



Interim report

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I. TURKISH ECONOMY IN Q4/2000

The Economy

During the last ten days of November and in early December, Turkish financial markets experienced a period of high volatility. Financial difficulties of one medium-sized bank, which was subsequently taken over by the SDIF, and the sell-off by that bank of large stocks of government paper in the secondary market led primary dealers to suspend the posting of the rates on government paper. This triggered capital outflows, in spite of the rise of interest rates to 100–200 percent. The origin of the turmoil lay in a loss of trust amongst banks who regularly fund each other's short term cash requirements. Events gathered momentum after this point with foreign investors rushing out, and certain market players closing open positions in an attempt to avoid year-end bunching (traditionally, banks close positions year-end, and re-open in new year). The Central Bank (CBRT) provided liquidity to banks via open market purchases, but this simply fuelled FX demand, although it had been believed that FX demand would be restrained given that TL interest rates were high despite CBRT funding. Alas, FX flows demonstrated little response to higher yields, continuing to drain CBRT FX reserves. The cumulative effect was a loss of roughly US\$ 6 billion in CBRT FX reserves with an equivalent amount flowing out of the country. The turmoil was finally checked by a swift IMF commitment of US\$ 10.4 billion to restore confidence in the markets. IMF will provide about US\$ 3 billion as part of the original stand-by loan every review (quarterly in 2001) period. In addition, IMF will disburse the Supplementary Reserve Facility amounting to US\$ 7.5 billion on a quarterly basis during 2001. World Bank loans will amount to about US\$ 5 billion between 2001-2003.

As a result of these events, there was a sharp slowdown in consumption spending in November 2000 as reflected by VAT receipts – VAT revenue was down by 6.5% from November 1999 levels - in budget data for the month. The slowdown in economic activity should help reduce Turkey's current account imbalance which stood at a deficit of US\$ 6.8 billion as of September 2000. Official projections indicate that the external current account deficit is likely to widen in 2000 to about 5 percent of GNP, against about 1 percent of GNP in 1999. At least 2 percentage points of this increase are related to unanticipated external shocks (the rise in international oil prices, the appreciation of the U.S. dollar, which has negatively affected Turkey's competitiveness in European markets, and the rise in international interest rates). IMF's revised real GNP growth forecast for 2000 stands at 5.9%.

The cooldown in economic activity in 2001 in comparison to 2000 should also help the government meet inflation targets in 2001. The negative impact of slower growth on tax revenue should be limited because latest IMF projections still foresee moderate positive GNP growth in 2001. IMF foresees a significant slowing down in domestic demand from a projected 12% in 2000 to 2.2% in 2001. It is important to note that they do not project a decline in domestic demand. Mild growth in domestic demand, along with improved net exports (exports – imports) should contribute to the achievement of the 4% real GNP growth target (the original official target for 2001 had been 4.6%).

The backbone of the anti-inflation programme remains the crawling peg (crawling band from July-2001) exchange rate regime that has been in place since the start of 2000. The latest letter of intent submitted by Turkey to the IMF specifies that there is no change in exchange rate policy.

Tight fiscal policy will be matched by tight incomes policy with public sector wage hikes heeding inflation targets as a guideline. Any shortfall in CPI attainment in previous periods will continue to be topped up by authorities in the form of additional wage hikes, however. The emphasis continues to be on forward-looking wage setting in order to tackle inflation inertia. Inflation has fallen to 32.7% y-o-y and 39% y-o-y for WPI and CPI respectively in December 2000 from 62.9% y-o-y and 68.8% y-o-y at end-1999.

The Banking System

Banking sector assets grew by 9% in US Dollar terms between September 1999-2000, to reach US\$ 144.1 billion (Table-1). Two more insolvent banks were taken over by the SDIF on October 27, and one more on December 6, 2000 joining the eight banks already under SDIF (Savings Deposit Insurance Fund) control. These three banks remain open and will be fully recapitalized up to at least 8 percent of risk-weighted assets by the SDIF. The financial needs of the SDIF will continue to be covered by loans from the Treasury. The interest rate charged on the loans to the SDIF, as well as the schedule of payments of interest and repayment of principal, will be in line with the financial needs of the SDIF, including its need to build up a sufficient amount of liquid reserves. To insure that the SDIF will be able to resolve (liquidate, or recapitalize and sell) intervened banks in the least cost manner, without any disruption to depositors and other creditors, the SDIF has the authority to borrow resources from the Treasury as needed. The SDIF has borrowed from the Treasury the government securities in foreign currency and TL needed to fully recapitalize the banks owned by the SDIF. For this purpose, a loan of US\$6.1 billion was concluded on November 16 with a two-year grace period and repayment over the subsequent ten years. Eight SDIF controlled banks were thus recapitalized to at least 8 percent of risk-weighted assets through the transfer of government securities on December 7, 2000. Their losses were written off against the capital thereby created.

Strict fit-and-proper criteria were adopted in a new regulation issued by the BRSA (Banking Regulation and Supervision Agency) for ownership of banks. The new regulation was published on November 5, 2000 paving the way for the selection of potential investors in the banks owned by the SDIF. Potential investors must seek the BRSA's confirmation that all qualifications are met before being eligible to make bids when these banks are offered for sale. Expressions of interest were invited by December 15, and the BRSA notified potential investors of its approval by December 22, 2000. Each potential investor approved by the BRSA will be given basic information on the banks and will be asked to indicate by January 15, 2001 which banks or combinations of banks the investor might be interested in purchasing. Using the above information from the pre-qualified potential investors, SDIF has indeed determined, based on strict criteria, which banks it will offer for sale or otherwise resolve. The Banking Regulation and

Supervision Agency announced that it had received expressions of interest from investors including two foreign banks, for four of the 11 banks administered by the SDIF. BRSA will merge the other five banks into a single big bank under the roof of Sumerbank by February 20, 2001. The new Sumerbank will assume all liabilities of the merged banks. The banking licenses of the merging banks (except for Sumerbank) are to be annulled by Feb 20, 2001. The banking authority also revealed that a separate auction would be held for the sale of Demirbank. In all cases, depositors and creditors will be fully protected. Detailed information on banks for sale will be provided by February 20, 2001, together with the request for bids to be received by April 24, 2001. During this period bidders will be given access to detailed information about banks. The buyer(s) for each package(s) will be selected no later than May 7, 2001.

Table-1: Selected Assets of the Banking Sector, September 2000

	TL Trillion	USD Million	Annual per.change (TL) (USD)		Percentage share Sept.99 Sept. 00	
Liquid assets	31,502	47,310	48	2	34	33
Loans	31,824	47,793	68	16	31	33
Permanent assets	12,835	19,276	157	77	8	13
Non performing loans (net)	1,277	1,918	32	-9	2	1
Equity participations	1,850	2,778	476	296	0	2
Affiliated comp. and fixed assets	9,709	14,581	163	81	6	10
Other assets	19,783	29,709	27	-13	26	21
Total assets	95,946	144,088	58	9	100	100

Source: TBA

II. GARANTİ BANK Q3/2000

Key Information

Branches	264	Credit Cards	1,205,389
Offices	19	Debit Cards	1,146,721
Employees (Excluding security)	4,206	ATM's	527
Internet Customers*	229,747	POS's	37,959
Telephone Banking Customers*	259,867	ADC Utilization Rate **	59.7%

* Reclassified as active banking customers.

** Average of Q4/2000. (Percentage of total comparable transactions including cash transactions)

Developments and Important Subsequent Events

In the last quarter of 2000, Garanti had declared its intention to buy one or more of the banks under the SDIF. However, after a thorough analysis of those banks, the Bank has decided that there will not be an added value gained through acquiring these banks. The management has also declared that, Vakıfbank, a state bank to be privatized in 2001, is still of interest.

Garanti's Nokta Project is being rolled out according to its schedule. The Bank has opened 34 new branches in 2000, reaching 264 domestic outlets. The Bank provides banking services through its 6 corporate, 39 commercial, 38 mixed, 122 retail, 3 full-service, 3 free trade zone branches and 9 investment centers. In addition to 220 Garanti branches, there are 44 Açık

branches for mid-market customer group, which provide full range of banking services from credit cards, to mutual funds, automatic payments and repos.

Garanti's progress in credit cards business continued during the final quarter of 2000. The Bank, after launching the first chip credit card of Turkey in April 2000, introduced the first co-branded official credit card of Turkish Airlines (THY) in December. This co-branded card, which is the centrepiece of the new frequent flyer program of the national airline, allows cardholders to earn two air miles for every TL1 Million they spend using their Shop & Miles Card. The cardholders can either redeem their miles for airline tickets or for alternative services ranking from valet airport parking to babysitting.

As at year-end 2000, the Bank's total number of credit cards has reached 1,205,389, an increase of 79.5% when compared to 1999 year-end. Accordingly, the market share rose to 9.04%, up from 6.87% a year ago. Total issuing volume has reached US\$352.5 million (corresponds to a market share of 7.8%), up by 46.7% year-over year in US\$ terms. Consequently, Garanti's total acquiring volume was US\$472.8 million (market share of 15.1%), up by 103.7% on a yearly basis. Garanti ranked third in total issuing and second in total acquiring volume, whereas it is the number one bank in international acquiring among Turkish banks. Number of total POS and ATMs were 37,959 and 525, respectively, whereas debit cards totaled 1,146,721 in year 2000.

The share of alternative delivery channels in total banking transactions was 59.0% as at December 2000. Excluding cash withdrawal transactions, alternative delivery channel's share was 46.5% as at December 31, 2000. The number of internet branch customers has more than doubled in 2000 to about 230,000. The 550-seat call-center now serves to 260,000 customers. Internet banking posted the highest growth, to account 24.4% of non-cash transactions, in comparison with 11.8% in December 1999.

During January 2001, Garanti introduced banking services tailored exclusively for the expatriate population in Turkey, another "first" for the country. Full-fledged banking services will be offered not only in 52 branches, which are specifically chosen after a detailed analysis of the concentration of foreigners in different cities and neighborhoods, but also in internet and call-center with trained English speaking portfolio managers and staff.

A discussion and analysis of the Bank's 2000 year-end results are provided below:

Operating Performance

As of year-end 2000, net profit of Garanti Bank was TL205,287 Billion (US\$329 Million) as compared to TL181,099 Billion (US\$431 Million) on December 31, 1999. When the extraordinary expenses (earthquake taxes) are excluded, net income would be TL303,401 Million (US\$486 Million) on December 31, 2000, down slightly by 0.5% in US\$ terms over TL205,422 Million (US\$489 Million) as of year-end 1999.

Interest income was TL1,128,109 Billion (US\$1,808 Million) as at December 31, 2000, in comparison with TL1,099,878 Billion (US\$2,617 Million) as at year-end 1999. Although total interest income fell by 30.9% in US\$ terms, on a quarterly basis, the Bank has managed to increase its interest income by 59.9% in US\$ terms over the third quarter of 2000. The Bank achieved this by maintaining its net-lender position in the November crisis and also obtaining a strong growth in interest income from Turkish Lira loans, in line with its expanding loan book. During the last quarter of 2000, interest income from banks were up by 209.0% to reach TL69,354 Billion (US\$107 Million) and made up 23.3% of total interest income as compared to

2.1% in Q4/1999 and 12.1% in Q3/2000. Accordingly, interest earned from domestic banks was up by 213.4% in US\$ terms over Q3/2000. Furthermore, interest income from Turkish Lira loans were also up by 130.0% on a quarterly basis from TL74,919 Billion (US\$117 Million) in Q3/2000 to TL173,425 Billion (US\$268 Million) in Q4/2000. In 2000, interest earned on loans were TL517,830 Billion (US\$830 Million) and composed 45.9% of total interest income, up from 32.8% in 1999 and 37.3% in Q3/2000. Despite the falling margins, this rise was mainly due the 43.7% increase in US\$ terms of cash loans during 2000. Due to a much lower trading security portfolio and decreasing yields, interest earned on securities was down by 52.9% in US\$ terms from TL639,225 Billion (US\$1,521 Million) in 1999 to TL447,347 Billion (US\$717 Million) in 2000. Interest income from securities composed 39.7% of the total interest income as of year-end 2000, as compared with 58.1% in year-end 1999 and 52.1% in Q3/2000. These figures demonstrate the successful shift of Garanti's strategy to retail banking from investing in government paper, as for the first time since June 1998 the share of income from loans was higher than that of securities.

Excluding the last quarter, the interest expenses also went down during 2000. On a year-on-year basis, interest expense went down by 25.6% in US\$ terms to TL669,378 Billion (US\$1,073 Million) as at December 31, 2000 from TL606,098 Billion (US\$1,442 Million) as at December 31, 1999. Interest paid on deposits, which composed 78.6% of total interest expense in December 31, 2000, decreased by 29.1% in US\$ terms in 2000 from TL500,013 Billion (US\$1,190 Million) in 1999 to TL526,266 Billion (US\$843 Million). However, due to the soaring rates after the November financial crisis, this item was up by 78.5% in US\$ terms during the last quarter of 2000. Most of this increase came from the interest paid on bank deposits, which went up by 118.3% in US\$ terms quarterly, as compared to the third quarter of 2000. On the other hand, interest on bank deposits decreased by 32.7% in US\$ terms on a year-on-year basis and composed 55.2% of the total interest on deposits at the end of 2000 as compared to 58.2% at the end of 1999. Despite adverse conditions in the last quarter, the cost of deposits declined remarkably during 2000. Interest paid to deposits to total average deposits was 18.1% in 2000, as compared to 27.1% in 1999. Interest paid on borrowed funds stayed almost flat in US\$ terms year-on-year at TL126,719 Billion (US\$203 Million), or 18.9% of total interest expense.

In US\$ terms and on a quarterly basis, net interest income was up by 42.8% as compared to Q3/2000. This clearly demonstrates Garanti's net-lender position during the crisis as mentioned above. As at year-end 2000, net interest income was TL458,731 Billion (US\$735 Million), as compared to TL493,780 Billion (US\$1,175 Million) a year earlier. Due to the declining spreads, NIM was down to 10.9% by the end of 2000, from 19.4% in 1999, and 12.9% in Q3/2000. Accordingly, NIM adjusted by foreign exchange losses was realized as 8.6% in year-end 2000, down from 13.8% as in year-end 1999.

Garanti demonstrated strong results in terms of non-interest income generation in 2000. The Bank posted TL1,322,297 Billion (US\$2,135 Million) of non-interest income in 2000. Non-interest income, net of foreign exchange loss, fees and commissions paid and trading expense, was TL332,471 Billion (US\$533 Million). This indicates a 95.2% year-on-year increase in US\$ terms over the 1999 figure of TL114,736 Billion (US\$273 Million). Netted fees and commissions were TL55,833 Billion (US\$89 Million) as of December 31, 2000, up by 70.4% in US\$ terms over the 1999 year-end figure of TL22,068 Billion (US\$53 Million). Net fees and commissions to net interest margin ratio rose to 12.2% in 2000 up from 4.5% in 1999. Excluding the net trading account income, net fees and commissions made up of 45.4% of total net non-interest income at year-end 2000. The net trading account income increased to TL209,360 Billion (US\$336 Million) as at December 31, 2000, up by 100.0% in US\$ terms from TL70,522 Billion (US\$168 Million) as of December 31, 1999. Since the Bank liquidated a portion of its securities portfolio at

advantageous levels during the year, trading account income was strong all through 2000. Furthermore, the widening spreads after the November crisis was an additional factor of increased net trading income. On a quarterly basis, the net trading income in the fourth quarter of 2000 was 21.5% higher in US\$ terms than that of Q3/2000. Net non-interest income as a percentage of total net operating income (net interest income plus net non-interest income) increased to 42.0% as at December 31, 2000, up from 18.9% on December 31, 1999, and 37.2% on September 30, 2000. Dividends received grew by 67.7% year-on-year and 197.5% on a quarterly basis, reaching TL34,203 Billion (US\$55 Million) as of December 31, 2000.

Total other expenses, excluding the extraordinary item, foreign exchange loss, fees and commission expenses and trading account loss was TL363,387 Billion (US\$582 Million) as at December 31, 2000, up 13.8% in US\$ terms from TL215,100 Billion (US\$512 Million) as at December 31, 1999. Personnel costs were TL106,961 Billion (US\$171 Million) as at year-end 2000 as compared with TL79,812 Billion (US\$190 Million) a year earlier. However, personnel expenses were reduced by 9.7% in US\$ terms year-on-year and composed 29.4% of netted other operating expenses at the end of 2000 as compared to 37.1% on December 31, 1999 and 34.3% on September 30, 2000. Most of the US\$71 Million increase in net other operating expenses came from the US\$69 Million increase in other non-interest expenses which amounted to TL153,447 Billion (US\$246 Million) as at December 31, 2000. Due to the additional investment costs mostly related to new branches that were opened as result of Nokta project, other non-interest expenses, which composed 42.2% of netted other operating expenses, rose by 39.1% in US\$ terms during 2000. IT, advertising, telecommunications, maintenance and insurance costs accounted for approximately 40% of the other operating expenses. Extraordinary expenses reflecting the one-time earthquake taxes were TL98,114 Billion (US\$157 Million) in 2000. Earthquake taxes are gradually decreasing in US\$ terms on a quarterly basis and were US\$12 Million in Q4/2000 as compared to US\$20 Million in Q3/2000 and US\$58 Million in Q4/1999. Again, on a quarterly basis, provisions for possible loan losses increased by 579.5% in US\$ terms in the last quarter of 2000, another important factor why the Bank had a growth in net non-interest expenses. The Bank was able to decrease its net non-interest loss by 48.0% in US\$ terms on a year-on-year basis to TL193,468 Billion (US\$310 Million) at December 31, 2000 from TL250,691 Billion (US\$596 Million) at December 31, 1999.

Net foreign exchange loss was TL64,439 Billion (US\$103 Million) as at December 31, 2000, down from TL126,005 Billion (US\$300 Million) as at year-end 1999. Almost stable US\$ exchange rate and much lower short position resulted in a slight TL4,125 Billion (US\$4 Million) increase of net foreign exchange losses in the last quarter of 2000.

Garanti's Cost/Income ratio was 57.5% as at December 31, 2000 higher than 43.0% in December 31, 1999 mainly due to declining total interest income and rising non-interest costs related to new investments. However, excluding the extraordinary expenses related to earthquake tax, cost/income ratio comes down to 43.0% as at the end of 2000. When the Nokta Project is completed non-interest costs will come down further, also pulling down the Cost/Income ratio.

Earning before taxes were TL265,263 Billion (US\$425 Million) on December 31, 2000 in comparison with TL243,088 Billion (US\$578 Million) on December 31, 1999. The effective tax rate was 22.6% in 2000, as compared to 31.3% in 1999. Net income was realized as TL205,287 Billion (US\$329 Million) in 2000 as compared to TL181,099 Billion (US\$431 Million) in 1999. Return on average assets (ROAA) and Return on average equity (ROAE) ratios of the Bank as of December 31, 2000 are 3.68% and 29.24%, respectively.

Balance Sheet

Garanti Bank's total assets were TL6,609,701 Billion (US\$9,917 Million) as at December 31, 2000, as compared to TL4,532,402 Billion (US\$8,357 Million) on December 31, 1999, and TL6,004,949 Billion (US\$9,041 Million) on September 30, 2000. On a quarterly basis, total assets grew by 9.7% in US\$ terms, during the fourth quarter of the year. Total assets were 18.7% higher in US\$ terms as compared to a year earlier. The main driver of this growth was significant increase of cash loans.

Cash and due from banks were TL942,410 Billion (US\$1,414 Million), to make up 14.3% of total assets as compared to 11.1% as in December 31, 1999. Garanti's year-end 2000 cash and banks figure was 51.9% higher in US\$ terms than year-end 1999, putting the Bank into a stronger position just before the November financial turmoil. Investment securities went down by 32.6% in US\$ terms to TL954,818 Billion (US\$1,433 Million) as at December 31, 2000 from TL1,152,074 Billion (US\$2,124 Million) as at December 31, 1999. In 2000, the share of securities in total assets came down to 14.4% from 25.4% in 1999. On the other hand, total securities (investment securities and other long-term investments) went up by 8.7% in 2000 and composed 27.3% of total assets as compared to 29.7% in 1999.

As compared to year-end 1999, cash loans increased by 43.7% in US\$ terms to TL2,511,772 Billion (US\$3,769 Million) on December 31, 2000, composing 38.0% of total assets. On December 31, 1999, cash loans were TL1,421,857 Billion (US\$2,622 Million) and made up 31.4% of total assets. Cash loans were also up by 9.4% in US\$ terms since September 30, 2000. Short-term cash loans made up 53.7% of total cash loans in 2000, as compared to 61.1% in 1999. The fast growth in cash loans all through 2000 was mainly due to consumer and small business lending. Similarly, corporate and commercial loans market showed signs of recovery except for the last months of 2000. The largest increase was experienced in the retail lending which went up by 150% year-on-year. Corporate lending was also up by 44% especially due to a number of big ticket items related to Turkish privatizations. The share of TL loans in total loans increased to 38.6% on December 31, 2000, from 33.4% on December 31, 1999. The shares of corporate and commercial loans in the total cash loans were both 37%, whereas the share of consumer loans, including small business, were 26% as at December 31, 2000, up from 15% in 1999. Most of the TL commercial and corporate loans of Garanti are re-callable and re-pricable with two days notice, which was another strong point in a rising interest rates environment. Consumer loans to total assets more than doubled in January-December 2000 period to reach 9.9% from 4.7% in 1999. Non-performing loans were TL66,688 Billion at the end of 2000. Non-performing loans to cash loans were 2.66% as of December 31, 2000, up from 1.94% at the end of the 1999. As said before, the Bank had forecasted a rise in NPLs due to growth in its lending operations. This is however still among the lowest in the Turkish banking sector. Non-performing loans to total cash and non-cash loans were also increased to 1.40% as at year-end 2000 from 0.92% a year earlier. The Bank has set aside a 91.5% of provisioning for non-performing loans. The Bank has provisioned 85% for loans, which have limited collectibility, although 100% of provision was set aside for the ones, which have uncertain collectibility and uncollectibles. Cash and non-cash loans extended to related party made up 5.6% and 4.9% of the total cash and total non-cash loans, respectively, again, the lowest in its peer group.

Total deposits grew by 16.8% in US\$ terms to TL3,437,096 Billion (US\$5,157 Million) in 2000 from TL2,393,913 Billion (US\$4,414 Million) in 1999. Almost 50% of this increase came from the saving deposits which went up by 114.5% year-on-year. The rest of the increase is mainly attributable to the increase in bank and foreign currency deposits. The share of total deposits in total assets was almost flat at 52.0% on December 31, 2000. Foreign currency deposits

composed 65.4% of total deposits in 2000, as compared to 64.9% as in year-end 1999. Excluding bank deposits, foreign currency deposits and gold were TL1,937,974 Billion (US\$2,098 Million), and made up 75.1% of total core deposits as compared to 83.1% a year earlier. FC time deposits composed 78.7% of total FC deposits whereas the share of TL time deposits (excluding banks) in total TL deposits was 72.3% on December 31, 2000, up from 54.3% on December 31 1999. 82.0% of total deposits was time deposits in year-end 2000, up from 78.2% a year earlier.

Total funds borrowed including the interbank takings increased year-on-year by %32.9 in US\$ terms to TL1,992,860 Billion (US\$2,990 Million) as at December 31, 2000, composing 30.2% of total liabilities and shareholders' equity, as compared to 26.9% in 1999 year-end. Garanti Bank's total foreign borrowings amounted to slightly more than US\$1 Billion in 2000. The Bank's focus in 2000 was mainly on syndicated loan market. In March 2000, 400 Million Euros was borrowed, a record among Turkish banks in terms of its size and number of banks joined. This was followed by a US\$400 Million facility in July, and a US\$225 Million US commercial paper facility in August 2000.

Total shareholders' equity including net income was TL817,700 Billion (US\$1,227 Million) as at December 31, 2000 indicating a US\$ increase of 13.4% over year-end 1999. Total equity to total assets ratio was 12.4% as of December 31, 2000 slightly down from 12.9% as of December 31, 1999. Capital adequacy ratio in 2000 was 12.7% as compared with 14.6% in 1999.

Net foreign currency position of the Bank was US\$133 Million in year-end 2000, down from US\$157 Million in year-end 1999. Current period's short position corresponds to 19.1% of the Bank's equity base, calculated in line with the Central Bank's guidelines.

In line with the Bank's strategy of decreasing its interest rate risk, net repo position was TL361,811 Billion (US\$543 Million) as at December 31, 2000, 56.6% lower in US\$ terms than last year's figure of TL678,705 Billion (US\$1,251 Million). Net repo portfolio to assets ratio was down to 5.2% in 2000 from 13.0% in 1999.

Exchange Rates

US\$1= TL666,500	As of Dec. 31, 2000	US\$1=TL623,998	2000 Jan. – Dec. average
US\$1= TL543,700	As of Dec. 31, 1999	US\$1=TL420,328	1999 Jan. – Dec. average

Inflation Rate (WPI)

	End of Period	Average
1999 December - 2000 December	32.7%	51.4%
2000 September – 2000 December	7.3%	8.0%

KEY RATIOS

	31.12.2000	30.09.2000	31.12.1999	31.12.1998
<i>Asset Quality and Liquidity Ratios</i>				
NPL / Cash Loans	2.66%	1.48%	1.94%	1.34%
NPL/ Cash +Non-Cash Loans	1.40%	0.77%	0.92%	0.63%
Allowance for Loan Losses/NPL	91.46%	100.00%	100.00%	100.00%
Deposits/Total Assets	52.00%	53.75%	52.82%	55.15%
Cash Loans/Total Assets	38.00%	38.12%	31.37%	39.02%
Liquid Assets/Total Assets	41.54%	39.48%	40.92%	40.67%
<i>Profitability Ratios</i>				
NIM	10.87%	12.88%	19.41%	23.79%
Adjusted NIM	8.55%	10.62%	13.81%	19.48%
ROAA	3.68%	4.31%	5.26%	7.34%
ROAE	29.24%	33.76%	41.40%	62.47%
Non-interest Income/Total Operating Income	42.02%	37.15%	18.86%	10.48%
Cost / Income (1)	57.54%	53.81%	42.97%	29.84%
Cost / Income (2)	43.05%	37.04%	37.55%	29.84%
Net Operating Expense(2) (excl. FX loss)/Total Average Assets	6.52%	5.77%	6.25%	6.75%
Effective Tax Rate	22.61%	25.21%	25.50%	35.32%

(1) Including the extraordinary earthquake taxes.

(2) Excluding the extraordinary earthquake taxes.

Türkiye Garanti Bankası Anonim Şirketi

Independent Auditor's Report for the Year Ended 31 December 2000

Cevdet Suner Denetim ve
Yeminli Mali Müşavirlik A.Ş.
2 February 2001
This report contains 32 pages.

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TÜRKİYE GARANTİ BANKASI A.Ş.

BALANCE SHEETS-ASSETS (in billions TL)	Audited	
	31.12.2000	31.12.1999
Liquid assets	50,461	43,743
Cash, local currency	15,834	14,399
Cash, foreign currency	26,024	24,020
Others	8,603	5,324
Due from banks	891,949	461,046
Central Bank of Turkey	92,699	63,432
Other banks	799,250	397,614
-Domestic banks	577,276	51,383
-Foreign banks	221,974	346,231
Other financial institutions	-	-
Interbank funds sold	-	-
Securities (Net)	954,818	1,152,074
Government bonds and treasury bills	189,852	639,434
Other bonds	-	-
Equity shares	228	298
Other securities	764,738	512,342
Loans	2,511,772	1,421,857
Short-term	1,347,620	868,269
Medium and long-term	1,164,152	553,588
Receivables under follow-up (Net)	5,695	-
Limited collectibility (net)	5,695	-
- Gross receivables	37,940	-
- Provision (-)	32,245	-
Collectibility uncertain (net)	-	-
- Gross receivables	4,359	-
- Provision (-)	4,359	-
Uncollectible (net)	-	-
- Gross receivables	24,389	27,610
- Provision (-)	24,389	27,610
Accrued interest and income	259,776	458,014
Loans	108,940	69,143
Securities	30,321	316,946
Others	120,515	71,925
Receivables from financial leasing activities (Net)	-	-
Receivables from financial leasing activities	-	-
Unearned income (-)	-	-
Reserve deposits	236,291	167,820
Miscellaneous receivables	8,072	4,234
Investments (Net)	81,389	104,278
Financial companies	2,590	3,590
Non-financial companies	78,799	100,688
Affiliated companies (Net)	326,833	242,894
Financial companies	288,531	215,363
Non-financial companies	38,302	27,531
Other long-term investments (Net)	848,328	197,903
Equity shares	5,247	2,174
Others	843,081	195,729
Bank premises and equipment (Net)	313,628	201,740
Carrying value	385,635	240,124
Accumulated depreciation (-)	72,007	38,384
Other assets	120,689	76,799
TOTAL ASSETS	6,609,701	4,532,402

TÜRKİYE GARANTİ BANKASI A.Ş.

BALANCE SHEETS-LIABILITIES AND

Audited

SHAREHOLDERS' EQUITY (in billions TL)	31.12.2000	31.12.1999
Deposits	3,437,096	2,393,913
Saving deposits	457,377	173,488
Deposits of official authorities and organisations	1,382	3,656
Commercial deposits	169,764	117,327
Deposits of other organisations	12,719	9,215
Bank deposits	857,880	598,856
Foreign currency deposits	1,927,062	1,488,211
Gold deposits	10,912	3,160
Interbank funds borrowed	225,066	116,584
Funds borrowed	1,767,793	1,103,948
Central Bank of Turkey	-	-
Others	1,767,793	1,103,948
-Domestic banks and organisations	317,746	102,039
-Foreign banks and organisations	1,450,047	1,001,909
-Subordinated debts	-	-
Funds	-	-
Securities issued (Net)	-	23,777
Notes	-	-
Asset backed securities	-	-
Bonds	-	23,777
Accrued interest and expense	101,995	101,097
Deposits	68,567	79,686
Funds borrowed	26,894	12,717
Others	6,534	8,694
Payables from financial leasing activities (Net)	-	-
Payables from financial leasing activities	-	-
Deferred expenses (-)	-	-
Taxes, stamps, premiums and other duties	19,580	12,085
Import transfer orders	32,980	1,673
Miscellaneous payables	65,002	33,140
Reserves	53,065	125,879
Reserve for retirement pay	6,668	4,668
General provision for loan losses	24,854	8,720
Reserve for taxes on income	10,176	78,714
Other provisions	11,367	33,777
Other liabilities	89,424	33,751
Shareholders' equity	612,413	405,456
Share capital	260,000	260,000
-Nominal capital	260,000	260,000
-Unpaid capital (-)	-	-
Legal reserves	24,388	15,293
-Legal reserves I&II	23,404	14,349
-Share premium	-	8
-Other legal reserves	984	936
Extraordinary reserves	177,568	16,909
Revaluation surpluses	117,673	44,495
Valuation increments	32,784	68,759
Loss	-	-
-Loss for the period	-	-
-Prior years' losses	-	-
Income	205,287	181,099
-Net income for the period	205,287	181,099
-Prior years' income	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,609,701	4,532,402
COMMITMENTS AND CONTINGENCIES		
Guarantees and endorsements	2,261,842	1,569,162
Commitments	456,149	701,846
Derivative transactions	4,937,069	2,381,506
TOTAL	7,655,060	4,652,514

TÜRKİYE GARANTİ BANKASI A.Ş.

		Audited	
STATEMENTS OF INCOME (in billions TL)		31.12.2000	31.12.1999
I.	INTEREST INCOME	1,128,109	1,099,878
	Interest on loans	517,830	361,269
	TL loans	375,327	232,466
	-Short-term loans	353,339	231,585
	-Medium and long-term loans	21,988	881
	Foreign currency loans	142,289	128,597
	-Short-term loans	62,015	54,615
	-Medium and long-term loans	80,274	73,982
	Interest on loans under follow-up	214	206
	Interest from banks	146,244	79,490
	Central Bank of Turkey	2,144	1,802
	Domestic banks	115,279	50,646
	Foreign banks	28,821	27,042
	Interest on interbank funds sold	737	212
	Interest on securities	447,347	639,225
	Government bonds and treasury bills	408,372	580,002
	Other securities	38,975	59,223
	Other interest income	15,951	19,682
II.	INTEREST EXPENSE	669,378	606,098
	Interest expense on deposits	526,266	500,013
	Saving deposits	105,481	104,588
	Deposits of official authorities and organisations	1,247	2,432
	Commercial deposits	13,527	11,026
	Deposits of other organisations	5,595	1,220
	Bank deposits	290,629	290,925
	Foreign currency deposits	109,764	89,822
	Gold deposits	23	-
	Interest on interbank funds borrowed	14,490	10,466
	Interest on funds borrowed	126,719	85,018
	Central Bank of Turkey	-	-
	Domestic banks	22,810	14,398
	Foreign banks	80,562	38,930
	Other organisations	23,347	31,690
	Interest on securities issued	1,003	9,629
	Other interest expense	900	972
III.	NET INTEREST MARGIN (I-II)	458,731	493,780
IV.	OTHER INCOME	1,332,297	631,450
	Commissions and fees received	120,901	61,837
	Loans	7,052	4,198
	Documentary credits and letters of guarantee	13,330	8,018
	Others	100,519	49,621
	Trading account income	248,400	74,790
	Foreign exchange gain	895,718	472,676
	Dividends received	34,203	13,742
	Extraordinary income	-	-
	Others	33,075	8,405
V.	OPERATING EXPENSES	1,525,765	882,141
	Commissions and fees paid	65,068	39,769
	Funds borrowed	5,002	4,280
	Documentary credits	39	87
	Others	60,027	35,402
	Trading account loss	39,040	4,268
	Foreign exchange loss	960,157	598,681
	Personnel expenses	106,961	79,812
	Provision for retirement pay	2,000	2,200
	Rent expenses	16,240	6,702
	Depreciation and amortisation expenses	22,209	12,814
	Taxes, stamps and other duties	12,798	5,432
	Extraordinary expenses	98,114	24,323
	Provision for loan losses	33,384	16,449
	Other provisions	16,347	17,375
	Others	153,447	74,316
VI.	NET OTHER INCOME/(EXPENSE) (IV-V)	(193,468)	(250,691)
VII.	INCOME BEFORE TAXES (III+VI)	265,263	243,089
VIII.	PROVISION FOR TAXES ON INCOME	59,976	61,990
IX.	NET INCOME FOR THE PERIOD (VII-VIII)	205,287	181,099

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

I- GENERAL NOTES ON THE BANK'S FINANCIAL POSITION

A. Disclosures on Current Period Operations

(1) The financial statements were approved on **29 January 2001 (1999: 28 January 2000)**.

(2) a) Accounting policies:-

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

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

Income and expense recognition:

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

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

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

Securities under repurchase transactions:

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

Provision for loan losses:

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

Depreciation:

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

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

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

Foreign currency transactions:

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

Items held in trust:

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

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

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

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

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

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

Prior to the current period, all securities used to be valued on a "simple interest rate basis". Following the related amendments to the Turkish Uniform Chart of Accounts for Banks valid since 15 June 2000, marketable securities classified under "Securities" were marked to market, whereas the ones classified under "Other long-term investments" were valued on a "simple interest rate basis" as before. Current period interest income on securities was affected adversely by TL1,743 due to the difference between "market values" and "simple-interest-rate-basis values" of marketable securities classified under "Securities".

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

A. Securities :

Securities in Turkish Lira:-

1- Equity shares

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

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

2- Others

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

Securities in foreign currencies:-

1- Others

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

B. Investments :

Securities in Turkish Lira:-

Investment quoted on the Istanbul Stock Exchange are valued according to the weighted average prices at the Istanbul Stock Exchange for the last 30 working days (1999: the last five working days). The valuation increments are booked under the "valuation increments" heading as a component of shareholders' equity.

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

Securities in foreign currencies:-

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

C. Investments in affiliated companies :

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

D. Other long-term investments :

Securities in Turkish Lira:-

1- Equity shares

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

2- Others

a) Long-term investments

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

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

b) Pledged securities

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

Securities in foreign currencies:-

1- Others

a) Long-term investments

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

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

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

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

A. The US dollar exchange rate for TL used for the preparation of the financial statements at 31 December 2000, was TL666,500 (1999: TL542,350).

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

	<u>Current Period</u>	<u>Prior Period</u>
US dollar purchase rate <u>at the date of balance sheet</u>	666,500	542,000
US dollar purchase rates for the days before <u>balance sheet date</u>		
Day 1	667,800	539,900
Day 2	667,400	538,800
Day 3	670,000	536,900
Day 4	672,350	535,500
Day 5	674,550	533,100

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

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

	Current Period		Prior Period	
	Turkish Lira	US dollar equivalents \$ million	Turkish Lira	US dollar equivalents \$ million
I – FOREIGN CURRENCY ASSETS				
1) Liquid Assets (cash on hand, cash in transit, purchased cheques)	34,627	52	29,344	54
2) Central Bank of Turkey	89,654	135	49,646	92
3) Domestic banks (excluding interbank deposits)	1	-	10,847	20
4) Foreign banks	221,974	333	346,231	638
5) Securities (Net)	701,252	1,052	486,873	898
6) Loans	1,543,001	2,315	946,986	1,746
7) Reserve deposits	210,654	316	154,547	285
8) Foreign currency-indexed assets (a+b)	116,800	175	64,230	118
a) Loans	107,258	161	701	1
b) Others	9,542	14	63,529	117
9) Accrued interest and income	85,562	128	60,265	111
10) Other assets	470,340	706	289,015	533
COMMITMENTS AND CONTINGENCIES	2,413,436	3,621	1,063,299	1,961
11) Repurchase contracts	185,586	278	-	-
12) Forward currency purchases	2,227,850	3,343	1,063,299	1,961
TOTAL FOREIGN CURRENCY ASSETS	5,887,301	8,833	3,501,283	6,456
II – FOREIGN CURRENCY LIABILITIES				
1) Foreign currency deposits	1,927,062	2,891	1,488,210	2,744
2) Gold deposits	10,912	16	3,160	6
3) Bank deposits	308,398	463	63,349	117
4) Funds borrowed from Central Bank of Turkey	-	-	-	-
5) Funds borrowed from domestic banks (excluding interbank takings)	292,158	438	87,725	162
6) Funds borrowed from other domestic organisations	-	-	-	-
7) Foreign borrowings	1,450,047	2,176	1,001,909	1,847
8) Securities issued (Net)	-	-	23,777	44
9) Foreign currency-indexed liabilities (a+b)	-	-	-	-
a) Funds borrowed	-	-	-	-
b) Others	-	-	-	-
10) Accrued interest and expense	47,780	72	28,479	53
11) Other liabilities	258,122	387	112,670	208
COMMITMENTS AND CONTINGENCIES	1,681,578	2,523	777,306	1,433
12) Resale contracts	185,586	278	-	-
13) Forward currency sales	1,495,992	2,245	777,306	1,433
TOTAL FOREIGN CURRENCY LIABILITIES	5,976,057	8,966	3,586,585	6,613
FOREIGN CURRENCY NET POSITION (I – II)	(88,756)	(133)	(85,302)	(157)

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

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

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

Foreign currency assets and liabilities of the Bank per major currencies, were as follows as at 31 December 2000:-

	<u>US Dollars</u>	<u>Euro Group**</u>	<u>Euro</u>	<u>Others in US dollar equivalents***</u>
I- Foreign Currency Assets				
Liquid assets	30,428	14,464	5,706	2,760
Due from banks	391,590	453	59,242	20,436
Securities (net)	540,184	2,042	1,000	509,128
Loans	1,590,214	511,462	210,692	53,040
Other long-term investments (net)	233,437	1,545	7,418	-
Other foreign currency assets*	3,537,571	106,900	1,076,170	66,460
Total Foreign Currency Assets	6,323,424	636,866	1,360,228	651,824
II- Foreign Currency Liabilities				
Deposits	2,764,818	473,436	115,310	57,867
Funds borrowed	2,343,541	13,581	525,507	39,369
Securities issued (net)	-	-	-	-
Other foreign currency liabilities*	1,650,120	26,150	1,072,995	38,836
Total Foreign Currency Liabilities	6,758,479	513,167	1,713,812	136,072
Difference (I - II)	(435,055)	123,699	(353,584)	515,752

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

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

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

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

	2000		<u>Insurance Coverage</u>
	<u>Book Values in Gross</u>	<u>Accumulated Depreciation</u>	
Movables	122,489	57,360	103,180
Immovables	198,039	8,278	171,217
1-Assets under use for banking activities	198,039	8,278	171,217
2-Others	-	-	-
Special costs	13,794	6,369	-
Assets held for resale	51,313	-	-
1-Stocks	745	-	-
2-Immovables	50,568	-	-
Assets held under financial leases*	11,881	3,363	-

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

		1999	
	<u>Book Values in Gross</u>	<u>Accumulated Depreciation</u>	<u>Insurance Coverage</u>
Movables	66,569	30,286	71,865
Immovables	123,443	5,058	89,689
1-Assets under use for banking activities	123,443	5,058	89,689
2-Others	-	-	-
Special costs	7,371	3,040	-
Assets held for resale	42,741	-	-
1-Stocks	138	-	-
2-Immovables	42,603	-	-
Assets held under financial leases*	5,885	1,626	-

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

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

There were no such cases.

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

The reserve for retirement pay at 31 December 2000, amounted to TL6,668 (1999: TL4,668) of which TL2,000 (1999: TL2,200) was provided in the current period. The provision made in the current period against non-performing loans, amounted to TL33,384 (1999: TL16,449), and accordingly total provision for non-performing loans reached to TL60,993 (1999: TL27,610) as at 31 December 2000 considering the effects of loans written-off or collected during the period; for non-cash loans not liquidated yet but considered uncertain a further provision of TL174 (1999: TL.....) was made, and furthermore the general provision made for credit risks amounted to TL16,134 (1999: TL1,124) and accordingly total general provision reached to TL24,854 (1999: TL8,720) considering the effect of changes in the related legislation during the period.

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

B. Other Disclosures

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

There were no such events or matters.

(14) Foreign branches:-

<u>Location</u>	<u>Total Assets(TL)</u>	<u>Legal Capital</u>
1- Dusseldorf (Germany)	8,787	DEM 27,500,000
2- Luxembourg	1,179,515	USD 31,500,000
3- Malta	1,302,082	-

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – (Continued)

C. Independent Auditor's Report (in accordance with the format standardized in the Legislation)

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

We have audited the accompanying balance sheet of Türkiye Garanti Bankası Anonim Şirketi (the Bank) as of 31 December 2000 and the related statement of income for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası Anonim Şirketi as of 31 December 2000 and the result of its operations for the year then ended, in accordance with the uniform chart of accounts, the uniform balance sheet and statement of income and the uniform notes to the financial statements, and accounting and valuation standards as described in Article 13 "Accounting and Recording Rules" of (Turkish) Banking Law No. 4389.

İstanbul,
2 February 2000

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

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

(1) TL.....-..... (1999: TL.....-.....) of cash at the Central Bank was deposited under blocked accounts.

(2) a- Due from foreign banks:-

	<u>Current Period</u>		<u>Prior Period</u>	
	<u>Turkish Lira</u>	<u>US dollar Equivalents in Millions</u>	<u>Turkish Lira</u>	<u>US dollar Equivalents in Millions</u>
Unrestricted balance	201,206	302	337,169	622
Restricted balance	<u>20,768</u>	<u>31</u>	<u>9,062</u>	<u>17</u>
Total	<u>221,974</u>	<u>333</u>	<u>346,231</u>	<u>639</u>

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

<u>OECD Countries</u>		<u>Other Countries</u>	
<u>Country</u>	<u>Balance (TL)</u>	<u>Country</u>	<u>Balance (TL)</u>
1. Luxembourg	88,035	1. Russia	10,576
2. Switzerland	43,010	2. S. Arabia	703
3. USA	33,455	3. Iraq	<u>1</u>
4. Germany	17,831		
5. The Netherlands	11,909		<u>11,280</u>
6. Ireland	5,110		
7. United Kingdom	4,787		
8. Cyprus	2,166		
9. Italy	1,289		
10. Belgium	637		
11. Finland	513		
12. Japan	373		
13. France	345		
14. Spain	325		
15. Denmark	299		
16. Sweden	143		
17. Norway	120		
18. Canada	115		
19. Australia	99		
20. Austria	98		
21. Malta	<u>35</u>		
	<u>210,694</u>		

(3) a- TL43 (1999: TL157) of "securities" balance represents the "valuation increment" on securities.

b- Total carrying value of equity shares of which market values exceeded their costs and which were stated at cost in the balance sheet amounted to TL.....-..... (1999: TL-.....), total costs of securities recorded at their market values amounted to TL185 (1999: TL11).

c- TL105,039 (1999: TL50,975) of securities and long-term investments comprised of securities held in compliance with legal requirements.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

d- Breakdown of securities for the current period:-

	<u>Purchase Costs</u>	<u>Market Value</u>	<u>Value per Central Bank of Turkey*</u>	<u>Provision for Diminishing in Value</u>
<u>Government bonds and treasury bills</u>	189,852	209,302	187,794	-
1. Fixed-income securities	189,852**	209,302**	187,794**	-
2. Securities indexed to inflation	-	-	-	-
3. Securities indexed to foreign currency	-	-	-	-
4. Securities in foreign currency	-	-	-	-
<u>Investment funds</u>	425,404	-	-	-
<u>Other notes</u>	-	-	-	-
1. Fixed-income securities	-	-	-	-
2. Securities indexed to inflation	-	-	-	-
3. Securities indexed to foreign currency	-	-	-	-
4. Securities in foreign currency	-	-	-	-
<u>Gold</u>	339,334	339,334	340,045	-
<u>Equity shares</u>	185	228	-	-
1. Quoted	185	228	-	-
2. Unquoted	-	-	-	-
<u>Others</u>	-	-	-	-

As explained above in Section I.A.(5), trading portfolio is generally valued at market prices. Interest accruals calculated per market prices are classified under “accrued interest and income on securities”, whereas purchase costs of such securities are classified under “securities”, in account no. 030 and 031. The only exception is the equity shares which are classified in “securities” at their market prices. Accordingly, market values of such equity shares in the amount of TL228 as mentioned above were included in “securities”, in account no. 030 and 031 as at 31 December 2000.

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

**securities purchased under resale agreements in the amount of TL21,627 were recorded at their purchase costs in the accompanying financial statements as at 31 December 2000. Such securities were presented again at their purchase costs in “Market Value” and “Value per Central Bank of Turkey” columns above.

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

	<u>Current Period</u>		<u>Prior Period</u>	
	<u>Cash</u>	<u>Non-cash</u>	<u>Cash</u>	<u>Non-cash</u>
1. Lendings to shareholders				
Lending to corporations	4,510	44,522	5,237	49,146
Other lendings	4,219	4,615	-	-
2. Lendings to personnel	275	-	325	-

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

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

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

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

Balances with related parties and share of such balances in total per financial statements were as follows at 31 December 2000:-

	Related Party Risks	Balance Sheet Total	Share of Related Party Risks %
Cash loans	139,318	2,511,772	5.55
Deposits	97,969	3,437,096	2.85
Non-cash loans	111,025	2,261,842	4.91
Interest income	25,361	1,128,109	2.25
Interest expenses	3,272	669,377	0.49
Commission income	340	120,901	0.28

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

	Financial investees and affiliated companies		Other investees and affiliated companies	
	Current Period	Prior Period	Current Period	Prior Period
<u>RECEIVABLES</u>				
-Due from banks and other financial institutions	42,020	15,148	-	-
-Loans (including overdue loans)	59,319	38,188	37,001	5,464
-Accrued interest and income	2,632	2,198	4,833	260
<u>PAYABLES</u>				
-Deposits	93,521	14,227	3,377	-
-Funds borrowed	5,706	104,024	-	-
-Accrued interest and expenses	1,297	2,633	1	-
<u>DOCUMENTARY CREDITS AND OTHER NON-CASH LOANS</u>				
-Letters of guarantee	33,186	133,349	4,416	2,991
-Acceptance credits	3,930	-	-	-
-Letters of credit	3,193	-	1,722	-
-Other non-cash loans	1,010	-	-	-

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

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(Currency – Billions of Turkish Lira)

Note II – (Continued)

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

	Group I – Standard performing loans and other receivables (TL)		Group II – Loans and other receivables under special follow-up (TL)	
	(1)	(2)	(1)	(2)
	Renewed, refunded or restructured loans and other receivables	Other loans and Receivables	Renewed, refunded or restructured loans and other receivables	Other loans and receivables
Cash loans	-	2,511,772	-	-
I- Loans (excluding loans for specialization)	-	2,511,772	-	-
Export loans	-	552,509	-	-
Import loans	-	4	-	-
Investment loans	-	8,554	-	-
Loans to foreign banks	-	3,198	-	-
Loans to other financial institutions	-	37,727	-	-
Gold credits	-	27,501	-	-
Other loans	-	1,882,279	-	-
1-Consumer loans	-	495,029	-	-
2-Credit cards	-	189,880	-	-
3-Other foreign lending	-	952,870	-	-
4-Others	-	244,500	-	-
II- Specialization loans	-	-	-	-
III- Liquidated non-cash loans	-	-	-	-
Receivables classified under other assets but legally considered as loans	-	1,947,847	-	-
Other receivables	-	58,813	-	-
Non-cash loans	-	2,261,842	-	-

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

There were no such cases.

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

	<u>Group III</u> Loans and receivables limited collectibility	<u>Group IV</u> Loans and receivables collectibility uncertain	<u>Group V</u> Loans and receivables uncollectible
<u>Collateral groups</u>			
<u>Current period:-</u>			
Unsecured	28,796	4,359	16,347
Group I	-	-	83
Group II	5,597	-	2,206
Group III	272	-	5,001
Group IV	3,275	-	752
<u>Prior period:-</u>			
Unsecured	-	-	15,277
Group I	-	-	83
Group II	-	-	6,589
Group III	-	-	5,403
Group IV	-	-	258

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

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

	<u>Group III</u> Loans and receivables limited collectibility	<u>Group IV</u> Loans and receivables collectibility uncertain	<u>Group V</u> Loans and receivables uncollectible
Balance, beginning of period	-	-	27,610
- Increases during the period	44,233	-	4,983
- Transfer from other follow-up accounts	-	6,293	1,934
- Transfer to other follow-up accounts	6,293	1,934	-
- Collections during the period	-	-	3,373
- Write-offs	-	-	6,765
Balance, end of period	37,940	4,359	24,389
- Specific provisions	<u>32,245</u>	<u>4,359</u>	<u>24,389</u>
Net balance at period end	<u>5,695</u>	<u>-</u>	<u>-</u>

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

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

(6) Receivables on forwards sales of assets:-

There were no such cases.

- (7) a- TL31,336 (1999: TL67,472) of investments and affiliated companies represented the "valuation increment" arising from the market value adjustments for such investments traded on the Istanbul Stock Exchange, and TL.....-..... represented the "valuation increment" arising from equity accounting application.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

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

	<u>Purchase Costs</u>	<u>Bonus Shares</u>	<u>Revaluation Surplus</u>	<u>Diminishing in Value</u>
<u>Domestic investments and affiliated companies</u>				
Insurance	5,859	479	-	-
Manufacturing	1,383	1,162	-	-
Mining	-	-	-	-
Energy	-	-	-	-
Prosperity	-	-	-	-
Transportation	-	-	-	-
Foreign trade	-	-	-	-
Tourism	2,639	462	-	-
Agriculture	-	-	-	-
Forestry	-	-	-	-
Other financial sectors	13,223	1,352	-	-
Other commercial sectors	77,300	2,818	31,336	-
<u>Foreign investments and affiliated companies</u>				
Banking	61,686	-	-	-
Insurance	-	-	-	-
Manufacturing	-	-	-	-
Mining	-	-	-	-
Energy	-	-	-	-
Prosperity	-	-	-	-
Transportation	-	-	-	-
Foreign trade	-	-	-	-
Tourism	-	-	-	-
Agriculture	-	-	-	-
Forestry	-	-	-	-
Other financial sectors	208,523	-	-	-
Other commercial sectors	-	-	-	-

c- Carrying values of investments and affiliated companies quoted at the domestic and foreign stock exchange markets amounted to **TL48,389 (1999: TL89,585)** and **TL...-.... (1999: TL....-.....)** , respectively.

d- Bonus shares received on investments and affiliated companies amounted to **TL6,273 (1999: TL5,725)**.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

e- At 31 December 2000 and 1999, investments and affiliated companies included the followings:-

<u>Investments and Affiliated Companies</u>	2000			
	<u>% of ownership</u>	<u>Total capital</u>	<u>Net income for the period</u>	<u>Market value*</u>
<u>INDUSTRIAL COMPANIES</u>				
DOĞUŞ TURİZM SAĞLIK YAT. VE İŞL.SAN. VE TİC.A.Ş.	40.00	64	(140)**	-
LASAŞ LASTİK SAN.VE TİC. A.Ş.	99.99	2,500	18**	-
<u>COMMERCIAL COMPANIES</u>				
GARANTİ BİLİŞİM TEKN. TİC. A.Ş.	100.00	994	453**	-
GARANTİ FİNANSAL KİRALAMA A.Ş.	80.00	10,000	6,195**	-
GARANTİ YATIRIM MENKUL KIYM. A.Ş.	51.67	4,000	9,349**	-
GARANTİ PORTFÖY YÖNETİMİ A.Ş.	70.00	1,000	3,759**	-
PETROTRANS NAKLIYAT TİC. A.Ş.	100.00	5	(1)**	-
ANA KONUT DANIŞMANLIK A.Ş.	100.00	25,000	5**	-
DOĞUŞ HAVA TAŞIMACILIĞI A.Ş.	49.91	17,000	(4,981)**	-
TANSAŞ İZMİR B. Ş. B. İÇ VE DIŞ TİC. A.Ş.	19.00	16,500	(3,879)**	48,389*
GARANTİ ÖDEME SİSTEMLERİ A.Ş.	99.92	5	35**	-
İKSİR ULUSLARARASI ELEKTRONİK TİC. BİLGİLENDİRME VE HABERLEŞME HİZ.A.Ş.	38.00	45,000	(17,519)**	-
GARANTİ SİGORTA A.Ş.	75.00	5,000	1,626**	-
GARANTİ HAYAT SİGORTA A.Ş.	74.36	4,000	1,379**	-
VOLKSWAGEN DOĞUŞ TÜKETİCİ FİNANSMANI A.Ş.	37.00	7,000	238**	-
DOĞUŞ İNSANGÜCÜ A.Ş. (HUMANİTAS)	40.10	600	(395)**	-
DOĞUŞ HİZMET YÖNETİMİ ORGANİZASYON VE DANIŞMANLIK A.Ş.	55.00	30	580**	-
<u>TOURISM COMPANIES</u>				
GARANTİ TURİZM YAT.VE İŞL. A.Ş.	43.33	8,750	(1,570)**	-
ŞAHİNTUR ŞAHİNLER O. TURZ. YAT. İŞL. A.Ş.	100.00	263	70**	-
<u>INVESTMENTS IN FOREIGN CURRENCY</u>				
UNITED GARANTİ BANK INT. N.V.	100.00	EUR 60 mio	EUR 14,465,000**	-
DOC FINANCE S.A.	50.27	CHF 12 mio	CHF 694,000**	-
BOSPHORUS FINANCIAL SER. LTD.	100.00	USD 100,000	USD (8,254)**	-
GARANTİ BANK MOSCOW	99.61	USD 25.537 mio	USD 5,359,000**	-
INSTRUMENTS FINANCE COMPANY	100.00	USD 25,000	USD 434,958**	-
GARANTİ FINANCIAL SERVICES PLC	100.00	USD 2.638 mio	USD (1,357,871)**	-
GARANTİ FUND MANAGEMENT CO. LTD.	99.00	USD 100,000	USD (2,773)**	-
CLOVER BANK OFF-SHORE LTD.	99.10	USD 4.5 mio	USD 20,205,534**	-
COMPAGNIE OTTOMANE D'INVESTMENT B.V.	100.00	NLG 165 mio	NLG (9,317,268)**	-

(*) Quoted shares are valued at the weighted average market rates for the last 30 working days.

(**) Net income/(loss) for the nine-month period ended 30 September 2000.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

1999

<u>Investments and Affiliated Companies</u>	<u>% of ownership</u>	<u>Total capital</u>	<u>Net income for the period</u>	<u>Market value***</u>
<u>INDUSTRIAL COMPANIES</u>				
GENOTO GEN. OTO. SAN. TİC. A.Ş.	40.00	64	(40)	-
LASAŞ LASTİK SAN.VE TİC. A.Ş.	99.99	2,500	66**	-
<u>BANKS</u>				
SINAI YATIRIM BANKASI A.O.	10.00	10,000	6,534	-
<u>COMMERCIAL COMPANIES</u>				
GARANTİ BİLİŞİM TEKN. TİC. A.Ş.	100.00	994	8**	-
GARANTİ FİNANSAL KİRALAMA A.Ş.	80.00	4,400	134**	-
GARANTİ YATIRIM MENKUL KIYM. A.Ş.	51.67	1,000	909**	-
GARANTİ PORTFÖY YÖNETİMİ A.Ş.	70.00	500	1,727	-
PETROTRANS NAKLIYAT TİC. A.Ş.	100.00	5	(1)	-
ANA KONUT DANIŞMANLIK A.Ş.	100.00	25,000	(168)	-
DOĞUŞ HAVA TAŞIMACILIĞI A.Ş.	49.91	17,000	(3,241)**	-
TANSAŞ İZMİR B. Ş. B. İÇ VE DIŞ TİC. A.Ş.	29.00	3,000	(623)**	89,585*
GARANTİ ÖDEME SİSTEMLERİ A.Ş.	99.92	5	(1)**	-
İKSİR ULUSLARARASI ELEKTRONİK TİC. BİLGİLENDİRME VE HABERL.HİZ.A.Ş.	38.00	1,000	-	-
GARANTİ SİGORTA A.Ş.	100.00	2,740	(466)**	-
GARANTİ HAYAT SİGORTA A.Ş.	99.13	1,600	747**	-
VOLKSWAGEN DOĞUŞ TÜKETİCİ FİNANSMANI A.Ş.	37.00	7,000	-	-
<u>TOURISM COMPANIES</u>				
GARANTİ TURİZM YAT.VE İŞL. A.Ş.	43.33	950	(477)**	-
ŞAHİNTUR ŞAHİNLER O. TURZ. YAT. İŞL. A.Ş.	100.00	263	81	-
<u>INVESTMENTS IN FOREIGN CURRENCY</u>				
UNITED GARANTİ BANK INT. N.V.	100.00	NLG 75 mio	EUR 21,390,000	-
DOC FINANCE S.A.	50.27	CHF 12 mio	CHF (1,219,263)	-
CI FINANCE LTD.	100.00	USD 500,000	USD (1,351,761)**	-
CI INVESTMENTS LTD.	100.00	USD 500,000	USD (1,351,761)**	-
BOSPHORUS FINANCIAL SER. LTD.	100.00	USD 500,000	USD (1,351,761)**	-
GARANTİ FUNDING CORP. I	100.00	USD 50,000	-	-
GARANTİ FUNDING CORP. II	100.00	USD 50,000	-	-
GARANTİ BANK MOSCOW	99.61	USD 25.5 mio	USD 11,087,000	-
INSTRUMENTS FINANCE COMPANY	100.00	USD 25,000	USD 388,548	-
GARANTİ FINANCIAL SERVICES PLC	100.00	USD 2,638,100	USD (531,516)	-
GARANTİ FUND MANAGEMENT CO. LTD.	99.00	USD 100,000	USD (69,248)	-
CLOVER BANK OFF-SHORE LTD.	99.10	USD 4.5 mio	-	-
COMPAGNIE OTTOMANE D'INVESTMENT B.V.	100.00	NLG 165 mio	-	-

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

(**) Net income for the nine-month period ended 30 September 1999.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II - (Continued)

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

The Bank sold a 10 percent stake in Tansaş İzmir Büyükşehir Belediyesi İç ve Dış Ticaret A.Ş. ("Tansaş") in the form of class A shares to Start Investments Ltd., for TL34,500, thereby reducing its class A shareholding to 19%. The Bank realized a net gain of TL26,875 which is fully booked in the accompanying statement of income. The remaining 19% holding of class A shares continues to give the Bank management control of Tansaş through the superior voting rights of the class A shares.

(8) Other long-term investments:-

	<u>Government Securities</u>		<u>Other Securities</u>	
	<u>Purchase</u> <u>Costs</u>	<u>Revalued</u> <u>Costs</u>	<u>Purchase</u> <u>Costs</u>	<u>Revalued</u> <u>Costs</u>
Securities in Turkish lira	681,938	685,643	3,840	5,247
1-Equity shares	-	-	3,840	5,247
a) Long-term investments	-	-	3,840	5,247
b) Pledge securities	-	-	-	-
c) Restricted	-	-	-	-
2- Other securities	681,938	685,643	-	-
a) Long-term investments	267,895	269,563	-	-
b) Pledge securities	379,800	381,760	-	-
c) Restricted	34,243	34,320	-	-
Securities in foreign currencies	161,143	170,759	-	-
1-Equity shares	-	-	-	-
a) Long-term investments	-	-	-	-
b) Pledge securities	-	-	-	-
c) Restricted	-	-	-	-
2- Other securities	161,143	170,759	-	-
a) Long-term investments	161,143	170,759	-	-
b) Pledge securities	-	-	-	-
c) Restricted	-	-	-	-

(9) Movables and immovables held for resale in accordance with the Banking Law, amounted to **TL745 (1999: TL138)** and **TL50,568 (1999: TL42,603)**, respectively.

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

There were no such items.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

(11) a- Maturity structure of deposits:-

	<u>Demand Deposits</u>		<u>Time Deposits</u>	
	<u>Current Period</u>	<u>Prior Period</u>	<u>Current Period</u>	<u>Prior Period</u>
Saving deposits	45,455	29,678	411,922	143,810
Deposits of official authorities and organisations	205	101	1,177	3,555
Commercial deposits	127,284	101,876	42,480	15,451
Deposits of other organisations	4,395	7,062	8,324	2,153
Bank deposits	26,945	6,368	830,935	592,488
1-Central Bank of Turkey	-	-	-	-
2-Domestic banks	3,652	2,918	124,168	64,151
3-Foreign banks	23,293	3,450	706,767	528,337
4-Others	-	-	-	-
Foreign currency deposits	408,205	375,704	1,518,857	1,112,507
1-Resident customers	355,465	321,812	1,312,396	792,636
2-Non-resident customers	52,740	53,892	206,461	319,871
Gold deposits	5,939	-	4,973	3,160
Total deposits	<u>618,428</u>	<u>520,789</u>	<u>2,818,668</u>	<u>1,873,124</u>

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

	<u>Insurance Coverage</u>	
	<u>Current Period</u>	<u>Prior Period</u>
1- Saving deposits	457,377	173,488
2- Foreign currency saving deposits	1,409,097	1,018,129
3- Other saving-type deposits	10,195	-
4- Deposits at foreign branches under foreign insurance coverages	-	-

(12) a- Discounted portion of securities issued amounted to TL..... (1999: TL767).

b- Bonds convertible into equity shares amounted to TL....-.... (1999: TL....-....) .

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

There were no such cases.

d- Securities matured during the current period:-

<u>Type of Security</u>	<u>Matured Amount</u>
Euro Commercial Paper (ECP)	23,777

(13) Cash collaterals received amounted to TL325 (1999: TL268).

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

(14) a- A portion of the "valuation increment" on securities (including equity shares classified in securities, investments, affiliated companies and other long-term investments) amounting to TL....-.... (1999: TL....-....) , was related to securities denominated in foreign currencies. TL....-.... (1999: TL....-....)of this portion represented the foreign exchange gain accrual on such equity shares classified in investments, affiliated companies and other long-term investments.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

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

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

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

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

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

	<u>Current Period</u>	<u>Prior Period</u>
<u>Shareholders' Equity per Banking Law :-</u>		
1-Paid capital	260,000	260,000
- Nominal capital	260,000	260,000
- Unpaid capital	-	-
2-Legal reserves	24,388	15,293
- 1 st legal reserve (TCC 466/1)	20,417	11,362
- 2 nd legal reserve (TCC 466/2)	2,987	2,987
- Share premium	-	8
- Legal reserve per special legislation and articles of association	984	936
3-Extraordinary reserves	177,568	16,909
- Reserves allocated per Ordinary General Meeting	177,568	12,324
- Exchange rate difference on foreign currency capital	-	4,585
- Retained earnings	-	-
- Accumulated losses	-	-
4-Revaluation surpluses	113,906	41,731
- Movables	28,448	9,974
- Immovables	83,792	31,293
- Cost increase fund	-	-
- Bonus shares from investee companies and income on sale of immovables	167	-
- Revaluation surplus on special costs	1,499	464
5-Revaluation surpluses received through bonus shares on investments and affiliated companies	3,767	2,764
6-Other capital sources	-	-
7-Losses	-	-
- Current period losses	-	-
- Prior years' losses	-	-
<u>Total Shareholders' Equity per Banking Law (from 1 to 7)</u>	<u>579,629</u>	<u>336,697</u>
<u>Shareholders' Equity per Accounting Application</u>		
8-Valuation increments	32,784	68,759
- Securities	43	157
- Investments and affiliated companies	31,336	67,473
- Other long-term investments	1,405	1,129
<u>Total Shareholders' Equity per Accounting Application (from 1 to 8, excluding 6)</u>	<u>612,413</u>	<u>405,456</u>

TÜRKİYE GARANTİ BANKASI A.Ş.

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Note II – (Continued)

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

	<u>Current Period</u>	<u>Prior Period</u>
I- Core Capital	667,243	473,301
II- Supplementary Capital	179,790	131,974
1.Subordinated debts	-	-
2.Others	179,790	131,974
III- Capital (I+II)	847,033	605,275
IV- Deductions from Capital	352,820	240,869
V - Capital Base (III - IV)	494,213	364,406

Difference, in the amount of TL234,620 (1999: TL199,819) between the "Capital" in the Capital Adequacy Ratio and the shareholders' equity per accounting application above, was resulted from the net income of TL205,287 (1999: TL181,099) for the period and the general provision for credit risks in the amount of TL29,333 (1999: TL18,720) which were included in above calculation.

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

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

b- Capital increases during the period: None.

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

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

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

	<u>Share Capital Portion</u>	<u>Participation %</u>	<u>Paid Capital Portion</u>	<u>Unpaid Capital Portion</u>
Doğuş Holding A.Ş.	105,562	40.60	105,562	-

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

Financial leasing transactions are accounted for in accordance with Turkish legislation, not IAS17. Per Turkish legislation, financial leasing transactions are accounted for as if they were operating leases. Accordingly, fixed assets acquired through financial leases and the related payables are not reflected in the accompanying financial statements; instead the periodic payments of installments, with no distinction between principal and interest portions, were initially recorded as "prepaid expense" to be charged to expense throughout the lease period. During the period ended 31 December 2000, such payments charged to statement of income as expense accumulated to TL5,248 (1999: TL1,327) and the remaining balance recorded as "prepaid expense" in the balance sheet, amounted to TL8,988 (1999: TL4,759).

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Note II – (Continued)

If the Bank would have applied IAS17, TL5,248 of the prepayments related to leasing activities incurred till 31 December 2000, would not be charged to income, instead retained earnings would be less by TL7,057, prepaid expenses by TL8,988 and the following items of the financial statements would be higher by the amounts below:-

Bank premises and equipment, net	8,518
Payables from financial leasing activities, net	5,601
Depreciation expense	1,738
Interest expense	1,515
Foreign exchange losses	1,009

(19) Other significant matters:-

a- Deferred tax liabilities and related provisions:-

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

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

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

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

	<u>Current Period</u>	<u>Prior Period</u>
Income accruals on forwards	-	-
Expense accruals on forwards	-	-
Income accruals on currency swaps	574	1,029
Expense accruals on currency swaps	5	53

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

<u>Assets indexed on foreign exchange rates</u>	<u>Principal</u>	<u>Accruals for interest and foreign exchange gains for current period</u>
Loans	107,258	17,459
Interbank funds sold	1	1,446

TÜRKİYE GARANTİ BANKASI A.Ş.

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III- NOTES TO STATEMENTS OF INCOME

- (1) a- Interests received from the investee companies amounted to **TL10,455 (1999: TL5,888)**. Fees and commissions received from such companies aggregated to **TL64 (1999: TL.....-.....)**.
- b- Interests paid to the investee companies amounted to **TL3,272 (1999: TL4,144)**. Fees and commissions paid to such companies aggregated to **TL.....-..... (1999: TL-.....)**.
- (2) Income on financial leasing transactions amounted to **TL.....-..... (1999: TL.....-.....)**.
- (3) Expenses paid on financial leasing transactions amounted to **TL5,248 (1999: TL1,327)**.
- (4) a- General provisions for credit risks amounted to **TL16,134 (1999: TL1,124)**.
- b- Provision for diminishing in value of securities amounted to **TL.....-..... (1999: TL.....-.....)**.
- (5) **Items comprising 20%, at minimum, of the other expenses and income classified in groups I, II, IV and V, and representing 10%, at minimum, of the total of the related group that they are included in:-**

Major items composing 33% of the balance of group V are as follows:-

Advertisement expenses	20,644
Computers related expenses	18,280
Communication expenses	11,620

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

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

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

	<u>Current Period</u>
Income accruals	15,050
Expense accruals	6,346

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

TÜRKİYE GARANTİ BANKASI A.Ş.

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IV. SUPPLEMENTARY FINANCIAL STATEMENTS

A. Commitments and Contingencies

	Current Period (31.12.2000)			Prior Period (31.12.1999)		
	Turkish Lira	Foreign Currency	Total	Turkish Lira	Foreign Currency	Total
I. GUARANTEES AND ENDORSEMENTS	518,623	1,743,219	2,261,842	304,331	1,264,831	1,569,162
A. Letters of guarantee (L/G)	518,623	1,032,567	1,551,190	304,331	766,873	1,071,204
1. L/Gs under Law no.2886	103,943	-	103,943	64,150	-	64,150
2. L/Gs issued for foreign trade deals	17	1,030,778	1,030,795	17	765,640	765,657
3. Other letters of guarantee	414,663	1,789	416,452	240,164	1,233	241,397
B. Bank acceptances	-	154,584	154,584	-	141,575	141,575
1. Import acceptance credits	-	151,968	151,968	-	136,203	136,203
2. Other bank acceptances	-	2,616	2,616	-	5,372	5,372
C. Letters of credit (L/C)	-	535,023	535,023	-	336,101	336,101
1. L/Cs against documents	-	535,023	535,023	-	336,101	336,101
2. Other letters of credit	-	-	-	-	-	-
D. Confirmed pre-finance credits	-	15,948	15,948	-	14,701	14,701
E. Endorsements	-	-	-	-	-	-
1. Endorsements for Central Bank of Turkey	-	-	-	-	-	-
2. Other endorsements	-	-	-	-	-	-
F. Sale contracts on bank assets (risks Secured by the bank)	-	-	-	-	-	-
G. Underwriting commitments on share issues	-	-	-	-	-	-
H. Other guarantees	-	-	-	-	-	-
I. Other bails	-	5,097	5,097	-	5,581	5,581
II. COMMITMENTS	259,299	196,850	456,149	692,247	9,599	701,846
A. Irrevocable commitments	259,299	196,850	456,149	692,247	9,599	701,846
1. Repurchase and resale contracts	255,043	185,586	440,629	678,705	-	678,705
a) Repurchase contracts	215,634	185,586	401,220	678,705	-	678,705
I. Repurchase contracts with Central Bank of Turkey	-	-	-	-	-	-
II. Repurchase contracts with banks	-	-	-	-	-	-
III. Repurchase contracts with brokerage companies	-	-	-	-	-	-
IV. Repurchase contracts with other customers	215,634	185,586	401,220	678,705	-	678,705
b) Resale contracts	39,409	-	39,409	-	-	-
I. Resale contracts with Central Bank of Turkey	5,111	-	5,111	-	-	-
II. Resale contracts with banks	34,298	-	34,298	-	-	-
III. Resale contracts with brokerage companies	-	-	-	-	-	-
IV. Resale contracts with other customers	-	-	-	-	-	-
2. Term purchases of assets	-	-	-	-	-	-
3. Term purchases/sales of deposits	-	-	-	-	-	-
4. Capital commitments	4,256	267	4,523	13,542	651	14,193
5. Credit extension commitments	-	-	-	-	-	-
6. Intermediary commitments for share issues	-	-	-	-	-	-
7. Legal reserve commitments	-	-	-	-	-	-
8. Committed credit card limits	-	-	-	-	-	-
9. Other irrevocable commitments	-	10,997	10,997	-	8,949	8,949
B. Revocable commitments	-	-	-	-	-	-
1. Revocable credit extension commitments	-	-	-	-	-	-
2. Other revocable commitments	-	-	-	-	-	-
III. DERIVATIVE TRANSACTIONS	1,286,281	3,650,788	4,937,069	540,901	1,840,605	2,381,506
A. Forward currency purchases/sales	1,113,927	2,424,821	3,538,748	540,901	1,831,015	2,371,916
1. Forward currency purchases	119,137	1,591,538	1,710,675	128,455	1,057,204	1,185,659
2. Forward currency sales	994,790	833,283	1,828,073	412,446	773,811	1,186,257
B. Currency and interest swaps	27,894	86,787	114,681	-	9,590	9,590
1. Currency purchase swaps	27,894	27,494	55,388	-	3,518	3,518
2. Currency sale swaps	-	54,150	54,150	-	3,612	3,612
3. Interest purchase swaps	-	2,419	2,419	-	2,460	2,460
4. Interest sale swaps	-	2,724	2,724	-	-	-
C. Currency and interest options	144,460	1,066,198	1,210,658	-	-	-
1. Currency purchase options	-	533,273	533,273	-	-	-
2. Currency sale options	144,460	532,925	677,385	-	-	-
3. Interest purchase options	-	-	-	-	-	-
4. Interest sale options	-	-	-	-	-	-
D. Future currency deals	-	72,982	72,982	-	-	-
E. Future interest deals	-	-	-	-	-	-
1. Future interest purchases	-	-	-	-	-	-
2. Future interest sales	-	-	-	-	-	-
F. Others	-	-	-	-	-	-
TOTAL COMMITMENTS AND CONTINGENCIES	2,064,203	5,590,857	7,655,060	1,537,479	3,115,035	4,652,514

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note IV – (Continued)

B. Other Off-Balance Sheet Accounts

	Current Period (31.12.2000)			Prior Period (31.12.1999)		
	Turkish Lira	Foreign Currency	Total	Turkish Lira	Foreign Currency	Total
A. Valuables under Custody	1,036,131	209,522	1,245,653	1,470,130	104,255	1,574,385
1. Customer funds and portfolios managed by the bank	394	640	1,034	394	645	1,039
2. Securities under custody	373,093	61,131	434,224	369,551	11,411	380,962
3. Cheques subject to collection	370,462	37,722	408,184	210,448	12,143	222,591
4. Commercial notes subject to collection	57,781	97,415	155,196	34,125	70,900	105,025
5. Other valuables subject to collection	237	2,181	2,418	488	2,909	3,397
6. Securities (the bank acted as intermediary for their issuance)	-	-	-	-	-	-
7. Securities under repurchase transaction (held at custody on behalf of customers)	228,708	-	228,708	849,710	-	849,710
8. Other valuables under custody	5,456	10,433	15,889	5,414	6,247	11,661
9. Valuables under third-party custodies	-	-	-	-	-	-
B. Valuables under Pledge	4,055,880	2,501,464	6,557,344	1,826,359	1,919,196	3,745,555
1. Securities	3,713	11,907	15,620	7,173	2,001	9,174
2. Promissory notes	997,822	1,095,298	2,093,120	367,599	962,505	1,330,104
3. Stocks	2,637	-	2,637	1,694	153,609	155,303
4. Varrants	-	-	-	-	-	-
5. Immovables	1,537,619	196,726	1,734,345	1,013,319	-	1,013,319
6. Other valuables under pledge	1,513,918	1,197,533	2,711,451	436,374	801,081	1,237,455
7. Valuables under third-party custodies	171	-	171	200	-	200

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note IV – (Continued)

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

1- Current Period

31 December 2000								
	Demand	Upto 1 month	1 to 3 Months	3 months to 1 year	1 to 5 Years	5 Years and over	Others*	Total
ASSETS:								
Liquid assets	41,858	8,603	-	-	-	-	-	50,461
Due from banks and other financial institutions	155,901	623,606	68,059	42,548	1,835	-	-	891,949
Interbank funds sold	-	-	-	-	-	-	-	-
Securities (net)	-	25,647	98,111	47,491	783,300	269	-	954,818
Loans	-	434,182	537,712	1,204,255	335,623	-	-	2,511,772
Non-performing loans (net)	-	-	-	-	-	5,695	-	5,695
Accrued interest and income	-	66,042	43,029	75,377	70,441	4,887	-	259,776
Receivables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Reserve deposits	236,291	-	-	-	-	-	-	236,291
Investments and affiliated companies (net)	-	-	-	-	-	-	408,222	408,222
Equity shares classified under other long-term investments (net)	-	-	-	-	-	-	5,247	5,247
Other long-term investments (net)	-	5,320	114,882	228,040	362,136	132,703	-	843,081
Other assets	-	-	-	-	-	-	442,389	442,389
Total Assets	434,050	1,163,400	861,793	1,597,711	1,553,335	143,554	855,858	6,609,701
LIABILITIES:								
Saving deposits	45,454	377,939	26,281	7,703	-	-	-	457,377
Foreign currency deposits	408,205	1,175,551	270,493	72,813	-	-	-	1,927,062
Bank deposits	26,944	468,378	339,422	23,136	-	-	-	857,880
Other deposits	131,884	54,072	6,227	2,594	-	-	-	194,777
Interbank funds borrowed	-	225,066	-	-	-	-	-	225,066
Funds borrowed	-	299,930	543,865	450,812	473,186	-	-	1,767,793
Funds	-	-	-	-	-	-	-	-
Securities issued (net)	-	-	-	-	-	-	-	-
Accrued interest and expense	-	55,479	25,631	11,339	9,546	-	-	101,995
Payables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Taxes, stamps, premiums and other duties	-	-	-	-	19,580	-	-	19,580
Other liabilities	-	-	-	-	-	-	240,471	240,471
Shareholders' equity (including current period income/loss)	-	-	-	-	-	-	817,700	817,700
Total liabilities	612,487	2,656,415	1,211,919	568,397	502,312	-	1,058,171	6,609,701
COMMITMENTS AND CONTINGENCIES:								
Repurchase contracts	-	401,078	142	-	-	-	-	401,220
Resale contracts	-	39,409	-	-	-	-	-	39,409
Forward currency purchases	-	92,185	1,442,711	175,779	-	-	-	1,710,675
Forward currency sales	-	86,994	1,575,943	165,136	-	-	-	1,828,073
Currency purchase swaps	-	55,205	20	163	-	-	-	55,388
Currency sale swaps	-	53,987	18	145	-	-	-	54,150
Total	-	728,858	3,018,834	341,223	-	-	-	4,088,915

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Note IV – C – (Continued)

2- Prior Period

31 December 1999								
	Demand	Upto 1 Month	1 to 3 Months	3 months to 1 year	1 to 5 Years	5 Years and over	Others*	Total
ASSETS:								
Liquid assets	43,743	-	-	-	-	-	-	43,743
Due from banks and other financial institutions	123,379	337,667	-	-	-	-	-	461,046
Interbank funds sold	-	-	-	-	-	-	-	-
Securities (net)	-	-	860,907	186,915	104,252	-	-	1,152,074
Loans	-	-	330,221	704,727	386,909	-	-	1,421,857
Non-performing loans (net)	-	-	-	-	-	-	-	-
Accrued interest and income	6,828	-	102,021	225,823	123,342	-	-	458,014
Receivables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Reserve deposits	167,820	-	-	-	-	-	-	167,820
Investments and affiliated companies (net)	-	-	-	-	-	-	347,172	347,172
Equity shares classified under other long-term investments (net)	-	-	-	-	-	-	2,174	2,174
Other long-term investments (net)	-	-	-	-	-	-	195,729	195,729
Other assets	-	-	-	-	-	-	282,773	282,773
Total Assets	341,770	337,667	1,293,149	1,117,465	614,503	-	827,848	4,532,402
LIABILITIES:								
Saving deposits	26,678	113,569	24,926	8,315	-	-	-	173,488
Foreign currency deposits	375,704	860,611	188,889	63,007	-	-	-	1,488,211
Bank deposits	6,368	458,336	100,596	33,556	-	-	-	598,856
Other deposits	112,039	16,492	3,620	1,207	-	-	-	133,358
Interbank funds borrowed	-	-	116,584	-	-	-	-	116,584
Funds borrowed	-	187,300	339,632	281,522	295,494	-	-	1,103,948
Funds	-	-	-	-	-	-	-	-
Securities issued (net)	-	-	21,399	2,378	-	-	-	23,777
Accrued interest and expense	26,039	39,700	18,785	9,404	7,169	-	-	101,097
Payables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Taxes, stamps, premiums and other duties	-	-	12,085	-	-	-	-	12,085
Other liabilities	-	-	-	-	-	-	194,443	194,443
Shareholders' equity (including current period income/loss)	-	-	-	-	-	-	586,555	586,555
Total liabilities	546,828	1,676,008	826,516	399,389	302,663	-	780,998	4,532,402
COMMITMENTS AND CONTINGENCIES:								
Repurchase contracts	-	597,644	80,417	644	-	-	-	678,705
Resale contracts	-	-	-	-	-	-	-	-
Forward currency purchases	-	828,996	265,107	91,556	-	-	-	1,185,659
Forward currency sales	-	830,160	270,185	85,912	-	-	-	1,186,257
Currency purchase swaps	-	3,518	-	-	-	-	-	3,518
Currency sale swaps	-	3,612	-	-	-	-	-	3,612
Total	-	2,263,930	615,709	178,112	-	-	-	3,057,751

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note IV – (Continued)

D. Statements of Changes in Shareholders' Equity

	Share Capital	Legal Reserves	Share Premium	Other Legal Reserves	Extraordinary Reserves	Revaluation Surplus on Bank Premises and Equipment	Revaluation Surplus through Bonus Shares received	Valuation Increments(**)	Prior Years' Income/ (Losses)	Current Period Net Income/ (Loss)	Total Shareholders' Equity (***)
PRIOR PERIOD											
Balance as of 1 January 1999	50,000	7,845	-	861	59,309	39,443	695	126	-	130,075	288,354
<u>Appropriation of retained earnings:-</u>											
- Dividends											
- Transfer to reserves		6,504								(6,504)	
Share premium			8								8
<u>Increase in capital:-</u>											
- Cash injection											
- Transfer from revaluation surpluses	39,353					(39,353)					
- Transfer from other equity accounts	170,647				(46,986)					(123,571)	90
Income on sale of equity participations and bank premises and equipment (****)											
Bonus shares through investees' sales income on their equity participations and fixed assets (****)											
Current period revaluation surpluses (net)						41,641	2,069				43,710
Increase in valuation increment								68,633			68,633
Other movements (*)				75	4,586						4,661
Current period net income										181,099	181,099
CURRENT PERIOD											
Balance as of 31 December 1999	260,000	14,349	8	936	16,909	41,731	2,764	68,759	-	181,099	586,555
<u>Appropriation of retained earnings:-</u>											
- Dividends					(6,800)						(6,800)
- Transfer to reserves		9,055			172,044					(181,099)	
Share premium			(8)								(8)
<u>Increase in capital:-</u>											
- Cash injection											
- Transfer from revaluation surpluses											
- Transfer from other equity accounts											
Income on sale of equity participations and bank premises and equipment (****)											
Bonus shares through investees' sales income on their equity participations and fixed assets (****)											
Current period revaluation surpluses (net)						72,175	1,003				73,178
Decrease in valuation increment								(35,975)			(35,975)
Other movements (*)				48	(4,585)						(4,537)
Current period net income										205,287	205,287
Balance as of 31 December 2000	260,000	23,404	-	984	177,568	113,906	3,767	32,784	-	205,287	817,700

(*) Items resulting in changes in shareholders' equity may differ from time to time, accordingly content of "other movements" would differ.

(**) Favourable value differences on certain securities are recorded under the "valuation increments".

(***) In the above table, current period net income/(losses) and prior years' income/(losses) were included in "Shareholders' Equity" in order to reflect the effect of net results on the equity components. Other quasi-capital funds were excluded from "Shareholders' Equity".

(****) "Investees" also include equity shares classified under "other long-term investments".

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note IV – (Continued)

E. Statement of Cash Flows

	<u>Current Period</u>
I- Cash Flows from Banking Activities	
Interest Income Received	1,327,430
Interest Expenses Paid	(666,319)
Dividend Received	34,203
Commissions and Fees Received	120,901
Other Income	280,392
Recoveries on Loans and Other Receivables Written-Off	-
Payments for Personnel and Services Received	(451,941)
Taxes Paid	(170,888)
Other Collections (_____)	-
Other Payments (_____)	-
Cash Flows from Banking Activities before Changes in Operating Assets and Liabilities	473,778
Changes in Operating Assets and Liabilities:-	
<u>(Increases/decreases in Operating Assets:</u>	<u>(1,478,840)</u>
(Increase)/Decrease in Securities – Net	197,256
(Increase)/Decrease in Due from Banks - Net	(430,903)
(Increase)/Decrease in Loans – Net	(1,128,994)
(Increase)/Decrease in Other Assets	(116,199)
<u>(Increases/decreases in Operating Liabilities:</u>	<u>1,826,950</u>
Increase/(Decrease) in Deposits – Net	1,043,183
Increase/(Decrease) in Funds Borrowed - Net	663,845
Increase/(Decrease) in Securities Issued - Net	(23,777)
Increase/(Decrease) in Other Liabilities – Net	143,699
Net Cash Inflows from Banking Activities	348,110
II- Cash Flows from Investing Activities	
Acquisitions of Investments and Affiliated Companies	(103,648)
Sales of Investments and Affiliated Companies	7,625
Purchases of Bank Premises and Equipment	(68,970)
Sales of Bank Premises and Equipment	7,048
Purchases of Other Long-Term Investments	(650,425)
Sales of Other Long-Term Investments	-
Other Cash Inflows (_____)	-
Other Cash Outflows (_____)	-
Net Cash Outflows used in Investing Activities	(808,370)
III- Cash Flows from Capital Financing Activities	
Cash Inflows through Funds Borrowed and Securities Issued	-
Repayments for Funds Borrowed and Securities Issued	-
Cash Increase in Share Capital	-
Dividends Paid	(6,800)
Other Cash Inflows (_____)	-
Other Cash Outflows (_____)	-
Net Cash Outflows used in Capital Financing Activities	(6,800)
Effect of Changes in Foreign Currency Exchange Rates on Cash and Cash Equivalents	<u>4,994</u>
Increase in Cash and Cash Equivalents	6,718
Cash and Cash Equivalents at Beginning of Period	<u>43,743</u>
Cash and Cash Equivalent at End of the Period	50,461

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(Currency – Billions of Turkish Lira)

Note IV – (Continued)

F. Profit Distribution

	<u>Current Period</u>
A. Distribution of the Net Income for the Period	
1. Income before Taxes	265,263
2. Taxes Payable on the Net Income for the Period (-)	(59,976)
- Corporate taxes	(59,976)
- Income taxes	-
- Other taxes and duties	-
Net Income for the Period	205,287
3. Prior Years' Losses (-)	
4. First Legal Reserve (-)	
5. Compulsory Legal Reserves (-)	
Net Income for the Period Subject to Distribution	
6. First Dividend to Shareholders (-)	
- Ordinary shareholders	
- Privileged shareholders	
7. Dividend to Personnel (-)	
8. Dividend to Board of Directors (-)	
9. Second Dividend to Shareholders (-)	
- Ordinary shareholders	
- Privileged shareholders	
10. Second Legal Reserve (-)	
11. Legal Reserve per Articles of Association (-)	
12. Extraordinary Reserves (retained earnings)	
13. Other Reserves (Based on General Assembly decisions)	
14. Special Funds per Legislation	
B. Appropriation of Reserves	
1. Appropriation of Prior Years' Reserves	
2. Second Legal Reserves (-) (10% of legal reserves subject to distribution and retained earnings)	
3. Appropriation to Shareholders (-)	
- Ordinary shareholders	
- Privileged shareholders	
4. Appropriation to Personnel (-)	
5. Appropriation to Board of Directors (-)	
C. Earnings per Share	
1. Earnings per Ordinary Shares (TL, %)	
2. Earnings per Privileged Shares (TL, %)	
D. Dividend per Share	
1. Earnings per Ordinary Shares (TL, %)	
2. Earnings per Privileged Shares (TL, %)	

Note: No decision has yet been made on the distribution of the net income for the year 2000.