

# **Interim report**

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SUBJECT : IAS 29 2000/Q1 FINANCIAL STATEMENTS  
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Garanti Bank released its **consolidated and inflation adjusted** financial statements for the first quarter of 2000. On an IAS29 basis, the Bank has raised its net income by 58.0% on a year-on-year basis to reach TL45,529 Billions. Without the extraordinary expenses of TL56,629 Billion, net income would have grown by 255.5% on a yearly basis. As at March 31, 2000, total assets grew by 2.2% when compared to December 31, 1999 to reach TL7,552,707 Billion.

## **1. GARANTI BANK 2000/Q1**

### **Income Statement**

During the first quarter of 2000, Garanti Bank attained TL45,529 Billions (US\$77.4 Millions) of net income, up by 58.0% in comparison with the same period of 1999. Income before taxes, minority interest and loss on net monetary position, rose by 92.4%, to reach TL170,967 Billions (US\$290.6 Millions), from TL88,850 Billions (US\$161.0 Millions) as at March 1999.

As at March 31, 2000, net interest income was TL484,175 Billions (US\$823.1 Millions). Interest on loans was TL139,126 Billions and made up 28.7% of total interest income. A 16.8% decline on a yearly basis in interest earned from loans, resulted from a 6.4% contraction in the loan portfolio and decline in interest rates. The largest component of the interest income was interest earned on securities, which was TL303,353 Billions or 62.7% of interest income. A year-on-year 74.7% rise in the securities portfolio was the main reason behind the increase in interest on securities.

Even though total deposits rose by 19.5% on a yearly basis, gradual decline in interest rates since the beginning of this year reduced the interest paid to deposits by 46.4%, bringing down the interest expense by 24.2%. As at March 2000, total interest expense was TL229,317 Billions (US\$389.8 Millions), as compared with TL302,446 Billions during the first quarter of 1999.

As at March 31, 2000, net interest income increased by 41.3% on a year-on-year basis, to reach TL254,858 Billions (US\$433.2 Millions). Average interest-earning assets increased 9.8% to TL5,901,869 Billions from TL5,375,849 Billion in FYE 1999, mainly stemming from increase in interbank takings and securities portfolio. Average interest-earning

assets were TL4,931,160 Billions as at March 30, 1999. Net interest margin was 17.3% as at March 2000, as compared to 16.2% in FYE 1999 and 14.6% in March 1999. Improvement in NIM during the first quarter of 2000 was because of lower cost of funding. Cost of core deposits as well as the cost of bank deposits went down during the said period. Similarly, adjusted NIM improved from 9.9% as at March 31, 1999, to 14.0% as at March 31, 2000. Adjusted NIM was 11.3% in FYE 1999. Higher adjusted NIM in comparison with the first quarter of 1999 was mainly due to lower foreign exchange loss in 2000/Q1.

Provision for possible loan losses was TL12,932 Billions for the first quarter of 2000.

During the first quarter of 2000, after netting fees and commission income, other operating income rose by 52.7% to reach TL83,221 Billion (US\$141.5 Millions). As at March 31, 2000, netted fees and commissions were TL18,685 Billions, up by 22.4% on a yearly basis, making up 22.5% of other income. A 10% stake sale in Tansaş contributed TL22,990 Billion to other income, and was one of the main contributors to higher non-interest income. The consolidation of Garanti Insurance to Garanti Bank financials added a TL4,338 Billions to the other income item. Income earned from Tansaş' retail business went up by 35.1% when compared to March 31, 1999, reaching TL10,539 Billions. As at March 31, 2000, net trading account income, which composed 26.9% of other income, was TL22,403 Billion, in comparison to TL27,816 Billion in the first quarter of 1999.

On a year-on-year basis, other operating expenses, (excluding foreign exchange loss and fees and commissions) rose by 35.0% to reach TL118,729 Billions (US\$201.8 Millions). This increase stemmed mainly from the rise in salaries and wages and other operating expenses. However, the rise in these other operating expense was almost off set by the decline in foreign exchange loss. When FX loss was included, increase in other operating expense (excluding fees and commissions) is 10.7%. In the first quarter of 2000, salaries and wages were TL41,193 Billion, making up 26.7% of operating expenses. The year-on-year rise in salaries and wages was 23.2%. During the first quarter of 2000, in line with government's inflation target, the Bank has raised the salaries at the same rate as civil servants wage increase. Foreign exchange loss, net, was TL35,451 Billion, 31.0% lower than 1999/Q1's figure. As at March 31, 2000, 55.4% of total assets was in foreign currency, resulting in a net short position of TL221,755 Million (US\$377.0 Million). As at December 31, 1999, net short position on a consolidated basis was TL232,818 Billions. Operating expenses (excluding FX loss) to net interest income improved to 46.59% as at March 31, 2000, from 52.34% in FYE 1999 and 48.75% in 1999/Q1. Cost/Income ratio (excluding income arising from 10% stake sale in Tansaş) was 49.32% during the first quarter of 2000.

As at March 31, 2000, provisions for taxes on income was TL38,187 Billions. After deducting the minority interest (TL2,854 Billions) and loss on net monetary position (TL33,476 Billions), net income before extraordinary items is TL102,158 Billions (US\$173.7 Millions). As at March 31, 1999, net income before extraordinary item was TL28,814 Billions (US\$49.0 Millions). Thus, as at March 31, 2000, excluding the extraordinary item, net income grew by 254.5% on a year-on-year basis. Extraordinary expense stemmed from the earthquake-related measures introduced last year. The burden for the first quarter of 2000 was TL56,629 Billions (US\$96.3 Millions).

## Balance Sheet

As at March 31, 2000, Garanti Bank's total assets were TL7,552,207 Billions (US\$12,839 Millions). This indicates a 2.2% growth as compared to December 31, 1999, and 17.8% increase on a yearly basis. Although the Bank generally maintained a similar asset composition as FYE 1999, on a consolidated basis liquid position increased as compared to March 1999 and December 1999. Liquid assets were TL3,507,092 Billions (US\$5,962 Millions) and constituted 46.4% of assets. As at March 31, 2000, securities portfolio was slightly up by 4.2%, as compared to December 31, 1999, to reach TL2,423,715 Billions (US\$4,120 Millions). The share of securities in total assets was 32.1% during the first quarter of 2000, as compared to 31.5% in December 31, 1999. Cash loans were TL2,410,152 Billions (US\$4,097 Millions), down by 3.9% since December 31, 1999. The share of cash loans in total assets came down from 33.9% in FYE 1999 to 31.9% in March 2000. Further emphasis on the asset quality improved the quality of the loan portfolio during the first quarter. As at March 31, 2000, non-performing loans to cash loans were 1.8%, down from 2.0% in FYE 1999. Similarly, NPL/Total cash and non-cash loans were 1.0% in the current period. On a consolidated basis, allowances for loans to non-performing loans were 131.4% as at March 31, 2000. Of the gross performing loans, 72.1% was collateralized. A slight decline in collateralization level from 72.4% in FYE 1999 was because of increased lending to the consumer sector.

On the liabilities side, deposits became the major source of funding. Management's emphasis on collecting deposits due to declining costs proved correct during the first quarter of 2000. Deposits, which totalled TL4,212,103 Billions (US\$7,160 Millions), made up 55.8% of total liabilities and shareholders' equity. When compared to FYE 1999, deposits rose by 8.2%. Rise in deposits on a year-on-year basis was 19.5%. The share of deposits in total liabilities and shareholders' equity was 52.7% as at December 31, 1999. Demand deposits made up 24.2% of total deposits and 71.1% was in foreign currency. Of the total deposits, 28.0% was in TL and the rest was in foreign currency. Short-term borrowings, which composed 12.6% of total liabilities and shareholders' equity, declined by 10.1% in comparison to FYE 1999.

Shareholders' equity was TL850,926 Billions (US\$1,447 Millions) as at March 31, 2000, as compared to TL805,397 Billions (US\$1,369 Millions) as at December 31, 1999. The share of total shareholders' equity in total assets was 11.3% during the current period.

During the first quarter of 2000, Garanti Bank raised its profitability on a consolidated and inflation adjusted basis. ROAA rose to 2.4% during the first quarter of 2000 from 2.0% in FYE 1999. Similarly, the Bank's ROAE picked up to 22.0% in 2000/Q1, up from 18.2% in FYE 1999.

Garanti's commitments arising from agreements for repurchase/resale of government securities at March 31, 2000 amounted to TL806,637 Billions, in comparison to TL955,145 Billions in FYE 1999. These commitments were 10.7% of total assets as at March 31, 2000, compared to 12.9% in FYE 1999.

### Key Financial Ratios

	March 31, 2000	December 31, 1999
Liquid Assets / Total Assets	46.4%	45.7%
Deposits / Total Assets	55.8%	52.7%
Cash Loans / Total Assets	31.9%	33.9%
NPL/Cash Loans	1.8%	2.0%
NPL / Total Cash and Non-cash loans	1.0%	1.1%
Total SHE / Assets	11.3%	10.9%
Allowance for Loans / NPL	131.4%	103.2%
Net Interest Margin	17.3%	16.2%
Adjusted Interest Margin	14.0%	11.3%
Net Interest Spread	19.1%	18.0%
Operating Expenses <sup>1</sup> / Net Interest Income	46.59%	52.34%
Operating Expenses <sup>1</sup> / Total Assets	6.3%	6.2%
Cost / Income <sup>2</sup>	49.3%	56.3%
Effective Tax Rate	47.2%	53.4%
ROAA	2.4%	2.0%
ROAE	22.0%	18.2%

<sup>1</sup> Excluding foreign currency loss and fees and commissions

<sup>2</sup> Excluding income earned from 10% stake sell in Tansaş

**Türkiye Garanti Bankası A.Ş. And Its Affiliates**

**Consolidated Financial Statements  
For The Three-Month Period Ended 31 March 2000  
And The Year Ended 31 December 1999**

**Türkiye Garanti Bankası A.Ş. And Its Affiliates**  
**Consolidated Balance Sheets At 31 March 2000 And 31 December 1999**

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

		31 March 2000	31 December 1999			31 March 2000	31 December 1999
		<u>TL billions</u>	<u>TL billions</u>			<u>TL billions</u>	<u>TL billions</u>
<b>ASSETS</b>				<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Cash and due from banks	(Note 5)	1,030,425	1,008,440	Deposits	(Note 13)		
Interbank placings		52,952	45,474	Demand		1,019,733	933,898
Reserve deposits at Central Bank	(Note 6)	250,293	245,258	Time		<u>3,192,370</u>	<u>2,958,847</u>
Securities	(Note 7)	2,423,715	2,325,127			4,212,103	3,892,745
Loans, advances and discounts, less allowance for possible losses	(Note 8)	2,410,152	2,507,453	Interbank takings		134,427	191,170
Accrued interest, prepaid expenses and other assets	(Note 9)	708,336	586,746	Short-term borrowings	(Note 14)	949,898	1,056,667
Investments	(Note 10)	71,848	68,556	Short-term bonds payable	(Note 15)	183,866	208,160
Bank premises and equipment, net	(Note 11)	517,127	504,724	Taxation on income	(Note 16)		
Intangible assets, net	(Note 12)	87,859	99,731	Current tax liability		51,705	130,347
				Deferred tax liability		<u>103,228</u>	<u>84,089</u>
						154,933	214,436
				Accrued interest and other liabilities	(Note 17)	431,582	377,499
				Long-term debts	(Note 18)	<u>612,227</u>	<u>622,918</u>
				<b>Total liabilities</b>		<b>6,679,036</b>	<b>6,563,595</b>
				<b>Minority interest</b>		<b>22,745</b>	<b>22,517</b>
				Shareholders' equity (Note 19) :-			
				Share capital; authorized, issued and fully paid		690,736	690,736
				Retained earnings		<u>160,190</u>	<u>114,661</u>
				<b>Total shareholders' equity</b>		<b>850,926</b>	<b>805,397</b>
<b>TOTAL ASSETS</b>		<u><b>7,552,707</b></u>	<u><b>7,391,509</b></u>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><b>7,552,707</b></u>	<u><b>7,391,509</b></u>
				Commitments and contingencies	(Note 22)		

**Türkiye Garanti Bankası A.Ş. And Its Affiliates**  
**Consolidated Statements Of Income**  
**For The Three-Month Periods Ended 31 March 2000 And 1999**

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

	<b>31 March 2000</b>	<b>31 March 1999</b>
	<u>TL billions</u>	<u>TL billions</u>
<b>Interest income:-</b>		
Interest on securities	303,353	218,760
Interest on loans	139,126	167,121
Interest on deposits at banks	36,812	82,231
Interest on blocked accounts with Central Bank	-	7,840
Interest on financial leases	1,668	4,178
Others	3,216	2,699
<b>Total interest income</b>	<b>484,175</b>	<b>482,829</b>
<b>Interest expenses:-</b>		
Interest on saving, commercial and public deposits	89,886	167,830
Interest on bank deposits	82,680	74,987
Interest on borrowings	43,368	45,439
Interest on bonds	4,200	5,680
Others	9,183	8,510
<b>Total interest expenses</b>	<b>229,317</b>	<b>302,446</b>
<b>Net interest income</b>	<b>254,858</b>	<b>180,383</b>
<b>Provision for possible loan losses (Note 8)</b>	<b>(12,932)</b>	<b>(6,766)</b>
<b>Net interest income after provision for possible loan losses</b>	<b>241,926</b>	<b>173,617</b>
<b>Other operating income:-</b>		
Fees and commissions	36,401	28,427
Income on sale of interest in a consolidated affiliate (Note 1)	22,990	-
Trading account income, net	22,403	27,816
Retail business income, net	10,539	7,799
Insurance business income, net	4,338	-
Dividends received from affiliated companies	1,043	1,202
Other operating income	3,223	2,438
<b>Total other operating income</b>	<b>100,937</b>	<b>67,682</b>
<b>Other operating expenses:-</b>		
Salaries and wages	41,193	33,447
Foreign exchange loss, net	35,451	51,351
Fees and commissions	17,716	13,163
Depreciation and amortization	12,677	10,828
Employee benefits	10,004	12,730
Taxes and duties other than on income	7,084	3,081
Advertising expenses	6,221	3,106
Rent expenses	5,252	3,248
EDP expenses	4,185	3,491
Saving deposits insurance fund	4,182	2,532
Provision for severance payments	2,931	4,296
Research and development expenses	1,869	1,860
Repair and maintenance expenses	1,143	681
Stationary expenses	827	884
Other operating expenses	21,161	7,751
<b>Total other operating expenses</b>	<b>171,896</b>	<b>152,449</b>
<b>Income before taxes</b>	<b>170,967</b>	<b>88,850</b>
<b>Provision for taxes on income (Note 16)</b>	<b>(38,187)</b>	<b>(28,452)</b>
<b>Net income before minority interest</b>	<b>132,780</b>	<b>60,398</b>
<b>Minority interest</b>	<b>2,854</b>	<b>1,154</b>
<b>Net income before loss on net monetary position</b>	<b>135,634</b>	<b>61,552</b>
<b>Loss on net monetary position</b>	<b>(33,476)</b>	<b>(32,738)</b>
<b>Net income before extraordinary item</b>	<b>102,158</b>	<b>28,814</b>
<b>Extraordinary item (Note 20)</b>	<b>(56,629)</b>	<b>-</b>
<b>Net income</b>	<b>45,529</b>	<b>28,814</b>
<b>Weighted average number of shares with TL 500 value each; including those with TL 100 face value as expressed in terms of TL 500 face value (Notes 3, 19 and 19)</b>	<b>520,000,000,000</b>	<b>520,000,000,000</b>
<b>Earning per share (Full TL amount)</b>	<b>87.56</b>	<b>55.41</b>

**Türkiye Garanti Bankası A.Ş. And Its Affiliates**  
**Consolidated Statements Of Changes In Shareholders' Equity**  
**For The Three-Month Periods Ended 31 March 2000 And 1999**

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

	Share capital TL billions	Retained earnings		Total TL billions	Shareholders' equity TL billions
		Legal reserves TL billions	Unappropriated earnings TL billions		
<b>Balances, 1 January 1999</b>	<b>436,368</b>	<b>29,790</b>	<b>205,144</b>	<b>234,934</b>	<b>671,302</b>
Appropriation of retained earnings:					
Transfer to legal reserves and minority interest		28,164	(28,164)		
Net income for the first quarter			28,814	28,814	28,814
<b>Balances, 31 March 1999</b>	<b>436,368</b>	<b>57,954</b>	<b>205,794</b>	<b>263,748</b>	<b>700,116</b>
Increase in capital:					
Transfer from retained earnings	254,368		(254,368)	(254,368)	
Net transfer to retained earnings resulted from change in statutory reserve requirement		(24,910)	24,910		
Restatement effect of legal reserves in TL unit current at 31 March 2000		(12,830)	12,830		
Net income for the last three quarters			105,281	105,281	105,281
<b>Balances, 31 December 1999</b>	<b>690,736</b>	<b>20,214</b>	<b>94,447</b>	<b>114,661</b>	<b>805,397</b>
Appropriation of retained earnings:					
Transfer to legal reserves and minority interest		11,645	(11,645)		
Restatement effect of legal reserves in TL unit current at 31 March 2000		(2,496)	2,496		
Net income for the three-month period			45,529	45,529	45,529
<b>Balances, 31 March 2000</b>	<b>690,736</b>	<b>29,363</b>	<b>130,827</b>	<b>160,190</b>	<b>850,926</b>



**Türkiye Garanti Bankası A.Ş. And Its Affiliates**  
**Consolidated Statements Of Cash Flows**  
**For The Three-Month Period Ended 31 March 2000 And 1999**

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

	<b>31 March 2000 <u>TL billions</u></b>	<b>31 March 1999 <u>TL billions</u></b>
<b>Cash flows from operating activities:-</b>		
Income before tax and minority interest for the period	80,862	56,112
Components of net income not generating or using liquidity:-		
Provision for possible loan losses	12,932	6,766
Provision for severance payment	2,931	4,296
Provision for earthquake taxes	44,776	-
Depreciation and amortisation	12,677	10,828
Change in accrued interest and other income	69,888	(99,592)
Change in accrued interest and other expense	40,039	41,718
(Increase)/decrease in value of investments	-	(460)
Monetary loss effect of above corrections	<u>(10,929)</u>	<u>(10,535)</u>
Operating profit before changes in operating assets and liabilities	<b>253,176</b>	<b>9,133</b>
Increase in deposits	319,358	129,874
Decrease/(increase) in gross loans, advances and discounts	67,125	(64,861)
Increase in securities	(222,183)	(320,527)
Increase in term placements at banks	(248,708)	(399,174)
Increase in prepaid expenses and other assets	(48,224)	(41,812)
Increase in reserve deposits at Central Bank	(5,035)	(3,426)
Taxes paid	<u>(118,603)</u>	<u>(13,626)</u>
<b>Net cash used in operating activities</b>	<b>(3,094)</b>	<b>(704,419)</b>
<b>Cash flows from investing activities:-</b>		
Increase/(decrease) in investments-net	3,321	(3,107)
Increase in bank premises and equipment-net	24,574	64,719
(Decrease)/increase in goodwill	<u>(11,518)</u>	<u>47,195</u>
<b>Net cash used in investing activities</b>	<b>(16,377)</b>	<b>(108,807)</b>
<b>Cash flows from financing activities:-</b>		
(Decrease)/increase in interbank takings	(56,743)	75,430
(Decrease)/increase in short-term borrowings	(106,769)	202,762
(Decrease)/increase in short-term bonds payable	(24,294)	4,149
Decrease in long-term debts	(10,691)	(181,141)
Increase/(decrease) in other liabilities	11,940	(3,672)
Dividend paid	(122)	-
Proceeds from issuance of share capital to minorities	1,436	-
Increase in minority interest due to consolidated subsidiaries	<u>-</u>	<u>15,649</u>
<b>Net cash (used in)/provided by financing activities</b>	<b>(185,243)</b>	<b>113,177</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(204,714)</b>	<b>(700,049)</b>
Cash and cash equivalents at beginning of period	<u>1,087,567</u>	<u>1,361,884</u>
<b>Cash and cash equivalents at end of period (Note 3.20)</b>	<b><u>882,853</u></b>	<b><u>661,835</u></b>

The accompanying notes form integral parts of these financial statements.

**Türkiye Garanti Bankası A.Ş. And Its Affiliates**

**Consolidated Financial Statements  
For The Three-Month Period Ended 31 March 2000  
And The Year Ended 31 December 1999**

# Türkiye Garanti Bankası A.Ş. And Its Affiliates

## Notes to Consolidated Financial Statements 31 March 2000 and 31 December 1999

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

### 1 Activities and ownership

Türkiye Garanti Bankası A.Ş. (the Bank) is principally engaged in wholesale and retail banking operations in Turkey. The Bank's head office is located in Istanbul. The Bank presently has 211 branches dispersed throughout the country; 3 branches in Luxembourg, Malta and Düsseldorf; and 19 "Open (Clover) Branches" which operate solely in credit card business.

The Bank has 100% ownership in United Garanti Bank International N.V., a bank established in late 1990 in Amsterdam; 80% ownership in Garanti Finansal Kiralama A.Ş., a leasing company also established in late 1990; 100% ownership in Garanti Bilişim Teknolojisi ve Ticaret T.A.Ş., formerly named as Garanti Ticaret T.A.Ş.; a company engaged in EDP services mainly for banks; 100% ownership in Garanti Bank Moscow, a bank established in late 1996; 100% ownership in Garanti Funding Corporation I and Garanti Funding Corporation II, both engaged in issuing debt securities and investing the proceeds and established in July 1996; 100% indirect ownership in Osmanlı Bankası A.Ş.; a very well-known bank originally established as Imperial Ottoman Bank in 1863, acted as the State Bank until the formation of the Central Bank of Turkey and of which shares were acquired indirectly by the Bank in June 1996 by transferring all the shares of Compagnie Ottomane d'Investissement B.V. (COIBV), the Dutch parent of Osmanlı Bankası A.Ş., through the Bank's subsidiaries in Malta and Luxembourg, in October 1999, this structure was ceased and the Bank directly acquired COIBV; together with Osmanlı Bankası A.Ş.; 95% ownership in Garanti Portföy Yönetimi A.Ş., a company established in July 1997 and engaged mainly in providing portfolio management services; 100% ownership in Instruments Finance Company, a special purpose company organised under the laws of Cayman Islands in February 1997, for the purpose of issuance of the Floating Rate Certificates as explained in more detail in Note 18; 99.99% ownership in Garanti Financial Services plc, a company established in December 1997 and engaged in providing financial services to the customers in Ireland; 100% ownership in Garanti Fund Management Co Ltd, a fund managing company established in Malta in February 1998; 100% ownership in Ana Konut Danışmanlık A.Ş. a company acquired in February 1998; 100% ownership in Şahintur Şahinler Otelcilik Turz. Yat. İşl. A.Ş.; 99.99% ownership in Lasaş Lastikleri San. ve Tic. A.Ş.; 29% ownership in and majority voting rights in the Board of Directors of Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticaret A.Ş. (Tansaş), a company engaged in the sale of consumer products throughout Turkey through its distribution network consisting of 142 supermarkets, acquired in January 1999; 83.28% ownership in Doc Finance S.A. acquired in February 1999; 75.78% ownership in Garanti Yatırım Menkul Kıymetler A.Ş., a company engaged in providing brokerage and intermediary services in trading equity and debt securities, acquired in February 1999 and; 76.40% ownership in Doğuş Hava Taşımacılığı A.Ş., a company engaged in air transportation services, acquired in March 1999. In the last quarter of 1999, the Bank established Clover Bank Off-Shore Ltd under the laws of Turkish Republic of Northern Cyprus (TRNC) with ownership of 100% to be engaged in all the banking activities in TRNC; and acquired 99.99% and 100% ownerships in Garanti Sigorta A.Ş., an insurance company engaged in mainly all the insurance branches except for life and health and Garanti Hayat Sigorta A.Ş, an insurance company engaged in the branches of health and life, respectively. The financial statements of these affiliates are consolidated in the accompanying financial statements.

On 18 February 2000, the Bank sold a 10% stake in Tansaş to Start Investments Limited, a foreign investment company. Accordingly, the ownership interest of the Bank in this company decreased to 19% as of 31 March 2000. The net profit of TL22,990 billions arising from this sale is reflected as a separate line among "other operating income" in the accompanying consolidated statements of income for the three-month period ended 31 March 2000.

# **Türkiye Garanti Bankası A.Ş. And Its Affiliates**

## **Notes to Consolidated Financial Statements**

### **31 March 2000 and 31 December 1999**

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

#### **Note 1 – (Continued)**

In December 1999, the Bank established Garanti Ödeme Sistemleri A.Ş., a separate entity for the management of the Bank's credit card business with ownership of 100%. Also in December 1999, the Bank contributed the share capital of a newly established joint venture between Volkswagen and Doğuş Groups, namely "Volkswagen Doğuş Tüketici Finansmanı A.Ş.", by TL2,590 billions representing 37% of the issued capital; this company is mainly engaged in the financing of the customers for their purchases of Volkswagen branded cars. These affiliates are not consolidated as they did not have any material operations as at 31 March 2000.

The principal shareholders of the Bank are the Doğuş Group and its holding company, Doğuş Holding A.Ş., which currently holds 40.12% of the issued capital.

Doğuş Holding A.Ş., Doğuş İnşaat ve Ticaret A.Ş., Doğuş Otomotiv Sanayi ve Ticaret A.Ş. and Somtaş Tarım ve Ticaret A.Ş. have sold (i) an aggregate of 36.400.000.000 common shares in registered form each with nominal value of TL500 ("Shares") representing 7.0% of the share capital of Türkiye Garanti Bankası A.Ş. on 24 March 2000 and (ii) additional 5.460.000.000 Shares in registered form each with nominal value of TL500 representing 1.05% of the share capital of the Bank on 31 March 2000 to foreign investors abroad at the price TL7,900 for each unit of two Shares. Accordingly, the total ownership interest in the Bank of those shareholders other than the Doğuş Group Companies and the individuals controlling this Group increased to 31.51% as of 31 March 2000.

## **2 Basis of presentation of the financial statements**

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

The accompanying consolidated financial statements (the IAS Financial Statements) are based on the statutory records, which are maintained under the historical cost convention, (except for the revaluation of tangible assets) with adjustments and reclassifications including restatement for the changes in the general purchasing power of the Turkish lira, for the purpose of fair presentation in accordance with Statements of International Accounting Standards ("IAS") issued by the International Accounting Standards Committee. The restatement for the changes in the general purchasing power of the Turkish lira (TL) as at 31 March 2000 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms.

One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Such indices and conversion factors used to restate the accompanying financial statements at 31 March 2000 and 1999, and 31 December 1999 and 1998, are given below:-

<u>Date</u>	<u>Index</u>	<u>Conversion factor</u>
31 March 2000	2,246.8	1.000
31 December 1999	1,978.5	1.136
31 March 1999	1,352.9	1.661
31 December 1998	1,215.1	1.849

# **Türkiye Garanti Bankası A.Ş. And Its Affiliates**

## ***Notes to Consolidated Financial Statements***

### ***31 March 2000 and 31 December 1999***

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

## **Note 2 – (Continued)**

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

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date, and components shareholders' equity are restated by applying the relevant (monthly, yearly average, year end) conversion factors. Additions to premises and equipment in the year of acquisitions are restated using the relevant conversion factors.

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

- All items in the statements of income are restated by applying the monthly conversion factors except for those amounts deriving from non-monetary items, which are calculated based on the restated values of the related items.
- The effect of general inflation on the consolidated entities' net monetary position is included in the statements of income as monetary gain or loss.

## **3 Significant accounting policies**

### **3.1 Income and expense recognition**

#### General:-

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

#### Insurance business:-

##### *Earned premiums*

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

In respect of life branches, earned premiums represent premiums accrued on policies issued and adjusted by the reserve for unearned policies during the year.

# **Türkiye Garanti Bankası A.Ş. And Its Affiliates**

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### ***31 March 2000 and 31 December 1999***

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#### **Note 3 – (Continued)**

##### *Unearned premium reserve*

Provision for unearned premiums is provided for in respect of in-force policies for which the premium period does not end simultaneously with the accounting period. Unearned premiums are determined from premiums written during the year, less reinsurance on the basis that premiums are written on the middle day of each month (the twenty fourth basis.)

##### *Life assurance provision*

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

##### *Claims and provision for claims*

Claims incurred include all claims (including claim estimates) and claims settlement payments made in respect of the financial period and the movement in provision for outstanding claims and settlement expenses. Provisions for outstanding claims and settlement expenses include claims incurred but not reported (IBNR), net of salvage and subrogation recoveries.

Along with the provisions for IBNR claims; the Bank's affiliates in insurance business also provide provisions for general business risks at different rates determined separately for each insurance branch by the related legislation applicable to insurance business in Turkey (equalisation provision).

#### **3.2 Securities**

Equity share certificates that are quoted at the stock exchange are reflected at market values ruling at period end; others are reflected at their cost values in the accompanying consolidated financial statements. Earned interest and gains or losses on the sales of securities are included in current operations (Note 7). Accrued interests on zero coupon securities are included in the carrying amount of the corresponding securities while accrued interests on other marketable securities are included in 'accrued interest, prepaid expenses and other assets'.

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

#### **3.3 Securities under repurchase and resale transactions**

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

#### **3.4 Loans, advances and discounts**

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

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**Note 3 – (Continued)**

**3.5 Allowance for possible loan losses**

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

In addition to the allowance for specific loan losses explained in the above paragraph, the Bank also provides general provisions for inherent credit risk on loans and guarantees and commitments. The level of general provision is based on management's evaluation of the loan portfolio, including such factors as the volume and character of loans outstanding, past loan loss experience and general economic conditions. The Bank's general provision level also meets the statutory requirement, valid since 1 January 1998 and revised in August 1999, for provision of %0.5 on loans and %0.1 on guarantees and commitments.

**3.6 Investments in affiliated companies**

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

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

**3.7 Depreciation**

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

**3.8 Financial leases**

As lessee:-

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

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**Note 3 – (Continued)**

are reduced by repayments of principal, while the finance charge component of the lease payment is charged directly to income.

As lessor:-

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

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

**3.9 Goodwill/Negative goodwill**

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

**3.10 Foreign currency transactions**

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

**3.11 Items held in trust**

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

**3.12 Retirement plan**

The Bank has a trustee retirement plan covering all employees. Annual contributions are computed as a percentage of qualifying compensation and contributed by employees. Deficits, if any, are to be borne by the Bank. However, based on previous experience, management believes that any future cash flow, if any, for the purposes of this retirement plan will be insignificant.



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**Note 3 – (Continued)**

**3.13 Reserve for severance payments**

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

**3.14 Taxes on income**

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

Deferred income tax is provided, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for differences relating to goodwill not deductible for tax purposes and initial recognition of assets and liabilities which effect neither accounting nor taxable profit (Note 16).

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Bank. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Currently, enacted tax rates are used to determine deferred taxes on income.

**3.15 Forward foreign exchange contracts**

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

**3.16 Fair value of financial instruments**

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

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

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

Financial assets

Monetary assets for which fair value approximates carrying value:-

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

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**Note 3 – (Continued)**

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

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

Financial liabilities

Monetary liabilities for which fair value approximates carrying value:-

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

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

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

Derivatives and hedging

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

Interest rate risk

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

Funding risk

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

Credit risk

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

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**Note 3 – (Continued)**

Foreign exchange risk

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

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

**3.17 Offsetting**

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

**3.18 Capital increase**

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

**3.19 Earnings per share**

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

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

**3.20 Reporting of cash flows**

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

	2000 <u>TL billions</u>	1999 <u>TL billions</u>
Cash and due from banks	683,765	540,075
Securities	<u>199,088</u>	<u>121,760</u>
	<u>882,853</u>	<u>661,835</u>

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**4 Related parties**

For the purpose of this report, the Doğu Group's (Note 1) non-financial and financial companies and its principal shareholders are referred to as related parties. During the course of the business, the Bank has made placements with and granted loans to related parties and also received deposits from them at various terms. Interest rates applicable to foreign currency loans and deposits vary at ranges of 1.3-18% and 1.4-40%, and; for Turkish lira loans and deposits vary at ranges of 35-78% and 32-101% (31 December 1999: 3.1-16.8% and 2.9-17 % and; for Turkish lira loans and deposits: 68-101% and 62-102%), respectively. Various commission rates are applied to transactions involving guarantees and commitments.

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

	31 March 2000 <u>TL billions</u>	31 December 1999 <u>TL billions</u>
Bank placements and loans granted	<u>99,947</u>	<u>137,566</u>
Bank takings and deposits received	<u>26,596</u>	<u>24,640</u>
<u>Commitments and contingencies</u>		
Non-cash loans	72,331	69,246
Derivative transactions	75,754	47,064
Repurchase transactions	<u>323</u>	<u>12,852</u>
	<u>148,408</u>	<u>129,162</u>
Fixed asset purchases	<u>2,331</u>	<u>-</u>
	Three-month period ended 31 March 2000 <u>TL billions</u>	Three-month period ended 31 March 1999 <u>TL billions</u>
Interest income	<u>13,215</u>	<u>2,149</u>

**5 Cash and due from banks**

Cash and due from banks comprise of the following:-

	31 March 2000 <u>TL billions</u>	31 December 1999 <u>TL billions</u>
Cash at branches	<u>26,736</u>	<u>56,950</u>
Due from banks-demand		
Domestic banks	98,836	85,720
Foreign banks	<u>172,824</u>	<u>73,222</u>
	<u>271,660</u>	<u>158,942</u>
Due from banks-time		
Domestic banks	323,908	100,529
Foreign banks	<u>408,121</u>	<u>692,019</u>
	<u>732,029</u>	<u>792,548</u>
	<u>1,030,425</u>	<u>1,008,440</u>

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**Note 5 – (Continued)**

As at 31 March 2000, time deposits are all short-term, maturing within one year, with interest rates ranging between 3.25-12% per annum for foreign currency time deposits and 25-95% per annum for Turkish lira time deposits (31 December 1999: 4.63-14% and 46-120%, respectively).

**6 Reserve deposits at Central Bank**

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

**7 Securities**

Securities portfolios comprise of the following:-

	31 March 2000				31 December 1999
	Face value TL billions	Book value TL billions	Interest rate range %	Latest maturity	Book value TL billions
Government bonds in Turkish lira	1,189,790	1,080,540	33.4-481	2002	1,215,204
Gold	-	393,092	-	-	432,652
Eurobonds	372,796	328,348	3-12.37	2030	100,257
Securities issued by foreign institutions	178,685	178,685	3.3-15	2000	205,111
Capital growth fund in Turkish lira	-	119,158	-	-	81,670
Government bonds-indexed to consumer prices (a)	109,062	109,870	16-29	2002	97,062
Government bonds in foreign currency	85,738	92,434	12-47.3	2001	20,804
Treasury bills	89,292	79,474	22-273.7	2001	73,870
Emerging Europe growth fund	-	-	-	-	57,214
Euroyen	16,806	19,651	5.7-6	2002	20,963
Bonds issued by foreign governments	11,670	6,465	5.75-75	2007	2,943
Capital growth fund in foreign currency	-	1,657	-	-	1,020
Profit sharing notes	-	-	-	-	4,924
Others	-	14,341	-	-	11,433
		<u>2,423,715</u>			<u>2,325,127</u>

(a) The interest rate applied on these securities is the function of changes in consumer price index and a security coefficient described in the documents relating to the issuance of these bonds.

Net profit on securities transactions amounting to TL22,403 billions (31 March 1999: TL27,816 billions) in total is included in trading account income.

Unmatured interest accrued on securities amounting to TL260,029 billions (31 December 1999: TL203,454 billions) in total, is included in "other assets" (Note 9).

At 31 March 2000, the government bonds and treasury bills amounting, in total, to TL312,721 billions (31 December 1999: TL348,114 billions) are deposited as security for interbank fund borrowings, foreign currency money market transactions at the Central Bank; and for security trading activities at İstanbul Stock Exchange.

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**8 Loans, advances and discounts**

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

	31 March 2000 <u>TL billions</u>	31 December 1999 <u>TL billions</u>
Industrial	786,382	797,744
Foreign trade	396,376	425,621
Financial institutions	228,757	220,709
Construction	216,358	250,964
Consumer loans	210,356	278,025
Service sector	123,849	87,762
Tourism	106,348	120,329
Agriculture	102,563	102,526
Domestic commerce	31,692	28,383
Others	<u>221,681</u>	<u>197,064</u>
Total performing loans	2,424,362	2,509,127
Non-performing loans	<u>45,326</u>	<u>51,793</u>
Total gross loans	2,469,688	2,560,920
Allowance for possible losses	<u>(59,536)</u>	<u>(53,467)</u>
Loans – net	<u>2,410,152</u>	<u>2,507,453</u>

Loans given to customers have interest rates between 1.3-30% (31 December 1999: 3.1-19%) per annum for foreign currency loans and 35-99% (31 December 1999: 61.7-108.45%) per annum for Turkish lira loans.

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

	31 March 2000 <u>TL billions</u>	31 December 1999 <u>TL billions</u>
Collateralized loans	1,747,182	1,815,496
Uncollateralized loans	<u>677,180</u>	<u>693,631</u>
	<u>2,424,362</u>	<u>2,509,127</u>

The Bank generally seeks collateral security comprising real estate and other mortgages of varying ranking, charges on commodity inventories, letters of guarantee, promissory notes and similar items.

The specific allowance for possible losses is comprised of amounts for specifically identified problem and non-performing loans, advances and discounts plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers. In calculating the specific allowances, the Bank takes account of the rates of allowance for various categories of loans required by Turkish banking regulations.

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**Note 8 – (Continued)**

In addition to the allowance for specific loan losses explained in the above paragraph, the Bank also provides general provisions for inherent credit risk on loans and guarantees and commitments. The level of general provision is based on management's evaluation of the loan portfolio, including such factors as the volume and character of loans outstanding, past loan loss experience and general economic conditions. The Bank's general provision level also meets the statutory requirement, valid since 1 January 1998 and revised in August 1999, for provision of %0.5 on loans and %0.1 on guarantees and commitments.

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

	31 March 2000 <u>TL billions</u>	31 December 1999 <u>TL billions</u>
Balance, beginning of period	53,467	45,743
Restatement effect of the beginning balance and current year provision	(6,664)	(23,452)
Allowance account balance per the balance sheets of new subsidiaries at the date of their acquisitions by the Bank	-	1,376
Write-offs	(3)	(1,578)
Recoveries (reversals related to collection of prior periods' provisions credited to other income)	(1,047)	(1,995)
Provision for the period	<u>13,783</u>	<u>33,373</u>
Balance, end of period	<u>59,536</u>	<u>53,467</u>

**9 Accrued interest, prepaid expenses and other assets**

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

	31 March 2000 <u>TL billions</u>	31 December 1999 <u>TL billions</u>
Accrued interest on securities	260,029	203,454
Assets held for resale	91,853	89,189
Accrued interest on due from banks and similar items	72,620	32,226
Deferred tax asset	63,658	76,536
Minimum lease payment receivables	52,767	30,488
Retail business stocks	27,308	23,088
Insurance premium receivables	19,222	10,745
Prepaid expenses, insurance claims and similar items	17,688	12,334
Miscellaneous receivables	15,273	35,023
Advances for fixed asset purchases	13,996	3,718
Purchased cheques	4,970	6,047
Real-estate business investment stocks	2,331	-
Taxes and funds to be refunded	567	799
Accrued exchange gain on derivatives	-	11,292
Cheques at clearing house	-	9,540
Others	<u>66,054</u>	<u>42,267</u>
	<u>708,336</u>	<u>586,746</u>

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## 10 Investments in affiliated companies

The Bank holds investments in the following affiliates:-

	31 March 2000		31 December 1999	
	Carrying value TL billions	Ownership %	Carrying value TL billions	Ownership %
Petrotrans Nakliyat ve Ticaret A.Ş.	17,223	100.00	17,223	100.00
Garanti Turizm ve Yatırım İşl. A.Ş.	14,695	44.89	14,695	44.89
Genoto General Otomotiv San.Tic.A.Ş.	10,939	40.00	10,939	40.00
Sınai Yatırım Bankası A.O.	8,230	10.00	7,674	10.00
Aktif Finans Factoring Hizmetleri A.Ş.	7,875	19.56	7,875	19.56
Others	<u>12,886</u>		<u>10,150</u>	
	<u>71,848</u>		<u>68,556</u>	

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

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

## 11 Bank premises and equipment

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

	1January TL billions	Additions TL billions	Disposals TL billions	31 March TL billions
<b>Costs</b>				
Land and buildings	328,592	484	(1,462)	327,614
Furniture, fixture and equipments	286,920	7,839	(591)	294,168
Leasehold improvements	<u>74,790</u>	<u>4,981</u>	<u>(498)</u>	<u>79,273</u>
	690,302	13,304	(2,551)	701,055
<b>Less: Accumulated depreciation</b>				
Land and buildings	30,837	1,330	(154)	32,013
Furniture, fixture and equipments	159,779	8,326	(591)	167,514
Leasehold improvements	<u>40,881</u>	<u>2,515</u>	<u>(498)</u>	<u>42,898</u>
	231,497	12,171	(1,243)	242,425
<b>Construction in progress</b>	<u>45,919</u>			<u>58,497</u>
	<u>504,724</u>			<u>517,127</u>

Depreciation expense for the three-month period ended 31 March 2000 amounts to TL12,171 billions (31 March 1999: TL9,978 billions). Bank premises are depreciated at the annual rate of 2% and the rates applied to furniture, fixtures and equipment range from 8% to 25%.



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## 12 Intangible asset

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

Goodwill is amortised on a straight line basis over 20 years, the time during which benefits are expected to be consumed, and reflected as TL87,859 billions (31 December 1999: TL99,731 billions), net of accumulated amortisation, in the accompanying consolidated balance sheets at 31 March 2000 and 31 December 1999.

## 13 Deposits

Deposits comprise of the following:-

	31 March 2000			31 December 1999
	Demand TL billions	Time TL billions	Total TL billions	Total TL billions
Foreign currency	724,789	1,789,502	2,514,291	2,446,298
Interbank (a)	40,665	1,075,849	1,116,514	941,393
Saving	54,123	248,531	302,654	269,273
Commercial	164,997	45,016	210,013	212,189
Public and other	<u>35,159</u>	<u>33,472</u>	<u>68,631</u>	<u>23,592</u>
	<u>1,019,733</u>	<u>3,192,370</u>	<u>4,212,103</u>	<u>3,892,745</u>

(a) Interbank deposits include both TL accounts of TL605,060 billions (31 December 1999: TL652,232 billions) and foreign currency accounts of TL511,454 billions (31 December 1999: TL289,161 billions).

Interest rates applicable to Turkish lira deposits and foreign currency deposits vary at ranges of 32-101% and 1.4-40% (31 December 1999: 40-140% and 1.35-17%), respectively.

## 14 Short-term borrowings

Short-term borrowings comprise of the following:-

	31 March 2000	31 December 1999
	TL billions	TL billions
Domestic banks	91,468	152,250
Foreign banks	<u>858,430</u>	<u>904,417</u>
	<u>949,898</u>	<u>1,056,667</u>

As at 31 December 1999, short-term borrowings from foreign banks included a syndicated pre-export credit facility available to Turkish exporters in the amount of DEM325 millions provided by twentyseven international banks, matured on 27 March 1999 and rollovered to 14 April 2000 for the equivalent of EUR180 millions in two different currencies as EUR153 millions and JPY3,513 millions, a club loan facility amounting to USD65 millions provided by thirteen international banks through the agency of Bank of New York matured on 29 December 1999, and rollovered to 4 April 2000, and a syndicated loan facility in the amount of USD57.6 millions

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**Note 14 – (Continued)**

provided by sixteen international banks through the arrangement of Rabobank Amsterdam and maturing on 25 August 2000. There was also a one-year pre-export loan facility in the amount of USD250 millions provided by fortythree international banks as at 10 June 1999.

Beside some of those borrowings mentioned above and still outstanding as at 31 March 2000, there is a one-year pre-export finance facility in the amount of EUR400 millions provided by seventy international banks through the arrangement of twelve foreign banks.

**15 Short-term bonds payable**

Short-term bonds payable comprise of the following:-

	31 March 2000		31 December 1999	
	Amount in original currency in millions	Interest rates %	TL billions	TL billions
Commercial paper notes	USD 199	5.75-5.86	117,069	118,121
Bearer notes	DEM 124.7	8	35,797	39,552
Indenture notes	USD 28.7	Libor+2	16,912	17,708
Euro commercial papers	USD 24	5-13.5	14,130	27,872
Other bonds			<u>279</u>	<u>5,778</u>
			184,187	209,031
Less : Discounted portion			<u>(321)</u>	<u>(871)</u>
			<u>183,866</u>	<u>208,160</u>

Accrued interest on bonds payable amounting to TL3,469 billions (31 December 1999: TL2,932 billions) in total is included in "other interest and expense accruals" (Note 17).

**16 Taxation**

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

The investment tax credits are exempt from corporation tax and minimum taxes but are subject to an income tax charge at the rate of 15%; contribution to a state fund is levied at 10% which results in an effective income tax rate of 16.5%.

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

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**Note 16 – (Continued)**

The total provisions for taxes on income is different than the amount computed by applying the statutory tax rate to income before provision for taxes as shown in the following reconciliation for the three-month period ended 31 March 2000:-

	31 March 2000 TL billions	%
<b>Taxes on income per statutory tax rate</b>	<b>26,684</b>	<b>33.00</b>
Permanent differences relating to the restatement of non-monetary items per IAS29	33,566	41.51
Income items exempt from tax or subject to different tax rates	(34,018)	(42.07)
Effect of different tax rates applicable to the consolidated affiliates	(2,584)	(3.20)
Effect of permanent differences on consolidation adjustments	14,294	17.68
Disallowable expenses	<u>245</u>	<u>0.30</u>
<b>Provision for taxes on income</b>	<b><u>38,187</u></b>	<b><u>47.22</u></b>

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

	31 March 2000 TL billions
Current corporation and income taxes	10,438
Net increase in deferred tax on taxable temporary differences	<u>27,749</u>
<b>Provision for taxes on income</b>	<b><u>38,187</u></b>

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

The movements of current taxes payable on income in the first quarter of 2000 and the year of 1999 are shown below:-

	31 March 2000 TL billions	31 December 1999 TL billions
<b>Provision for current taxes payable on income before deductions</b>	<b>38,187</b>	<b>151,052</b>
Add: Taxes carried forward	47,216	3,770
Less: Deferred tax liabilities	(27,749)	(5,653)
Less: Restatement effect on current taxes payable on income for the change in the general purchasing power of TL at 31 March 2000	<u>(5,949)</u>	<u>(18,822)</u>
<b>Taxes payable on income</b>	<b><u>51,705</u></b>	<b><u>130,347</u></b>

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**Note 16 – (Continued)**

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

	31 March 2000 <u>TL billions</u>	31 December 1999 <u>TL billions</u>
<b>Deferred tax assets</b>		
Tax legislation effect on securities	22,065	39,466
Provision for extraordinary item (Note 20)	16,414	13,632
Specific and general allowance for loan losses	15,792	13,685
Reserve for retirement pay	4,498	4,601
General provision for banking and leasing risks	3,300	4,306
Other expense accruals, net	<u>1,589</u>	<u>846</u>
Total deferred tax assets	<u>63,658</u>	<u>76,536</u>
<b>Deferred tax liabilities</b>		
Restatement of bank premises and equipment per IAS29	56,438	39,989
Accrued interests and foreign exchange gains on securities	45,418	43,665
Others	<u>1,372</u>	<u>435</u>
Total deferred tax liabilities	<u>103,228</u>	<u>84,089</u>
<b>Net deferred tax liabilities</b>	<b><u>39,570</u></b>	<b><u>7,553</u></b>

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

**17 Accrued interest and other liabilities**

The principal components of these captions are as follows:-

	31 March 2000 <u>TL billions</u>	31 December 1999 <u>TL billions</u>
Accrued interest on deposits	165,799	115,665
Miscellaneous payables	47,211	39,336
Provision for earthquake taxes (Note 20)	44,776	41,229
Accrued interest on borrowings	25,582	38,211
Payables to suppliers relating to financial leasing activities	17,259	17,728
Withholding taxes	16,421	22,064
Reserve for severance payment	15,302	15,298
Transfer orders	14,817	11,664
Payables to insurance and reinsurance companies relating to insurance operations	14,579	5,197
Insurance technical provisions	11,447	11,781
General provisions for banking risks	10,000	11,356
Blocked accounts	9,648	8,782
Interest and expense accruals other than on deposits and borrowings	6,689	5,966
Accrued exchange loss on derivatives	1,811	-
Others	<u>30,241</u>	<u>33,222</u>
	<u>431,582</u>	<u>377,499</u>

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## 18 Long-term debts

Long-term debts comprise of the following:-

	31 March 2000			31 December 1999		
	Interest rate%	Maturity	Amount in original currency in millions	Short term portion TL billions	Medium and long-term portion TL billions	Long-term debts TL billions
<b>Funds from financial institutions:</b>						
Pera Financial Services Company	9.375	2002	USD 245.7	-	144,517	151,308
TPR Securitisation-I	9	2004	USD 200	23,163	94,487	105,231
Anatolia Finance Company	7.48	2004	USD 146.7	-	86,303	91,615
TPR Securitisation-II	7.46-8.75	2004	EUR 100	-	56,067	61,619
International Finance Corporation	8.76	2005	USD 100	5,348	53,484	55,562
International Finance Corporation	8.59-Libor+2.5	2004	USD 94.1	12,300	43,049	51,511
International Finance Corporation	Libor+3.375	2004	USD 5	1,177	1,765	2,453
First Fidelity Bank	7.83-9.75	2002	USD 60.5	12,105	23,469	25,796
First Fidelity Bank	7.83	2002	USD 11.4	1,393	5,312	5,679
ABN Amro Bank	4-6	2003	NLG 57.7	-	14,700	15,172
DEG	7.70	2005	EUR 15	-	8,421	-
DEG	Fibor+3.5	2002	DEM 6.2	1,075	717	1,180
Royalbank of Canada	5.21-6.37	2002	USD 10	1,703	4,204	3,921
All Taffeek	Libor+4	2001	USD 5.6	1,307	1,961	2,044
Demirhalkbank N.V.	11.25	2001	EUR 23	12,895	-	14,159
Others				4,879	25,539	12,472
<b>Bonds:</b>						
Bearer notes	8	2003	EUR 45.7	-	25,685	-
Indenture notes	Libor+2	2002	USD 59.8	16,912	18,265	23,196
Other notes	19-81	2005	-	279	4,281	-
				<u>94,536</u>	<u>612,227</u>	<u>622,918</u>

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

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

In February 1998, the Bank sold certain future credit card receivables due or to become due to the Bank from Visa International Service Association (Visa), MasterCard International Incorporated (MasterCard) and Europay International S.A. (Europay), to Anatolia Finance Company, a special purpose company organized under the laws of the Cayman Islands (SPC) for the amount of USD175 millions. The SPC sold to the Bank of New York, as trustee of the Credit Cards Receivables Trust 1998 - I (the Trust), which issued the trust certificates amounting to USD175 millions in total pursuant to the Trust Agreement dated 3 February 1998 between the SPC and the Bank of New York as trustee. The trust certificates will be repaid in the period from March 1998 to December 2004 on a quarterly basis. The property of the Trust includes, among other things, (i) the right to receive a specified amount of current and future US Dollar amounts owed or to be owed by Visa, MasterCard and Europay to or for the account of Türkiye Garanti Bankası A.Ş., in respect of credit and debit card merchant voucher receivables generated by the usage in Turkey of Visa, MasterCard and Europay credit cards issued by non-Turkish financial institutions and acquisition of such voucher receivables by the Bank for processing and payment by Visa, MasterCard and Europay in accordance with their respective collection and settlement systems, subject to the pari-passu rights of the holders of the Prior Certificates, (ii) or funds collected or to be collected in respect of such receivables, (iii) or other payments by any other person in respect thereof and (iv) certain money on the deposit in certain accounts of the Trust.

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#### **Note 18 – (Continued)**

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

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

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

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

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

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

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

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**Note 18 – (Continued)**

Bearer notes amounting to EUR45,750,000 represent the 8% Euro notes bearing interest from 21 March 2000 per annum payable annually in arrear on 21 March in each year commencing on 21 March 2001 and maturing in 2003 issued by United Garanti Bank International (UGBI), a consolidated affiliate, in March 2000 through the arrangement of Goldman Sachs International. The notes comprising 4.575 units will be in the denomination of EUR10,000 each. Unless previously redeemed or canceled, the notes will be redeemed at their principal amount on 21 March, 2003 and are subject to redemption in whole at their principal amount at the option of UGBI at any time in the event of certain changes affecting taxation in the Netherlands.

**19 Shareholders' equity**

The authorised and paid-in nominal share capital of the Bank is TL260,000 billions comprising 519.999.999.653 registered shares of five hundred Turkish liras each and 1.735 registered shares of one hundred Turkish liras each.

The portion of share capital arising from the amounts paid in by the shareholders and the transfers from retained earnings were restated for the effects of inflation; however, the transfers from revaluation surplus on fixed assets for statutory purposes are not restated. Accordingly, the share capital is reflected at restated amounts in the accompanying consolidated financial statements.

The legal reserve is established by annual appropriations amounting to 5% of income disclosed in the Bank's statutory accounts until it reaches 20% of paid-in share capital (first legal reserves). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital are to be appropriated to increase legal reserves (second legal reserves). The legal reserve is restricted and is not available for distribution as dividends. In the accompanying consolidated financial statements, legal reserves are included in retained earnings at their historical amounts.

**20 Extraordinary item**

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

One of such tax measures is "additional income and corporate tax". In principal, all individuals, excluding wage earners, and corporate taxpayers are required to pay an additional income or corporate tax at 5% on their taxable bases filed for the year of 1998. The tax base for the 5% additional tax is just the same as the tax base on which the income or corporate tax was charged for the year 1998. The Bank fully provided for these taxes amounting to TL8,602 billions in the accompanying consolidated financial statements as at 31 December 1999.

Another additional tax imposed by the Turkish Government is the withholding tax on interest income on government securities that will be held at maturity. The tax rate on such interest income changes from 4% to 19% according to maturities of the securities. Accordingly, the Bank fully provided for these taxes amounting to TL56,629 billions on accrued interest on government securities as "extraordinary item" in the accompanying consolidated statements of income as at 31 March 2000.

Unpaid portion of such taxes in the amount of TL44,776 billions (31 December 1999: TL41,229 billions) was classified under "accrued interest and other liabilities" as "provision for earthquake taxes" in the accompanying consolidated balance sheets (Note 17).

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### 21 Maturity profile

The maturity profile of monetary assets and liabilities as at 31 March 2000 and 31 December 1999 was summarised as follows:-

	31 March 2000						31 December 1999					
	Up to 1 month TL billions	1 to 3 months TL billions	3 to 6 months TL billions	6 to 12 months TL billions	Over 1 year TL billions	Total TL billions	Up to 1 month TL billions	1 to 3 months TL billions	3 to 6 months TL billions	6 to 12 months TL billions	Over 1 year TL billions	Total TL billions
<b>MONETARY ASSETS</b>												
<b>Turkish Lira</b>												
Cash and due from banks	115,040	150,020	29,933	11,227	-	306,220	62,804	8,140	14,746	6,703	-	92,393
Interbank placings	3,000	-	-	-	-	3,000	3,293	-	-	-	-	3,293
Reserve deposits at Central Bank	22,893	-	-	-	-	22,893	17,319	359	240	120	29	18,067
Securities	107,943	141,334	67,930	777,038	301,584	1,395,829	17,264	342,662	546,020	168,361	399,656	1,473,963
Loans, advances and discounts	108,807	170,681	114,891	182,376	27,827	604,582	181,128	158,168	73,985	162,031	57,389	632,701
Other assets	323,911	11,566	9,203	5,347	74,991	425,018	242,711	19,668	6,976	50,091	23,965	343,411
Total Turkish Lira assets	681,594	473,601	221,957	975,988	404,402	2,757,542	524,519	528,997	641,967	387,306	481,039	2,563,828
<b>Foreign currency</b>												
Cash and due from banks	492,849	51,599	25,413	154,058	286	724,205	473,503	199,123	120,061	123,360	-	916,047
Interbank placings	45,245	4,707	-	-	-	49,952	6,722	35,459	-	-	-	42,181
Reserve deposits at Central Bank	227,400	-	-	-	-	227,400	207,032	16,022	2,585	-	1,552	227,191
Securities	289,619	413	39	-	737,815	1,027,886	334,333	4,992	311	66,213	44,531	851,164
Loans, advances and discounts	250,831	360,588	484,212	516,801	207,348	1,819,780	194,062	377,593	604,230	445,041	253,826	1,874,752
Other assets	112,941	6,128	13,357	14,223	24,797	171,446	108,427	3,597	5,249	8,467	16,072	141,812
Total foreign currency assets	1,418,885	423,435	523,021	685,082	970,246	4,020,669	1,324,079	636,786	732,436	643,081	716,765	4,053,147
Total Monetary Assets	2,100,479	897,036	744,978	1,661,070	1,374,648	6,778,211	1,848,598	1,165,783	1,374,403	1,030,387	1,197,804	6,616,975
<b>MONETARY LIABILITIES</b>												
<b>Turkish Lira</b>												
Deposits	690,737	173,002	119,260	196,381	-	1,179,380	837,985	231,245	56,777	28,731	1	1,154,739
Interbank takings	1,000	-	-	-	-	1,000	45,424	-	-	-	-	45,424
Short-term borrowings	51,337	5,421	520	-	-	57,278	27,364	3,468	24,023	7,446	-	62,301
Short-term bonds payable	-	-	-	279	-	279	2,929	2,850	-	-	-	5,779
Long-term debts	-	-	-	-	4,281	4,281	-	-	-	-	-	-
Other liabilities	226,923	22,819	22,786	17,166	156,358	446,052	70,672	22,577	60,305	17,889	298,388	469,831
Total Turkish Lira liabilities	969,997	201,242	142,566	213,826	160,639	1,688,270	984,374	260,140	141,105	54,066	298,389	1,738,074
<b>Foreign currency</b>												
Deposits	2,123,667	511,835	189,031	169,534	38,656	3,032,723	2,057,463	472,487	94,247	102,018	11,791	2,738,006
Interbank takings	130,486	2,941	-	-	-	133,427	145,129	617	-	-	-	145,746
Short-term borrowings	47,692	325,278	146,460	373,190	-	892,620	175,731	184,115	357,905	276,615	-	994,366
Short-term bonds payable	91,932	35,775	42,360	13,520	-	183,587	12,274	3,744	165,464	20,899	-	202,381
Long-term debts	-	-	-	-	607,946	607,946	-	-	-	-	622,918	622,918
Other liabilities	102,250	3,425	16,387	6,175	10,185	138,422	23,223	6,095	15,181	8,358	67,188	120,045
Total foreign currency liabilities	2,496,027	879,254	394,238	562,419	656,787	4,988,725	2,413,820	667,058	632,797	407,890	701,897	4,823,462
Total Monetary Liabilities	3,466,024	1,080,496	536,804	776,245	817,426	6,676,995	3,398,194	927,198	773,902	461,956	1,000,286	6,561,536



**Türkiye Garanti Bankası A.Ş. And Its Affiliates**  
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## 22 Commitments and contingencies

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

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

	31 March 2000 <u>TL billions</u>	31 December 1999 <u>TL billions</u>
Letters of guarantee	1,520,562	1,500,643
Letters of credit	545,983	568,992
Acceptance credits	185,333	168,046
Other guarantees and endorsements	<u>46,965</u>	<u>57,414</u>
	<u>2,298,843</u>	<u>2,295,095</u>

As at 31 March 2000, commitment for uncalled capital of affiliated companies amounts approximately to TL17,775 billions (31 December 1999: TL17,154 billions).

Commitment for purchase and sale of foreign currencies under spot, forward, swap or future rate agreements (FRA) and for gold trading amounts to TL2,340,121 billions (31 December 1999: TL2,204,739 billions), almost all due within one year.

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

	<u>31 March 2000</u>		<u>31 December 1999</u>	
	<u>Purchases</u> <u>TL billions</u>	<u>Sales</u> <u>TL billions</u>	<u>Purchases</u> <u>TL billions</u>	<u>Sales</u> <u>TL billions</u>
Forward agreements for customer dealing activities	39,660	55,824	42,080	31,326
Forward agreements for hedging purposes	587,490	348,294	701,655	390,449
Currency swap agreements for hedging purposes	412,498	287,073	335,027	531,430
Interest rate swap agreements for hedging purposes	-	-	-	5,519
Spot foreign currency transactions	240,598	135,182	7,715	19,431
Forward agreements for gold trading	5,198	126,955	5,026	134,204
FRAs	73,463	-	-	-
Others	<u>27,886</u>	<u>-</u>	<u>-</u>	<u>877</u>
	<u>1,386,793</u>	<u>953,328</u>	<u>1,091,503</u>	<u>1,113,236</u>

Commitment arising from agreements for repurchase/resale of government securities at 31 March 2000 amounts to TL806,637 billions (31 December 1999: TL955,145 billions).

### Year 2000 issues

The Year 2000 problem is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Bank's programs that have time-sensitive software may recognise a date using "00" as the year 1900 rather than the year 2000. Since the management of the Bank has considered the impact of year 2000 issues on its computer systems and applications, and implemented a comprehensive remediation plan; there have been no problem encountered relating to year 2000 issues at the turn of the millenium.

**Türkiye Garanti Bankası A.Ş. And Its Affiliates**  
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**23 Currency structure of assets and liabilities**

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

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

	31 March 2000 <u>TL billions</u>	31 December 1999 <u>TL billions</u>
Cash and due from banks	774,157	958,228
Reserve deposits at Central Bank	227,400	227,191
Securities	1,027,886	851,164
Loans, advances and discounts, less allowance for possible losses	1,826,227	1,874,752
Other assets	<u>327,067</u>	<u>299,839</u>
	4,182,737	4,211,174
Funding sources	4,837,811	4,691,585
Other liabilities	<u>138,422</u>	<u>120,045</u>
	4,976,233	4,811,630
Short position before derivative contracts	(793,496)	(600,456)
Derivative contracts (a)	<u>571,741</u>	<u>367,638</u>
Net short position	<u>(221,755)</u>	<u>(232,818)</u>

(a) The Bank hedged a portion of its short position amounting to 793,496 billions (31 December 1999: 600,456 billions) at TL equivalents at 31 March 2000 by forward contracts maturing almost all in one year which represent total net commitment to buy approximately USD972 millions (US dollar equivalent of TL571,741 billions at exchange rate prevailing on 31 March 2000) (31 December 1999: USD600 millions) at varying exchange rates indicated in the corresponding contracts.

The major currencies included above are US Dollar, Deutsche Mark, Pounds Sterling and Swiss Francs. However, for the purposes of the evaluation of the table above, special emphasis should be given to the assets and liabilities denominated in Russian Roubles which are considered as foreign currency items. Russia is a highly inflationary environment as evidenced by a very high cumulative inflation rate of %210.39 for the three years ended 31 March 2000. The Russian Roubles denominated net assets as included in the above table at their TL equivalents at 31 March 2000 amounted to 9,974 billions (31 December 1999: 8,685 billions).

Volume of transactions in foreign currency, comprising foreign exchange operations, workers' remittances, capital movements, etc. amounts approximately to USD19,950 millions (for the year ended 31 December 1999: USD61,960 millions) for the three-month period ended 31 March 2000.

# Türkiye Garanti Bankası A.Ş. And Its Affiliates

## Notes to Consolidated Financial Statements 31 March 2000 and 31 December 1999

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

### 24 Financial statements of consolidated affiliates

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

	31 March 2000												
	Osmanlı Bankası A.Ş. Consolidated TL billions	United Garanti Bank Int N.V. TL billions	Garanti Finansal Kiralama A.Ş. TL billions	Tansaş İzmir B.Ş.B. İ.ve D.Tic. A.Ş. TL billions	Garanti Funding Corporation I TL billions	Garanti Funding Corporation II TL billions	Ana Konut Danışmanlık A.Ş. TL billions	Garanti Bank Moscow TL billions	Instruments Finance Company TL billions	Garanti Sigorta A.Ş. TL billions	Clover Investment Ltd. TL billions	Doğuş Hava Taşımacılığı A.Ş. TL billions	D.O.C Finance S.A. TL billions
<b>ASSETS</b>													
Cash and due from banks	286,553	151,273	129	1,882	56,422	56,465	256	2,357	2,289	7,304	18,689	269	325
Interbank placings	49,952	-	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	54,212	-	-	-	-	-	-	-	-	-	-	-	-
Securities	718,622	49,767	37,136	60	-	-	4,200	19,370	-	4,732	-	81	285
Loans, net	356,628	595,086	-	-	-	-	-	13,051	33,043	-	-	-	23,151
Accrued interest, prepaid expenses and other assets	61,682	7,713	68,426	42,506	2,254	1,994	2,610	1,705	909	19,506	292	7,873	75
Investments	14,262	18	948	439	-	-	36	-	-	1,550	6,373	2	-
Property and equipment, net	132,279	6,856	1,275	42,264	-	-	39,182	652	-	805	-	15,689	14
Intangible assets, net	52,922	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>1,727,112</b>	<b>810,713</b>	<b>107,914</b>	<b>87,151</b>	<b>58,676</b>	<b>58,459</b>	<b>46,284</b>	<b>37,135</b>	<b>36,241</b>	<b>33,897</b>	<b>25,354</b>	<b>23,914</b>	<b>23,850</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>													
Deposits	961,660	625,242	-	-	-	-	-	19,126	-	-	-	-	-
Interbank takings	40,586	-	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	266,861	35,052	56,013	6,399	-	-	88	-	-	5,000	1,145	4,715	19,132
Short-term bonds payable	36,082	-	-	-	58,643	58,426	-	-	16,912	-	-	-	-
Accrued interest and other liabilities	75,879	28,732	24,381	51,127	4	4	77	3,286	645	26,232	138	338	272
Long-term debts	120,509	63,314	14,256	14,091	-	-	10,551	-	18,265	-	21,989	8,163	2,201
<b>Total Liabilities</b>	<b>1,501,557</b>	<b>752,340</b>	<b>94,650</b>	<b>71,617</b>	<b>58,647</b>	<b>58,430</b>	<b>10,716</b>	<b>22,412</b>	<b>35,822</b>	<b>31,232</b>	<b>23,272</b>	<b>13,216</b>	<b>21,605</b>
Minority Interest	2,825	-	-	(21)	-	-	-	-	-	-	-	-	-
<b>Shareholders' Equity:-</b>													
Share capital	107,567	30,438	14,699	9,096	29	29	42,412	15,022	15	11,658	176	33,236	4,234
Legal reserves and retained earnings	115,163	27,935	(1,435)	6,459	-	-	(6,844)	(299)	404	(8,993)	1,906	(22,538)	(1,989)
<b>Total Shareholders' Equity</b>	<b>222,730</b>	<b>58,373</b>	<b>13,264</b>	<b>15,555</b>	<b>29</b>	<b>29</b>	<b>35,568</b>	<b>14,723</b>	<b>419</b>	<b>2,665</b>	<b>2,082</b>	<b>10,698</b>	<b>2,245</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,727,112</b>	<b>810,713</b>	<b>107,914</b>	<b>87,151</b>	<b>58,676</b>	<b>58,459</b>	<b>46,284</b>	<b>37,135</b>	<b>36,241</b>	<b>33,897</b>	<b>25,354</b>	<b>23,914</b>	<b>23,850</b>

# Türkiye Garanti Bankası A.Ş. And Its Affiliates

## Notes to Consolidated Financial Statements 31 March 2000 and 31 December 1999

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

### Note 24 - (Continued)

	31 March 2000 (Continued)												
	Lasaş Lastik San ve Tic. A.Ş. TL billions	Clover Bank Off-Shore Ltd. TL billions	Garanti Yatırım Menkul Kıymetler A.Ş. TL billions	Garanti Financial Services TL billions	Garanti Hayat Sigorta A.Ş. TL billions	Garanti Bilişim Teknolojisi ve Tic. T.A.Ş. TL billions	Garanti Portföy Yönetimi A.Ş. TL billions	Marmo S.A. TL billions	Şahintur Şahinler Otelcilik A.Ş. TL billions	Garanti Fund Management TL billions	Çi Finance Ltd. TL billions	Çi Investment Ltd. TL billions	Bosphorus Financial Services Ltd. TL billions
<b>ASSETS</b>													
Cash and due from banks	7	5,652	11	119	2,116	205	692	4,174	177	329	40	40	40
Interbank placings	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities	120	2,891	8,747	810	1,828	80	2,011	-	-	147	-	-	-
Loans, net	-	-	-	9,419	-	-	-	-	-	-	-	-	-
Accrued interest, prepaid expenses and other assets	519	6,586	2,509	56	4,079	2,635	1,724	1	16	27	42	42	42
Investments	696	-	207	-	2	3,194	-	-	2	2	59	59	59
Property and equipment, net	18,520	17	1,568	14	1,254	383	203	-	1,751	79	-	-	-
Intangible assets, net	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>19,862</b>	<b>15,146</b>	<b>13,042</b>	<b>10,418</b>	<b>9,279</b>	<b>6,497</b>	<b>4,630</b>	<b>4,175</b>	<b>1,946</b>	<b>584</b>	<b>141</b>	<b>141</b>	<b>141</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>													
Deposits	-	-	-	9,209	-	-	-	-	-	-	-	-	-
Interbank takings	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	-	-	2,941	118	-	-	-	-	-	-	-	-	-
Short-term bonds payable	-	279	-	-	-	-	-	-	-	-	-	-	-
Accrued interest and other liabilities	342	878	2,635	203	5,409	1,148	1,404	25	32	271	8	8	8
Long-term debts	-	4,281	-	-	-	-	-	-	-	147	-	-	-
<b>Total Liabilities</b>	<b>342</b>	<b>5,438</b>	<b>5,576</b>	<b>9,530</b>	<b>5,409</b>	<b>1,148</b>	<b>1,404</b>	<b>25</b>	<b>32</b>	<b>418</b>	<b>8</b>	<b>8</b>	<b>8</b>
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Shareholders' Equity:-</b>													
Share capital	15,353	2,647	5,711	1,552	4,022	31,127	1,032	6,373	2,551	59	59	59	59
Legal reserves and retained earnings	4,167	7,061	1,755	(664)	(152)	(25,778)	2,194	(2,223)	(637)	107	74	74	74
<b>Total Shareholders' Equity</b>	<b>19,520</b>	<b>9,708</b>	<b>7,466</b>	<b>888</b>	<b>3,870</b>	<b>5,349</b>	<b>3,226</b>	<b>4,150</b>	<b>1,914</b>	<b>166</b>	<b>133</b>	<b>133</b>	<b>133</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>19,862</b>	<b>15,146</b>	<b>13,042</b>	<b>10,418</b>	<b>9,279</b>	<b>6,497</b>	<b>4,630</b>	<b>4,175</b>	<b>1,946</b>	<b>584</b>	<b>141</b>	<b>141</b>	<b>141</b>

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

### Note 24 - (Continued)

	31 December 1999												
	Osmanlı Bankası A.Ş. Consolidated TL billions	United Garanti Bank Int. N.V. TL billions	Garanti Finansal Kiralama A.Ş. TL billions	Tansaş İzmir B.Ş.B. İ.ve D.Tic. A.Ş. TL billions	Garanti Funding Corporation I TL billions	Garanti Funding Corporation II TL billions	Ana Konut Danışmanlık A.Ş. TL billions	Instruments Finance Company TL billions	Garanti Bank Moscow TL billions	D.O.C Finance S.A. TL billions	Clover Investment Ltd. TL billions	Lasaş Lastik San ve Tic. A.Ş. TL billions	Doğuş Hava Taşımacılığı A.Ş. TL billions
<b>ASSETS</b>													
Cash and due from banks	417,621	162,423	23,336	3,179	59,073	59,119	70	5,453	6,865	217	19,079	9	165
Interbank placings	45,474	-	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	54,680	-	-	-	-	-	-	-	-	-	-	-	-
Securities	456,326	39,311	20,868	1,434	-	-	4,926	-	14,088	311	-	149	45
Loans, net	371,472	565,521	-	-	-	-	-	36,150	14,267	33,574	-	-	-
Accrued interest, prepaid expenses and other assets	72,124	6,458	69,818	33,859	-	-	1,718	477	884	89	334	629	2,476
Investments	13,109	35	913	439	-	-	8	-	-	-	6,673	693	2
Property and equipment, net	129,225	7,320	1,171	30,861	-	-	38,112	-	656	16	-	18,584	16,241
Intangible assets, net	53,286	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>1,613,317</b>	<b>781,068</b>	<b>116,106</b>	<b>69,772</b>	<b>59,073</b>	<b>59,119</b>	<b>44,834</b>	<b>42,080</b>	<b>36,760</b>	<b>34,207</b>	<b>26,086</b>	<b>20,064</b>	<b>18,929</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>													
Deposits	740,020	603,972	-	-	-	-	-	-	21,925	-	-	-	-
Interbank takings	58,777	-	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	320,338	67,565	68,595	560	-	-	26	-	-	31,196	559	-	5,271
Short-term bonds payable	39,552	-	-	-	59,038	59,083	-	17,708	-	-	-	-	-
Accrued interest and other liabilities	96,378	29,753	26,324	42,015	4	5	39	793	1,203	325	143	394	391
Long-term debts	139,819	29,193	7,783	7,956	-	-	10,883	23,196	-	-	23,023	-	3,649
<b>Total Liabilities</b>	<b>1,394,884</b>	<b>730,483</b>	<b>102,702</b>	<b>50,531</b>	<b>59,042</b>	<b>59,088</b>	<b>10,948</b>	<b>41,697</b>	<b>23,128</b>	<b>31,521</b>	<b>23,725</b>	<b>394</b>	<b>9,311</b>
Minority Interest	3,025	-	-	(30)	-	-	-	-	-	-	-	-	-
<b>Shareholders' Equity:-</b>													
Share capital	118,402	21,001	14,699	9,096	31	31	40,620	16	15,728	4,621	185	15,352	31,802
Legal reserves and retained earnings	97,006	29,584	(1,295)	10,175	-	-	(6,734)	367	(2,096)	(1,935)	2,176	4,318	(22,184)
<b>Total Shareholders' Equity</b>	<b>215,408</b>	<b>50,585</b>	<b>13,404</b>	<b>19,271</b>	<b>31</b>	<b>31</b>	<b>33,886</b>	<b>383</b>	<b>13,632</b>	<b>2,686</b>	<b>2,361</b>	<b>19,670</b>	<b>9,618</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,613,317</b>	<b>781,068</b>	<b>116,106</b>	<b>69,772</b>	<b>59,073</b>	<b>59,119</b>	<b>44,834</b>	<b>42,080</b>	<b>36,760</b>	<b>34,207</b>	<b>26,086</b>	<b>20,064</b>	<b>18,929</b>

# Türkiye Garanti Bankası A.Ş. And Its Affiliates

## Notes to Consolidated Financial Statements

31 March 2000 And 31 December 1999

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

### Note 24 - (Continued)

	31 December 1999 (Continued)												
	Garanti Sigorta A.Ş.	Garanti Financial Services	Garanti Yatırım Menkul Kıymetler A.Ş.	Clover Bank Off-Shore Ltd.	Garanti Hayat Sigorta A.Ş.	Garanti Bilişim Teknolojisi ve Tic. T. A.Ş.	Marmo S. A.	Garanti Portföy Yönetimi A.Ş.	Şahintur Şahinler Otelcilik A.Ş.	Garanti Fund Management	Çi Finance Ltd.	Çi Investment Ltd.	Bosphorus Financial Services Ltd.
	TL billions	TL billions	TL billions	TL billions	TL billions	TL billions	TL billions	TL billions	TL billions	TL billions	TL billions	TL billions	TL billions
<b>ASSETS</b>													
Cash and due from banks	1,656	69	10	6,257	1,984	337	4,366	784	186	318	42	42	42
Interbank placings	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve deposits at Central Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities	2,920	860	7,560	2,830	1,472	-	-	912	-	161	-	-	-
Loans, net	-	12,739	-	-	-	-	-	-	-	-	-	-	-
Accrued interest, prepaid expenses and other assets	10,921	48	1,246	106	3,358	3,086	-	1,131	19	19	44	44	44
Investments	1,550	-	207	-	2	3,169	-	-	2	3	61	61	61
Property and equipment, net	812	16	1,542	18	1,212	369	-	194	1,759	89	-	-	-
Intangible assets, net	-	-	-	-	-	9	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>17,859</b>	<b>13,732</b>	<b>10,565</b>	<b>9,211</b>	<b>8,028</b>	<b>6,970</b>	<b>4,366</b>	<b>3,021</b>	<b>1,966</b>	<b>590</b>	<b>147</b>	<b>147</b>	<b>147</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>													
Deposits	-	12,559	-	-	-	-	-	-	-	-	-	-	-
Interbank takings	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	-	-	2,649	-	-	-	-	-	-	-	-	-	-
Short-term bonds payable	-	-	-	5,776	-	-	-	-	-	-	-	-	-
Accrued interest and other liabilities	15,295	186	1,629	377	4,171	1,352	21	964	-	258	7	7	7
Long-term debts	-	-	-	-	-	-	-	-	-	154	-	-	-
<b>Total Liabilities</b>	<b>15,295</b>	<b>12,745</b>	<b>4,278</b>	<b>6,153</b>	<b>4,171</b>	<b>1,352</b>	<b>21</b>	<b>964</b>	<b>-</b>	<b>412</b>	<b>7</b>	<b>7</b>	<b>7</b>
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholders' Equity:-													
Share capital	11,658	1,625	5,711	2,772	4,021	31,127	6,673	1,032	2,551	61	61	61	61
Legal reserves and retained earnings	(9,094)	(638)	576	286	(164)	(25,509)	(2,328)	1,025	(585)	117	79	79	79
<b>Total Shareholders' Equity</b>	<b>2,564</b>	<b>987</b>	<b>6,287</b>	<b>3,058</b>	<b>3,857</b>	<b>5,618</b>	<b>4,345</b>	<b>2,057</b>	<b>1,966</b>	<b>178</b>	<b>140</b>	<b>140</b>	<b>140</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>17,859</b>	<b>13,732</b>	<b>10,565</b>	<b>9,211</b>	<b>8,028</b>	<b>6,970</b>	<b>4,366</b>	<b>3,021</b>	<b>1,966</b>	<b>590</b>	<b>147</b>	<b>147</b>	<b>147</b>