Türkiye Garanti Bankası Anonim Şirketi
And Its Affiliates

Consolidated Financial Statements

31 March 2005

With Independent Auditors'

Review Report Thereon

27 May 2005

This report contains the "Independent Auditors' Review Report" comprising 1 page and; the "Consolidated financial statements and their explanatory notes" comprising 64 pages.

Türkiye Garanti Bankası Anonim Şirketi

And Its Affiliates

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Independent Auditors' Review Report

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

We have reviewed the accompanying consolidated balance sheet of Türkiye Garanti Bankası Anonim Şirketi (the Bank) and its affiliates as of 31 March 2005; and the consolidated income statements, changes in shareholders' equity and cash flows for the three-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our review. We did not review the financial statements of certain consolidated companies as of 31 March 2005, which statements reflect total assets constituting 3.02%; and total operating income constituting 2.74% after elimination of inter-company balances and transactions as of and for the three-month period ended 31 March 2005 of the related consolidated totals. Those statements were reviewed by other auditors whose reports have been furnished to us, and our report, insofar as it relates to the amounts included for those companies is based solely on the review reports of other auditors.

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

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

As discussed in Significant Accounting Policies note to the consolidated financial statements, the Bank and its affiliates changed the accounting policies, in accordance with the amendments on International Financial Reporting Standards (IFRS) at the beginning of the year 2005. Consequently, the consolidated financial statements of Bank and its affiliates for the year 2004 have been restated in accordance with IFRS.

İstanbul,
27 May 2005

KPMG Akis Serbest Muhasebeci
Mali Müşavirlik A.Ş.

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Balance Sheet
At 31 March 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

	Notes	31 March 2005	31 December 2004
Assets			
Cash and balances with Central Banks	*4*	1.999.483	2.794.579
Financial assets at fair value through profit or loss	*5*	697.398	625.967
Loans and advances to banks	*6*	1.694.686	1.757.841
Loans and advances to customers	*7*	12.910.498	12.113.782
Other assets	*9*	854.436	1.015.110
Security investments	*10,21*	10.045.288	10.040.207
Investments in equity participations	*11*	120.778	127.589
Tangible assets, net	*12*	1.915.286	1.955.955
Intangible assets, net	*13*	116.500	116.500
Deferred tax assets	*18*	142.482	186.180
Total assets		**30.496.834**	**30.733.710**
Liabilities			
Deposits from banks	*14*	919.099	1.147.488
Deposits from customers	*15*	19.557.811	19.939.737
Obligations under repurchase agreements	*16*	1.246.306	935.743
Loans and advances from banks	*17*	4.047.277	4.101.029
Current tax liability	*18*	35.401	29.837
Deferred tax liabilities	*18*	856	1.407
Other liabilities and accrued expenses	*19*	1.183.017	1.163.845
Total liabilities		**26.989.767**	**27.319.086**
Shareholders' equity and minority interest			
Share capital	*20*	2.593.615	2.593.615
Minority interest	*20*	241.216	241.520
Revaluation of available-for-sale assets	*10,21*	52.567	123.659
Hedging reserve	*24*	8.794	5.291
Legal reserves	*20*	52.555	53.179
Retained earnings	*20*	558.320	397.360
Total shareholders' equity and minority interest		**3.507.067**	**3.414.624**
Total liabilities, shareholders' equity and minority interest		**30.496.834**	**30.733.710**
Commitments and contingencies	*22*		

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Income Statement
For The Three-Month Period Ended 31 March 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

	Notes	31 March 2005	31 March 2004
Interest income:-			
Interest on loans		452.683	328.667
Interest on securities		396.113	389.764
Interest on deposits at banks		42.168	41.670
Interest on lease business		13.999	9.762
Others		19.109	32.105
		924.072	801.968
Interest expense:-			
Interest on saving, commercial and public deposits		(317.429)	(376.030)
Interest on borrowings		(90.557)	(74.692)
Interest on bank deposits		(22.915)	(21.914)
Others		(3.816)	(8.654)
		(434.717)	(481.290)
Net interest income		**489.355**	**320.678**
Fee and commission income		246.828	196.253
Fee and commission expense		(66.661)	(58.415)
Net fee and commission income		**180.167**	**137.838**
Gross profit from retail business		64.432	48.376
Premium income from insurance business		30.660	21.518
Foreign exchange gain, net		20.810	53.796
Trading account income, net		4.164	63.452
Others		19.848	28.299
Other operating income		**139.914**	**215.441**
Total operating Income		**809.436**	**673.957**
Impairment losses	*7,8,9,11,12,13,19*	(196.277)	(29.932)
Salaries and wages		(108.557)	(103.326)
Depreciation and amortization	*12,13*	(48.979)	(56.221)
Employee benefits		(27.674)	(28.917)
Advertising expenses		(21.686)	(17.883)
Communication expenses		(21.283)	(20.340)
Rent expenses		(18.133)	(17.774)
EDP expenses		(12.221)	(7.549)
Utility expenses		(8.067)	(9.734)
Claim loss from insurance business		(8.000)	(6.183)
Taxes and duties other than on income		(7.579)	(8.763)
Saving deposits insurance fund		(7.432)	(12.401)
Repair and maintenance expenses		(4.134)	(3.936)
Stationary expenses		(3.857)	(2.726)
Other operating expenses		(77.273)	(76.455)
Total operating expenses		**(571.153)**	**(402.140)**
Income from operations		**238.283**	**271.817**
Gain/(loss) on monetary position, net		(19.225)	4.877
Income before tax		**219.058**	**276.694**
Taxation charge	*18*	(58.121)	(109.585)
Net income for the period		**160.937**	**167.109**
Net income for the period attributable to:			
Equity holders of the Bank		160.336	185.939
Minority interest		601	(18.830)
		160.937	**167.109**
Weighted average number of shares with a face value of YTL 1,000 each	*20*	**1,200 billion**	**791.7 billion**
Earnings per share			
(full YTL amount per YTL'000 face value each)		**134,11**	**211,06**

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Changes in Shareholders' Equity
For The Three-Month Period Ended 31 March 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

	Notes	Share Capital	Minority Interest	Revaluation of Available-For Sale Assets	Hedging Reserves	Legal Reserves	Retained Earnings	Total Shareholders' Equity
Balances at 1 January 2004	*23*	**2.194.297**	**291.863**	**233.534**	**-**	**63.463**	**387.828**	**3.170.985**
Reversal of restatement effects of inflation		-	(3.663)	-	-	-	-	(3.663)
Reserve for general banking risks, net		-	-	-	-	17.261	(17.261)	-
Net market value gains from available-for-sale portfolio		-	-	6.646	-	-	-	6.646
Transferred to net income from fair value increases		-	-	(33.622)	-	-	-	(33.622)
Net income for the three-month period		-	(18.830)	-	-	-	185.939	167.109
Balances at 31 March 2004	*23*	**2.194.297**	**269.370**	**206.558**	**-**	**80.724**	**556.506**	**3.307.455**
Transfer from unappropriated earnings	*20*	399.318	-	-	-	10.468	(409.786)	-
Reversal of restatement effects of inflation		-	(5.510)	-	-	-	-	(5.510)
Release from general banking risks, net		-	-	-	-	(38.013)	38.013	-
Net market value gains from available-for-sale portfolio		-	-	15.115	-	-	-	15.115
Transferred to net income from fair value increases		-	-	(98.014)	-	-	-	(98.014)
Net fair value gains from cash flow hedges	*24*	-	-	-	5.291	-	-	5.291
Net income for the nine-month period		-	(22.340)	-	-	-	212.627	190.287
Balances at 31 December 2004	*23*	**2.593.615**	**241.520**	**123.659**	**5.291**	**53.179**	**397.360**	**3.414.624**
Reversal of restatement effects of inflation		-	(905)	-	-	(624)	624	(905)
Net market value losses from available-for-sale portfolio		-	-	(37.942)	-	-	-	(37.942)
Transferred to net income from fair value increases		-	-	(33.150)	-	-	-	(33.150)
Net fair value gains from cash flow hedges	*24*	-	-	-	3.503	-	-	3.503
Net income for the three-month period		-	601	-	-	-	160.336	160.937
Balances at 31 March 2005		**2.593.615**	**241.216**	**52.567**	**8.794**	**52.555**	**558.320**	**3.507.067**

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Cash Flows
For The Three-Month Period Ended 31 March 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

	Notes	31 March 2005	31 March 2004
Cash flows from operating activities:-			
Interest and commission received		784.407	718.204
Interest expense paid		(432.457)	(523.495)
Other operating activities, net		(45.370)	46.781
Cash payments to employees and supplies		(164.512)	(156.188)
Gain/(loss) on monetary position, net		(19.225)	4.877
		122.843	90.179
(Increase)/decrease in operating assets:-			
Loans and advances to banks		(73.771)	(26.160)
Balances with Central Banks		734.797	83.422
Financial assets at fair value through profit or loss		(71.994)	111.492
Loans and advances to customers		(531.391)	(186.262)
Consumer loans		(411.430)	101.133
Other assets		(34.542)	121.983
Increase/(decrease) in operating liabilities:-			
Deposits from banks		(229.486)	(44.981)
Deposits from customers		(382.204)	(1.318.950)
Obligations under repurchase agreements		311.973	(257.007)
Other liabilities		12.370	(118.271)
Net cash used in operating activities before income taxes paid		**(552.835)**	**(1.443.422)**
Income taxes paid		**(21.267)**	**(10.813)**
Net cash from operating activities		**(574.102)**	**(1.454.235)**
Cash flows from investing activities:-			
Proceeds from sale from security investments		247.675	1.669.512
Purchase of security investments		-	(333.196)
Interest received		155.064	530.192
Decrease/(increase) in investments in equity participations, net		7.976	(1.277)
Dividends received		1.064	-
Increase in tangible assets, net		(5.820)	(1.740)
Net cash from investing activities		**405.959**	**1.863.491**
Cash flows from financing activities:-			
Decrease in loans and advances from banks, net		(52.926)	(339.384)
Dividends paid		-	-
Net cash from financing activities		**(52.926)**	**(339.384)**
Effect of exchange rate changes		**20.810**	**53.796**
Net decrease in cash and cash equivalents		**(200.259)**	**123.668**
Cash and cash equivalents at beginning of the period	*2*	1.277.669	1.175.555
Cash and cash equivalents at end of the period	*2*	**1.077.410**	**1.299.223**

Overview of the Bank

Türkiye Garanti Bankası AŞ (the Bank) is a bank domiciled in Turkey. The consolidated financial statements of the Bank for the period ended 31 March 2005 comprise the Bank and its affiliates (the Affiliates) and their interest in associates.

(a) Brief History

Foundation of the Bank was approved by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and "Articles of Association" was published in the official gazette dated 25 April 1946. The Bank provides corporate, commercial and retail banking services through a network of 346 domestic branches, three foreign branches, five representative offices abroad and 40 offices. In addition to its branches, the Bank has 100% ownership in two banks each of which is located in Amsterdam and Moscow. The Bank and its affiliates in total have 14,917 employees. The Bank's head office is located in the following address: Levent Nispetiye Mah.Aytar Cad.2 Beşiktaş 34340 İstanbul.

(b) Ownership

The principal shareholder of the Bank is the holding company of Doğuş Group, Doğuş Holding AŞ, which currently holds 50.84% of the issued capital after a decrease by 4.24% from 55.08% as explained below:

As per the resolution of the Board of Directors dated 8 November 2004, Doğuş Holding AŞ had an agreement with a foreign portfolio investor for issuing an option to purchase a portion of the shares of the Bank owned by Doğuş Holding AŞ. The pricing negotiation was concluded in November 2004 and the investor took over all the ownership rights including sale of 5,087,302,340 shares (New Kuruş 1 each) representing 4.24% of the Bank's capital. Accordingly, Doğuş Holding AŞ' share in the Bank's capital decreased from 55.08% to 50.84%. In the agreement, an additional right has been provided to the investor to purchase a further 30% of the shares subject to this option that represents 1.32% of the Bank's capital throughout the option period agreed. Such shares are kept as collateral for the investor.

The ownership interest in the Bank of those shareholders other than the Doğuş Group Companies and the individuals controlling this Group is 41.51%.

Significant accounting policies

(a) Statement of compliance

The Bank and its Turkish affiliates maintain their books of accounts and prepare their statutory financial statements in New Turkish Lira (YTL) in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulation and Supervision Agency (BRSA); the Turkish Commercial Code; and the Turkish Tax Legislation (collectively,

Significant accounting policies (continued)

Turkish GAAP); the Bank's foreign affiliates maintain their books of accounts and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS"). The accompanying consolidated financial statements are authorized for issue by the directors on 27 May 2005.

(b) Basis of preparation

Starting from 1 January 2005, the currency unit is set as the new Turkish Lira per the Law on the currency unit of the Republic of Turkey no.5083 dated 31 January 2004. Six digits have been removed from the Turkish Lira (TL) and one million TL become one YTL.

The accompanying consolidated financial statements are presented in YTL, rounded to the nearest value as adjusted for the effects of inflation in YTL units current at 31 March 2005.

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

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

The Bank and its affiliates adopted revised standards of IFRS effective from 1 January 2005. The 2004 accounts have been amended as required by IFRS, which are disclosed in note 23.

(c) Basis of consolidation

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

Affiliates

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

Significant accounting policies (continued)

Associates

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

Special purpose entities

Special purpose entities are consolidated when the substance of the relationship between the Bank and the special purpose entity indicates that the special purpose entity is controlled by the Bank.

Transactions eliminated on consolidation

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

(d) Accounting in hyperinflationary economies

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the New Turkish Lira based on IAS 29 "*Financial Reporting in Hyperinflationary Economies*". IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey has been 57.83% as at 31 March 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish State Institute of Statistics (SIS). Although this rate is below the 100% threshold as of 31 March 2005, other characteristics; such as general population prefers to keep its wealth in foreign currencies, prices are quoted in foreign currencies, interest rates, wages and prices are linked to a general price index, sales and purchases on credit take place at prices that compensate for the expected loss of

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of
inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

Significant accounting policies (continued)

purchasing power during the credit period, even if the period is short, still confirms the existence of a hyperinflationary economy. Consequently, the financial statements of the entities located in Turkey are restated for the changes in the general purchasing power of the YTL as at 31 March 2005 based on IAS 29. The restatement is calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics. For the last three years, such indices and conversion factors used to restate the accompanying consolidated financial statements are as follows:

Date	*Index*	*Conversion factor*
31 March 2005	8,503.6	1.000
31 December 2004	8,403.8	1.012
31 March 2004	7,862.2	1.082
31 December 2003	7,382.1	1.152

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

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant conversion factors.
- All items in the income statement are restated by applying the monthly conversion factors except for those deriving from non-monetary items, which are calculated based on the restated values of the related items.
- The effects of inflation on the net monetary positions of the Bank and its affiliates, is included in the income statement as "gain/(loss) on monetary position, net".

(e) Foreign currency

Foreign currency transactions

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

Significant accounting policies (continued)

Financial statements of foreign operations

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

(f) Tangible assets and related depreciation

Owned assets

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

Leased assets

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

Subsequent expenditure

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

Significant accounting policies (continued)

Depreciation

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

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

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

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

(g) Goodwill

Goodwill consists of the excess of the total acquisition costs over the share of the Bank and its affiliates in the fair value of net assets of the acquired companies at the dates of acquisitions. Goodwill is reflected in 'intangible assets' in the accompanying consolidated balance sheets, and assessed annually by using external and internal sources such as market value, information on any adverse effect on the acquired companies, market interest rates or other market rates of return on investments, carrying value of net assets, whether there is any indication that goodwill may be impaired. If any such indication exists, the recoverable amount of the goodwill is estimated. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to its recoverable amount, and impairment loss is recognized as an expense in the income statement.

(h) Financial instruments

Classification

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

Significant accounting policies (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank and its affiliates provide money, goods and services directly to a debtor with no intention of trading the receivable. Loans and receivables comprise loans and advances to banks and customers.

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

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

Recognition

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

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

Measurement

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

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

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

Fair value measurement principles

The fair values of financial instruments are based on their quoted market prices at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, fair value of an instrument is estimated using the available market information and the appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates made

Significant accounting policies (continued)

are not necessarily indicative of the amounts that could be realized in current market exchange.

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

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair values of financial instruments at fair value are recognized in the income statement. Whereas, gains and losses arising from changes in the fair value of cash flow hedges and available-for-sale assets are deferred as a separate component of equity.

Specific instruments

Cash and balances with Central Banks: Cash and balances with Central Banks comprise cash balances on hand, cash deposited with Central Banks and other cash items. Money market placements are classified in loans and advances to banks.

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

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

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

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

Derecognition

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

Significant accounting policies (continued)

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

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

(i) Securities borrowing and lending business

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

(j) Repurchase and resale agreements over investments

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

Income and expenses arising from the repurchase and resale agreements over investments are recognized on an accrual basis over the period of the transactions and are included in interest income or expense.

(k) 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.

Significant accounting policies (continued)

(l) Employee benefits

The Bank has a defined benefit and contribution plan for its employees as described below:

Pension and other post-retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı ("the Fund"), is a separate legal entity and a foundation recognized by an official decree, providing all qualified Bank employees with pension plan benefits. The Fund is a defined benefit plan under which the Bank pays fixed contributions, and is obliged to pay amounts other than the fixed contribution to the Fund through constructively paying additional amounts or through contractual benefits that are not solely linked to the fixed contributions.

The liability to be recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The Bank does not have the legal right to access to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Therefore, no assets are recognised in the balance sheet in respect of defined benefit pension plans. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using expected real interest rates for YTL.

The Bank established a pension scheme, which is a funded defined benefit plan covering substantially all employess. The assets of the plan are held independently the Bank's assets in the Fund. This scheme is valued by independent actuaries every year. The latest actuarial valuations were carried out as at 31 December 2004. Since, the fair value of the Fund's plan assets exceed the defined benefit obligation, no liability is recognized in the accompanying consolidated financial statements of the Bank at 31 March 2005.

Reserve for severance payments

Reserve for severance payments represent the present value of the estimated future probable obligation of the Bank and its affiliates arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts are YTL 1,649 and YTL 1,574 at 31 March 2005 and 31 December 2004, respectively.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

Significant accounting policies (continued)

International Financial Reporting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The principal actuarial assumptions used in the calculation of the total liability in the accompanying consolidated financial statements at 31 March 2005 and 31 December 2004 are as follows:

	31 March 2005	***31 December 2004***
	%	*%*
Expected inflation rate	10	10
Expected rate of salary/limit increase	16	16
Turnover rate to estimate the probability of retirement	5.1	4.3

(m) Taxes on income

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

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

An individual consolidated affiliate offsets deferred tax assets and deferred tax liabilities if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred taxes related to fair value remeasurement of available-for-sale assets and cash flow hedges, are charged or credited directly to equity and subsequently recognised in the income statement together with the deferred gains or losses that are realized.

(n) 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.

Significant accounting policies (continued)

(o) Earnings per share

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

(p) Impairment

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

Loans and receivables and held-to-maturity instruments

The recoverable amounts of loans and receivables and held-to-maturity instruments, are calculated as the present values of the expected future cash flows discounted at the instrument's original effective interest rate. Short-term balances are not discounted.

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

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

Significant accounting policies (continued)

Financial assets remeasured to fair value

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

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

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

(q) Income and expense recognition

Interest income and expense

Except for the interest income on overdue loans, interest income and expense is recognized on an accrual basis by taking into account the effective yield of the asset or an applicable floating rate. Interest income on overdue loans is recognized on a cash basis. Interest income and expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income on overdue loans is recognized only when collected.

Fee and commission income

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

Net trading income

Net trading income includes gains and losses arising from disposals of financial assets at fair value through profit or loss and available-for-sale.

Dividend income

Dividend income is recognized in the income statement when received.

Significant accounting policies (continued)

Insurance business

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

Unearned premium reserve: Reserve 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 arise from premiums written during the year, less reinsurance.

Life assurance provision: In aggregate, life assurance provision must be sufficient to provide for future guaranteed benefits as they become due in accordance with the Turkish insurance regulations. The life assurance provision is based on the level of premiums, as adjusted for 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 settleement 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 make provisions for general business risks (equalisation provision) at different rates determined separately for each insurance branch by the related legislation applicable to insurance business in Turkey.

Retail business

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

(r) ***Segment reporting***

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

Index for the notes to the consolidated financial statements:

Note description

1 Segment reporting

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

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

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

1.1 Geographical segments

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

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

1 **Segment reporting** (continued)

1.2 Business segments

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

31 March 2005	*Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial Sectors*	*Retail*	*Other Non-Financial Sectors*	*Combined*	*Eliminations*	*Total*
Interest income	901,577	17,604	3,528	(37)	1,774	3,942	445	928,833	(4,761)	924,072
Interest expense	(432,787)	(4,887)	-	(1,390)	(10)	(308)	(96)	(439,478)	4,761	(434,717)
Net interest income/(expense)	468,790	12,717	3,528	(1,427)	1,764	3,634	349	489,355	-	489,355
Fee and commission income, net	172,940	-	(772)	4,198	5,377	(3,898)	-	177,845	2,322	180,167
Gross profit from retail business	-	-	-	-	-	64,432		64,432	-	64,432
Premium income from insurance business	-	-	30,660	-	-	-	-	30,660	-	30,660
Foreign exchange gain, net	21,792	(560)	4	(1,168)	(144)	118	768	20,810	-	20,810
Trading account income, net	3,155	-	5	-	1,025	-	(21)	4,164	-	4,164
Other operating income	19,739	-	347	42	343	-	6,476	26,947	(7,099)	19,848
Impairment losses	(192,432)	(2)	-	-	(506)	(310)	(8,647)	(201,897)	5,620	(196,277)
Salaries and wages	(74,097)	(1,933)	(7,307)	(326)	(1,921)	(19,935)	(3,038)	(108,557)	-	(108,557)
Other operating expenses	(189,754)	(3,870)	(22,529)	(362)	(3,866)	(43,867)	(7,620)	(271,868)	5,549	(266,319)
Gain/(loss) on monetary position,net	(13,807)	(944)	(1,645)	(19)	(300)	309	(1,099)	(17,505)	(1,720)	(19,225)
Taxation charge	(56,008)	(113)	(459)	(84)	(1,026)	(431)	-	(58,121)	-	(58,121)
Net income/(loss) for the period	160,318	5,295	1,832	854	746	52	(12,832)	156,265	4,672	160,937
Segment assets	28,179,575	476,972	298,206	109,963	134,399	442,225	843,061	30,484,401	(108,345)	30,376,056
Investments in equity participations	1,664,138	476	559	9,326	7,291	119	64,423	1,746,332	(1,625,554)	120,778
Total assets	29,843,713	477,448	298,765	119,289	141,690	442,344	907,484	32,230,733	(1,733,899)	30,496,834
Segment liabilities	26,174,587	382,740	225,417	93,281	20,616	243,393	41,638	27,181,672	(191,905)	26,989,767

Türkiye Garanti Bankası AŞ and Its Affiliates
Notes to Consolidated Financial Statements
As of and for the Three-Month Period Ended 31 March 2005
(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

1 **Segment reporting** (continued)

31 March 2004	*Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial Sectors*	*Retail*	*Other Non-Financial Sectors*	*Combined*	*Eliminations*	*Total*
Interest income	779,240	17,596	6,013	-	2,234	3,223	183	808,489	(6,521)	801,968
Interest expense	(474,371)	(4,550)	-	(1,819)	(63)	(6,868)	(153)	(487,824)	6,534	(481,290)
Net interest income/(expense)	304,869	13,046	6,013	(1,819)	2,171	(3,645)	30	320,665	13	320,678
Fee and commission income, net	130,374	-	(1,689)	3,917	8,962	(4,181)	-	137,383	455	137,838
Trading account income, net	104,152	-	8	-	447	-	-	104,607	(41,155)	63,452
Foreign exchange gain, net	53,084	933	(955)	(43)	(792)	1,300	1,023	54,550	(754)	53,796
Gross profit from retail business	-	-	-	-	-	48,376	-	48,376	-	48,376
Premium income from insurance business	-	-	21,518	-	-	-	-	21,518	-	21,518
Other operating income	20,372	216	-	64	778	2,692	10,247	34,369	(6,070)	28,299
Salaries and wages	(77,979)	(1,701)	(5,755)	(347)	(2,146)	(12,234)	(3,164)	(103,326)	-	(103,326)
Impairment losses	(29,679)	691	-	-	(191)	(209)	323	(29,065)	(867)	(29,932)
Other operating expenses	(185,340)	(3,670)	(17,846)	(490)	(3,645)	(54,216)	(6,920)	(272,127)	3,245	(268,882)
Gain/(loss) on monetary position,net	(18,122)	(5,242)	(1,479)	(820)	(1,736)	1,567	(4,041)	(29,873)	34,750	4,877
Taxation (charge)/credit	(99,485)	(2,741)	(1,474)	(281)	(1,820)	(3,249)	(535)	(109,585)	-	(109,585)
Net income/(loss) for the period	202,246	1,532	(1,659)	181	2,028	(23,799)	(3,037)	177,492	(10,383)	167,109

31 December 2004	*Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial Sectors*	*Retail*	*Other Non-Financial Sectors*	*Combined*	*Eliminations*	*Total*
Segment assets	28,506,319	461,542	235,014	109,137	126,807	460,447	866,523	30,765,789	(159,668)	30,606,121
Investments in equity participations	1,674,071	476	498	9,325	5,973	119	64,613	1,755,075	(1,627,486)	127,589
Total assets	30,180,390	462,018	235,512	118,462	132,780	460,566	931,136	32,520,864	(1,787,154)	30,733,710
Segment liabilities	26,585,206	372,605	182,232	93,310	12,297	261,254	38,291	27,545,195	(226,109)	27,319,086

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

2 Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, due from banks with original maturity periods of less than three months and other cash items. Cash and cash equivalents as at 31 March 2005 and 2004, included in the accompanying consolidated statements of cash flows are as follows:

	31 March 2005	*31 March 2004*
Cash at branches	149,569	102,338
Loans and advances to banks with original maturity periods of less than three months	911,519	1,176,250
Others	16,322	20,635
	1,077,410	1,299,223

3 Related party disclosures

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

3.1 Outstanding balances

	31 March 2005	*31 December 2004*
Balance sheet		
Loans and advances to customers	331,580	365,705
Loans granted in YTL	*910*	*10,137*
Loans granted in foreign currency:	*US$ 250,143,408*	*US$ 251,453,539*
	EUR 3,157	*EUR 5,089,915*
Deposits received	133,815	75,273
Commitments and contingencies		
Non-cash loans	194,533	203,047

3.2 Transactions

	For the three-month period ended	
	31 March 2005	*31 March 2004*
Interest income	2,626	2,752
Interest expense	1,207	1,512

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

3 Related party disclosures (continued)

In 2005, interest rates applied to foreign currency receivables from and payables to related parties vary within the ranges of 1.75-10% and 0.50-6.25% (31 December 2004: 1.75-7% and 1.50-2.50%), respectively. The interest rates applied to YTL payables to related parties vary within the ranges of 13.50-20% (31 December 2004: 14.50-21.50%). Various commission rates are applied to transactions involving guarantees and commitments.

Key management costs for the three-month period ended 31 March 2005 amount to YTL 7,001 thousands on a consolidated basis. Within this total, individual key management costs of the Bank and its financial and retail affiliates amount to YTL 1,828 thousands, YTL 4,349 thousands and YTL 824 thousands, respectively.

The equity participation in Doğuş Otomotiv Servis ve Ticaret AŞ was sold to Doğuş İnşaat ve Ticaret AŞ at a total amount of YTL 121,945 thousands representing their equivalent market value on 23 August 2004. There was no gain or loss on the sale as this equity participation's carrying value was equal to its market value in the books of account of the Bank.

4 Cash and balances with Central Banks

	31 March 2005	*31 December 2004*
Cash at branches	149,569	207,673
Balances with Central Banks	1,833,592	2,568,389
Others	16,322	18,517
	1,999,483	2,794,579

At 31 March 2005, cash and balances with Central Banks included balances with the Central Bank of Turkey amounting YTL 1,287,646 thousands (31 December 2004: YTL 1,363,875 thousands) as minimum reserve requirement. These funds are not available for the daily business of the Bank and its affiliates. As required by the Turkish Banking Law, these reserve deposits are calculated on the basis of customer deposits taken at the rates determined by the Central Bank of Turkey. In accordance with the current legislation, the reserve deposit rates for YTL and foreign currency deposits are 6% and 11%, respectively. These reserve deposit rates are applicable to both time and demand deposits. Interest rates applied for reserve requirements are 11.75% (31 December 2004: 12.50%) for YTL deposits and 0.995% (31 December 2004: 0.99%) for foreign currency deposits.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

5 Financial assets at fair value through profit or loss

	31 March 2005				*31 December 2004*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments held at fair value:					
Government bonds in YTL	168,906	154,959	6-26	2010	50,224
Bonds issued by corporations	84,845	83,777	7-18	2008	47,130
Eurobonds	64,997	76,392	1-12	2034	42,751
Government bonds in foreign currency	61,160	62,769	3-7	2008	32,882
Discounted government bonds in YTL	44,218	37,353	17-19	2006	194,584
Government bonds at floating rates	33,148	34,168	6-25	2010	27,253
Treasury bills in YTL	24,502	23,261	15-24	2005	34,815
Bonds issued by foreign governments	7,017	10,081	5-10	2012	5,838
Others		4,842			1,364
		487,602			436,841
Equity and other non-fixed income instruments:					
Forfaiting receivables		192,861			172,966
Listed shares		16,935			16,160
Total financial assets at fair value through profit or loss		697,398			625,967

Income from debt and other instruments held at fair value is reflected in the consolidated income statement as interest on securities. Gains and losses arising on derivative financial instruments and changes in fair value of other trading instruments are reflected in net trading account income. Whereas, gains and losses arising from changes in the fair value of cash flow hedges are reflected as a separate component of equity.

For the three-month period ended 31 March 2005, net income from trading of financial assets amounting to YTL 4,164 thousands (31 March 2004: YTL 63,452 thousands) in total is included in “trading account income, net”.

The following table summarizes the contractual amounts of the forward exchange, swap, futures and options contracts, with details of remaining periods to maturity. Foreign currency amounts are translated at rates ruling at the balance sheet date. Monetary items denominated in foreign currencies are economically hedged using foreign currency derivative contracts.

All gains and losses on foreign currency contracts are recognized in the income statement, except for contracts of cash flow hedges as stated above. At 31 March 2005, 96% of the net consolidated balance sheet foreign currency open position was hedged through the use of foreign currency contracts (31 December 2004: 108%).

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

5 Financial assets at fair value through profit or loss (continued)

	Notional amount with remaining life of					
At 31 March 2005	***Upto 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Future rate agreements	-	-	-	119,387	145,917	265,304
Purchases	-	-	-	*119,387*	*145,917*	*265,304*
Sales	-	-	-	-	-	-
Interest rate swaps	2,550	3,354	-	-	92,856	98,760
Purchases	*2,550*	*3,354*	-	-	*92,856*	*98,760*
Sales	-	-	-	-	-	-
Interest rate futures	-	1,736	3,643	-	-	5,379
Purchases	-	*1,736*	*2,094*	-	-	*3,830*
Sales	-	-	*1,549*	-	-	*1,549*
Currency Derivatives						
Spot exchange contracts	322,883	-	-	-	-	322,883
Purchases	*93,435*	-	-	-	-	*93,435*
Sales	*229,448*	-	-	-	-	*229,448*
Forward exchange contracts	370,603	95,345	117,922	33,441	-	617,311
Purchases	*177,562*	*58,762*	*90,630*	*32,307*	-	*359,261*
Sales	*193,041*	*36,583*	*27,292*	*1,134*	-	*258,050*
Currency/cross currency swaps	1,029,978	304,591	1,517,635	208,065	97,640	3,157,909
Purchases	*778,480*	*265,913*	*1,517,635*	*203,172*	*97,640*	*2,862,840*
Sales	*251,498*	*38,678*	-	*4,893*	-	*295,069*
Options	714,149	304,019	118,188	62,308	-	1,198,664
Purchases	*449,501*	*144,891*	*57,111*	*34,752*	-	*686,255*
Sales	*264,648*	*159,128*	*61,077*	*27,556*	-	*512,409*
Foreign currency futures	-	-	475,884	-	-	475,884
Purchases	-	-	*475,884*	-	-	*475,884*
Sale	-	-	-	-	-	-
Other foreign exchange contracts	72,614	-	-	-	-	72,614
Purchases	*2,711*	-	-	-	-	*2,711*
Sale	*69,903*	-	-	-	-	*69,903*
Subtotal Purchases	1,504,239	474,656	2,143,354	389,618	336,413	4,848,280
Subtotal Sales	1,008,538	234,389	89,918	33,583	-	1,366,428
Total of Transactions	2,512,777	709,045	2,233,272	423,201	336,413	6,214,708

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

5 Financial assets at fair value through profit or loss (continued)

	Notional amount with remaining life of					
At 31 December 2004	***Upto 1 month***	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***over 1 year***	***Total***
Interest Rate Derivatives						
Future rate agreements	-	13,746	54,985	82,478	82,478	233,687
Purchases	-	*13,746*	*54,985*	*82,478*	*82,478*	*233,687*
Sales	-	-	-	-	-	-
Interest rate swaps	2,396	71,930	27,493	-	-	101,819
Purchases	*2,396*	*71,930*	*27,493*	-	-	*101,819*
Sales	-	-	-	-	-	-
Interest rate options	1,631	-	-	-	-	1,631
Purchases	-	-	-	-	-	-
Sales	*1,631*	-	-	-	-	*1,631*
Currency Derivatives						
Spot exchange contracts	227,168	-	-	-	-	227,168
Purchases	*64,135*	-	-	-	-	*64,135*
Sales	*163,033*	-	-	-	-	*163,033*
Forward exchange contracts	377,001	55,595	60,531	62,654	-	555,781
Purchases	*261,801*	*47,854*	*38,537*	*61,804*	-	*409,996*
Sales	*115,200*	*7,741*	*21,994*	*850*	-	*145,785*
Currency/cross currency swaps	1,061,638	452,216	356,301	1,304,592	-	3,174,747
Purchases	*996,733*	*406,104*	*356,301*	*1,288,277*	-	*3,047,415*
Sales	*64,905*	*46,112*	-	*16,315*	-	*127,332*
Options	234,478	161,229	92,506	113,786	-	601,999
Purchases	*131,743*	*55,605*	*26,135*	*60,131*	-	*273,614*
Sales	*102,735*	*105,624*	*66,371*	*53,655*	-	*328,385*
Foreign currency futures	-	151,377	-	-	-	151,377
Purchases	-	-	-	-	-	-
Sale	-	*151,377*	-	-	-	*151,377*
Other foreign exchange contracts	10,285	65,427	-	-	-	75,712
Purchases	*10,285*	-	-	-	-	*10,285*
Sale	-	*65,427*	-	-	-	*65,427*
Subtotal Purchases	1,467,093	595,239	503,451	1,492,690	82,478	4,140,951
Subtotal Sales	447,504	376,281	88,365	70,820	-	982,970
Total of Transactions	1,914,597	971,520	591,816	1,563,510	82,478	5,123,921

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

6 Loans and advances to banks

	31 March 2005			*31 December 2004*		
	YTL	***Foreign Currency***	***Total***	***YTL***	***Foreign Currency***	***Total***
Loans and advances-demand						
Domestic banks	16,608	993	17,601	9,121	513	9,634
Foreign banks	7,401	60,658	68,059	1,993	63,464	65,457
	24,009	61,651	85,660	11,114	63,977	75,091
Loans and advances-time						
Domestic banks	12,148	540,782	552,930	10,494	576,131	586,625
Foreign banks	179,636	869,391	1,049,027	110,734	981,356	1,092,090
	191,784	1,410,173	1,601,957	121,228	1,557,487	1,678,715
Accrued interest on loans and advances	4,956	2,113	7,069	2,674	1,361	4,035
Total loans and advances to banks	220,749	1,473,937	1,694,686	135,016	1,622,825	1,757,841
Less: allowance for uncollectibility	-	-	-	-	-	-
Net loans and advances to banks	220,749	1,473,937	1,694,686	135,016	1,622,825	1,757,841

As at 31 March 2005, time deposits are almost all short-term, maturing within one year, with interest rates ranging between 1-8.50 % per annum for foreign currency time deposits and 16-25% per annum for YTL time deposits (31 December 2004: 1-6% and 18-26%, respectively).

As at 31 March 2005, demand deposits at foreign banks include blocked accounts of YTL 49,111 thousands (31 December 2004: YTL 45,681 thousands) against the securitisation transactions on cheques, credit card receivables and insurance business.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

7 Loans and advances to customers

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

	31 March 2005	*31 December 2004*
Consumer loans	3,772,895	3,361,465
Industrial	3,655,117	3,531,900
Financial institutions	1,241,394	1,305,676
Service sector	1,187,909	1,138,493
Agriculture	437,445	411,106
Construction	412,937	441,980
Tourism	348,202	288,019
Foreign trade	347,893	219,356
Transportation	311,906	194,978
Others	396,986	360,775
Total performing loans	12,112,684	11,253,748
Non-performing loans	512,614	450,052
Total gross loans	12,625,298	11,703,800
Accrued interest income on loans	184,112	180,977
Financial lease receivables, net of unearned income (Note 8)	409,617	391,239
Factoring receivables	105,120	102,440
Forfaiting receivables	14,835	47,942
Allowance for possible losses from loans and lease receivables	(428,484)	(312,616)
Loans and advances to customers	12,910,498	12,113,782

As at 31 March 2005, interest rates on loans granted to customers range between 2-14% (31 December 2004: 1-14%) per annum for foreign currency loans and 16.50-32% (31 December 2004: 15-32%) per annum for YTL loans.

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

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

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

7 Loans and advances to customers (continued)

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

	31 March 2005	*31 December 2004*
Balance at the beginning of the period	312,616	233,541
The effect of inflation on the beginning balance and current period transactions	(4,733)	(27,082)
Write-offs	(24,807)	(11,800)
Recoveries	(1,682)	(32,499)
Provision for the period	147,090	150,456
Balance at the end of the period	428,484	312,616

8 Financial lease receivables

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

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

	31 March 2005	*31 December 2004*
Financial lease receivables, net of unearned income (Note 7)	409,617	391,239
Less: allowance for possible losses from lease receivables	(6,260)	(6,051)
	403,357	385,188
Analysis of net financial lease receivables		
Due within 1 year	317,927	292,061
Due between 1 and 5 years	142,288	157,738
Financial lease receivables, gross	460,215	449,799
Unearned income	(56,858)	(64,611)
Financial lease receivables, net	403,357	385,188
Analysis of net financial lease receivables, net		
Due within 1 year	278,795	250,597
Due between 1 and 5 years	124,562	134,591
Financial lease receivables, net	403,357	385,188

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

9 Other assets

	31 March 2005	*31 December 2004*
Tangible assets held for resale	462,360	497,998
Insurance premium receivables	133,072	100,488
Prepaid expenses, insurance claims and similar items	95,507	97,489
Retail business stocks	56,924	63,649
Miscellaneous receivables	21,953	22,735
Taxes and funds to be refunded	11,532	12,218
Accrued gain on derivatives	-	161,914
Others	73,088	58,619
	854,436	1,015,110

The portion amounting to YTL 197,993 thousands (31 December 2004: YTL 213,191 thousands) of tangible assets held for resale is comprised of real estate acquired by the Bank against its impaired receivables. Such assets are required to be disposed of within three years following their acquisitions per the Turkish Banking Law. This legal period can be extended by a legal permission from the regulators. In case of real estates held for resale, this requirement is valid only if the legal limit on the size of the real estate portfolio that a bank can maintain is exceeded. Currently, as the Bank is within this legal limit, it is not subject to the above requirement.

Impairment losses provided on real estates held for resale were determined based on the appraisals of independent appraiser firms. As of 31 March 2005, real estates held for resale with cost amounting YTL 385,821 thousands (31 December 2004: YTL 250,230 thousands) impaired by YTL 126,137 thousands (31 December 2004: YTL 104,733 thousands).

10 Security investments

	31 March 2005				*31 December 2004*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments available-for-sale:					
Government bonds at floating rates	2,518,526	2,627,557	6-26	2010	2,090,565
Government bonds in foreign currency	1,779,061	1,788,720	4-7	2007	1,726,905
Eurobonds	562,802	642,442	5-12	2034	804,402
Bonds issued by corporations	342,572	348,964	7-13	2010	155,073
Discounted government bonds in YTL	217,375	176,167	17-19	2006	675,555
Government bonds in YTL	143,632	144,139	18-29	2010	35,586
Bonds issued by foreign governments	140,789	141,564	2-11	2008	150,584
Others		16,300			15,766
Total securities available-for-sale		5,885,853			5,654,436

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of
inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

10 Security investments (continued)

	31 March 2005				31 December 2004
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Total securities available-for-sale		5,885,853			5,654,436
Debt and other instruments held-to-maturity:					
Government bonds indexed to foreign currency	1,478,034*	1,404,820	***(a)***	2006	1,475,689
Eurobonds	1,241,777	1,330,095	7-13	2030	1,427,357
Government bonds at floating rates	714,584	732,276	***(b)***	2006	741,907
Government bonds in YTL	255,317	264,532	17-25	2005	267,674
Bonds issued by foreign governments	133,762	136,802	3-6	2008	142,491
Bonds issued by financial institutions	82,350	82,350	5-12	2014	86,238
Bonds issued by corporations	51,041	50,993	12-13	2007	97,260
Discounted government bonds in YTL		-			10,925
		4,001,868			4,249,541
Accrued interest on held-to-maturity portfolio		157,567			136,230
Total securities held-to-maturity		4,159,435			4,385,771
Total security investments		10,045,288			10,040,207

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

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

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

Interest income from debt and other fixed- or floating-income instruments is reflected in interest on securities. Whereas, gains and losses arising from changes in the fair value of cash flow hedges and available-for-sale assets are deferred as a separate component of equity.

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to YTL 1,611,651 thousands (31 December 2004: YTL 1,091,391 thousands).

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

10 Security investments (continued)

In the second quarter of 2004, the Bank management has decided to transfer the available-for-sale securities (eurobonds and government bonds in YTL and at floating rates) with a total face value of YTL 1,179,857 thousands to its held-to-maturity portfolio. Despite this reclassification, the size of the securities held-to-maturity portfolio decreased from YTL 5,614,935 thousands as of 31 December 2003 to YTL 4,385,771 thousands as of 31 December 2004 as some securities have been matured and collected during the period.

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

	31 March 2005		*31 December 2004*	
	Face Value	***Carrying value***	***Face Value***	***Carrying value***
Collateralised to foreign banks	1,218,465	1,258,593	692,550	733,894
Deposited at CBT for interbank transactions	380,000	438,754	380,000	453,178
Reserve requirements at CBT	340,000	392,569	340,000	405,475
Deposited at CBT for foreign currency money market transactions	320,000	369,477	320,000	381,624
Deposited at Istanbul Stock Exchange	298,435	309,211	228,867	230,897
Deposited at Clearing Bank (Takasbank)	255,000	264,275	255,000	270,413
Deposited at CBT for repurchase transactions	43,019	44,643	58,803	60,920
Others		94,707		227,992
		3,172,229		2,764,393

11 Investments in equity participations

	31 March 2005		*31 December 2004*	
	Carrying Value	***Ownership %***	***Carrying Value***	***Ownership %***
Investments in associated companies:				
Garanti Turizm ve Yatırım İşl. AŞ	26,156	44.89	30,749	44.89
Others	11,392		7,606	
	37,548		38,355	
Equity participations available-for-sale:				
Datmar Turizm AŞ	48,827	14.00	49,490	14.00
IMKB Takasbank AŞ	11,532	5.83	11,532	5.83
Petrotrans Nakliyat ve Tic. AŞ	9,782	99.99	9,898	99.99
Others	13,089		18,314	
	83,230		89,234	
	120,778		127,589	

11 Investments in equity participations (continued)

The Bank sold its shares in Türkiye Sınai Kalkınma Bankası AŞ amounting YTL 5,886 thousands, classified in equity participations available-for-sale as of 31 December 2004, at a price of YTL 7,733 thousands on 31 January 2005.

On 23 March 2005, the Bank signed a Term Sale Agreement to sell its shares in Petrotrans Nakliyat Ticaret AŞ, classified in equity participations available-for-sale with a net book value of YTL 9,782 thousands as at 31 March 2005, at a selling price of US$ 10 millions. If the sale conditions are met and the remaining portion of sale proceeds in the amount of US$ 9 millions is collected until 30 June 2005, the agreement will be effective and the transfer of shares will take place.

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

Impairment losses are provided for decreases in the value of certain investments in equity participations amounting to YTL 5,541 thousands in the current period. Accordingly, the cumulative provisions for such impairment losses amounted to YTL 209,611 thousands as of 31 March 2005 (31 December 2004: YTL 219,729 thousands).

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

12 Tangible assets

Movement in tangible assets for the period of 1 January – 31 March 2005 is as follows:

	1January	***Additions***	***Adjustment for Currency Translation***	***Disposals***	***31 March***
Costs					
Land and buildings	1,789,536	987	(6,105)	(19,522)	1,764,896
Furniture, fixture and equipments	1,117,336	31,719	(915)	(5,209)	1,142,931
Leasehold improvements	369,204	5,212	(859)	(16,958)	356,599
	3,276,076	37,918	(7,879)	(41,689)	3,264,426
Less: Accumulated depreciation					
Buildings	210,742	11,178	(438)	(2,179)	219,303
Furniture, fixture and equipments	808,918	29,234	(880)	(5,142)	832,130
Leasehold improvements	206,271	8,567	(466)	(14,245)	200,127
	1,225,931	48,979	(1,784)	(21,566)	1,251,560
Construction in progress	48,697	3,551 ***(a)***	-	-	52,248
	2,098,842		(6,095)	(20,123)	2,065,114
Impairment in value of tangible assets	(142,887)				(149,828)
	1,955,955				1,915,286

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

	1January	***Additions***	***Adjustment for Currency Translation***	***Disposals***	***31 December***
Costs					
Land and buildings	1,833,854	15,089	(14,268)	(45,139)	1,789,536
Furniture, fixture and equipments	1,104,047	75,446	(3,774)	(58,383)	1,117,336
Leasehold improvements	410,086	32,701	-	(73,583)	369,204
	3,347,987	123,236	(18,042)	(177,105)	3,276,076
Less: Accumulated depreciation					
Buildings	189,553	34,610	(3,504)	(9,917)	210,742
Furniture, fixture and equipments	746,311	114,805	(176)	(52,022)	808,918
Leasehold improvements	226,863	48,841	-	(69,433)	206,271
	1,162,727	198,256	(3,680)	(131,372)	1,225,931
Construction in progress	42,584	6,113*(a)*	-	-	48,697
	2,227,844		(14,362)	(45,733)	2,098,842
Impairment in value of tangible assets	(146,314)				(142,887)
	2,081,530				1,955,955

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

12 Tangible assets (continued)

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

Depreciation expense for the three-month period ended 31 March 2005 amounts to YTL 48,979 thousands (31 March 2004: YTL 50,620 thousands). The premises are depreciated at the annual rate of 2% and the rates applied to furniture, fixtures and equipment range from 8% to 25%.

Impairment losses provided for decreases in the value of land and buildings were determined based upon assessment of the independent appraiser firms. As of 31 March 2005, land and buildings at a total cost of YTL 535,861 thousands (31 December 2004: YTL 511,766 thousands) have been impaired by YTL 149,828 thousands (31 December 2004: YTL 142,887 thousands).

13 Intangible assets

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

Intangible assets comprise of the following goodwills:

	31 March 2005	*31 December 2004*
Tansaş Perakende Mağazacılık Ticaret AŞ	81,599	81,599
Doğuş Hava Taşımacılığı AŞ	37,076	37,076
Garanti Yatırım Menkul Kıymetler AŞ	20,318	20,318
Doc Finance SA	7,699	7,699
Garanti Finans Faktoring Hizmetleri AŞ	6,482	6,482
Garanti Finansal Kiralama AŞ	5,065	5,065
Sititur Tur.T.Taş.Org.Bilg.Dan.Y. San.veTic. AŞ	3,135	3,135
Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ	1,438	1,438
Garanti Sigorta AŞ	1,063	1,063
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	498	498
Garanti Emeklilik AŞ	37	37
Goodwill	164,410	164,410
Impairment in value of goodwill	(47,910)	(47,910)
	116,500	116,500

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

13 Intangible assets (continued)

Impairment losses are provided for decreases in the value of consolidated entities by way of assessing their internal and external sources. As of 31 March 2005, goodwill on Doğuş Hava Taşımacılığı AŞ, Doc Finance SA and Sititur Tur. Tem. Taş. Org. Bilg. Dan. Yap.San. ve Tic. AŞ as disclosed in the table above has been impaired by YTL 47,910 thousands in total (31 December 2004: YTL 47,910 thousands).

14 Deposits from banks

Deposits from banks comprise the following:

	31 March 2005	*31 December 2004*
Payable on demand	175,541	41,596
Term deposits	737,019	1,100,449
	912,560	1,142,045
Accrued interest on deposits from banks	6,539	5,443
	919,099	1,147,488

Deposits from banks include both YTL accounts of YTL 476,243 thousands (31 December 2004: YTL 741,120 thousands) and foreign currency accounts of YTL 436,317 thousands (31 December 2004: YTL 400,925 thousands). As at 31 March 2005, interest rates applicable to YTL bank deposits and foreign currency bank deposits vary within ranges of 15.50-27% and 1-8% (31 December 2004: 15-27% and 1-8%), respectively.

15 Deposits from customers

Deposits from customers comprise the following:

	31 March 2005			*31 December 2004*
	Demand	***Time***	***Total***	***Total***
Foreign currency	4,013,791	7,035,236	11,049,027	12,341,448
Saving	525,066	3,805,397	4,330,463	3,853,059
Commercial	1,410,278	2,124,107	3,534,385	3,276,402
Public and other	384,329	152,295	536,624	361,794
	6,333,464	13,117,035	19,450,499	19,832,703
Accrued interest expense on deposits from customers	-	107,312	107,312	107,034
	6,333,464	13,224,347	19,557,811	19,939,737

As at 31 March 2005, interest rates applicable to YTL deposits and foreign currency deposits vary within ranges of 15.50-23.50% and 0.50-10% (31 December 2004: 17-23% and 1.50-6.50%), respectively.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of
inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

16 Obligations under repurchase agreements

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

	Carrying value	*Fair value of underlying assets*	*Carrying amount of corresponding liabilities*	*Range of repurchase dates*	*Repurchase price*
Security investments					
31 March 2005	1,611,651	1,659,139	1,246,306	Apr'05-Apr'08	1,316,597
31 December 2004	1,091,391	1,166,433	935,743	Jan'05-Apr'08	997,859

Accrued interest on obligations under repurchase agreements amounting to YTL 14,744 thousands (31 December 2004: YTL 16,154 thousands) is included in the carrying amount of corresponding liabilities.

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

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As at 31 March 2005, the maturities of the obligations from one day to three years and interest rates varied between 2-58% (31 December 2004: 3-25%).

17 Loans and advances from banks

Loans and advances from banks comprise the following:

	31 March 2005	*31 December 2004*
Short-term borrowings		
Domestic banks	272,808	275,211
Foreign banks	2,342,805	2,326,854
	2,615,613	2,602,065
Long-term debts		
Short-term portion	205,967	194,694
Medium and long-term portion	1,181,223	1,258,970
	1,387,190	1,453,664
Accrued interest on loans and advances from banks	44,474	45,300
	4,047,277	4,101,029

As at 31 March 2005, short-term borrowings include a syndication loan in the amount of US$100 millions obtained by one of the affiliates of the Bank in February 2005 with twelve banks from seven countries.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

17 Loans and advances from banks (continued)

As at 31 December 2004, short-term borrowings from foreign banks included a one-year syndicated term-loan facility amounting US$ 600 millions (equivalent of YTL 793,140 thousands) obtained on 6 December 2004 as signed with the 25 mandated arrangers, and a one-year syndicated facility to finance pre-finance export contracts of the Bank's corporate customers with a total amount of EUR 450 millions (equivalent of YTL 773,865 thousands) obtained on 9 July 2004 as signed with the 25 mandated arrangers.

Long-term debts comprise the following:

	31 March 2005					31 December 2004
	Interest rate%	*Latest Maturity*	*Amount in original currency*	*Short term portion*	*Medium and long term portion*	*Medium and long term debts*
DPR Securitisation-I	3.26-5.01	2008	US$350 mio	-	462,665	481,653
DPR Securitisation-II	2.96-2.99	2012	US$325mio	-	429,618	447,249
Kuveyt Turk	3.41-6.41	2006	US$28 mio	-	38,377	38,025
Cobank	1.99-3.52	2008	US$58 mio	45,291	31,964	39,784
Deutsche Bank	2.44-3.44	2007	US$50 mio	36,384	30,187	24,950
Murabaha Syndication	4.99	2006	US$26 mio	15,345	19,777	18,861
Standard Chartered	2.35-4.04	2006	US$14 mio	12,018	6,487	5,801
Others				96,929	162,148	202,647
				205,967	1,181,223	1,258,970

In December 2004, the leasing affiliate of the Bank obtained a two-year syndicated facility of US$ 28 millions.

In August 2004, the leasing affiliate of the Bank has secured a syndicated "Murabaha" facility of US$ 30 millions with a term of 24 months through a consortium arranged by HSBC to support the growing demand for leasing transactions. In line with the repayment schedule, the outstanding balance of this loan as of 31 March 2005 is US$ 26 millions.

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

17 Loans and advances from banks (continued)

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

18 Taxation on income

Corporate income tax is levied at the rate of 30% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2005. There is an additional tax computed only on the amounts of dividend distribution and is accrued only at the time of such payments. According to the amendments in tax legislations, which are effective from 24 April 2003, no income tax withholding is calculated over the dividends that are distributed to the shareholders from the profits of the years between 1999 and 2002 if these profits are exempted from corporation tax bases of the companies.

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

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

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

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

18 Taxation on income (continued)

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

	31 March 2005	*%*	*31 March 2004*	*%*
Taxes on income per statutory tax rate	65,717	30.00	91,309	33.00
Income items exempt from tax	(13,500)	(6.16)	(16,932)	(6.12)
Non-tax deductable impairment losses, net	8,444	3.85	-	-
Disallowable expenses	7,083	3.23	16,411	5.93
Reversal of impairment losses	(7,015)	(3.20)	-	-
Permanent differences relating to restatement of non-monetary items per IAS29	2,854	1.30	13,139	4.75
Investment incentives	(327)	(0.15)	(3,989)	(1.44)
Valuation differences of financial leases	-	-	7,382	2.67
Effect of permanent differences on consolidation adjustments	-	-	769	0.28
Others	(5,135)	(2.34)	1,496	0.54
Taxation charge	58,121	26.53	109,585	39.61

The taxation charge comprise the following:

	For the three-month periods ended	
	31 March 2005	*31March 2004*
Current taxes	21,267	16,047
Deferred taxes	36,854	93,538
Taxation charge	58,121	109,585

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

The current taxes payable on income comprise the following:

	31 March 2005	*31 December 2004*
Provision for current taxes payable on income before deductions	58,121	291,475
Add: Taxes payable carried forward	14,302	1,887
Add/(less): Deferred tax asset/liability	(36,854)	(258,968)
Less: Restatement effect on current taxes payable on income for the change in the general purchasing power of YTL at 31 March 2005	(168)	(4,557)
Taxes payable on income	35,401	29,837

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

18 **Taxation on income** (continued)

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

	31 March 2005	*31 December 2004*
Deferred tax assets		
Tax losses carried forward	61,045	76,986
Impairment in value of investments in associated companies and tangible assets	34,490	28,739
Pro-rata basis depreciation expenses	18,474	19,907
Specific and general allowance for loan losses	18,203	17,783
Reserve for severance payments	6,043	5,924
Leasing obligations	4,167	3,822
Investment incentives and exemptions	2,190	9,731
Valuation difference on financial assets and liabilities	1,092	12,561
Others, net	(3,222)	10,727
Total deferred tax assets	142,482	186,180
Deferred tax liabilities		
Total deferred tax liabilities	856	1,407

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

19 Other liabilities and accrued expenses

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

	31 March 2005	*31 December 2004*
Transfer orders	377,577	403,459
Miscellaneous payables	234,602	240,438
Insurance business related provisions	110,112	103,605
Payables to insurance and reinsurance companies relating to insurance operations	94,279	59,471
Unearned income	61,164	59,116
Withholding taxes	43,238	51,704
Factoring payables	33,626	26,427
Expense accruals	31,878	28,765
Blocked accounts	24,389	26,649
Reserve for severance payment	24,352	23,822
Payables to suppliers relating to financial leasing activities	15,584	11,891
General provision for non-cash loans	12,602	14,922
Others	119,614	113,576
	1,183,017	1,163,845

Insurance business related provisions are detailed in the table below:

	31 March 2005			*31 December 2004*		
	Garanti Sigorta AŞ	*Garanti Emeklilik AŞ*	*Total*	*Garanti Sigorta AŞ*	*Garanti Emeklilik AŞ*	*Total*
Reserve for unearned premiums, net	33,434	7,320	40,754	32,083	5,734	37,817
Gross	*90,705*	*8,041*	*98,746*	*71,107*	*6,330*	*77,437*
Reinssurers' share	*(57,271)*	*(721)*	*(57,992)*	*(39,024)*	*(596)*	*(39,620)*
Provision for claims, net	14,736	1,213	15,949	14,066	798	14,864
Gross	*48,436*	*1,390*	*49,826*	*56,865*	*915*	*57,780*
Reinssurers' share	*(33,700)*	*(177)*	*(33,877)*	*(42,799)*	*(117)*	*(42,916)*
Provision for earthquake claims	13,757	-	13,757	12,954	-	12,954
Life mathematical reserves	-	39,652	39,652	-	37,970	37,970
	61,927	48,185	110,112	59,103	44,502	103,605

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

19 Other liabilities and accrued expenses (continued)

Movements in the reserve for severance payment are as follows:

	31 March 2005	*31 December 2004*
Balance, beginning of period	23,822	39,159
Effects of inflation on the beginning balance	(293)	(4,032)
Reversals	98	(8,388)
Payments during the period	(7)	(4,733)
Provision for the period	732	1,816
Balance, end of period	24,352	23,822

Movements in the general provision for non-cash loans are as follows:

	31 March 2005	*31 December 2004*
Balance, beginning of period	14,922	12,990
Effects of inflation on the beginning balance	(175)	(1,716)
Reversals	(2,145)	(295)
Provision for the period	-	3,943
Balance, end of period	12,602	14,922

20 Shareholders' equity

The authorized nominal share capital of the Bank amounted to YTL 1,200,000 thousands. As per the resolution of the Board of Directors on 7 March 2005, it was decided to change the face value of each share from TL 500 to New Kuruş 1 and the number of shares from 2,400 billions to 120 billions in compliance with the Law on the Currency Unit of the Republic of Turkey no.5083 and the Law no.5274 changing the Turkish Commercial Code no.6762. The change has been registered subsequently on 7 April 2005.

Increases in share capital arising from the amounts paid in by the shareholders are restated for the effects of inflation (refer to accounting policy (d)) in the accompanying consolidated financial statements; however, the transfers from revaluation surplus on fixed assets for statutory purposes and transfers from statutory retained earnings are eliminated. In 2004, the Bank's nominal share capital increased from YTL 822,038 thousands to YTL 1,200,000 thousands by way of appropriation of gain on sales of real estate amounting YTL 20,515 thousands, gain on sales of equity participation amounting YTL 6,947 thousands and retained earnings of YTL 350,500 thousands in the third quarter of 2004 as reflected in the equity of statutory financial statements.

As per the resolution no.2141 of the Board of Directors on 7 March 2005, it has been decided to increase the Bank's registered share capital ceiling from YTL 1,200,000 thousands to YTL 7,000,000 thousands. The decision was approved during the Annual General Assembly held on 4 April 2005.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of
inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

20 Shareholders' equity (continued)

The reserves include legal reserves amounting to YTL 52,555 thousands in total which are generated by annual appropriations amounting to 5% of the statutory income of the Bank and its affiliates until such reserves reach 20% of paid-in share capital (first legal reserves). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in share capital appropriated to generate the legal reserves (second legal reserves). The legal reserves are restricted and are not available for distribution as dividends unless they exceed 50% of the share capital.

In compliance with the revised standards of IFRS effective from 1 January 2005, minority interest is classified under different components of shareholders' equity (refer to note 23). As at 31 March 2005 net minority interest amounts to YTL 241,216 thousands (31 December 2004: YTL 241,520 thousands).

Minority interest is detailed as follows:

	31 March 2005	*31 December 2004*
Capital and other reserves	542,691	543,596
Accumulated losses	(302,076)	(279,736)
Current period net income/(loss)	601	(22,340)
	241,216	241,520

Revaluation reserve of available-for-sale assets is detailed as follows:

	31 March 2005
At 1 January 2004	123,659
Net gains/(losses) from changes in fair value	(32,134)
Deferred taxes	(5,808)
Net (gains)/losses transferred to net income on disposal and impairment	(39,495)
Deferred taxes	6,345
	52,567

21 Fair value information

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

The estimated fair values of financial instruments have been determined using available market information by the Bank, and where it exists, appropriate valuation methodologies. However, judgment is necessary required to interpret market data to determine the estimated fair value. Turkey has shown sings of an emerging market and has experienced a significant decline in the volume of activity in its financial market. While management has used available market information in estimating the fair values of financial instruments, the

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21 Fair value information (continued)

market information may not be fully reflective of the value that could be realised in the current circumstances.

Management has estimated that the fair value of certain balance sheet instruments is not materially different than their recorded values except for those security investments. These balance sheet instruments include loans and advances to banks and customers, obligations under repurchase agreements, loans and advances from banks, and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Fair value of security investments is YTL 10,105,736 thousands (31 December 2004: YTL 10,138,099 thousands), whereas the carrying amount is YTL 10,045,288 thousands (31 December 2004: YTL 10,040,207 thousands) in the accompanying consolidated balance sheet as at 31 March 2005.

22 Commitments and contingencies

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

Commitments and contingent liabilities comprise the following:

	31 March 2005	*31 December 2004*
Letters of guarantee	4,531,361	4,726,606
Letters of credit	2,015,670	1,825,974
Acceptance credits	324,442	606,708
Other guarantees and endorsements	-	408
	6,871,473	7,159,696

As at 31 March 2005, commitment for uncalled capital of affiliated companies amounts approximately to YTL 13 thousands (31 December 2004: YTL 13 thousands).

As at 31 March 2005, commitment for purchase and sale of foreign currencies under spot, forwards, swaps, future rate agreements, options and forward agreements for gold trading amounts to YTL 6,214,708 thousands (31 December 2004: YTL 5,123,921 thousands), almost all due within a year.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

22 Commitments and contingencies (continued)

The breakdown of outstanding commitments, by type, are presented as follows:

	31 March 2005		*31 December 2004*	
	Purchases	***Sales***	***Purchases***	***Sales***
Forward agreements for customer dealing activities	119,090	145,682	57,570	72,948
Currency swap agreements for customer dealing activities	35,279	148,375	83,737	14,478
Spot foreign currency transactions for customer dealing activities	40,468	42,132	55,117	139,438
Forward agreements for hedging purposes	240,171	112,368	352,426	72,837
Currency swap agreements for hedging purposes	2,827,561	146,694	2,963,678	112,854
Interest rate swap agreements	98,760	-	101,819	-
Interest rate and foreign currency options	686,255	512,409	273,614	330,016
Future rate agreements and foreign currency futures	745,018	1,549	233,687	151,377
Forward agreements for gold trading	2,711	69,903	10,285	65,427
Spot foreign currency transactions	52,967	187,316	9,018	23,595
	4,848,280	1,366,428	4,140,951	982,970

23 Change in accounting policies

As of 1 January 2005, the Bank and its affiliates adopted revised standards of IFRS. These changes have been accounted by adjusting the previous years' results.

The changes accounted are as follows:

- the quoted securities previously classified as "originated loans and receivables" at the date of their acquisitions, are reclassified to security investments,
- the changes in fair value of available-for-sale portfolio over its amortised cost are reclassified as a separate component of shareholders' equity,
- the negative goodwill is charged to retained earnings,
- all the affiliates even if they are in liquidation process or kept as equity participations available-for-sale are consolidated, and
- the minority interest is reclassified to shareholders' equity.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

23 Change in accounting policies (continued)

Effects of the changes in accounting policies on certain shareholders' equity and minority interest components in compliance with the revised standards of IFRS are as follows:

			Retained Earnings		
As of 31 December 2003	Minority interest	Revaulation of available- for-sale assets	Previous Years' income	Current period income	Total
Reported balances at 31 December 2003	234,311	-	(29,430)	618,010	588,580
Minority interest on a consolidated affiliate	57,552	-	-	-	-
Reclassification of net market value gains on available-for-sale portfolio	-	233,534	(14,564)	(218,970)	(233,534)
Elimination of reclassification for originated loans and receivables	-	-	3,519	25,353	28,872
Booking of net market value gains	-	-	-	1,637	1,637
Reversal of negative goodwill	-	-	2,273	-	2,273
Adjusted balances at 31 December 2003	291,863	233,534	(38,202)	426,030	387,828
For the three-month period ended 31 March 2004					
Adjusted balances at 1 January 2004	291,863	233,534	387,828	-	387,828
Reserve for general banking risks, net	-	-	(17,261)	-	(17,261)
Reversal of restatement effects of inflation	(3,663)	-	-	-	-
Reclassification of minority interest's losses to unappropriated earnings	(18,830)	-	-	-	-
Reported net income for the three-month period ended 31 March 2004	-	-	-	155,379	155,379
Adjustments to the three-month period reported net income					
Net change in revaluation of available- for-sale assets	-	(26,976)	-	26,976	26,976
Elimination of reclassification for originated loans and receivables	-	-	-	5,254	5,254
Booking of net market value losses	-	-	-	(1,632)	(1,632)
Reversal of negative goodwill	-	-	-	(38)	(38)
Adjusted balances at 31 March 2004	269,370	206,558	370,567	185,939	556,506

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23 Change in accounting policies (continued)

			Retained Earnings		
For the year 2004	Minority interest	Revaluation of available-for-sale assets	Previous Years' income	Current period income	Total
Adjusted balances at 1 January 2004	291,863	233,534	387,828	-	387,828
Transfer from unappropriated earnings	-	-	(409,786)	-	(409,786)
Release from general banking risks, net	-	-	20,752	-	20,752
Reversal of restatement effects of inflation	(9,173)	-	-	-	-
Reclassification of minority interest's losses to unappropriated earnings	(41,170)	-	-	-	-
Reported net income for the year ended 31 December 2004	-	-	-	273,004	273,004
Adjustments to the reported net income of the year 2004					
Net change in revaluation of available-for-sale assets	-	(109,875)	-	109,875	109,875
Elimination of reclassification for originated loans and receivables	-	-	-	17,164	17,164
Booking of net market value losses	-	-	-	(1,321)	(1,321)
Reversal of negative goodwill	-	-	-	(156)	(156)
Adjusted balances at 31 December 2004	241,520	123,659	(1,206)	398,566	397,360

24 Risk management disclosures

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

The nature of the risks and the approach to managing risk differs fundamentally between the trading and non-trading portfolios; section 24.2 contains risk management information related to the trading portfolio and section 24.3 deals with the non-trading portfolio.

24.1 Derivative financial instruments

The Bank and its affiliates enter into a variety of derivative financial instruments for hedging and risk management purposes. This note describes the derivatives used. Further details of the objectives and strategies in the use of derivatives are set out in the sections of this note on non-trading activities. Details of the nature and terms of derivative instruments outstanding at the balance sheet dates are set out in note 22. Derivative financial instruments used include swaps, futures, forwards, options and other similar types of contracts whose value changes in response to changes in interest rates, foreign exchange rates and gold prices. Derivatives are individually negotiated over-the-counter contracts. A description of the main types of derivative instruments used is set out below:-

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

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

24 Risk management disclosures (continued)

Options

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

24.2 Trading activities

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

Counterparty credit risk

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

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

24 **Risk management disclosures** (continued)

Market risk

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

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

24.3 Non-trading activities

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

Liquidity risk

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

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

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

	31 March 2005						*31 December 2004*					
	Up to 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*	*Up to 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*
MONETARY ASSETS												
New Turkish Lira												
Cash and balances with Central Banks	441.364	-	-	-	-	441.364	427.368	-	-	-	-	427.368
Financial assets at fair value through profit or loss	793	1.464	20.986	56.832	187.449	267.524	2.795	5.883	136.062	62.301	115.982	323.023
Loans and advances to banks	178.126	3.432	4.730	34.461	-	220.749	94.193	-	-	40.823	-	135.016
Loans and advances to customers	3.663.271	370.765	615.983	618.509	729.548	5.998.076	3.437.089	345.144	423.472	555.438	617.250	5.378.393
Other assets	22.200	101.711	-	-	-	123.911	40.747	79.334	-	-	-	120.081
Security investments	86	705.543	3.864	1.232.979	2.031.472	3.973.944	30.797	378	791.807	546.264	2.479.076	3.848.322
Deferred tax assets	-	-	-	-	137.847	137.847	-	-	-	-	183.130	183.130
Total New Turkish Lira monetary assets	4.305.840	1.182.915	645.563	1.942.781	3.086.316	11.163.415	4.032.989	430.739	1.351.341	1.204.826	3.395.438	10.415.333
Foreign currency												
Cash and balances with Central Banks	1.558.119	-	-	-	-	1.558.119	2.367.211	-	-	-	-	2.367.211
Financial assets at fair value through profit or loss	12.017	5.461	41.823	131.880	238.693	429.874	1.379	616	18.654	147.751	134.544	302.944
Loans and advances to banks	1.014.192	148.524	93.804	131.003	86.414	1.473.937	1.071.547	175.859	250.754	104.246	20.419	1.622.825
Loans and advances to customers	732.143	736.847	1.042.572	1.125.088	3.191.642	6.828.292	511.325	1.051.254	1.098.957	1.040.291	2.896.126	6.597.953
Other assets	55.124	31.361	-	-	-	86.485	183.102	21.154	-	-	-	204.256
Security investments	51.427	171.704	169.735	267.794	5.410.684	6.071.344	71.292	143.608	222.410	451.832	5.302.743	6.191.885
Deferred tax assets	-	-	-	-	4.635	4.635	-	-	-	-	3.050	3.050
Total foreign currency monetary assets	3.423.022	1.093.897	1.347.934	1.655.765	8.932.068	16.452.686	4.205.856	1.392.491	1.590.775	1.744.120	8.356.882	17.290.124
Total Monetary Assets	7.728.862	2.276.812	1.993.497	3.598.546	12.018.384	27.616.101	8.238.845	1.823.230	2.942.116	2.948.946	11.752.320	27.705.457
MONETARY LIABILITIES												
New Turkish Lira												
Deposits	7.667.433	1.002.557	124.146	122.957	26.179	8.943.272	6.846.929	1.254.959	69.853	58.650	68.359	8.298.750
Obligations under repurchase agreements	342.393	-	-	-	56.046	398.439	262.032	-	-	-	54.318	316.350
Loans and advances from banks	65.245	32.399	59.126	34.632	-	191.402	43.942	36.088	44.932	43.979	-	168.941
Other liabilities and accrued expenses	297.866	84.162	50.582	111.016	68.634	612.260	301.421	48.745	58.763	66.604	95.897	571.430
Total New Turkish Lira monetary liabilities	8.372.937	1.119.118	233.854	268.605	150.859	10.145.373	7.454.324	1.339.792	173.548	169.233	218.574	9.355.471
Foreign currency												
Deposits	9.226.282	1.208.486	429.943	365.227	303.700	11.533.638	10.083.673	1.660.516	450.305	403.313	190.668	12.788.475
Obligations under repurchase agreements	41.064	38.090	102.234	397.343	269.136	847.867	135.193	51.223	113.194	105.585	214.198	619.393
Loans and advances from banks	63.267	204.134	1.033.124	1.362.381	1.192.969	3.855.875	143.902	179.529	280.886	2.057.028	1.270.744	3.932.088
Other liabilities and accrued expenses	500.670	7.866	59.571	36.146	2.761	607.014	536.330	187	7.592	75.875	3.674	623.659
Total foreign currency monetary liabilities	9.831.283	1.458.576	1.624.872	2.161.097	1.768.566	16.844.394	10.899.098	1.891.455	851.977	2.641.801	1.679.284	17.963.615
Total Monetary Liabilities	18.204.220	2.577.694	1.858.726	2.429.702	1.919.425	26.989.767	18.353.422	3.231.247	1.025.525	2.811.034	1.897.858	27.319.086

24 Risk management disclosures (continued)

Market risk

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

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

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

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

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

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

The following table provides an analysis of interest rate sensivity of monetary assets and monetary liabilities of the consolidated entities into relevant maturity groupi

	31 March 2005						
	Up to 1 month	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***Over 1 year***	***Non-Interest Bearing***	***Total***
MONETARY ASSETS							
Cash and balances with Central Banks	1.547.663	-	-	-	-	451.820	1.999.483
Financial assets at fair value through profit or loss	8.491	55.492	73.597	179.310	372.453	8.055	697.398
Loans and advances to banks	1.111.546	153.656	98.591	164.077	86.354	80.462	1.694.686
Loans and advances to customers	4.285.535	1.108.240	1.665.019	1.696.379	3.841.730	229.465	12.826.368
Other assets	-	-	-	-	-	210.396	210.396
Security investments	607.215	4.139.840	1.581.708	625.540	2.772.266	318.719	10.045.288
Deferred tax assets	-	-	-	-	-	142.482	142.482
Total Monetary Assets	7.560.450	5.457.228	3.418.915	2.665.306	7.072.803	1.441.399	27.616.101
MONETARY LIABILITIES							
Deposits	10.314.100	2.177.016	550.997	485.718	329.032	6.620.047	20.476.910
Obligations under repurchase agreements	382.872	37.216	100.515	396.580	314.379	14.744	1.246.306
Loans and advances from banks	132.131	247.539	1.087.905	1.377.597	1.157.631	44.474	4.047.277
Other liabilities and accrued expenses	21.738	12.078	1.546	-	12.126	1.171.786	1.219.274
Total Monetary Liabilities	10.850.841	2.473.849	1.740.963	2.259.895	1.813.168	7.851.051	26.989.767

	31 December 2004						
	Up to 1 month	***1 to 3 months***	***3 to 6 months***	***6 to 12 months***	***Over 1 year***	***Non-Interest Bearing***	***Total***
MONETARY ASSETS							
Cash and balances with Central Banks	2.571.812	-	-	-	-	222.767	2.794.579
Financial assets at fair value through profit or loss	3.024	7.672	161.591	214.452	234.446	4.782	625.967
Loans and advances to banks	1.102.984	175.859	250.754	145.069	20.417	62.758	1.757.841
Loans and advances to customers	3.712.965	1.396.402	1.527.167	1.601.565	3.557.270	180.977	11.976.346
Other assets	-	-	-	-	-	324.337	324.337
Security investments	83.206	1.624.293	1.874.404	975.515	5.173.669	309.120	10.040.207
Deferred tax assets	-	-	-	-	-	186.180	186.180
Total Monetary Assets	7.473.991	3.204.226	3.813.916	2.936.601	8.985.802	1.290.921	27.705.457
MONETARY LIABILITIES							
Deposits	10.215.712	2.897.489	517.738	460.043	258.309	6.737.934	21.087.225
Obligations under repurchase agreements	394.213	50.829	112.892	104.640	257.015	16.154	935.743
Loans and advances from banks	186.924	212.023	321.178	2.072.337	1.263.267	45.300	4.101.029
Other liabilities and accrued expenses	200	-	1.211	-	13.871	1.179.807	1.195.089
Total Monetary Liabilities	10.797.049	3.160.341	953.019	2.637.020	1.792.462	7.979.195	27.319.086

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

24 Risk management disclosures (continued)

The following table indicates the effective interest rates by major currencies for the major balance sheet components for the first quarter of 2005 and the year of 2004:

	31 March 2005			
	US$ *%*	***EUR*** *%*	***YTL*** *%*	***Other Currencies*** *%*
Assets				
Loans and advances to banks	1.10-3.75	2.05-3.50	16.55-19.25	1.25-1.40
Debt and other fixed or floating income instruments	6.64-10.26	7.23-9.18	23.98-24.13	11.62
Loans and advances to customers	4.62-8.30	4.30-6.23	24.31-34.44	2.54-12.22
Liabilities				
Deposits:				
- Foreign currency deposits	2.02-4.38	1.70-4.25	-	5.12-6.03
- Bank deposits	2.83-3.41	2.21-2.42	16.02-17.28	4.35
- Saving deposits	-	-	17.20-19.74	-
- Commercial deposits	-	-	15.85-19.37	-
- Public and other deposits	-	-	19.71	-
Obligations under repurchase agreements	2.59-4.02	-	18.22	-
Loans and advances from banks	1.25-7.70	1.90-7.18	16.59-17.30	4.09-4.32

	31 December 2004			
	US$ *%*	***EUR*** *%*	***YTL*** *%*	***Other Currencies*** *%*
Assets				
Loans and advances to banks	1.61-5.90	1.95-4.00	18.00-22.77	2.00-6.00
Debt and other fixed or floating income instruments	4.72-12.75	5.75-11.63	21.87-25.88	16.30-18.00
Loans and advances to customers	4.43-12.08	4.71-7.05	25.71-35.77	2.54-14.00
Liabilities				
Deposits:				
- Foreign currency deposits	1.50-6.75	1.50-5.75	-	1.50-12.50
- Bank deposits	2.47-6.50	2.47-4.17	19.64-19.72	1.50
- Saving deposits	-	-	17.83-18.28	-
- Commercial deposits	-	-	18.28-19.14	-
- Public and other deposits	-	-	18.28	-
Obligations under repurchase agreements	2.67-3.88	3.63	18.59	-
Loans and advances from banks	1.25-9.29	2.00-7.18	18.80-21.63	4.32

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

24 Risk management disclosures (continued)

Equity price risk

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

Currency risk

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

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

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

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

These exposures are as follows:

	31 March 2005			
	US$	***EUR***	***Other Currencies***	***Total***
Assets				
Cash and balances with Central Banks	216,409	1,325,863	15,847	1,558,119
Financial assets at fair value through profit or loss	312,092	66,726	51,056	429,874
Loans and advances to banks	871,452	562,807	39,678	1,473,937
Loans and advances to customers	5,255,443	1,466,285	105,888	6,827,616
Other assets	37,090	47,277	16,287	100,654
Security investments	5,613,788	457,556	-	6,071,344
Investments in equity participations	-	430	10,800	11,230
Tangible assets	365	62,108	2,050	64,523
Intangible assets	-	-	-	-
Deferred tax asset	50	4,585	-	4,635
Total Assets	12,306,689	3,993,637	241,606	16,541,932

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

24 Risk management disclosures (continued)

	31 March 2005			
	US$	*EUR*	*Other Currencies*	*Total*
Total Assets	12,306,689	3,993,637	241,606	16,541,932
Liabilities				
Deposits	6,203,000	4,923,265	407,373	11,533,638
Obligations under repurchase agreements	847,867	-	-	847,867
Loans and advances from banks	2,863,148	976,950	15,777	3,855,875
Current tax liability	-	21,083	12	21,095
Other liabilities and accrued expenses	454,986	111,900	19,033	585,919
Total Liabilities	10,369,001	6,033,198	442,195	16,844,394
Net On Balance Sheet Position	1,937,688	(2,039,561)	(200,589)	(302,462)
Net Off Balance Sheet Position	(2,017,947)	2,047,697	260,658	290,408
Net Position	(80,259)	8,136	60,069	(12,054)

	31 December 2004			
	US$	*EUR*	*Other Currencies*	*Total*
Total Assets	12,576,116	4,551,152	248,507	17,375,775
Total Liabilities	10,689,431	6,816,443	457,741	17,963,615
Net On Balance Sheet Position	1,886,685	(2,265,291)	(209,234)	(587,840)
Net Off Balance Sheet Position	(1,864,005)	2,204,604	292,032	632,631
Net Position	22,680	(60,687)	82,798	44,791

Of the amounts shown in the table above, at 31 March 2005, 96% (31 December 2004: 108%) are economically hedged by currency swaps, forward contracts and other derivatives entered into to manage these currency exposures. In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank and its affiliates ensure that their net exposures are kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

The net of Russian Rubles denominated assets and liabilities as included in the above table at their YTL equivalents, comprise net asset of YTL 22,688 thousands at 31 March 2005 (31 December 2004: YTL 53,942 thousands). For the purposes of the evaluation of the table above, these amounts should not be considered as hard currency.

For the three month period ended 31 March 2005, volume of transactions in foreign currency, comprising foreign exchange operations, workers' remittances, capital movements, etc. amounts approximately to US$ 55,612 millions (31 December 2004: US$ 189,998 millions).

24 **Risk management disclosures** (continued)

Credit risk

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

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

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

The Bank and its affiliates' primary exposures to credit risk arise through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Bank and its affiliates are exposed to credit risk on various other financial assets, including derivative instruments used for hedging and debt investments. The current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Bank and its affiliates are exposed to off balance sheet credit risk through guarantees issued (note 22).

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

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

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24 Risk management disclosures (continued)

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

	31 March 2005				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	11,996,164	27,562,384	18,777,548	6,521,733	40,891
USA	46,088	474,278	1,386,058	47,006	-
Russia	205,809	449,960	53,004	28,171	451
Holland	182,546	377,453	933,555	34,313	127
Germany	26,353	358,792	2,061,657	13,585	-
France	8,030	332,409	16,044	4,559	-
Luxembourg	144,024	186,224	44,836	25,252	-
Romania	71,898	139,535	74,530	17,615	-
Switzerland	102,723	113,226	262,124	49,367	-
England	33,993	71,432	2,023,355	45,174	-
Others	92,870	431,141	1,357,056	84,698	-
	12,910,498	30,496,834	26,989,767	6,871,473	41,469

	31 December 2004				
	Loans	***Total Assets***	***Total Liabilities***	***Non-Cash Loans***	***Capital Expenditure***
Turkey	11,281,308	27,817,342	19,195,383	6,836,954	126,330
Holland	138,878	717,477	1,042,875	12,687	2,758
USA	63,192	418,368	1,483,378	56,427	-
Russia	140,854	318,423	45,896	40,314	261
Germany	26,162	249,181	2,289,908	6,090	-
Luxembourg	149,935	202,752	33,463	4,700	-
Romania	77,059	199,674	95,701	14,243	-
England	33,600	131,015	1.780,467	13,834	-
France	11,499	118,574	18,128	2,773	-
Switzerland	105,563	113,528	345,597	65,357	-
Others	85,732	447,376	988,290	106,317	-
	12,113,782	30,733,710	27,319,086	7,159,696	129,349

The amounts reflected in the tables represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for uncollectibility. The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Approximately 63% of the balance of outstanding loans is collateralized. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank and its affiliates' obligations. The extent of collateral held for guarantees and letters of credit is around 73%.

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24 Risk management disclosures (continued)

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

	31 March 2005	*31 December 2004*
Cash loans		
Secured loans:	7,974,025	7,516,691
Secured by cash collateral	430,309	470,335
Secured by mortgages	1,298,838	1,162,056
Secured by government institutions or government securities	808,037	715,310
Guarantees issued by financial institutions	79,103	87,035
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	5,357,737	5,081,955
Unsecured loans	4,668,232	4,278,678
Total performing loans and financial lease receivables	12,642,256	11,795,369
Non-cash loans		
Secured loans:	5,001,902	5,489,393
Secured by cash collateral	565,674	545,521
Secured by mortgages	246	-
Secured by government institutions or government securities	-	148
Guarantees issued by financial institutions	8,522	44,202
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	4,427,460	4,899,522
Unsecured loans	1,869,571	1,670,303
Total non-cash loans	6,871,473	7,159,696

24.4 Hedging

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

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24 Risk management disclosures (continued)

In 2004, the Bank has entered into interest rate swap transactions in order to hedge its certain cash flow exposures primarily on floating rate liabilities, through converting its floating rate payments into fixed rate payments. The following table includes certain characteristics of these swap transactions:

Notional amount	*Fixed payer rate (%)*	*Floating payer rate (%)*	*Fixed payment frequency*	*Maturity*
US$ 175 millions	5.445	3 month libor + 175	quarterly	2009
US$ 100 millions	5.005	3 month libor +240	quarterly	2007
US$ 100 millions	5.275	3 month libor +240	quarterly	2007

25 Affiliates and associates

The table below sets out the Affiliates and shows their shareholding structure as at 31 March 2005:

Affiliates	***Shareholding Interest (%)***
Garanti Bank International NV	100.00
Garanti Bank Moscow	100.00
Garanti Sigorta AŞ	100.00
Garanti Emeklilik AŞ	100.00
Garanti Portföy Yönetimi AŞ	100.00
Garanti Yatırım Menkul Kıymetler AŞ	100.00
Garanti Financial Services plc.	100.00
Garanti Fund Management Co. Ltd.	100.00
Bosphorus Financial Services Ltd.	100.00
Clover Investments Co.	100.00
Garanti Bilişim Teknolojisi	100.00
Ana Konut Danışmanlık AŞ	100.00
Doğuş Turizm Sağlık Yatırımları ve İşl. AŞ	100.00
Galata Araştırma Yay.Tanıtım ve Bil.Tek.Hiz. AŞ	100.00
Şahintur Şahinler Otelcilik Turizm Yatırım İşl. AŞ	100.00
Doğuş Hava Taşımacılığı AŞ	100.00
Akarnet Konakl. Tes. Yat. İşl. AŞ	100.00
Lasaş Lastikleri San ve Tic. AŞ	99.99

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 March 2005 pursuant to IAS 29)

25 Affiliates and associates (continued)

Affiliates (continued)	***Shareholding Interest (%)***
Sititur Tur.Tem.Taş. Org.Bilgisayar Danışm.Yapı San.ve Tic.AŞ	99.95
Garanti Finansal Kiralama AŞ	98.89
Garanti Faktoring Hizmetleri AŞ	81.81
Voyager Med. Tur. End. Ve Tic. AŞ	77.00
Garanti Gayrimenkul Yatırım Ortaklığı AŞ	56.06
Tansaş Perakende Mağazacılık Ticaret AŞ	24.11 ***(a)***
Garanti Diversified Payment Rights Finance Company	- ***(b)***

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

(b) *Garanti Diversified Payment Rights Finance Company is a special purpose entity established for the Bank's securitization transactions explained in note 16. The Bank or any of its affiliates does not have any shareholding interest in this company.*

Bosphorus Financial Services Ltd., Clover Investments Co. and Garanti Fund Management Co. Ltd. are under liquidation as of the reporting date. The liquidation procedures are expected to complete during the year 2005.

In the current period, the Bank completed the sale of its shares in Konaklı Temizlik Taşımacılık Org. Bilgisayar Danışmanlık Yapı ve Tic. AŞ, a consolidated non-financial affiliate at a price of YTL 11,347 thousands resulting a loss of YTL 82 thousands in the accompanying consolidated income statement.

The table below sets out the Associates and shows their shareholding structure as at 31 March 2005:

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

26 Significant events

Doğuş Holding AŞ, has given a mandate to Morgan Stanley & Co. Ltd. for the Bank in connection with the identification and assessment of potential merger, joint venture, share purchase and sale prospects in the banking sector.

27 Subsequent events

As per the resolution no.2145 of the Board of Directors dated 1 April 2005, the Bank, and also Doğuş Holding AŞ, have signed a mandate with ABN AMRO Corporate Finance Ltd for Tansaş Perakende Mağazacılık Ticaret AŞ, a consolidated non-financial affiliate, in connection with the identification and assessment of potential merger, joint venture, share purchase and sale prospects in the retail sector.

During the Annual General Assembly held on 4 April 2005, after the allocation of legal reserves from the 2004 statutory net income of YTL 450,549 thousands, it has been agreed to transfer the remaining balance of YTL 428,022 thousands to retained earnings.

As per the resolution no.2147 of the Board of Directors on 8 April 2005, within the registered share capital ceiling of YTL 7,000,000 thousands, it has been decided to increase the Bank's nominal share capital ceiling from YTL 1,200,000 thousands to YTL 2,100,000 thousands through appropriation of real-estate sales income of YTL 7,083 thousands, extraordinary reserves of YTL 442,917 thousands and capital reserves from inflation adjustments to paid-in capital of YTL 450,000 thousands.

As per the resolution no.2151 of the Board of Directors on 5 May 2005, it is decided to sell the Bank's shares in Akarnet Konaklama Tesisleri Yatırım ve İşletme AŞ, a consolidated non-financial affiliate. The sale procedures have not yet been completed.

As per the resolution no.2152 of the Board of Directors on 11 May 2005, it is decided to obtain all the necessary legal permissions in order to merge the Bank with Ana Konut Danışmanlık AŞ, a consolidated non-financial affiliate of the Bank taking over all the rights, assets, liabilities and obligations of the company ceasing its legal corporate existence after merger.

The Bank is working on obtaining a foreign sourced funding, up to USD 300 millions with a maximum maturity of eight years, backed to payment order flows.

On 20 May 2005, Doğuş Holding AŞ has announced that the negotiations have been started with the same foreign portfolio investor mentioned in paragraph (b) of "Overview of the Bank" note, for issuing an option to purchase a portion of the shares of the Bank. The expected amount of shares subject to this transaction is US$ 250 millions.

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