



Interim report

TO : INVESTMENT COMMUNITY
FROM : GARANTI BANK / Investor Relations
Tel: (90 212) 335 3150
Fax: (90-212) 286 0486
E-mail: investorrelations@garanti.com.tr
www.garantibank.com.tr

SUBJECT : 2000/H1 IAS29 FINANCIAL STATEMENTS
DATE : September 5, 2000

Garanti Bank released its consolidated and inflation adjusted financial statements on an IAS29 basis for the first half of 2000. Total assets increased by 3.0% since FYE 1999 to reach TL7,952,002 Billions (US\$12,871 Millions). The Bank has increased its net income by 58.2% on a year-on-year basis to reach TL103,213 Billions (US\$167 Millions). Net income before monetary loss and extraordinary item grew by 86.8% as compared to the first half of 1999.

I. Operating Performance

Garanti Bank has released a net income after minority interest and extraordinary item of TL103,213 Billions (US\$167 Millions) during the first half of 2000 according to IAS 29 (consolidated and inflation adjusted) financial statements. As compared to the same period of 1999, net income was up by 58.2% in real terms from TL65,222 Billions (US\$106 Millions) as at June 30, 1999. Income before taxes was TL290,291 Billions (US\$470 Millions) on 30 June 2000, up from TL210,506 Billions (US\$341 Millions), implying a 37.9% year-on-year increase in inflation adjusted terms.

Interest income for the six-month period ended June 30, 2000 was TL882,114 Billions (US\$1,428 Millions), down by 11.3% in real terms over June 30, 1999 figure, mainly due to lower spreads on loans in the second quarter. Interest earned from securities, which constituted 57.5% of total interest income, was TL507,109 Billions (US\$821 Millions) as at 2000/H1. Despite a shrinking securities portfolio, interest on securities was 3.1% higher over the first half of 1999 due to mark-to-market gains as a result of falling interest rates. Interest on loans was TL278,520 Billions (US\$451 Millions) and declined by 23.2% as compared to 1999 H1. On a quarterly basis, interest on loans decreased by 8.3% during the second quarter of 2000. A smaller interest income on loans is due to both lower net interest spreads and a smaller ratio of loans to assets.

On a year-on-year basis, a 55.4% decrease in interest paid on saving, commercial and public deposits played an important role in pulling down the total interest expense by 18.9% to TL444,641 Billions (US\$720 Millions) on 30 June 2000. Interest on bank deposits was TL189,461 Billions (US\$307 Millions) and constituted 42.6% of total interest expense.

During the first half of 2000, on a consolidated and inflation adjusted basis, net interest income was TL437,473 Billions (US\$708 Millions), indicating a 1.8% fall in comparison with TL445,399 Billions (US\$721 Millions) as at June 30, 1999. As of June 30, 2000, net interest margin (NIM) was 14.5%, as compared to 16.7% in year-end 1999 and 17.4% in 1999/H1. When NIM is adjusted by foreign exchange loss, the resulting ratio remained almost stable at 11.7% in the first half of 2000 as compared to 11.7% at 1999 FYE and 12.0% on 30 June 1999. Provision for possible loan losses was TL17,217 Billions (US\$28 Million), resulting in TL420,256 Billions (US\$680 Millions) of net interest income after provision for possible loan losses.

Other operating income improved by 77.8% to TL245,887 Billions (US\$398 Millions) over the same period of 1999. When netted with the fees and commissions, other income is calculated as TL209,973 Billions (US\$340 Millions), and rose by 97.1% on a year-on-year basis. Net fees and commissions were TL43,628 Billions (US\$71 Millions) for the period ended June 30, 2000, and was up by 8.8% over the first half of 1999. Net fees and commissions income constituted 20.8% of netted other income. On a year-on-year basis, trading account income increased by 92.6% to TL82,423 Billions (US\$133 Millions) and was the largest component of other operating income. Tansaş, through its retail business, added a TL26,350 Billions (US\$43 Millions) to other operating income, whereas Garanti Insurance and Garanti Life Insurance, generated TL9,915 Billions (US\$16 Millions) of other income of the Bank. Thus, income from retail and insurance businesses was up by 39.4% and 18.9%, respectively, on a quarterly basis in comparison with March 31, 2000. The net profit of TL24,008 Billions (US\$39 Millions) arising from the sale of 10% stake in Tansaş in February 2000 is also reflected as a separate line among other operating income. The share of dividends received and other income in total other operating income increased to 9.6% as of 30 June 2000, compared to 5.6% as of the same period of 1999. Even if the income generated by the sale of Tansaş is excluded, total non-interest income as a percentage of total operating income picked up from 19.3% in 30 June 1999 to 29.8% in 30 June 2000.

Other operating expenses (excluding foreign exchange loss and fees and commissions expense) increased by %34.9 to TL273,621 Billions (US\$443 Millions) on a year-on-year basis. This increase mainly stemmed from other operating expenses and advertising expenses which went up by 99.6% to TL46,052 Billions (US\$75 Millions) and by 54.1% to TL16,246 Billions (US\$26 Millions), respectively. Including foreign exchange losses total other operating expenses (excluding fees and commission expenses) increased by a mere 4.0% due to a 46.5% decrease in net foreign exchange losses over the first half of 1999. Continuing to decrease, the share of salaries and wages in net operating expenses was 34.6% in the first half of 2000, down from 35.5% in the year-end 1999 and 39.6% in the first half of 1999. The Bank has raised the salaries during 2000 completely in line with government's year-end inflation target of 25%. On a consolidated basis Garanti had a net short position of TL249,300 Billions (US\$404 Millions) slightly up from the year-end figure of TL243,139 Billions (US\$394 Millions). Excluding the extraordinary item, Cost/Income ratio of the Bank has declined to 49.1% as of the current period down from 56.3% in 31 December 1999 and 55.2% in 30 June 1999.

The effective tax rate for the first half of 2000 went down to 38.3% with respect to 57.2% on 30 June 1999. In addition, loss on net monetary position declined by 17.4% to TL50,938 Billions (US\$82 Millions) resulting in a net income before extraordinary item of TL186,029 Billions (US\$301 Millions) which was up by 185% over the first half of 1999. The burden of the earthquake related taxes was TL82,816 Billions (US\$ 134 Millions) for the first half of 2000. Appropriately, the bank increased its net income by 58.2% on a year-on-year basis to reach TL103,213 Billions (US\$167 Millions).

II. Balance Sheet

Garanti Bank's total assets reached TL7,952,002 Billions (US\$12,871 Millions) as of 30 June 2000. This indicates a 3.0% increase as compared to 31 December 1999 and 12.5% year-on-year growth over first half of 1999. Liquid assets constituted 45.6% of total assets, increasing by 21% from TL2,998,930 Billions (US\$4,854 Millions) on 30 June 1999 to TL3,628,526 Billions (US\$5,873 Millions) on 30 June 2000. Although the securities portfolio has declined by 2.8% when compared to the year-end, the Bank preferred to stay liquid and maintained its liquid assets to total assets ratio almost at the same level during the first half of 2000. The securities portfolio was TL2,360,261 Billions (US\$3,820 Millions) or 29.7% of total assets on 30 June 2000 and TL2,428,200 Billions (US\$3,930 Millions) or 31.5% of total assets as of 31 December 1999. This is mostly due to profit taking as a result of falling yields on government securities. The commitments arising from agreements for repurchase/resale of government securities (the repo portfolio) as at 30 June 2000 were TL669,632 Billions (US\$1,084 Millions), 32.9% lower than TL997,486 Billions (US\$1,615 Millions) as of 30 December 1999.

The growth in cash loans was 5.9% during the first half of 2000. Total cash loans increased to TL2,773,307 Billions (US\$4,489 Millions) as of 30 June 2000 from TL2,618,607 Billions (US\$4,239 Millions) as at year-end 1999. Accordingly, the share of cash loans in total assets was up to 34.9% at the current period compared to 33.9% on 31 December 1999. Increasing its loan book, Garanti also managed to improve its asset quality during the first half of 2000. As at 30 June 2000, the share of non-performing loans (NPLs) to total cash loans was 1.8% in comparison with 2.0% as at 31 December 1999. Similarly, the share of NPLs in total loans (cash and non-cash) came down to 0.9% from 1.1% as of the respective periods. 76% of the gross performing loans were collateralized as at June 30, 2000, picking up from 72.4% as at year-end 1999. Allowances for loan losses to NPL's were 126.3% on a consolidated basis on 30 June 2000.

Continuing to be a low-cost source for funding, deposits grew by 8.8% since 31 December 1999. Total deposits increased to TL4,423,006 Billions (US\$7,159) or 55.6% of total liabilities and shareholders' equity as of June 30, 2000 from TL4,065,308 Billions (US\$6,580 Millions) or 52.7% of total liabilities and shareholders' equity as at year-end 1999. On a year-on-year basis, the growth in deposits was 18.0%. Time deposits constituted 72.8% of total deposits, an improved figure in terms of cost than that of first quarter, which was 75.8%. The share of foreign currency in total deposits on 30 June 2000 and year-end 1999 was 57.0% and 62.8%, respectively. Hence, the deposit base was also improved in terms of foreign exchange loss during the first half of 2000. As at 30 June 2000, total borrowings (long and short term) totalled TL1,857,521 Billions (US\$3,007 Millions) indicating a 5.9% growth over the FYE 1999 figure of TL1,754,041 Billions (US\$2,839 Millions). As at 30 June 2000, the share of total long-term and short-term borrowings and bonds payable in total liabilities and shareholders' equity was 23.6%, 65.7% of which were short term.

Total shareholders' equity was TL944,313 Billions (US\$1,529 Millions) at the end of first half of 2000 as compared to TL841,100 Billions (US\$1,361 Millions) on 31 December 1999. The ratio of total shareholders' equity to total assets improved to 11.9% during the first half from 10.9% as at FYE 1999.

Mainly as a result of higher other operating income and lower monetary losses, Garanti Bank was able to raise its profitability on a consolidated basis during the first half of 2000. Return on average assets rose to 2.6% as of 30 June 2000 from 2.0% at the end of 1999. Accordingly, return on average equity picked up to 23.1% during the first half of 2000 from 18.2% as at 31 December 1999 and 17.4% as at 30 June 1999.

KEY RATIOS

| | 30.06.2000 | 31.03.2000 | 31.12.1999 | 30.06.1999 |
|--|------------|------------|------------|------------|
| <i>Asset Quality and Liquidity Ratios</i> | | | | |
| NPL / Cash Loans | 1.8% | 1.8% | 2.0% | 0.9% |
| NPL/ Cash +Non-Cash Loans | 0.9% | 1.0% | 1.1% | 0.5% |
| Allowance for Loan Losses/NPL | 126.3% | 131.4% | 103.2% | 210.1% |
| Deposits/Total Assets | 55.6% | 55.8% | 52.7% | 53.0% |
| Cash Loans/Total Assets | 34.9% | 31.9% | 33.9% | 38.2% |
| Liquid Assets/Total Assets | 45.6% | 46.4% | 45.7% | 42.4% |
| <i>Profitability Ratios</i> | | | | |
| NIM | 14.5% | 17.3% | 16.7% | 17.4% |
| Adjusted NIM | 11.7% | 14.0% | 11.7% | 12.0% |
| Return on Average Assets | 2.6% | 2.4% | 2.0% | 3.9% |
| Return on Average Equity | 23.1% | 22.0% | 18.2% | 17.4% |
| Non-interest Income (1)/ Total Operating Income | 29.8% | 19.1% | 26.7% | 19.3% |
| Other Operating Expense (excl. FX loss and extraordinary expenses)/Total Assets | 6.9% | 6.3% | 6.2% | 5.7% |
| Cost / Income (2) | 64.2% | 65.9% | 61.3% | 55.2% |
| Cost / Income (3) | 49.1% | 45.2% | 56.3% | 55.2% |
| Effective Tax Rate | 38.3% | 47.2% | 53.4% | 57.2% |

- (1) Excluding income earned from 10% stake sell of Tansaş.
(2) Including the extraordinary items
(3) Excluding the extraordinary items

Türkiye Garanti Bankası A.Ş. And Its Affiliates

**Consolidated Financial Statements
For The Six-Month Period Ended 30 June 2000
And The Year Ended 31 December 1999**

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Consolidated Balance Sheets At 30 June 2000 And 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

| | | 30 June 2000 | 31 December 1999 | | | 30 June 2000 | 31 December 1999 |
|--|-----------|-------------------------|-------------------------|---|-----------|-------------------------|-------------------------|
| | | <u>TL billions</u> | <u>TL billions</u> | | | <u>TL billions</u> | <u>TL billions</u> |
| ASSETS | | | | LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Cash and due from banks | (Note 5) | 1,199,035 | 1,053,144 | Deposits | (Note 13) | | |
| Interbank placings | | 69,230 | 47,490 | Demand | | 1,204,359 | 975,297 |
| Reserve deposits at Central Bank | (Note 6) | 257,233 | 256,130 | Time | | <u>3,218,647</u> | <u>3,090,012</u> |
| Securities | (Note 7) | 2,360,261 | 2,428,200 | | | 4,423,006 | 4,065,309 |
| Loans, advances and discounts, less allowance for possible losses | (Note 8) | 2,773,307 | 2,618,607 | Interbank takings | | 152,673 | 199,644 |
| Accrued interest, prepaid expenses and other assets | (Note 9) | 523,127 | 612,756 | Short-term borrowings | (Note 14) | 1,212,191 | 1,103,509 |
| Investments | (Note 10) | 80,920 | 71,595 | Short-term bonds payable | (Note 15) | 25,070 | 217,388 |
| Bank premises and equipment, net | (Note 11) | 597,407 | 527,098 | Taxation on income | (Note 16) | | |
| Intangible assets, net | (Note 12) | 91,482 | 104,152 | Current tax liability | | 52,760 | 136,125 |
| | | | | Deferred tax liability | | <u>38,731</u> | <u>87,817</u> |
| | | | | | | 91,491 | 223,942 |
| | | | | Accrued interest and other liabilities | (Note 17) | 431,929 | 394,233 |
| | | | | Long-term debts | (Note 18) | <u>645,330</u> | <u>650,532</u> |
| | | | | Total liabilities | | 6,981,690 | 6,854,557 |
| | | | | Minority interest | | 25,999 | 23,515 |
| | | | | Shareholders' equity (Note 19) :- | | | |
| | | | | Share capital; authorized, issued and fully paid | | 721,356 | 721,356 |
| | | | | Retained earnings | | <u>222,957</u> | <u>119,744</u> |
| | | | | Total shareholders' equity | | 944,313 | 841,100 |
| TOTAL ASSETS | | <u>7,952,002</u> | <u>7,719,172</u> | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>7,952,002</u> | <u>7,719,172</u> |
| | | | | Commitments and contingencies | (Note 22) | | |

The accompanying notes form integral parts of these financial statements.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Consolidated Statements Of Income
For The Six-Month Periods Ended 30 June 2000 And 1999
And The Three-Month Periods Ended 30 June 2000 And 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

| | Six-month period ended 30 June 2000 TL billions | Three-month period ended 30 June 2000 TL billions | Six-month period ended 30 June 1999 TL billions | Three-month period ended 30 June 1999 TL billions |
|--|--|--|--|--|
| Interest income :- | | | | |
| Interest on securities | 507,107 | 190,306 | 491,704 | 263,248 |
| Interest on loans | 278,520 | 133,227 | 362,656 | 188,128 |
| Interest on deposits at banks | 85,487 | 47,043 | 110,866 | 24,990 |
| Interest on financial leases | 3,632 | 1,890 | 7,954 | 3,591 |
| Interest on blocked accounts with Central Bank | - | - | 14,172 | 5,985 |
| Others | 7,368 | 4,009 | 6,570 | 3,750 |
| Total interest income | 882,114 | 376,475 | 993,922 | 489,692 |
| Interest expenses :- | | | | |
| Interest on bank deposits | 189,461 | 103,116 | 104,948 | 26,636 |
| Interest on saving, commercial and public deposits | 147,049 | 53,178 | 329,470 | 154,201 |
| Interest on borrowings | 86,679 | 41,389 | 83,062 | 35,609 |
| Interest on bonds | 4,420 | 34 | 11,919 | 5,988 |
| Others | 17,032 | 7,442 | 19,124 | 10,239 |
| Total interest expenses | 444,641 | 205,159 | 548,523 | 232,673 |
| Net interest income | 437,473 | 171,316 | 445,399 | 257,019 |
| Provision for possible loan losses (Note 8) | 17,217 | 3,712 | 14,624 | 7,557 |
| Net interest income after provision for possible loan losses | 420,256 | 167,604 | 430,775 | 249,462 |
| Other operating income :- | | | | |
| Trading account income, net | 82,423 | 59,027 | 42,798 | 13,749 |
| Fees and commissions | 79,542 | 41,527 | 71,839 | 42,152 |
| Retail business income, net | 26,350 | 15,344 | 15,479 | 6,308 |
| Income on sale of interest in a consolidated affiliate (Note 1) | 24,008 | - | - | - |
| Insurance business income, net | 9,915 | 5,385 | - | - |
| Dividends received from affiliated companies | 1,889 | 800 | 1,460 | 204 |
| Other operating income | 21,760 | 18,394 | 6,696 | 5,177 |
| Total other operating income | 245,887 | 140,477 | 138,272 | 67,590 |
| Other operating expenses :- | | | | |
| Salaries and wages | 94,594 | 51,575 | 80,344 | 45,413 |
| Foreign exchange loss, net | 66,317 | 29,294 | 123,955 | 70,328 |
| Fees and commissions | 35,914 | 17,413 | 31,747 | 18,000 |
| Depreciation and amortization | 28,025 | 14,786 | 22,898 | 11,590 |
| Employee benefits | 24,177 | 13,730 | 22,672 | 9,378 |
| Advertising expenses | 16,246 | 9,749 | 10,541 | 7,299 |
| Taxes and duties other than on income | 14,448 | 7,050 | 7,593 | 4,376 |
| General provision for banking risks | 12,032 | 12,032 | - | - |
| Rent expenses | 11,529 | 6,044 | 7,112 | 3,721 |
| EDP expenses | 8,345 | 3,974 | 8,026 | 4,381 |
| Saving deposits insurance fund | 6,473 | 2,106 | 6,616 | 3,972 |
| Research and development expenses | 3,639 | 1,687 | 5,243 | 3,300 |
| Provision for severance payments | 2,935 | (126) | 4,969 | 481 |
| Repair and maintenance expenses | 2,758 | 1,564 | 2,161 | 1,449 |
| Stationary expenses | 2,368 | 1,504 | 1,588 | 666 |
| Other operating expenses | 46,052 | 23,953 | 23,076 | 14,981 |
| Total other operating expenses | 375,852 | 196,335 | 358,541 | 199,335 |
| Income before taxes | 290,291 | 111,746 | 210,506 | 117,717 |
| Provision for taxes on income (Note 16) | (60,010) | (20,130) | (85,182) | (55,470) |
| Net income before minority interest | 230,281 | 91,616 | 125,324 | 62,247 |
| Minority interest | 6,686 | 3,705 | 1,563 | 357 |
| Net income before loss on net monetary position | 236,967 | 95,321 | 126,887 | 62,604 |
| Loss on net monetary position | (50,938) | (15,978) | (61,665) | (27,475) |
| Net income before extraordinary item | 186,029 | 79,343 | 65,222 | 35,129 |
| Extraordinary item (Note 20) | (82,816) | (23,677) | - | - |
| Net income | 103,213 | 55,666 | 65,222 | 35,129 |
| 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 3.18 and 19) | 520,000,000,000 | 520,000,000,000 | 520,000,000,000 | 520,000,000,000 |
| Earning per share (Full TL amount) | 198.49 | 107.05 | 125.43 | 67.56 |

The accompanying notes form integral parts of these financial statements.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Consolidated Statements Of Changes In Shareholders' Equity
For The Six-Month Periods Ended 30 June 2000 And 1999

(As adjusted for the effects of inflation in TL units current at 30 June 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 | | |
| Balances, 1 January 1999 | 455,711 | 31,112 | 214,238 | 245,350 | 701,061 |
| Appropriation of retained earnings: | | | | | |
| Transfer to legal reserves and minority interest | | 7,504 | (7,504) | | |
| Restatement effect of legal reserves for the first half of 1999 in TL unit current at 30 June 2000 | | (7,261) | 7,261 | | |
| Increase in capital: | | | | | |
| Transfer from retained earnings | 265,645 | | (265,645) | (265,645) | |
| Net income for the first half of the year | <u> </u> | <u> </u> | 65,222 | 65,222 | 65,222 |
| Balances, 30 June 1999 | 721,356 | 31,355 | 13,572 | 44,927 | 766,283 |
| Restatement effect of legal reserves for the second half of 1999 in TL unit current at 30 June 2000 | | (10,245) | 10,245 | | |
| Net income for the second half of the year | <u> </u> | <u> </u> | 74,817 | 74,817 | 74,817 |
| Balances, 31 December 1999 | 721,356 | 21,110 | 98,634 | 119,744 | 841,100 |
| Appropriation of retained earnings: | | | | | |
| Transfer to legal reserves and minority interest | | 13,110 | (13,110) | | |
| Restatement effect of legal reserves for the first half of 2000 in TL unit current at 30 June 2000 | | (3,914) | 3,914 | | |
| Net income for the first half of the year | <u> </u> | <u> </u> | 103,213 | 103,213 | 103,213 |
| Balances, 30 June 2000 | <u>721,356</u> | <u>30,306</u> | <u>192,651</u> | <u>222,957</u> | <u>944,313</u> |

The accompanying notes form integral parts of these financial statements.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Consolidated Statements Of Cash Flows
For The Six-Month Periods Ended 30 June 2000 And 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

| | 2000 | 1999 |
|--|--------------------------------|--------------------------------|
| | <u>TL billions</u> | <u>TL billions</u> |
| Cash flows from operating activities:- | | |
| Income before tax, minority interest and extraordinary item for the period | 239,353 | 148,841 |
| Components of net income not generating or using liquidity:- | | |
| Provision for possible loan losses | 17,217 | 14,624 |
| General provision for banking risks | 12,032 | - |
| Provision for severance payment | 2,935 | 4,969 |
| Depreciation and amortisation | 28,025 | 22,898 |
| Change in accrued interest and other income | 326,210 | (71,457) |
| Change in accrued interest and other expense | 15,664 | 16,962 |
| Reversal of decrease in value of investments | - | (481) |
| Monetary loss effect of above corrections | <u>(26,460)</u> | <u>(20,209)</u> |
| Operating profit before changes in operating assets and liabilities | 614,976 | 116,147 |
| Increase in deposits | 357,697 | 274,826 |
| Increase in gross loans, advances and discounts | (196,379) | (94,118) |
| Increase in securities | (334,646) | (721,854) |
| Decrease in term placements at banks | 13,166 | 46,937 |
| Increase in prepaid expenses and other assets | (78,418) | (1,074) |
| Increase in reserve deposits at Central Bank | (1,103) | (7,813) |
| Extraordinary item paid | (111,544) | - |
| Income taxes paid | <u>(95,727)</u> | <u>(46,205)</u> |
| Net cash provided by/(used in) operating activities | 168,022 | (433,154) |
| Cash flows from investing activities:- | | |
| Increase/(decrease) in investments-net | 9,328 | (3,388) |
| Increase in bank premises and equipment-net | 97,201 | 89,350 |
| (Decrease)/increase in goodwill | <u>(11,859)</u> | <u>48,880</u> |
| Net cash used in investing activities | (94,670) | (134,842) |
| Cash flows from financing activities:- | | |
| (Decrease)/increase in interbank takings | (46,971) | 36,776 |
| Increase in short-term borrowings | 108,682 | 272,664 |
| (Decrease)/increase in short-term bonds payable | (192,318) | 40,379 |
| Decrease in long-term debts | (5,202) | (60,332) |
| Increase/(decrease) in other liabilities | 45,526 | (823) |
| Proceeds from issuance of share capital to minorities | 8,352 | 2,129 |
| Increase in minority interest due to consolidated subsidiaries | <u>-</u> | <u>16,027</u> |
| Net cash (used in)/provided by financing activities | <u>(81,931)</u> | <u>306,820</u> |
| Net decrease in cash and cash equivalents | <u>(8,579)</u> | <u>(261,176)</u> |
| Cash and cash equivalents at beginning of period | <u>1,135,780</u> | <u>1,422,734</u> |
| Cash and cash equivalents at end of period (Note 3.20) | <u><u>1,127,201</u></u> | <u><u>1,161,558</u></u> |

The accompanying notes form integral parts of these financial statements.

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Notes to Consolidated Financial Statements 30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 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 199 branches dispersed throughout the country; 3 branches in Luxembourg, Malta and Düsseldorf; and 28 "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 171 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%; however together with 3.30% ownership interest held by the Bank's 100% owned affiliate, Ana Konut Danışmanlık A.Ş., the aggregate ownership of 22.30% in Tansaş, is still sufficient to provide the majority voting rights in the Board of Directors of this Company. The net profit of TL24,008 billions arising from this sale is reflected as a separate line among "other operating income" in the accompanying consolidated statements of income for the six-month period ended 30 June 2000.

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Notes to Consolidated Financial Statements

30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 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 TL3,072 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 30 June 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 30 June 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 30 June 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 30 June 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 30 June 2000 and 1999, and 31 December 1999 and 1998, are given below:-

| <u>Date</u> | <u>Index</u> | <u>Conversion factor</u> |
|------------------|--------------|--------------------------|
| 30 June 2000 | 2,346.4 | 1.000 |
| 31 December 1999 | 1,978.5 | 1.186 |
| 30 June 1999 | 1,496.5 | 1.568 |
| 31 December 1998 | 1,215.1 | 1.931 |

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 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 period.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

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

Before June 2000, debt securities, primarily government bonds and treasury bills, were reported at the lower of aggregate cost or market adjusted for amortisation of premium and accretion of discount. Pursuant to a recent revision in the related legislation and starting from June 2000, a significant change in the valuation of debt securities was introduced. Accordingly, debt securities included in the trading portfolio are valued at their market prices, if these securities have such quoted values at securities exchange; otherwise they are carried at cost as adjusted for amortisation of premium and accretion of discount. On the other hand, pursuant to this change in the related legislation, the investment securities (including these kept as collateral for transactions at interbank monetary market, stock exchange and/or made through the Central Bank) are carried at cost as adjusted for amortisation of premium and accretion of discount as in the previous periods. Designation as an investment security is made at the time of acquisition and is based on the intend to hold the security for long-term investment.

Equity share certificates that are quoted at the stock exchange are reflected at market values ruling at period end.

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

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

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 3 – (Continued)

3.3 Securities under repurchase and resale transactions

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

3.4 Loans, advances and discounts

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

3.5 Allowance for possible loan losses

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

In addition to the allowance for specific loan losses explained in the above paragraph, the Bank also provides general provisions for inherent credit risk on loans and guarantees and commitments. The level of general provision is based on management's evaluation of the loan portfolio, including such factors as the volume and character of loans outstanding, past loan loss experience and general economic conditions. The Bank's general provision level also meets the statutory requirement, valid since 1 January 1998 and revised in August and December 1999, for provision of %0.5 on loans (including other significant assets such as securities and cash and due from banks (except for those placed at or issued by the central banks and/or treasuries of OECD countries) defined as "Quasi-Loans" by the related legislation) 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.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 3 – (Continued)

3.7 Depreciation

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

3.8 Financial leases

As lessee:-

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

As lessor:-

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

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

3.9 Goodwill/Negative goodwill

Positive and negative goodwills resulting from the indirect acquisition of 100% ownership in Osmanlı Bankası A.Ş. in 1996, the direct acquisition of 100% ownership in Ana Konut Danışmanlık A.Ş. in 1998 and; 19% ownership in Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticaret A.Ş., 83.28% ownership in Doc Finance S.A., 75.78% ownership in Garanti Yatırım Menkul Kıymetler A.Ş., 76.40% ownership in 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 acquisition of Ana Konut Danışmanlık A.Ş., is included under 'other liabilities' in the accompanying consolidated financial statements and credited to income over 20 years, the time during which benefit is expected to be consumed.

3.10 Foreign currency transactions

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

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 3 – (Continued)

3.11 Items held in trust

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

3.12 Retirement plan

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

3.13 Reserve for severance payments

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

3.14 Taxes on income

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

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

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

As permitted by IAS and starting from June 2000, the deferred tax assets and liabilities relating to a consolidated affiliate reporting to a specific tax office are offset against each other in the accompanying consolidated financial statements as of and for the six-month period ended 30 June 2000.

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).

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 3 – (Continued)

3.16 Fair value of financial instruments

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

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

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

Financial assets

Monetary assets for which fair value approximates carrying value:-

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

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

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

Financial liabilities

Monetary liabilities for which fair value approximates carrying value:-

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

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

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

Derivatives and hedging

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

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 3 – (Continued)

Interest rate risk

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

Funding risk

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

Credit risk

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

Foreign exchange risk

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

Forward foreign exchange and currency swap contracts are mainly entered into as hedges against foreign currency loans and borrowings. These 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.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 3 – (Continued)

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 30 June 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 | 1,123,838 | 1,018,679 |
| Securities | <u>3,363</u> | <u>142,879</u> |
| | <u>1,127,201</u> | <u>1,161,558</u> |

4 Related parties

For the purpose of this report, the Doğuş Group's (Note 1) non-financial and financial companies and its principal shareholders are referred to as related parties. During the course of the business, the Bank has made placements with and granted loans to related parties and also received deposits from them at various terms. Interest rates applicable to foreign currency loans and deposits vary at ranges of 1.6-20% and 2.6-17%, and; for Turkish lira loans and deposits vary at ranges of 32.3-89% and 28.5-85% (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:-

| | 30 June 2000 <u>TL billions</u> | 31 December 1999 <u>TL billions</u> |
|--------------------------------------|---------------------------------------|---|
| Bank placements and loans granted | <u>69,642</u> | <u>143,665</u> |
| Bank takings and deposits received | <u>44,302</u> | <u>25,733</u> |
| <u>Commitments and contingencies</u> | | |
| Non-cash loans | 77,609 | 72,316 |
| Derivative transactions | 88,627 | 49,150 |
| Repurchase transactions | <u>8,971</u> | <u>13,421</u> |
| | <u>175,207</u> | <u>134,887</u> |
| Fixed asset purchases | <u>2,434</u> | <u>-</u> |

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 4 – (Continued)

| | Six-month period ended 30 June 2000 <u>TL billions</u> | Three-month period ended 30 June 2000 <u>TL billions</u> | Six-month period ended 30 June 1999 <u>TL billions</u> | Three-month period ended 30 June 1999 <u>TL billions</u> |
|-----------------|---|---|---|---|
| Interest income | <u>18,544</u> | <u>4,743</u> | <u>6,156</u> | <u>3,912</u> |

5 Cash and due from banks

Cash and due from banks comprise of the following:-

| | 30 June 2000 <u>TL billions</u> | 31 December 1999 <u>TL billions</u> |
|-----------------------|---------------------------------------|---|
| Cash at branches | <u>35,344</u> | <u>59,475</u> |
| Due from banks-demand | | |
| Domestic banks | 94,651 | 89,520 |
| Foreign banks | <u>142,864</u> | <u>76,468</u> |
| | <u>237,515</u> | <u>165,988</u> |
| Due from banks-time | | |
| Domestic banks | 595,204 | 104,985 |
| Foreign banks | <u>330,972</u> | <u>722,696</u> |
| | <u>926,176</u> | <u>827,681</u> |
| | <u>1,199,035</u> | <u>1,053,144</u> |

As at 30 June 2000, time deposits are all short-term, maturing within one year, with interest rates ranging between 3.25-13.5% per annum for foreign currency time deposits and 22-89% 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 are 6% and 11%, respectively. These reserve deposit rates are applicable to both time and demand deposits.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

7 Securities

Securities portfolios comprise of the following:-

| | 30 June 2000 | | | | 31 December 1999 |
|---|---------------------------|---------------------------|--------------------------|-----------------|---------------------------|
| | Face value TL billions | Book value TL billions | Interest rate range % | Latest maturity | Book value TL billions |
| Trading portfolio | | | | | |
| Government bonds in Turkish lira | 401,916 | 328,801 | 28-363 | 2002 | 542,566 |
| Participating shares of mutual funds in foreign currency | - | 311,266 | - | - | - |
| Gold | - | 309,308 | - | - | 324,253 |
| Participating shares of mutual funds in Turkish lira | - | 123,784 | - | - | - |
| Treasury bills | 41,934 | 38,115 | 32.3-95 | 2002 | 28,921 |
| Eurobonds | 12,839 | 12,561 | 11.75-14.3 | 2030 | - |
| Bonds issued by foreign governments | 12,106 | 9,515 | 23-66.5 | 2006 | - |
| Government bonds-indexed to consumer prices (a) | - | - | - | - | 7,419 |
| Others | - | <u>22,860</u> | - | - | <u>-</u> |
| Total trading portfolio | | <u>1,156,210</u> | | | <u>903,159</u> |
| Investment portfolio | | | | | |
| Government bonds in Turkish lira | 491,236 | 449,711 | 10-551 | 2002 | 726,508 |
| Eurobonds | 314,769 | 271,410 | 7.25-12.4 | 2030 | 104,701 |
| Government bonds in foreign currency | 153,601 | 162,366 | 11.9-12.4 | 2030 | 21,726 |
| Government bonds-indexed to consumer prices (a) | 157,568 | 157,351 | 10.9-57.6 | 2002 | 93,946 |
| Gold | - | 124,083 | - | - | 127,578 |
| Euroyen | 17,723 | 20,724 | 5.7-6 | 2002 | 21,892 |
| Treasury bills | 10,150 | 9,433 | 35 | 2001 | 48,224 |
| Bonds issued by foreign governments | 3,342 | 3,342 | 5.75-48.5 | 2007 | 3,073 |
| Securities issued by foreign institutions | - | - | - | - | 214,204 |
| Participating shares of mutual funds in Turkish lira | - | - | - | - | 85,290 |
| Participating shares of mutual funds in foreign currency | - | - | - | - | 59,750 |
| Others | - | <u>5,631</u> | - | - | <u>18,149</u> |
| Total investment portfolio | | <u>1,204,051</u> | | | <u>1,525,041</u> |
| Total | | <u>2,360,261</u> | | | <u>2,428,200</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.

Before June 2000, debt securities, primarily government bonds and treasury bills, were reported at the lower of aggregate cost or market adjusted for amortisation of premium and accretion of discount. As explained in Note 3.2 and starting from June 2000, the Bank has changed its policy for the valuation of securities included in the trading portfolio, pursuant to a recent revision in the related legislation. Accordingly, starting from June 2000, debt securities included in the trading portfolio are valued at their market prices, if these securities have quoted values at securities exchange; otherwise, together with investment securities, they are valued at the lower of aggregate cost or market adjusted for amortisation of premium and accretion of discount, which is the previous policy. If the Bank had adopted the new policy for the valuation of securities in

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 7 – (Continued)

the trading portfolio in the previous periods; the accrued interest income in the balance sheets and; the resulting interest income amounts, as netted off against the related gain on monetary position in the statements of income, would be lower for TL7,310 billions and TL3,081 billions, as of and for the year ended 31 December 1999 and as of and for the six-month period ended 30 June 1999, respectively.

Profit on securities transactions amounting to TL82,423 billions for the six-month period ended 30 June 2000, and to TL59,027 billions for the three-month period ended 30 June 2000 (30 June 1999: TL42,798 and the three-month period ended 30 June 1999: TL13,749 billions) in total is included in trading account income.

Unmatured interest accrued on securities amounting to TL123,933 billions (31 December 1999: TL212,473 billions) in total, is included in "other assets" (Note 9).

At 30 June 2000, the government bonds and treasury bills amounting, in total, to TL391,048 billions (31 December 1999: TL363,546 billions) are deposited as security for interbank fund borrowings, foreign currency money market transactions at the Central Bank; and for security trading activities at Istanbul Stock Exchange.

8 Loans, advances and discounts

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

| | 30 June 2000 <u>TL billions</u> | 31 December 1999 <u>TL billions</u> |
|-------------------------------|---------------------------------------|---|
| Industrial | 924,005 | 833,108 |
| Foreign trade | 427,147 | 444,489 |
| Consumer loans | 281,785 | 290,350 |
| Financial institutions | 237,902 | 230,493 |
| Construction | 216,772 | 262,089 |
| Service sector | 160,275 | 91,652 |
| Agriculture | 112,704 | 107,071 |
| Tourism | 111,194 | 125,663 |
| Domestic commerce | 46,932 | 29,641 |
| Others | <u>267,847</u> | <u>205,799</u> |
| Total performing loans | 2,786,563 | 2,620,355 |
| Non-performing loans | <u>50,322</u> | <u>54,089</u> |
| Total gross loans | 2,836,885 | 2,674,444 |
| Allowance for possible losses | <u>(63,578)</u> | <u>(55,837)</u> |
| Loans – net | <u>2,773,307</u> | <u>2,618,607</u> |

Loans given to customers have interest rates between 1.6-19% (31 December 1999: 3.1-19%) per annum for foreign currency loans and 32.3-89% (31 December 1999: 61.7-108.45%) per annum for Turkish lira loans.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 8 – (Continued)

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

| | 30 June 2000 <u>TL billions</u> | 31 December 1999 <u>TL billions</u> |
|------------------------|---------------------------------------|---|
| Collateralized loans | 2,118,639 | 1,895,976 |
| Uncollateralized loans | <u>667,924</u> | <u>724,379</u> |
| | <u>2,786,563</u> | <u>2,620,355</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.

In addition to the allowance for specific loan losses explained in the above paragraph, the Bank also provides general provisions for inherent credit risk on loans and guarantees and commitments. The level of general provision is based on management's evaluation of the loan portfolio, including such factors as the volume and character of loans outstanding, past loan loss experience and general economic conditions. The Bank's general provision level also meets the statutory requirement, valid since 1 January 1998 and revised in August and December 1999, for provision of %0.5 on loans (including other significant assets such as securities and cash and due from banks (except for those placed at or issued by the central banks and/or treasuries of OECD countries) defined as "Quasi-Loans" by the related legislation) and %0.1 on guarantees and commitments.

Movements in the allowance account during the six-month period ended 30 June 2000 and the year ended 31 December 1999, are as follows:-

| | 30 June 2000 <u>TL billions</u> | 31 December 1999 <u>TL billions</u> |
|--|---------------------------------------|---|
| Balance, beginning of period | 55,837 | 47,771 |
| Restatement effect of the beginning balance and current year provision | (9,432) | (24,492) |
| Allowance account balance per the balance sheets of new subsidiaries at the date of their acquisitions by the Bank | - | 1,437 |
| Write-offs | (3) | (1,648) |
| Recoveries (reversals related to collection of prior periods' provisions credited to other income) | (1,147) | (2,083) |
| Provision for the period | <u>18,323</u> | <u>34,852</u> |
| Balance, end of period | <u>63,578</u> | <u>55,837</u> |

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

9 Accrued interest, prepaid expenses and other assets

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

| | 30 June 2000 <u>TL billions</u> | 31 December 1999 <u>TL billions</u> |
|--|---------------------------------------|---|
| Accrued interest on securities | 123,933 | 212,473 |
| Assets held for resale | 99,283 | 93,143 |
| Minimum lease payment receivables | 56,944 | 31,840 |
| Miscellaneous receivables | 44,132 | 36,576 |
| Accrued exchange gain on derivatives | 28,367 | 11,793 |
| Retail business stocks | 26,751 | 24,111 |
| Prepaid expenses, insurance claims and similar items | 22,065 | 12,881 |
| Insurance premium receivables | 19,239 | 11,221 |
| Accrued interest on due from banks and similar items | 17,123 | 33,655 |
| Advances for fixed asset purchases | 13,603 | 3,883 |
| Purchased cheques | 11,640 | 6,315 |
| Real-estate business investment stocks | 2,331 | - |
| Taxes and funds to be refunded | 556 | 834 |
| Deferred tax asset (a) | 380 | 79,929 |
| Cheques at clearing house | - | 9,963 |
| Others | <u>56,780</u> | <u>44,139</u> |
| | <u>523,127</u> | <u>612,756</u> |

(a) As permitted by IAS and starting from June 2000, the deferred tax assets and liabilities relating to a consolidated affiliate reporting to a specific tax office are offset against each other in the accompanying consolidated financial statements as of and for the six-month period ended 30 June 2000.

10 Investments in affiliated companies

The Bank holds investments in the following affiliates:-

| | <u>30 June 2000</u> | | <u>31 December 1999</u> | |
|--|---|-----------------------|---|-----------------------|
| | Carrying value <u>TL billions</u> | Ownership <u>%</u> | Carrying value <u>TL billions</u> | Ownership <u>%</u> |
| Petrotrans Nakliyat ve Ticaret A.Ş. | 17,986 | 100.00 | 17,986 | 100.00 |
| Garanti Turizm ve Yatırım İşl. A.Ş. | 16,525 | 44.89 | 15,346 | 44.89 |
| Genoto General Otomotiv San. Tic. A.Ş. | 11,424 | 40.00 | 11,424 | 40.00 |
| Sinai Yatırım Bankası A.O. | 8,595 | 8.00 | 8,015 | 10.00 |
| Aktif Finans Factoring Hizmetleri A.Ş. | 8,225 | 19.56 | 8,225 | 19.56 |
| Others | <u>18,165</u> | | <u>10,599</u> | |
| | <u>80,920</u> | | <u>71,595</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

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 10 – (Continued)

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 – 30 June 2000 is as follows:-

| | 1 January TL billions | Additions TL billions | Disposals TL billions | 30 June TL billions |
|---------------------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Costs | | | | |
| Land and buildings | 343,158 | 7,010 | (5,210) | 344,958 |
| Furniture, fixture and equipments | 299,640 | 47,235 | (2,512) | 344,363 |
| Leasehold improvements | <u>78,105</u> | <u>12,786</u> | <u>(532)</u> | <u>90,359</u> |
| | 720,903 | 67,031 | (8,254) | 779,680 |
| Less: Accumulated depreciation | | | | |
| Land and buildings | 32,204 | 2,582 | (220) | 34,566 |
| Furniture, fixture and equipments | 166,862 | 18,803 | (1,741) | 183,924 |
| Leasehold improvements | <u>42,694</u> | <u>5,507</u> | <u>(532)</u> | <u>47,669</u> |
| | 241,760 | 26,892 | (2,493) | 266,159 |
| Construction in progress | <u>47,955</u> | | | <u>83,886</u> |
| | <u>527,098</u> | | | <u>597,407</u> |

Depreciation expense for the first six months period of 2000 amount to TL26,892 billions and to TL14,181 billions for the three-month period ended 30 June 2000 (30 June 1999: TL21,470 billions and three-month period 30 June 1999: TL11,049 billions). Bank premises are depreciated at the annual rate of 2% and the rates applied to furniture, fixtures and equipment range from 8% to 25%.

12 Intangible asset

Intangible asset represents goodwill arising from the indirect acquisition of 100% ownership in Osmanlı Bankası A.Ş. in June 1996 and; the direct acquisitions of 19% ownership in and majority voting rights in the Board of Directors of Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticaret A.Ş., 83.28% ownership in Doc Finance S.A., 75.78% ownership in Garanti Yatırım Menkul Kıymetler A.Ş., 76.40% ownership in 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 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 TL91,482 billions (31 December 1999: TL104,152 billions), net of accumulated amortisation, in the accompanying consolidated balance sheets at 30 June 2000 and 31 December 1999.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

13 Deposits

Deposits comprise of the following:-

| | 30 June 2000 | | | 31 December |
|------------------|--------------------|--------------------|--------------------|--------------------|
| | Demand | Time | Total | 1999 |
| | <u>TL billions</u> | <u>TL billions</u> | <u>TL billions</u> | <u>TL billions</u> |
| Foreign currency | 826,082 | 1,695,431 | 2,521,513 | 2,554,742 |
| Interbank (a) | 44,386 | 1,137,207 | 1,181,593 | 983,125 |
| Saving | 54,822 | 291,514 | 346,336 | 281,210 |
| Commercial | 240,717 | 76,349 | 317,066 | 221,595 |
| Public and other | <u>38,352</u> | <u>18,146</u> | <u>56,498</u> | <u>24,637</u> |
| | <u>1,204,359</u> | <u>3,218,647</u> | <u>4,423,006</u> | <u>4,065,309</u> |

(a) Interbank deposits include both TL accounts of TL505,012 billions (31 December 1999: TL681,145 billions) and foreign currency accounts of TL671,719 billions (31 December 1999: TL301,979 billions).

Interest rates applicable to Turkish lira deposits and foreign currency deposits vary at ranges of 28.5-99% and 2.6-17% (31 December 1999: 40-140% and 1.35-17%), respectively.

14 Short-term borrowings

Short-term borrowings comprise of the following:-

| | 30 June | 31 December |
|----------------|--------------------|--------------------|
| | 2000 | 1999 |
| | <u>TL billions</u> | <u>TL billions</u> |
| Domestic banks | 215,443 | 158,999 |
| Foreign banks | <u>996,748</u> | <u>944,510</u> |
| | <u>1,212,191</u> | <u>1,103,509</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 and further rollovered for one-year for the amount of EUR400 millions and provided by seventy international banks through the arrangement of twelve foreign banks; a club loan facility amounting to USD65 millions provided by thirteen international banks through the agency of Bank of New York matured on 29 December 1999, and rollovered to 12 October 2000; and a syndicated loan facility in the amount of USD57.6 millions provided by sixteen international banks through the arrangement of Rabobank Amsterdam and 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 and matured on 10 June 2000.

In May 2000, Osmanlı Bankası A.Ş., a consolidated affiliate, obtained a syndicated loan facility in the amount of USD100 millions provided by eighteen international banks and maturing on 16 May 2001.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

15 Short-term bonds payable

Short-term bonds payable comprise of the following:-

| | 30 June 2000 | | | 31 December 1999 | |
|---------------------------|---|------------------|---------------|------------------|----------------|
| | Amount in original currency in millions | Interest rates % | TL billions | TL billions | TL billions |
| Indenture notes | USD 28.8 | Libor+2 | 17,762 | 18,493 | 18,493 |
| Euro commercial papers | USD 11.8 | 5-13.5 | 7,270 | 29,108 | 29,108 |
| Commercial paper notes | | | - | 123,357 | 123,357 |
| Bearer notes | | | - | 41,305 | 41,305 |
| Other bonds | | | <u>210</u> | <u>6,035</u> | <u>6,035</u> |
| | | | 25,242 | 218,298 | 218,298 |
| Less : Discounted portion | | | <u>(172)</u> | <u>(910)</u> | <u>(910)</u> |
| | | | <u>25,070</u> | <u>217,388</u> | <u>217,388</u> |

Accrued interest on bonds payable amounting to TL635 billions (31 December 1999: TL3,062 billions) in total is included in "other interest and expense accruals" (Note 17).

16 Taxation

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

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

As permitted by IAS and starting from June 2000, the deferred tax assets and liabilities relating to a consolidated affiliate reporting to a specific tax office are offset against each other in the accompanying consolidated financial statements as of and for the six-month period ended 30 June 2000.

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

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 six-month period ended 30 June 2000:-

| | 30 June 2000 <u>TL billions</u> | <u>%</u> |
|---|---------------------------------------|---------------------|
| Taxes on income per statutory tax rate | 51,657 | 33.00 |
| Permanent differences relating to the restatement of non-monetary items per IAS29 | 35,490 | 22.67 |
| Income items exempt from tax or subject to different tax rates | (35,302) | (22.55) |
| Effect of different tax rates applicable to the consolidated affiliates | (15,919) | (10.17) |
| Effect of permanent differences on consolidation adjustments | 20,769 | 13.27 |
| Disallowable expenses | <u>3,315</u> | <u>2.12</u> |
| Provision for taxes on income | <u>60,010</u> | <u>38.34</u> |

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

| | 30 June 2000 <u>TL billions</u> |
|---|---------------------------------------|
| Current corporation and income taxes | 27,858 |
| Net increase in deferred tax on taxable temporary differences | <u>32,152</u> |
| Provision for taxes on income | <u>60,010</u> |

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 half of 2000 and the year of 1999 are shown below:-

| | 30 June 2000 <u>TL billions</u> | 31 December 1999 <u>TL billions</u> |
|--|---------------------------------------|---|
| Provision for current taxes payable on income before deductions | 60,010 | 157,748 |
| Add: Taxes carried forward | 30,683 | 3,937 |
| Less: Deferred tax liabilities | (32,152) | (5,904) |
| Less: Restatement effect on current taxes payable on income for the change in the general purchasing power of TL at 30 June 2000 | <u>(5,781)</u> | <u>(19,656)</u> |
| Taxes payable on income | <u>52,760</u> | <u>136,125</u> |

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 16 – (Continued)

Deferred tax assets and liabilities as at 30 June 2000 and 31 December 1999 are attributable to the items detailed in the table below:-

| | 30 June 2000 <u>TL billions</u> | 31 December 1999 <u>TL billions</u> |
|--|---------------------------------------|---|
| Deferred tax assets | | |
| Tax legislation effect on securities | 21,538 | 41,216 |
| Provision for extraordinary item (Note 20) | 3,178 | 14,236 |
| Specific and general allowance for loan losses | 14,190 | 14,292 |
| Reserve for retirement pay | 4,235 | 4,805 |
| General provision for banking and leasing risks | 7,834 | 4,497 |
| Others | <u>5,611</u> | <u>883</u> |
| Total deferred tax assets | <u>56,586</u> | <u>79,929</u> |
| Deferred tax liabilities | | |
| Restatement of bank premises and equipment per IAS29 | 54,391 | 41,762 |
| Accrued interests and foreign exchange gains on securities | 39,727 | 45,601 |
| Others | <u>819</u> | <u>454</u> |
| Total deferred tax liabilities | <u>94,937</u> | <u>87,817</u> |
| Net deferred tax liabilities | <u>38,351</u> | <u>7,888</u> |

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:-

| | 30 June 2000 <u>TL billions</u> | 31 December 1999 <u>TL billions</u> |
|--|---------------------------------------|---|
| Accrued interest on deposits | 142,146 | 120,792 |
| Miscellaneous payables | 64,872 | 41,080 |
| Transfer orders | 41,855 | 12,181 |
| Accrued interest on borrowings | 32,511 | 39,905 |
| General provision for banking risks (a) | 22,379 | 11,859 |
| Withholding taxes | 18,036 | 23,042 |
| Reserve for severance payment | 14,322 | 15,976 |
| Insurance technical provisions | 13,445 | 12,303 |
| Blocked accounts | 11,130 | 9,171 |
| Payables to suppliers relating to financial leasing activities | 10,949 | 18,514 |
| Payables to insurance and reinsurance companies relating to insurance operations | 10,876 | 5,427 |
| Provision for earthquake taxes (Note 20) | 10,609 | 43,057 |
| Interest and expense accruals other than on deposits and borrowings | 7,934 | 6,230 |
| General provision for non-cash loans | 2,536 | 2,448 |
| Others | <u>28,329</u> | <u>32,248</u> |
| | <u>431,929</u> | <u>394,233</u> |

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 17 – (Continued)

- (a) General provision for banking risks as of 30 June 2000, includes a reserve amount of TL 10,000 billions for inherent risk in banking environment as assessed by the management of the Bank through considering the current economic and other relevant conditions and; a statutory general provision of TL12,379 billions at 0.5% of some assets defined as “Quasi Loans” by the related legislation as explained in Note 3.5.

18 Long-term debts

Long-term debts comprise of the following:-

| | Interest rate% | Maturity | 30 June 2000 | | 31 December 1999 | |
|---|----------------|----------|---|--------------------------------|--|-----------------------------|
| | | | Amount in original currency in millions | Short term portion TL billions | Medium and long-term portion TL billions | Long-term debts TL billions |
| Funds from financial institutions: | | | | | | |
| Pera Financial Services Company | 9.375 | 2002 | USD 245.7 | - | 151,776 | 158,016 |
| TPR Securitisation-I | 9 | 2004 | USD 190.5 | 24,973 | 92,742 | 109,896 |
| Anatolia Finance Company | 7.48 | 2004 | USD 141.6 | 11,491 | 76,019 | 95,676 |
| TPR Securitisation-II | 7.67-8.75 | 2004 | EUR 100 | 4,913 | 54,057 | 64,351 |
| International Finance Corporation | 8.65 | 2005 | USD 100 | 5,627 | 56,271 | 58,025 |
| International Finance Corporation | 8.59-Libor+2.5 | 2004 | USD 94.1 | 12,918 | 45,211 | 53,795 |
| International Finance Corporation | Libor+3.375 | 2004 | USD 5 | 688 | 2,064 | 2,562 |
| First Fidelity Bank | 7.83-9.75 | 2002 | USD 57.5 | 11,150 | 24,346 | 26,940 |
| First Fidelity Bank | 7.83 | 2002 | USD 11 | 1,492 | 5,271 | 5,931 |
| ABN Amro Bank | 4-6.3 | 2004 | NLG 72 | - | 19,299 | 15,844 |
| Credit Suisse | 2.45 | 2010 | USD 30 | 564 | 18,006 | - |
| DEG | 6.8 | 2004 | EUR 15 | - | 8,861 | - |
| DEG | Fibor+3.5 | 2002 | DEM 5 | 754 | 754 | 1,232 |
| Royalbank of Canada | 5.8-7.1 | 2002 | USD 7.8 | 1,245 | 3,544 | 4,095 |
| Demirhalkbank N.V. | 11.25 | 2001 | EUR 23 | 13,563 | - | 14,786 |
| Others | | | | 7,438 | 42,321 | 15,159 |
| Bonds: | | | | | | |
| Bearer notes | 8 | 2003 | EUR 45.7 | - | 27,026 | - |
| Indenture notes | Libor+2 | 2002 | USD 57.5 | 17,762 | 17,762 | 24,224 |
| | | | | <u>114,578</u> | <u>645,330</u> | <u>650,532</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. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 18 – (Continued)

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.

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

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Notes to Consolidated Financial Statements

30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

Note 18 – (Continued)

EUR81 millions and EUR19 millions. The TPR Securitisation-II securitises Osmanlı Bankası A.Ş.'s collection and reimbursement rights related to export transactions, specifically letters of credits and cash against documents transactions, and has a maturity of 5 years with an average life of 3.5 years. The TPR Securitisation-II was arranged under the management of Dresdner Bank AG and Banca d'Intermediazione Mobiliare IMI.

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

19 Shareholders' equity

The authorised and paid-in nominal share capital of the Bank is TL260,000 billions comprising 519.999.999.653 registered shares of five hundred Turkish liras each and 1.735 registered shares of one hundred Turkish liras each. The portion of share capital arising from the amounts paid in by the shareholders and the transfers from retained earnings were restated for the effects of inflation; however, the transfers from revaluation surplus on fixed assets for statutory purposes are not restated. Accordingly, the share capital is reflected at restated amounts in the accompanying consolidated financial statements.

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

20 Extraordinary item

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

One of such tax measures is "additional income and corporate tax". In principal, all individuals, excluding wage earners, and corporate taxpayers are required to pay an additional income or corporate tax at 5% on their taxable bases filed for the year of 1998. The tax base for the 5% additional tax is just the same as the tax base on which the income or corporate tax was charged for the year 1998. The Bank fully provided for these taxes amounting to TL8,984 billions in the accompanying consolidated financial statements as at 31 December 1999.

Another additional tax imposed by the Turkish Government is the withholding tax on interest income on government securities that will be held at maturity. The tax rate on such interest income changes from 4% to 19% according to maturities of the securities. Accordingly, the Bank either paid or fully provided for these taxes amounting to TL82,816 billions on accrued interest on government securities as "extraordinary item" in the accompanying consolidated statements of income for the six-month period ended 30 June 2000.

Unpaid portion of such taxes in the amount of TL10,609 billions (31 December 1999: TL43,057 billions) was classified under "accrued interest and other liabilities" as "provision for earthquake taxes" in the accompanying consolidated balance sheets (Note 17).

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Notes to Consolidated Financial Statements 30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL unit current at 30 June 2000 pursuant to IAS 29)

21 Maturity profiles

The maturity profiles of monetary assets and liabilities as at 30 June 2000 and 31 December 1999 were summarised as follows:-

| | 30 June 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 |
| MONETARY ASSETS | | | | | | | | | | | | |
| Turkish Lira | | | | | | | | | | | | |
| Cash and due from banks | 426,543 | 108,791 | 14,120 | 7,137 | - | 556,591 | 65,588 | 8,501 | 15,400 | 7,001 | - | 96,490 |
| Interbank placings | 1,200 | - | - | - | - | 1,200 | 3,438 | - | - | - | - | 3,438 |
| Reserve deposits at Central Bank | 29,499 | - | - | - | - | 29,499 | 18,086 | 375 | 250 | 126 | 31 | 18,868 |
| Securities | 20,183 | 12,710 | 687 | 397,378 | 670,395 | 1,101,353 | 18,029 | 357,852 | 570,224 | 175,826 | 417,373 | 1,539,304 |
| Loans, advances and discounts | 152,579 | 160,012 | 191,423 | 222,868 | 72,743 | 799,625 | 189,158 | 165,180 | 77,265 | 169,213 | 59,932 | 660,748 |
| Other assets | 249,588 | 20,609 | 1,243 | 5,172 | 19,694 | 296,306 | 253,470 | 20,539 | 7,286 | 52,312 | 25,026 | 358,633 |
| Total Turkish Lira assets | 879,592 | 302,122 | 207,473 | 632,555 | 762,832 | 2,784,574 | 547,769 | 552,447 | 670,425 | 404,478 | 502,362 | 2,677,481 |
| Foreign currency | | | | | | | | | | | | |
| Cash and due from banks | 591,020 | 7,721 | 17,104 | 26,599 | - | 642,444 | 494,493 | 207,950 | 125,383 | 128,828 | - | 956,654 |
| Interbank placings | 68,030 | - | - | - | - | 68,030 | 7,021 | 37,031 | - | - | - | 44,052 |
| Reserve deposits at Central Bank | 227,734 | - | - | - | - | 227,734 | 216,210 | 16,733 | 2,699 | - | 1,620 | 237,262 |
| Securities | 129,332 | 320,917 | - | 13,527 | 795,132 | 1,258,908 | 349,154 | 5,213 | 325 | 69,147 | 465,057 | 888,896 |
| Loans, advances and discounts | 207,750 | 389,486 | 536,394 | 540,543 | 312,765 | 1,986,938 | 202,663 | 394,332 | 631,015 | 464,770 | 265,079 | 1,957,859 |
| Other assets | 40,817 | 11,983 | 11,844 | 14,834 | 23,108 | 102,566 | 113,233 | 3,757 | 5,481 | 8,843 | 16,785 | 148,099 |
| Total foreign currency assets | 1,264,683 | 730,107 | 565,342 | 595,503 | 1,131,005 | 4,286,640 | 1,382,774 | 665,016 | 764,903 | 671,588 | 748,541 | 4,232,822 |
| Total Monetary Assets | 2,144,275 | 1,032,229 | 772,815 | 1,228,058 | 1,893,837 | 7,071,214 | 1,930,543 | 1,217,463 | 1,435,328 | 1,076,066 | 1,250,903 | 6,910,303 |
| MONETARY LIABILITIES | | | | | | | | | | | | |
| Turkish Lira | | | | | | | | | | | | |
| Deposits | 805,369 | 197,783 | 184,079 | 22,845 | 5,098 | 1,215,174 | 875,133 | 241,496 | 59,294 | 30,005 | 1 | 1,205,929 |
| Interbank takings | - | - | - | - | - | 0 | 47,437 | - | - | - | - | 47,437 |
| Short-term borrowings | 17,337 | 1,447 | 6 | 5 | - | 18,795 | 28,577 | 3,622 | 25,088 | 7,776 | - | 65,063 |
| Short-term bonds payable | - | 210 | - | - | - | 210 | 3,059 | 2,977 | - | - | - | 6,036 |
| Long-term debts | - | - | - | - | 214 | 214 | - | - | - | - | - | - |
| Other liabilities | 174,384 | 18,193 | 20,391 | 106,515 | 35,250 | 354,733 | 73,805 | 23,578 | 62,979 | 18,681 | 311,616 | 490,659 |
| Total Turkish Lira liabilities | 997,090 | 217,633 | 204,476 | 129,365 | 40,562 | 1,589,126 | 1,028,011 | 271,673 | 147,361 | 56,462 | 311,617 | 1,815,124 |
| Foreign currency | | | | | | | | | | | | |
| Deposits | 2,524,098 | 339,413 | 139,810 | 164,795 | 39,716 | 3,207,832 | 2,148,668 | 493,432 | 98,425 | 106,541 | 12,314 | 2,859,380 |
| Interbank takings | 152,673 | - | - | - | - | 152,673 | 151,563 | 644 | - | - | - | 152,207 |
| Short-term borrowings | 443,380 | 205,733 | 124,802 | 419,481 | - | 1,193,396 | 183,521 | 192,277 | 373,771 | 288,877 | - | 1,038,446 |
| Short-term bonds payable | 5,413 | 2,156 | 11,784 | 5,507 | - | 24,860 | 12,818 | 3,910 | 172,799 | 21,825 | - | 211,352 |
| Long-term debts | - | - | - | - | 645,116 | 645,116 | - | - | - | - | 650,532 | 650,532 |
| Other liabilities | 118,589 | 7,989 | 4,371 | 23,375 | 13,729 | 168,033 | 24,253 | 6,365 | 15,854 | 8,728 | 70,165 | 125,365 |
| Total foreign currency liabilities | 3,244,153 | 555,271 | 280,767 | 613,158 | 698,561 | 5,391,910 | 2,520,823 | 696,628 | 660,849 | 425,971 | 733,011 | 5,037,282 |
| Total Monetary Liabilities | 4,241,243 | 772,904 | 485,243 | 742,523 | 739,123 | 6,981,036 | 3,548,834 | 968,301 | 808,210 | 482,433 | 1,044,628 | 6,852,406 |

Türkiye Garanti Bankası A.Ş. And Its Affiliates
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

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:-

| | 30 June 2000 <u>TL billions</u> | 31 December 1999 <u>TL billions</u> |
|-----------------------------------|---------------------------------------|---|
| Letters of guarantee | 1,902,989 | 1,567,166 |
| Letters of credit | 631,503 | 594,215 |
| Acceptance credits | 218,263 | 175,496 |
| Other guarantees and endorsements | <u>50,858</u> | <u>59,959</u> |
| | <u>2,803,613</u> | <u>2,396,836</u> |

As at 30 June 2000, commitment for uncalled capital of affiliated companies amounts approximately to TL12,109 billions (31 December 1999: TL17,915 billions).

Commitment for purchase and sale of foreign currencies under spot, forward, swap, future rate agreements (FRA) or options and for gold trading amounts to TL3,584,326 billions (31 December 1999: TL2,302,475 billions), almost all due within one year.

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

| | <u>30 June 2000</u> | | <u>31 December 1999</u> | |
|--|----------------------------------|------------------------------|----------------------------------|------------------------------|
| | <u>Purchases TL billions</u> | <u>Sales TL billions</u> | <u>Purchases TL billions</u> | <u>Sales TL billions</u> |
| Forward agreements for customer dealing activities | 97,776 | 70,007 | 43,945 | 32,714 |
| Swap agreements for customer dealing activities | 161 | 6,597 | - | - |
| Spot foreign currency transactions for customer dealing activities | 99,410 | 591 | - | - |
| Forward agreements for hedging purposes | 1,280,855 | 504,001 | 732,759 | 407,758 |
| Currency swap agreements for hedging purposes | 200,921 | 291,606 | 349,879 | 554,989 |
| Interest rate swap agreements for hedging purposes | 4,096 | 115 | - | 5,764 |
| Spot foreign currency transactions | 322,374 | 264,649 | 8,057 | 20,293 |
| Forward agreements for gold trading | - | 135,988 | 5,249 | 140,153 |
| FRAs | 145,274 | 15,445 | - | - |
| Options | <u>144,460</u> | <u>-</u> | <u>-</u> | <u>915</u> |
| | <u>2,295,327</u> | <u>1,288,999</u> | <u>1,139,889</u> | <u>1,162,586</u> |

Commitment arising from agreements for repurchase/resale of government securities at 30 June 2000 amounts to TL669,632 billions (31 December 1999: TL997,486 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
Notes to Consolidated Financial Statements
30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL units current at 30 June 2000 pursuant to IAS 29)

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):-

| | 30 June 2000 <u>TL billions</u> | 31 December 1999 <u>TL billions</u> |
|--|---------------------------------------|---|
| Cash and due from banks | 710,474 | 1,000,706 |
| Reserve deposits at Central Bank | 227,734 | 237,262 |
| Securities | 1,258,908 | 888,896 |
| Loans, advances and discounts, less allowance for possible losses | 1,991,723 | 1,957,859 |
| Other assets | <u>275,113</u> | <u>313,131</u> |
| | 4,463,952 | 4,397,854 |
| Funding sources | 5,217,617 | 4,899,562 |
| Other liabilities | <u>164,960</u> | <u>125,366</u> |
| | 5,382,577 | 5,024,928 |
| Short position before derivative contracts | (918,625) | (627,074) |
| Derivative contracts (a) | <u>669,325</u> | <u>383,935</u> |
| Net short position | <u>(249,300)</u> | <u>(243,139)</u> |

(a) The Bank hedged a portion of its short position amounting to 918,625 billions (31 December 1999: 627,074 billions) at TL equivalents at 30 June 2000 by forward contracts maturing almost all in one year which represent total net commitment to buy approximately USD1,083 millions (US dollar equivalent of TL669,325 billions at exchange rate prevailing on 30 June 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 %217.49 for the three years ended 30 June 2000. The Russian Roubles denominated net assets as included in the above table at their TL equivalents at 30 June 2000 amounted to 342 billions (31 December 1999: 9,070 billions).

Volume of transactions in foreign currency, comprising foreign exchange operations, workers' remittances, capital movements, etc. amounts approximately to USD37,200 millions (for the year ended 31 December 1999: USD61,960 millions) for the six-month period ended 30 June 2000.

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Notes to Consolidated Financial Statements 30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL unit current at 30 June 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., Ana Konut Danışmanlık A.Ş., Garanti Bank Moscow, Doğu Hava Taahhüt A.Ş., Instruments Finance Company, D.O.C Finance S.A., Garanti Sigorta A.Ş., Clover Investment Ltd, Lasas Lastik San. ve Tic.A.Ş., Garanti Yatırım Menkul Kıymetler A.Ş., Clover Bank Off-Shore Ltd., Garanti Financial Services plc., Garanti Hayat Sigorta A.Ş., Garanti Bilişim Teknolojisi ve Ticaret A.Ş., Garanti Portföy Yönetimi A.Ş., Marmar S.A., Şahinbur 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 30 June 2000 and 31 December 1999 which are consolidated, are as follows:-

| | 30 June 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. İve D.Tic. A.Ş. TL billions | Ana Konut Danışmanlık A.Ş. TL billions | Garanti Bank Moscow TL billions | Doğu Hava Taahhüt A.Ş. TL billions | Instruments Finance Company TL billions | D.O.C Finance S.A. TL billions | Garanti Sigorta A.Ş. TL billions | Clover Investment Ltd. TL billions | Lasas Lastik San ve Tic. A.Ş. TL billions |
| ASSETS | | | | | | | | | | | | |
| Cash and due from banks | 234,511 | 212,722 | 17,654 | 3,525 | 154 | 4,903 | 66 | 6,125 | 549 | 1,903 | 20,073 | 8 |
| Interbank placings | 68,030 | - | - | - | - | - | - | - | - | - | - | - |
| Reserve deposits at Central Bank | 52,408 | - | - | - | - | - | - | - | - | - | - | - |
| Securities | 758,436 | 52,836 | 20,497 | 230 | 4,200 | 23,884 | 344 | - | - | 4,708 | - | 115 |
| Loans, net | 492,394 | 624,210 | - | - | - | 12,358 | - | 29,659 | 30,669 | - | - | - |
| Accrued interest, prepaid expenses and other assets | 73,950 | 6,545 | 75,119 | 44,698 | 4,132 | 1,590 | 2,493 | 934 | 35 | 19,626 | 297 | 565 |
| Investments | 16,650 | 8 | 997 | 464 | 86 | - | 2 | - | - | 1,619 | 6,693 | 727 |
| Property and equipment, net | 139,788 | 13,060 | 1,350 | 64,684 | 42,651 | 913 | 39,112 | - | 13 | 845 | - | 19,274 |
| Intangible assets, net | 54,887 | - | - | - | - | - | - | - | - | - | - | - |
| Total Assets | 1,891,054 | 909,381 | 115,617 | 113,601 | 51,223 | 43,648 | 42,017 | 36,718 | 31,266 | 28,701 | 27,063 | 20,689 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | | | | |
| Deposits | 1,093,792 | 701,339 | - | - | - | 25,888 | - | - | - | - | - | - |
| Interbank takings | 42,091 | - | - | - | - | - | - | - | - | - | - | - |
| Short-term borrowings | 312,075 | 39,269 | 63,588 | 22,666 | 351 | - | 3,032 | - | 23,840 | - | - | - |
| Short-term bonds payable | - | - | - | - | - | - | - | 17,762 | - | - | - | - |
| Accrued interest and other liabilities | 85,187 | 33,691 | 17,541 | 65,567 | 2,448 | 2,829 | 1,923 | 681 | 2,297 | 23,689 | 1,491 | 1,848 |
| Long-term debts | 121,509 | 70,453 | 18,576 | 14,452 | 11,609 | - | 29,464 | 17,762 | 2,440 | - | 23,599 | - |
| Total Liabilities | 1,654,654 | 844,752 | 99,705 | 102,685 | 14,408 | 28,717 | 34,419 | 36,205 | 28,577 | 23,689 | 25,090 | 1,848 |
| Minority Interest | 9,041 | - | - | (22) | - | - | - | - | - | - | - | - |
| Shareholders' Equity:- | | | | | | | | | | | | |
| Share capital | 112,984 | 32,027 | 15,351 | 9,499 | 46,117 | 15,777 | 34,709 | 15 | 4,552 | 14,442 | 185 | 16,033 |
| Legal reserves and retained earnings | 114,375 | 32,602 | 561 | 1,439 | (9,302) | (846) | (27,111) | 498 | (1,863) | (9,430) | 1,788 | 2,808 |
| Total Shareholders' Equity | 227,359 | 64,629 | 15,912 | 10,938 | 36,815 | 14,931 | 7,598 | 513 | 2,689 | 5,012 | 1,973 | 18,841 |
| Total Liabilities and Shareholders' Equity | 1,891,054 | 909,381 | 115,617 | 113,601 | 51,223 | 43,648 | 42,017 | 36,718 | 31,266 | 28,701 | 27,063 | 20,689 |

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Notes to Consolidated Financial Statements 30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL unit current at 30 June 2000 pursuant to IAS 29)

Note 24 - (Continued)

| | 30 June 2000 (Continued) | | | | | | | | | | | |
|---|--|---|---|---|--|--|----------------------------|---|--|--------------------------------|-----------------------------------|--|
| | Garanti Yatırım Menkul Kıymetler A.Ş. TL billions | Clover Bank Off-Shore Ltd. TL billions | Garanti Financial Services TL billions | Garanti Hayat Sigorta A.Ş. TL billions | Garanti Bilşim Teknolojisi ve Tic. T.A.Ş. TL billions | Garanti Portföy Yönetimi A.Ş. TL billions | Marm o S.A. TL billions | Şahintur Şahinler Otelçilik 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 |
| ASSETS | | | | | | | | | | | | |
| Cash and due from banks | 961 | 8,903 | 42 | 2,999 | 11 | 345 | 4,380 | 38 | 385 | 40 | 16 | 29 |
| Interbank placings | - | - | - | - | - | - | - | - | - | - | - | - |
| Reserve deposits at Central Bank | - | - | - | - | - | - | - | - | - | - | - | - |
| Securities | 8,358 | 3,283 | 851 | 3,389 | 195 | 4,413 | - | 186 | 154 | - | - | - |
| Loans, net | - | - | 11,150 | - | - | - | - | - | - | - | - | - |
| Accrued interest, prepaid expenses and other assets | 6,909 | 4 | 83 | 3,272 | 2,621 | 841 | - | 23 | 32 | 38 | 62 | 48 |
| Investments | 216 | - | - | 2 | 3,425 | - | - | 2 | 3 | 62 | 62 | 62 |
| Property and equipment, net | 1,684 | 17 | 14 | 1,322 | 395 | 236 | - | 1,820 | 74 | - | - | - |
| Intangible assets, net | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Assets | 18,128 | 12,207 | 12,140 | 10,984 | 6,647 | 5,835 | 4,380 | 2,069 | 648 | 140 | 140 | 139 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | | | | |
| Deposits | - | - | 10,963 | - | - | - | - | - | - | - | - | - |
| Interbank takings | - | - | - | - | - | - | - | - | - | - | - | - |
| Short-term borrowings | 3,089 | - | 124 | - | - | - | - | - | - | - | - | - |
| Short-term bonds payable | - | 210 | - | - | - | - | - | - | - | - | - | - |
| Accrued interest and other liabilities | 4,922 | 911 | 154 | 6,525 | 1,228 | 1,473 | 21 | 457 | 317 | 1 | 1 | 1 |
| Long-term debts | - | - | - | - | - | - | - | - | 154 | - | - | - |
| Total Liabilities | 8,011 | 1,121 | 11,241 | 6,525 | 1,228 | 1,473 | 21 | 457 | 471 | 1 | 1 | 1 |
| Minority Interest | - | - | - | - | - | - | - | - | - | - | - | - |
| Shareholders' Equity:- | | | | | | | | | | | | |
| Share capital | 6,687 | 2,780 | 1,630 | 4,200 | 32,506 | 1,578 | 6,693 | 2,664 | 62 | 62 | 62 | 62 |
| Legal reserves and retained earnings | 3,430 | 8,306 | (731) | 259 | (27,087) | 2,784 | (2,334) | (1,052) | 115 | 77 | 77 | 76 |
| Total Shareholders' Equity | 10,117 | 11,086 | 899 | 4,459 | 5,419 | 4,362 | 4,359 | 1,612 | 177 | 139 | 139 | 138 |
| Total Liabilities and Shareholders' Equity | 18,128 | 12,207 | 12,140 | 10,984 | 6,647 | 5,835 | 4,380 | 2,069 | 648 | 140 | 140 | 139 |

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Notes to Consolidated Financial Statements 30 June 2000 and 31 December 1999

(As adjusted for the effects of inflation in TL unit current at 30 June 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 |
| ASSETS | | | | | | | | | | | | | |
| Cash and due from banks | 436,134 | 169,623 | 24,370 | 3,319 | 61,692 | 61,739 | 74 | 5,695 | 7,169 | 227 | 19,925 | 8 | 172 |
| Interbank placings | 47,490 | - | - | - | - | - | - | - | - | - | - | - | - |
| Reserve deposits at Central Bank | 57,103 | - | - | - | - | - | - | - | - | - | - | - | - |
| Securities | 476,555 | 41,054 | 21,793 | 1,498 | - | - | 5,145 | - | 14,713 | 325 | - | 155 | 47 |
| Loans, net | 387,939 | 590,591 | - | - | - | - | - | 37,752 | 14,899 | 35,063 | - | - | - |
| Accrued interest, prepaid expenses and other assets | 75,321 | 6,743 | 72,913 | 35,360 | - | - | 1,793 | 498 | 923 | 93 | 349 | 658 | 2,585 |
| Investments | 13,691 | 37 | 954 | 459 | - | - | 8 | - | - | - | 6,969 | 723 | 2 |
| Property and equipment, net | 134,954 | 7,645 | 1,223 | 32,229 | - | - | 39,802 | - | 685 | 17 | - | 19,408 | 16,961 |
| Intangible assets, net | 55,648 | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Assets | 1,684,835 | 815,693 | 121,253 | 72,865 | 61,692 | 61,739 | 46,822 | 43,945 | 38,389 | 35,725 | 27,243 | 20,952 | 19,767 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | | | | | |
| Deposits | 772,825 | 630,746 | - | - | - | - | - | - | 22,897 | - | - | - | - |
| Interbank takings | 61,382 | - | - | - | - | - | - | - | - | - | - | - | - |
| Short-term borrowings | 334,538 | 70,560 | 71,636 | 585 | - | - | 27 | - | - | 32,579 | 583 | - | 5,505 |
| Short-term bonds payable | 41,305 | - | - | - | 61,655 | 61,703 | - | 18,493 | - | - | - | - | - |
| Accrued interest and other liabilities | 100,651 | 31,073 | 27,490 | 43,877 | 5 | 4 | 43 | 828 | 1,256 | 341 | 151 | 410 | 409 |
| Long-term debts | 146,018 | 30,487 | 8,128 | 8,309 | - | - | 11,365 | 24,224 | - | - | 24,044 | - | 3,810 |
| Total Liabilities | 1,456,719 | 762,866 | 107,254 | 52,771 | 61,660 | 61,707 | 11,435 | 43,545 | 24,153 | 32,920 | 24,778 | 410 | 9,724 |
| Minority Interest | 3,159 | - | - | (31) | - | - | - | - | - | - | - | - | - |
| Shareholders' Equity:- | | | | | | | | | | | | | |
| Share capital | 123,651 | 21,932 | 15,351 | 9,499 | 32 | 32 | 42,420 | 17 | 16,425 | 4,826 | 193 | 16,033 | 33,211 |
| Legal reserves and retained earnings | 101,306 | 30,895 | (1,352) | 10,626 | - | - | (7,033) | 383 | (2,189) | (2,021) | 2,272 | 4,509 | (23,169) |
| Total Shareholders' Equity | 224,957 | 52,827 | 13,999 | 20,125 | 32 | 32 | 35,387 | 400 | 14,236 | 2,805 | 2,465 | 20,542 | 10,043 |
| Total Liabilities and Shareholders' Equity | 1,684,835 | 815,693 | 121,253 | 72,865 | 61,692 | 61,739 | 46,822 | 43,945 | 38,389 | 35,725 | 27,243 | 20,952 | 19,767 |

Türkiye Garanti Bankası A.Ş. And Its Affiliates

Notes to Consolidated Financial Statements 30 June 2000 And 31 December 1999

(As adjusted for the effects of inflation in TL unit current at 30 June 2000 pursuant to IAS 29)

Note 24 - (Continued)

| | 31 December 1999 (Continued) | | | | | | | | | | | | |
|---|-------------------------------------|---|--|---|---|---|---------------------------|--|---|--|--------------------------------|-----------------------------------|--|
| | Garanti Sigorta A.Ş. TL billions | Garanti Financial Services TL billions | Garanti Yatırım Menkul Kıymetler A.Ş. TL billions | Clover Bank Off-Shore Ltd. TL billions | Garanti Hayat Sigorta A.Ş. TL billions | Garanti Bilişim Teknolojisi ve Tic. T.A.Ş. TL billions | Marmo S.A. TL billions | Garanti Portföy Yönetimi A.Ş. TL billions | Şahintur Şahinler Otelcilik A.Ş. TL billions | Garanti Fund Management TL billions | Cı Finance Ltd. TL billions | Cı Investment Ltd. TL billions | Bosphorus Financial Services Ltd. TL billions |
| ASSETS | | | | | | | | | | | | | |
| Cash and due from banks | 1,729 | 72 | 11 | 6,535 | 2,072 | 352 | 4,560 | 818 | 194 | 332 | 44 | 44 | 44 |
| Interbank placings | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reserve deposits at Central Bank | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Securities | 3,049 | 898 | 7,895 | 2,955 | 1,537 | - | - | 952 | - | 168 | - | - | - |
| Loans, net | - | 13,304 | - | - | - | - | - | - | - | - | - | - | - |
| Accrued interest, prepaid expenses and other assets | 11,405 | 50 | 1,301 | 110 | 3,507 | 3,222 | - | 1,181 | 19 | 20 | 46 | 46 | 46 |
| Investments | 1,619 | - | 216 | - | 2 | 3,310 | - | - | 2 | 4 | 64 | 64 | 64 |
| Property and equipment, net | 848 | 17 | 1,611 | 19 | 1,265 | 385 | - | 203 | 1,837 | 93 | - | - | - |
| Intangible assets, net | - | - | - | - | - | 9 | - | - | - | - | - | - | - |
| Total Assets | 18,650 | 14,341 | 11,034 | 9,619 | 8,383 | 7,278 | 4,560 | 3,154 | 2,052 | 617 | 154 | 154 | 154 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | | | | | | |
| Deposits | - | 13,115 | - | - | - | - | - | - | - | - | - | - | - |
| Interbank takings | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Short-term borrowings | - | - | 2,767 | - | - | - | - | - | - | - | - | - | - |
| Short-term bonds payable | - | - | - | 6,032 | - | - | - | - | - | - | - | - | - |
| Accrued interest and other liabilities | 15,972 | 196 | 1,702 | 393 | 4,355 | 1,411 | 22 | 1,005 | - | 270 | 7 | 7 | 7 |
| Long-term debts | - | - | - | - | - | - | - | - | - | 161 | - | - | - |
| Total Liabilities | 15,972 | 13,311 | 4,469 | 6,425 | 4,355 | 1,411 | 22 | 1,005 | - | 431 | 7 | 7 | 7 |
| Minority Interest | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Shareholders' Equity:- | | | | | | | | | | | | | |
| Share capital | 12,175 | 1,697 | 5,964 | 2,895 | 4,199 | 32,507 | 6,969 | 1,078 | 2,664 | 64 | 64 | 64 | 64 |
| Legal reserves and retained earnings | (9,497) | (667) | 601 | 299 | (171) | (26,640) | (2,431) | 1,071 | (612) | 122 | 83 | 83 | 83 |
| Total Shareholders' Equity | 2,678 | 1,030 | 6,565 | 3,194 | 4,028 | 5,867 | 4,538 | 2,149 | 2,052 | 186 | 147 | 147 | 147 |
| Total Liabilities and Shareholders' Equity | 18,650 | 14,341 | 11,034 | 9,619 | 8,383 | 7,278 | 4,560 | 3,154 | 2,052 | 617 | 154 | 154 | 154 |