</u>
<u>Government bonds and treasury bills</u>	24,339	24,488	24,563	-
1. Fixed-income securities	24,339	24,488	24,563	-
2. Securities indexed to inflation	-	-	-	-
3. Securities indexed to foreign currency	-	-	-	-
4. Securities in foreign currency	-	-	-	-
<u>Investment funds</u>	1,398	-	-	-
<u>Other notes</u>	-	-	-	-
1. Fixed-income securities	-	-	-	-
2. Securities indexed to inflation	-	-	-	-
3. Securities indexed to foreign currency	-	-	-	-
4. Securities in foreign currency	-	-	-	-
<u>Gold</u>	479,467	479,467	488,947	-
<u>Equity shares</u>	-	-	-	-
1. Quoted	185	218	-	-
2. Unquoted	-	-	-	-
<u>Others</u>	-	-	-	-

As explained above in Section I.A.(5), trading portfolio is generally valued at market prices. Interest accruals calculated per market prices are classified under “accrued interest and income on securities”, whereas purchase costs of such securities are classified under “securities”, in account no. 030 and 031. The only exception is the equity shares which are classified in “securities” at their market prices. Accordingly, market values of such equity shares in the amount of TL218 as mentioned above were included in “securities”, in account no. 030 and 031 as at 31 March 2001.

* values calculated based on daily prices announced by the Central Bank of Turkey in the Official Gazette

(4) a- Advances, cash and non-cash loans granted to shareholders and personnel:-

	<u>Current Period</u>		<u>Prior Period</u>	
	<u>Cash</u>	<u>Non-cash</u>	<u>Cash</u>	<u>Non-cash</u>
1. Lendings to shareholders				
Lending to corporations	4,629	54,576	4,749	50,042
Other lendings	15,884	6,193	-	-
2. Lendings to personnel	215	-	321	-

Cash and non-cash loans extended to shareholders are treated as ordinary commercial lendings to other customers in the existing market conditions.

b- Credit policies and practices applied for related parties (as defined by International Accounting Standards), and analysis of related party transactions during the period:-

Transactions with related parties are held under arm’s-length conditions; terms are set according to the existing market conditions and in full compliance with the Banking Law. The Bank’s policy is to keep the balances with related parties at minimum levels.

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

Balances with related parties and share of such balances in total per financial statements were as follows at 31 March 2001:-

	<u>Related Party</u> <u>Risks</u>	<u>Balance Sheet</u> <u>Total</u>	<u>Share of</u> <u>Related Party</u> <u>Risks %</u>
Cash loans	214,825	2,800,962	7.67
Deposits	102,819	3,867,717	2.66
Non-cash loans	138,647	3,079,640	4.50
Interest income	30,620	635,222	4.82
Interest expenses	926	468,353	0.20
Commission income	2,794	44,187	6.32
Derivative transactions	880,340	3,580,393	24.58

c- Receivables from and payables to affiliated companies and other investees, were as follows:-

	<u>Financial investees and</u> <u>affiliated companies</u>		<u>Other investees and</u> <u>affiliated companies</u>	
	<u>Current</u> <u>Period</u>	<u>Prior</u> <u>Period</u>	<u>Current</u> <u>Period</u>	<u>Prior</u> <u>Period</u>
<u>RECEIVABLES</u>				
-Due from banks and other financial institutions	80,871	19,816	-	-
-Loans (including overdue loans)	67,748	41,722	57,626	19,026
-Accrued interest and income	2,232	1,381	18,653	1,242
<u>PAYABLES</u>				
-Deposits	83,170	23,665	4,264	-
-Funds borrowed	-	112,827	-	-
-Accrued interest and expenses	181	2,042	-	-
<u>DOCUMENTARY CREDITS AND OTHER</u>				
<u>NON-CASH LOANS</u>				
-Letters of guarantee	48,678	131,395	5,290	4,944
-Acceptance credits	5,126	-	-	-
-Letters of credit	5,792	-	-	-
-Other non-cash loans	-	-	34	-

Balances with affiliated companies and other investees, are resulted from arm's-length banking activities under the terms set in accordance with the existing market conditions.

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

d- Loans and other receivables renewed, refunded or restructured, and classified under groups I&II:-

	Group I – Standard performing loans and other receivables (TL)		Group II – Loans and other receivables under special follow-up (TL)	
	(1)	(2)	(1)	(2)
	Renewed, refunded or restructured loans and other receivables	Other loans and Receivables	Renewed, refunded or restructured loans and other receivables	Other loans and receivables
Cash loans	-	2,779,758	-	21,204
I- Loans (excluding loans for specialization)	-	2,779,758	-	21,204
Export loans	-	674,365	-	-
Import loans	-	4	-	-
Investment loans	-	13,714	-	-
Loans to foreign banks	-	2,545	-	-
Loans to other financial institutions	-	6,312	-	-
Gold credits	-	38,842	-	-
Other loans	-	2,043,976	-	21,204
1-Consumer loans	-	423,088	-	-
2-Credit cards	-	194,234	-	-
3-Other foreign lending	-	1,178,611	-	-
4-Others	-	248,043	-	21,204
II- Specialization loans	-	-	-	-
III- Liquidated non-cash loans	-	-	-	-
Receivables classified under other assets but legally considered as loans	-	1,835,043	-	-
Other receivables	-	239,791	-	18,159
Non-cash loans	-	3,076,519	-	3,122

(5) a- Loans and other receivables renewed, refunded or restructured, and classified under follow-up accounts:-

There were no such cases.

b- Collateral distribution of loans and other receivables under follow-up:-

<u>Collateral groups</u>	<u>Group III</u> Loans and receivables limited collectibility	<u>Group IV</u> Loans and receivables collectibility uncertain	<u>Group V</u> Loans and receivables uncollectible
<u>Current period:-</u>			
Unsecured	7,687	28,796	21,893
Group I	2	-	83
Group II	10,326	5,597	2,309
Group III	1,069	273	4,987
Group IV	21	3,275	1,083
<u>Prior period:-</u>			
Unsecured	-	-	23,018
Group I	-	-	-
Group II	-	-	6,829
Group III	-	-	22
Group IV	-	-	-

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

c- Movements in provision for loans and receivables under follow-up:-

	<u>Group III</u> Loans and receivables limited collectibility	<u>Group IV</u> Loans and receivables collectibility uncertain	<u>Group V</u> Loans and receivables uncollectible
Balance, beginning of period	37,941	4,359	24,389
- Increases during the period	19,105	-	1,107
- Transfer from other follow-up accounts	-	37,941	4,359
- Transfer to other follow-up accounts	37,941	4,359	-
- Collections during the period	-	-	-
- Write-offs	-	-	-
Balance, end of period	19,105	37,941	29,855
- Specific provisions	6,107	32,758	29,735
Net balance at period end	<u>12,998</u>	<u>5,183</u>	<u>120</u>

d- Foreign currency receivables under follow-up accounts :-

	<u>Group III</u> Loans and receivables limited collectibility	<u>Group IV</u> Loans and receivables collectibility uncertain	<u>Group V</u> Loans and receivables uncollectible
Current period			
Balance, beginning of period	-	-	1
- Specific provisions	-	-	1
Net balance at period end	<u>-</u>	<u>-</u>	<u>1</u>
Prior period			
Balance, beginning of period	-	-	1
- Specific provisions	-	-	1
Net balance at period end	<u>-</u>	<u>-</u>	<u>1</u>

(6) Receivables on forwards sales of assets:-

There were no such cases.

- (7) a- TL9,701 (2000: TL61,258) of investments and affiliated companies represented the "valuation increment" arising from the market value adjustments for such investments traded on the Istanbul Stock Exchange, and TL.....-..... represented the "valuation increment" arising from equity accounting application.

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

b- Economic sectors of investments and affiliated companies were as follows:-

	<u>Purchase Costs</u>	<u>Bonus Shares</u>	<u>Revaluation Surplus</u>	<u>Diminishing in Value</u>
<u>Domestic investments and affiliated companies</u>				
Insurance	8,360	960	-	-
Manufacturing	1,383	1,162	-	-
Mining	-	-	-	-
Energy	-	-	-	-
Prosperity	-	-	-	-
Transportation	-	-	-	-
Foreign trade	-	-	-	-
Tourism	3,592	462	-	-
Agriculture	-	-	-	-
Forestry	-	-	-	-
Other financial sectors	15,468	1,351	-	-
Other commercial sectors	82,563	2,818	9,701	-
<u>Foreign investments and affiliated companies</u>				
Banking	81,317	-	-	-
Insurance	-	-	-	-
Manufacturing	-	-	-	-
Mining	-	-	-	-
Energy	-	-	-	-
Prosperity	-	-	-	-
Transportation	-	-	-	-
Foreign trade	-	-	-	-
Tourism	-	-	-	-
Agriculture	-	-	-	-
Forestry	-	-	-	-
Other financial sectors	304,751	-	-	-
Other commercial sectors	-	-	-	-

c- Carrying values of investments and affiliated companies quoted at the domestic and foreign stock exchange markets amounted to **TL26,574 (2000: TL75,746)** and **TL...-.... (2000: TL...-.....)** , respectively.

d- Bonus shares received on investments and affiliated companies amounted to **TL6,753 (2000: TL5,941)**.

TURKİYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

e- At 31 March 2001 and 2000, investments and affiliated companies included the followings:-

<u>Investments and Affiliated Companies</u>	<u>31 March 2001</u>			
	<u>% of ownership</u>	<u>Total capital</u>	<u>Net income for the period</u>	<u>Market value*</u>
<u>INDUSTRIAL COMPANIES</u>				
DOGUS TURİZM SAĞLIK YAT. VE İŞL.SAN. VE TİC.A.S.	40.00	64	297	-
LASAS LASTİK SAN.VE TİC. A.S.	99.99	2,500	(514)	-
<u>COMMERCIAL COMPANIES</u>				
GARANTİ BİLİSİM TEKN. TİC. A.S.	100.00	994	372	-
GARANTİ FİNANSAL KİRALAMA A.S.	80.00	10,000	491	-
GARANTİ YATIRIM MENKUL KIYM. A.S.	51.67	7,500	2,107	-
GARANTİ PORTFOY YONETİMİ A.S.	70.00	1,000	3,033	-
PETROTRANS NAKLİYAT TİC. A.S.	100.00	5	(1)**	-
ANA KONUT DANISMANLIK A.S.	100.00	25,000	18	-
DOGUS HAVA TASIMACILIGI A.S.	49.91	22,000	(8,640)	-
TANSAS İZMİR B. S. B. İC VE DİS TİC. A.S.	19.00	16,500	(25,478)	26,754**
GARANTİ ODEME SİSTEMLERİ A.S.	99.92	5	12	-
İKSİR ULUSLARARASI ELEKTRONİK TİC. BİLGİLENDİRME VE HABERLEŞME HİZ.A.S.	38.00	45,000	(29,309)**	-
GARANTİ SİGORTA A.S.	75.00	6,200	86	-
GARANTİ HAYAT SİGORTA A.S.	74.36	4,000	1,021	-
VOLKSWAGEN DOGUS TÜKETİCİ FİNANSMANI A.S.	37.00	7,000	(27,959)	-
DOGUS İNSANGUCU A.S. (HUMANİTAS)	40.10	600	(380)	-
DOGUS HİZMET YONETİMİ ORGANİZASYON VE DANISMANLIK A.S.	55.00	30	55	-
<u>TOURISM COMPANIES</u>				
GARANTİ TURİZM YAT.VE İŞL. A.S.	43.33	8,750	(2,920)**	-
SAHİNTUR SAHİNLER O. TURZ. YAT. İŞL. A.S.	100.00	263	36	-
<u>INVESTMENTS IN FOREIGN CURRENCY</u>				
UNITED GARANTİ BANK INT. N.V.	100.00	EUR 60 mio	EUR 10,840,000	-
DOC FINANCE S.A.	50.27	CHF 12 mio	CHF (374,000)	-
BOSPHORUS FINANCIAL SER. LTD.	100.00	USD 100,000	USD (3,548)	-
GARANTİ BANK MOSCOW	99.61	USD 25.537 mio	USD 329,000	-
INSTRUMENTS FINANCE COMPANY	100.00	USD 25,000	USD 115,151	-
GARANTİ FINANCIAL SERVICES PLC	100.00	USD 2.638 mio	USD 306,091	-
GARANTİ FUND MANAGEMENT CO. LTD.	99.00	USD 100,000	USD (51,582)	-
CLOVER BANK OFF-SHORE LTD.	99.10	USD 4.5 mio	USD 10,361,594	-
COMPAGNIE OTTOMANE D'INVESTMENT B.V.	100.00	NLG 165 mio	NLG (5,321,845)	-

(*) Quoted shares are valued at the weighted average market rates for 30 working days between 12 February 2001 and 30 March 2001.

(**) Net income/(loss) for the year ended 31 December 2000.

TURKİYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

31 March 2000

<u>Investments and Affiliated Companies</u>	<u>% of ownership</u>	<u>Total capital</u>	<u>Net income for the period</u>	<u>Market value***</u>
<u>INDUSTRIAL COMPANIES</u>				
GENOTO GEN. OTO. SAN. TİC. A.S.	40.00	64	(40)*	-
LASAS LASTİK SAN.VE TİC. A.S.	99.99	2,500	66*	-
<u>BANKS</u>				
SINAI YATIRIM BANKASI A.O.	10.00	22,500	2,254	-
<u>COMMERCIAL COMPANIES</u>				
GARANTİ BİLİSİM TEKN. TİC. A.S.	100.00	994	266	-
GARANTİ FİNANSAL KİRALAMA A.S.	80.00	4,400	87*	-
GARANTİ YATIRIM MENKUL KIYM. A.S.	51.67	4,000	2,615	-
GARANTİ PORTFOY YONETİMİ A.S.	70.00	500	1,430	-
PETROTRANS NAKLİYAT TİC. A.S.	100.00	5	-	-
ANA KONUT DANISMANLIK A.S.	100.00	25,000	1	-
DOGUS HAVA TASIMACILIGI A.S.	49.91	17,000	(1,452)	-
TANSAS İZMİR B. S. B. İC VE DİS TİC. A.S.	19.00	3,000	(1,693)*	75,746**
GARANTİ ODEME SİSTEMLERİ A.S.	99.92	5	(18)*	-
İKSİR ULUSLARARASI ELEKTRONİK TİC. BİLGİLENDİRME VE HABERL.HİZ.A.S.	38.00	18,000	(1,265)	-
GARANTİ SİGORTA A.S.	100.00	2,740	300*	-
GARANTİ HAYAT SİGORTA A.S.	99.13	1,600	1,298*	-
VOLKSWAGEN DOGUS TUKETİCİ FİNANSMANI A.S.	37.00	7,000	(45)	-
<u>TOURISM COMPANIES</u>				
GARANTİ TURİZM YAT.VE İSL. A.S.	43.33	950	(1)*	-
SAHİNTUR SAHİNLER O. TURZ. YAT. İSL. A.S.	100.00	263	80*	-
<u>INVESTMENTS IN FOREIGN CURRENCY</u>				
UNITED GARANTİ BANK INT. N.V.	100.00	NLG 110.2 millions	EUR 3,967,000	-
DOC FINANCE S.A.	50.27	CHF 12 millions	CHF (614,514)	-
CI FINANCE LTD.	100.00	USD 100,000	USD (3,830)	-
CI INVESTMENTS LTD.	100.00	USD 100,000	USD (3,830)	-
BOSPHORUS FINANCIAL SER. LTD.	100.00	USD 100,000	USD (3,830)	-
GARANTİ FUNDING CORP. I	100.00	USD 50,000	-	-
GARANTİ FUNDING CORP. II	100.00	USD 50,000	-	-
GARANTİ BANK MOSCOW	99.61	USD 25.5 millions	USD 3,886,000	-
INSTRUMENTS FINANCE COMPANY	100.00	USD 25,000	USD 88,463	-
GARANTİ FINANCIAL SERVICES PLC	99.99	USD 2.6 millions	USD (92,996)	-
GARANTİ FUND MANAGEMENT CO. LTD.	99.00	USD 100	USD (7,553)	-
CLOVER BANK OFF-SHORE LTD.	99.10	USD 4.5 millions	USD 11,648,308	-
COMPAGNIE OTTOMANE D'INVESTMENT B.V.	100.00	NLG 165 millions	NLG (3,213,296)	-

(*) Net income/(loss) for the year ended 31 December 1999.

(**) Quoted shares are valued at the weighted average market rates for the last five working days of March 2000.

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II - (Continued)

f- Sale of investments and affiliated companies during the current period:-

There were no such cases.

(8) Other long-term investments:-

	<u>Government Securities</u>		<u>Other Securities</u>	
	<u>Purchase</u> <u>Costs</u>	<u>Revalued</u> <u>Costs</u>	<u>Purchase</u> <u>Costs</u>	<u>Revalued</u> <u>Costs</u>
Securities in Turkish lira	958,068	1,012,412	3,840	3,858
1-Equity shares	-	-	3,840	3,858
a) Long-term investments	-	-	3,840	3,858
b) Pledge securities	-	-	-	-
c) Restricted	-	-	-	-
2- Other securities	958,068	1,012,412	-	-
a) Long-term investments	80,287	84,467	-	-
b) Pledge securities	751,644	795,027	-	-
c) Restricted	126,137	132,918	-	-
Securities in foreign currencies	361,041	369,305	-	-
1-Equity shares	-	-	-	-
a) Long-term investments	-	-	-	-
b) Pledge securities	-	-	-	-
c) Restricted	-	-	-	-
2- Other securities	361,041	369,305	-	-
a) Long-term investments	361,041	369,305	-	-
b) Pledge securities	-	-	-	-
c) Restricted	-	-	-	-

(9) Movables and immovables held for resale in accordance with the Banking Law, amounted to **TL765 (2000: TL138)** and **TL76,526 (2000: TL45,013)**, respectively.

(10) **Items comprising 20%, at minimum, of the other assets and other liabilities representing 10%, at minimum, of the balance sheet total (excluding commitments and contingencies):-**

There were no such items.

(11) a- Maturity structure of deposits:-

	<u>Demand Deposits</u>		<u>Time Deposits</u>	
	<u>Current Period</u>	<u>Prior Period</u>	<u>Current Period</u>	<u>Prior Period</u>
Saving deposits	50,386	48,740	494,863	203,825
Deposits of official authorities and organisations	2,852	11,074	1,220	3,010
Commercial deposits	83,210	115,483	289,135	14,456
Deposits of other organisations	5,754	17,065	58,871	26,573
Bank deposits	20,460	13,244	796,709	568,765
1-Central Bank of Turkey	-	-	-	112
2-Domestic banks	4,859	4,499	176,833	131,312
3-Foreign banks	15,602	8,745	619,876	437,341
4-Others	-	-	-	-
Foreign currency deposits	443,414	442,964	1,604,655	1,268,711
1-Resident customers	401,205	392,337	1,413,783	979,701
2-Non-resident customers	42,209	50,627	190,872	289,010
Gold deposits	<u>5,491</u>	<u>312</u>	<u>10,696</u>	<u>2,869</u>
Total deposits	<u>611,568</u>	<u>648,882</u>	<u>3,256,149</u>	<u>2,088,209</u>

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

b- Deposits insured or guaranteed under "Saving Deposit Insurance Fund":-

	<u>Insurance Coverage</u>	
	<u>Current Period</u>	<u>Prior Period</u>
1- Saving deposits	545,249	252,565
2- Foreign currency saving deposits	1,518,719	1,171,290
3- Other saving-type deposits	15,155	-
4- Deposits at foreign branches under foreign insurance coverages	-	-

(12) a- Discounted portion of securities issued amounted to TL..... (2000: TL321).

b- Bonds convertible into equity shares amounted to TL....-.... (2000: TL....-....) .

c- Securities other than shares issued during the current period:-

There were no such cases.

(13) Cash collaterals received amounted to TL236 (2000: TL411).

Cash collaterals represent the customers' valuables held under blocked accounts as security for non-cash loans granted.

(14) a- A portion of the "valuation increment" on securities (including equity shares classified in securities, investments, affiliated companies and other long-term investments) amounting to TL....-.... (2000: TL....-.....) , was related to securities denominated in foreign currencies. TL....-.... (2000: TL....-.....)of this portion represented the foreign exchange gain accrual on such equity shares classified in investments, affiliated companies and other long-term investments.

b- Presentation of accrued foreign exchange gains on equity shares classified as investments, affiliated companies and other long-term investments in financial statements:-

Foreign exchange gains on equity shares included in investments, affiliated companies and other long-term investments denominated in foreign currencies, are classified under "foreign exchange gain" in the statement of income for the period.

(15) **Maturity profile of Assets, Liabilities and Certain Commitments according to remaining maturities:-**

Maturities profiles were presented for the current and prior periods in Section IV. Supplementary Financial Statements.

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

(16) a- Components of shareholders' equity as defined by the Turkish Banking Law and further broadened in accounting application:-

	<u>Current Period</u>	<u>Prior Period</u>
<u>Shareholders' Equity per Banking Law :-</u>		
1-Paid capital	260,000	260,000
- Nominal capital	260,000	260,000
- Unpaid capital	-	-
2-Legal reserves	34,718	24,348
- 1 st legal reserve (TCC 466/1)	30,896	20,526
- 2 nd legal reserve (TCC 466/2)	2,987	2,987
- Share premium	-	-
- Legal reserve per special legislation and articles of association	835	835
3-Extraordinary reserves	372,590	192,553
- Reserves allocated per Ordinary General Meeting	372,590	184,367
- Exchange rate difference on foreign currency capital	-	8,186
- Retained earnings	-	-
- Accumulated losses	-	-
4-Revaluation surpluses	127,296	57,663
- Movables	32,384	14,184
- Immovables	93,025	42,786
- Cost increase fund	-	-
- Bonus shares from investee companies and income on sale of immovables	167	-
- Revaluation surplus on special costs	1,720	693
5-Revaluation surpluses received through bonus shares on investments and affiliated companies	4,247	3,245
6-Other capital sources	-	-
7-Losses	-	-
- Current period losses	-	-
- Prior years' losses	-	-
<u>Total Shareholders' Equity per Banking Law (from 1 to 7)</u>	<u>798,851</u>	<u>537,809</u>
<u>Shareholders' Equity per Accounting Application</u>		
8-Valuation increments	9,751	63,026
- Securities	33	299
- Investments and affiliated companies	9,718	62,727
- Other long-term investments	-	-
<u>Total Shareholders' Equity per Accounting Application (from 1 to 8, excluding 6)</u>	<u>808,602</u>	<u>600,835</u>

b- Capital base in accordance with Banking Legislation used for Capital Adequacy Ratio:-

	<u>Current Period</u>	<u>Prior Period</u>
I- Core Capital	704,097	546,936
II- Supplementary Capital	170,543	133,544
1.Subordinated debts	-	-
2.Others	170,543	133,544
III- Capital (I+II)	874,460	680,480
IV- Deductions from Capital	489,057	269,106
V - Capital Base (III - IV)	<u>385,583</u>	<u>411,374</u>

Difference, in the amount of TL874,640 (2000: TL680,480) between the "Capital" in the Capital Adequacy Ratio and the shareholders' equity per accounting application above, was resulted from the net income of TL36,790 (2000: TL70,035) for the period and the general provision for credit risks in the amount of TL29,248 (1999: TL9,610) which were included in above calculation.

TURKIYE GARANTI BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

(17) a- If the Bank applies registered share capital system, ceiling of the registered share capital:-

The Bank applies registered share capital system. The ceiling of the registered share capital is TL1,000,000 .

b- Capital increases during the period: None.

c- Transfer from revaluation surplus to contribute the capital increase: None.

d- Priority rights assigned to certain capital shares: None.

e- Shareholders holding 10% or more interest in the share capital:-

	Share Capital Portion	Participation %	Paid Capital Portion	Unpaid Capital Portion
Dogus Holding A.S.	105,562	40.60	105,562	-

(18) Basis of presentation of financial leasing activities in financial statements and disclosures on such transactions in accordance with International Accounting Standard 17 (IAS 17):-

Financial leasing transactions are accounted for in accordance with Turkish legislation, not IAS17. Per Turkish legislation, financial leasing transactions are accounted for as if they were operating leases. Accordingly, fixed assets acquired through financial leases and the related payables are not reflected in the accompanying financial statements; instead the periodic payments of installments, with no distinction between principal and interest portions, were initially recorded as "prepaid expense" to be charged to expense throughout the lease period. During the period ended 31 March 2001, such payments charged to statement of income as expense accumulated to TL2,623 (2000: TL958) and the remaining balance recorded as "prepaid expense" in the balance sheet, amounted to TL9,456 (2000: TL6,126).

If the Bank would have applied IAS17, TL2,623 of the prepayments related to leasing activities incurred till 31 March 2001, would not be charged to income, instead retained earnings would be less by TL6,071, prepaid expenses by TL9,456 and the following items of the financial statements would be higher by the amounts below:-

Bank premises and equipment, net	10,144
Payables from financial leasing activities, net	6,242
Depreciation expense	671
Interest expense	645
Foreign exchange losses	790

(19) Other significant matters:-

a- Deferred tax liabilities and related provisions:-

	<u>Current Period</u>	<u>Prior Period</u>
Deferred tax liability	-	15,328
Reserve for deferred tax liability (balance sheet)	-	15,328
Deferred tax provision (statement of income)	-	-

TURKIYE GARANTİ BANKASI A.S.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

b- Policy on accounting for currency swaps in accordance with Turkish GAAP and Turkish Uniform Chart of Accounts for Banks:-

For the accounting of currency swaps, the second methodology defined in the Turkish Uniform Chart of Accounts for Banks is applied, i.e. spot legs of the transaction are reflected in the balance sheet and forward legs in the off-balance sheet accounts.

c- Exchange rate gain/loss accruals on forwards and currency swaps, accounted under other accruals in assets and liabilities:-

	<u>Current Period</u>	<u>Prior Period</u>
Income accruals on forwards	13,848	-
Expense accruals on forwards	12,712	-
Income accruals on currency swaps	18	314
Expense accruals on currency swaps	7	34

d- Details on assets and liabilities indexed on foreign exchange rates, gold prices and other financial indicators were as follows:-

<u>Assets indexed on foreign exchange rates</u>	<u>Principal</u>	<u>Accruals for interest and foreign exchange gains for current period</u>
Loans	118,994	22,767
Interbank funds sold	3,817	742

TURKIYE GARANTI BANKASI A.S.

(Currency – Billions of Turkish Lira)

III- NOTES TO STATEMENTS OF INCOME

- (1) a- Interests received from the investee companies amounted to **TL22,905 (2000: TL507)**. Fees and commissions received from such companies aggregated to **TL182 (2000: TL.....-.....)**.
- b- Interests paid to the investee companies amounted to **TL926 (2000: TL73)**. Fees and commissions paid to such companies aggregated to **TL.....-..... (2000: TL.....-.....)**.
- (2) Income on financial leasing transactions amounted to **TL.....-..... (2000: TL.....-.....)**.
- (3) Expenses paid on financial leasing transactions amounted to **TL2,623 (2000: TL958)**.
- (4) a- General provisions for credit risks amounted to **TL2,017 (2000: TL826)**.
- b- Provision for diminishing in value of securities amounted to **TL.....-..... (2000: TL.....-.....)**.
- (5) **Items comprising 20%, at minimum, of the other expenses and income classified in groups I, II, IV and V, and representing 10%, at minimum, of the total of the related group that they are included in:-**

There were no such items.

(6) **Income and expenses on repurchase transactions:-**

Interest income and expenses on securities subject to repurchase deals are accounted for under accrual basis of accounting and prudence. Accrued interest expenses on repurchase deals are deducted from interest income earned on the related securities.

Income and expense accruals on securities sold under repurchase contracts were as follows for the current period:-

Current Period

Income accruals	4,171
Expense accruals	221

(7) **Other significant matters:** None.

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IV. SUPPLEMENTARY FINANCIAL STATEMENTS

A. Commitments and Contingencies

	Current Period (31.03.2001)			Prior Period (31.03.2000)		
	Turkish Lira	Foreign Currency	Total	Turkish Lira	Foreign Currency	Total
I. GUARANTEES AND ENDORSEMENTS	535,748	2,543,892	3,079,640	343,067	1,425,325	1,768,392
A. Letters of guarantee (L/G)	535,748	1,689,202	2,224,950	343,067	876,676	1,219,743
1. L/Gs under Law no.2886	115,824	-	115,824	72,011	-	72,011
2. L/Gs issued for foreign trade deals	17	1,687,339	1,687,356	17	875,338	875,355
3. Other letters of guarantee	419,907	1,863	421,770	271,039	1,338	272,377
B. Bank acceptances	-	224,937	224,937	-	177,397	177,397
1. Import acceptance credits	-	221,397	221,397	-	172,377	172,377
2. Other bank acceptances	-	3,540	3,540	-	5,020	5,020
C. Letters of credit (L/C)	-	603,646	603,646	-	355,571	355,571
1. L/Cs against documents	-	603,646	603,646	-	355,571	355,571
2. Other letters of credit	-	-	-	-	-	-
D. Confirmed pre-finance credits	-	21,873	21,873	-	10,859	10,859
E. Endorsements	-	-	-	-	-	-
1. Endorsements for Central Bank of Turkey	-	-	-	-	-	-
2. Other endorsements	-	-	-	-	-	-
F. Sale contracts on bank assets (risks Secured by the bank)	-	-	-	-	-	-
G. Underwriting commitments on share issues	-	-	-	-	-	-
H. Other guarantees	-	-	-	-	-	-
I. Other bails	-	4,234	4,234	-	4,822	4,822
II. COMMITMENTS	54,355	11,717	66,072	733,032	10,412	743,444
A. Irrevocable commitments	54,355	11,717	66,072	733,032	10,412	743,444
1. Repurchase and resale contracts	54,258	293	54,551	716,952	-	716,952
a) Repurchase contracts	54,258	293	54,551	716,952	-	716,952
I. Repurchase contracts with Central Bank of Turkey	-	-	-	114,807	-	114,807
II. Repurchase contracts with banks	-	-	-	-	-	-
III. Repurchase contracts with brokerage companies	-	-	-	-	-	-
IV. Repurchase contracts with other customers	54,258	293	54,551	602,145	-	602,145
b) Resale contracts	-	-	-	-	-	-
I. Resale contracts with Central Bank of Turkey	-	-	-	-	-	-
II. Resale contracts with banks	-	-	-	-	-	-
III. Resale contracts with brokerage companies	-	-	-	-	-	-
IV. Resale contracts with other customers	-	-	-	-	-	-
2. Term purchases of assets	-	-	-	-	-	-
3. Term purchases/sales of deposits	-	-	-	-	-	-
4. Capital commitments	97	384	481	16,080	706	16,786
5. Credit extension commitments	-	-	-	-	-	-
6. Intermediary commitments for share issues	-	-	-	-	-	-
7. Legal reserve commitments	-	-	-	-	-	-
8. Committed credit card limits	-	-	-	-	-	-
9. Other irrevocable commitments	-	11,040	11,040	-	9,706	9,706
B. Revocable commitments	-	-	-	-	-	-
1. Revocable credit extension commitments	-	-	-	-	-	-
2. Other revocable commitments	-	-	-	-	-	-
III. DERIVATIVE TRANSACTIONS	1,593,314	1,987,079	3,580,393	614,898	1,336,665	1,951,563
A. Forward currency purchases/sales	1,149,794	1,249,851	2,399,645	409,658	1,115,605	1,525,263
1. Forward currency purchases	743,752	626,281	1,370,033	65,945	695,618	761,563
2. Forward currency sales	406,042	623,570	1,029,612	343,713	419,987	763,700
B. Currency and interest swaps	11,520	97,447	108,967	205,240	221,060	426,300
1. Currency purchase swaps	-	51,480	51,480	205,240	209,371	414,611
2. Currency sale swaps	11,520	38,559	50,079	-	3,596	3,596
3. Interest purchase swaps	-	3,485	3,485	-	5,604	5,604
4. Interest sale swaps	-	3,923	3,923	-	2,489	2,489
C. Currency and interest options	432,000	432,630	864,630	-	-	-
1. Currency purchase options	-	432,630	432,630	-	-	-
2. Currency sale options	432,000	-	432,000	-	-	-
3. Interest purchase options	-	-	-	-	-	-
4. Interest sale options	-	-	-	-	-	-
D. Future currency deals	-	-	-	-	-	-
E. Future interest deals	-	-	-	-	-	-
1. Future interest purchases	-	-	-	-	-	-
2. Future interest sales	-	-	-	-	-	-
F. Others	-	207,151	207,151	-	-	-
TOTAL COMMITMENTS AND CONTINGENCIES	2,183,417	4,542,688	6,726,105	1,690,997	2,772,402	4,463,399

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Note IV – (Continued)

B. Other Off-Balance Sheet Accounts

	Current Period (31.03.2001)			Prior Period (31.03.2000)		
	Turkish Lira	Foreign Currency	Total	Turkish Lira	Foreign Currency	Total
A. Valuables under Custody	830,741	287,897	1,118,638	1,603,242	166,680	1,769,922
1. Customer funds and portfolios managed by the bank	394	710	1,104	394	791	1,185
2. Securities under custody	467,139	93,917	561,056	433,452	49,716	483,168
3. Cheques subject to collection	267,234	49,868	317,102	219,270	24,146	243,416
4. Commercial notes subject to collection	39,053	125,249	164,302	35,138	78,348	113,486
5. Other valuables subject to collection	237	3,515	3,752	378	2,878	3,256
6. Securities (the bank acted as intermediary for their issuance)	-	-	-	-	-	-
7. Securities under repurchase transaction (held at custody on behalf of customers)	51,270	-	51,270	909,620	-	909,620
8. Other valuables under custody	5,414	14,638	20,052	4,990	10,801	15,791
9. Valuables under third-party custodies	-	-	-	-	-	-
B. Valuables under Pledge	4,131,995	3,711,672	7,843,667	2,141,201	6,882,727	9,023,928
1. Securities	3,783	17,857	21,640	4,378	2,250	6,628
2. Promissory notes	969,776	1,570,854	2,540,630	443,257	5,800,337	6,243,594
3. Stocks	1,155	-	1,155	1,048	168,255	169,303
4. Varrants	-	-	-	-	-	-
5. Immovables	1,623,082	277,778	1,900,860	1,135,158	-	1,135,158
6. Other valuables under pledge	1,534,028	1,845,183	3,379,211	557,160	911,885	1,469,045
7. Valuables under third-party custodies	171	-	171	200	-	200

TURKIYE GARANTİ BANKASI A.S.

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Note IV – (Continued)

C. Maturity Profile of Assets, Liabilities, and Certain Commitments and Contingencies According to Remaining Maturities

1- Current Period

31 March 2001	Demand	Upto 1 month	1 to 3 Months	3 months to 1 year	1 to 5 Years	5 Years and over	Others*	Total
ASSETS:								
Liquid assets	61,643	6,654	-	-	-	-	-	68,297
Due from banks and other financial institutions	224,650	406,007	25,547	89,074	2,621	-	-	747,899
Interbank funds sold	-	228,000	-	-	-	-	-	228,000
Securities (net)	-	520,262	12,082	10,975	-	213	-	543,532
Loans	-	691,809	533,031	1,036,073	539,764	285	-	2,800,962
Non-performing loans (net)	-	-	-	-	18,301	-	-	18,301
Accrued interest and income	-	154,652	56,343	129,760	95,864	6,693	-	443,312
Receivables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Reserve deposits	257,549	-	-	-	-	-	-	257,549
Investments and affiliated companies (net)	-	-	-	-	-	-	513,890	513,890
Equity shares classified under other long-term investments (net)	-	-	-	-	-	-	3,858	3,858
Other long-term investments (net)	-	-	65,477	455,228	494,497	303,907	-	1,319,109
Other assets	-	-	-	-	-	-	688,229	688,229
Total Assets	543,842	2,007,384	692,480	1,721,110	1,151,047	311,098	1,205,977	7,632,938
LIABILITIES:								
Saving deposits	50,386	473,584	18,112	3,167	-	-	-	545,249
Foreign currency deposits	443,414	1,403,110	149,393	52,151	-	-	-	2,048,069
Bank deposits	20,461	640,484	22,712	133,514	-	-	-	817,170
Other deposits	91,817	350,394	12,782	2,236	-	-	-	457,229
Interbank funds borrowed	-	402,476	-	-	-	-	-	402,476
Funds borrowed	-	-	403,487	937,533	650,820	-	-	1,991,840
Funds	-	-	-	-	-	-	-	-
Securities issued (net)	-	-	-	-	-	-	-	-
Accrued interest and expense	-	105,292	21,491	41,336	23,941	-	-	192,060
Payables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Taxes, stamps, premiums and other duties	-	-	-	-	16,317	-	-	16,317
Other liabilities	-	-	-	-	-	-	317,137	317,137
Shareholders' equity (including current period income/loss)	-	-	-	-	-	-	845,391	845,391
Total liabilities	606,078	3,375,340	627,977	1,169,937	691,078	-	1,162,528	7,632,938
COMMITMENTS AND CONTINGENCIES:								
Repurchase contracts	-	54,246	305	-	-	-	-	54,551
Resale contracts	-	-	-	-	-	-	-	-
Forward currency purchases	-	287,806	140,758	941,469	-	-	-	1,370,033
Forward currency sales	-	252,815	176,491	600,305	-	-	-	1,029,611
Currency purchase swaps	-	50,140	-	1,340	-	-	-	51,480
Currency sale swaps	-	49,116	-	963	-	-	-	50,079
Total	-	694,123	317,554	1,544,077	-	-	-	2,555,754

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Note IV – C – (Continued)

2- Prior Period

31 March 2000

	<u>Demand</u>	<u>Upto 1 Month</u>	<u>1 to 3 Months</u>	<u>3 months to 1 year</u>	<u>1 to 5 Years</u>	<u>5 Years and over</u>	<u>Others*</u>	<u>Total</u>
ASSETS:								
Liquid assets	24,796	-	-	-	-	-	-	24,796
Due from banks and other financial institutions	113,209	552,148	-	-	-	-	-	665,357
Interbank funds sold	3,000	-	-	-	-	-	-	3,000
Securities (net)	-	-	651,761	225,228	311,808	-	-	1,188,797
Loans	-	-	171,834	1,029,007	364,636	-	-	1,565,477
Non-performing loans (net)	-	-	-	-	-	-	-	-
Accrued interest and income	2,659	-	54,595	247,749	195,511	-	-	500,514
Receivables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Reserve deposits	196,081	-	-	-	-	-	-	196,081
Investments and affiliated companies (net)	-	-	-	-	-	-	365,428	365,428
Equity shares classified under other long-term investments (net)	-	-	-	-	-	-	3,020	3,020
Other long-term investments (net)	-	-	-	-	-	-	264,391	264,391
Other assets	-	-	-	-	-	-	417,048	417,048
Total Assets	339,745	552,148	878,190	1,501,984	871,955	-	1,049,887	5,193,909
LIABILITIES:								
Saving deposits	48,739	80,789	36,330	8,377	27,370	50,960	-	252,565
Foreign currency deposits	442,964	502,869	226,138	52,140	170,362	317,202	-	1,711,675
Bank deposits	13,243	225,437	101,378	23,375	76,374	142,202	-	582,009
Other deposits	143,621	18,716	8,417	1,941	6,341	11,806	-	190,842
Interbank funds borrowed	93,861	-	-	-	-	-	-	93,861
Funds borrowed	-	123,581	53,135	48,108	737,364	242,193	-	1,204,381
Funds	-	-	-	-	-	-	-	-
Securities issued (net)	-	6,708	5,722	1,379	-	-	-	13,809
Accrued interest and expense	-	105,001	19,439	5,226	17,535	34,048	-	181,249
Payables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Taxes, stamps, premiums and other duties	8,798	-	-	-	-	-	-	8,798
Other liabilities	-	-	-	-	-	-	283,850	283,850
Shareholders' equity (including current period income/loss)	-	-	-	-	-	-	670,870	670,870
Total liabilities	751,226	1,063,101	450,559	140,546	1,035,346	798,411	954,720	5,193,909
COMMITMENTS AND CONTINGENCIES:								
Repurchase contracts	-	635,890	80,417	644	-	-	-	716,951
Resale contracts	-	-	-	-	-	-	-	-
Forward currency purchases	-	199,746	470,261	91,556	-	-	-	761,563
Forward currency sales	-	407,603	270,185	85,912	-	-	-	763,700
Currency purchase swaps	-	414,611	-	-	-	-	-	414,611
Currency sale swaps	-	11,690	-	-	-	-	-	11,690
Total	-	1,669,540	820,863	178,112	-	-	-	2,668,515