

# **Interim report**

**TO :** INVESTMENT COMMUNITY  
**FROM :** GARANTI BANK / Investor Relations  
Tel: (90 212) 286 0265  
Fax: (90-212) 286 0486  
E-mail: [muratm@garanti.com.tr](mailto:muratm@garanti.com.tr)  
[www.garantibank.com.tr](http://www.garantibank.com.tr)

**SUBJECT :** 1999 Q2 FINANCIAL STATEMENTS  
**DATE :** July 30, 1999

---

---

## **Pre-tax profits rose by 16% in real terms**

For the first half of 1999, Garanti Bank released TL129,008 Billion (US\$348 Million) of cumulated pre-tax income. This translates into an 16% increase in real terms. On June 30, 1998, the Bank's pre-tax profits were TL74,030 Billion (US\$309 Million). After a real increase of 153% in tax provision, net profits were TL87,539 Billion (US\$236 Million) as of June 30, 1999.

## **Turkish economy during the second quarter**

The official announcement of first quarter national income figures was made on June 30, 1999. While it had been clear to all that there had been a drop in economic activity in the first half of the year, the severity of it came as a surprise. National income in 1999Q1 actually reverted to the level recorded at the start of 1997. In addition to the 1.4% drop in GDP during the 4<sup>th</sup> Q 1998, a contraction of 8.5% in first quarter 1999 has technically put Turkey in a recession. The recession is due to negative developments in most of the components of aggregate demand. The main factor responsible for the slowdown was the sharp increase in real interest rates at the end of August 1998 that caused consumption and private investment expenditures to decline. There are, in turn, two possible culprits for the rise in interest rates. A 15% withholding tax on interest earnings was fortified with a clause that placed earnings above a certain level to be subject to income tax. The other memorable event is, of course, capital flight of around US\$ 6 billions that occurred in the weeks that followed the August economic meltdown in Russia. By 1999Q1 and Q2, interest rates had dropped from their levels in 1998Q3 but still remained unacceptably elevated.

High real interest rates still remain a thorn in the side of the economy. They have failed to come down, despite an improvement in the global economic outlook, for several reasons: first, there have not been large inflows of foreign capital. It is clear that capital flows depend on more than simple arbitrage opportunities. Second, domestic government borrowing, fuelled by ever increasing budget deficits (interest service on the domestic debt alone accounts for approximately 40% of all current budgetary spending), continues to relentlessly exert upward pressure on interest rates. Third, the rate of inflation had been coming well down in recent months (yet another consequence of the slowdown in the domestic and global economy). A fall in inflation is generally a desirable event, but in this context creates a dilemma to policymakers. The existence of a large budget deficit persistently forces the authorities – who are anxious not to fuel inflation –

to seek new borrowing. The problem is that domestic TL loans with high nominal rates represent high real payments when they come due under an environment of falling inflation. In simple terms, during a period of falling prices, borrowers lose, while lenders gain. The Turkish government is a large borrower, so the vicious nature of inflation is such as to possibly render it desirable for policymakers to further fuel it. The government's position as a large borrower leads to disbelief among agents in the economy that the authorities genuinely seek to lower the rate of general price increases. Hence, agents demand higher rates of return in order to provide new funds to the government. The government has little choice but to acquiesce because it needs to rollover its domestic obligations. Government borrowing therefore squeezes out private investment by raising interest rates.

The post-April 18 election period has seen a noticeable upsurge in economic activity despite the unfavourable climate outlined above. The month of April recorded the first uptick in industrial production this year, registering at 5.9% above last year's level. Capacity utilization moved up slightly as well to 77.9% in May. While this rate is the highest so far this year, it is still well below 1998 May's 82.1%. The figure had bottomed out in February at 71.2%, the nadir of the recession. The first indicators of economic improvement were higher durable goods production and construction starts. In April, output of TV sets rose by a remarkable 21%, while refrigerator production was up by an equally sharp 22.2% from 1998. These figures may indicate a veritable upsurge, but other sectors are weaker. May data show that automotive industry capacity utilization was still a meagre 57.3%. The interesting aspect is that all the sectors mentioned have increased exports to abroad. According to industry estimates, Turkish firms' share of the European market for television sets is now around 15%-20%. The increased output of durable goods does not by itself signal recovery of consumption, it may just mean production for export purposes.

### **Interest income surged to US\$1,271 Million during 1999/Q2**

During the first half of 1999, Garanti Bank released TL470,580 Billion (US\$1,271 Million) of interest income, a rise of 34% in real terms, in comparison with the same period of 1998. During the first half of 1998, interest income was TL233,052 Billion (US\$974 Million). Interest on loans was TL154,128 Billion and made up 33% of the total interest income. On a quarterly basis, the share of interest on loans in total interest income rose to 34%, up from 31% in 1999/Q1. Interest on securities, which was TL243,250 Billion, grew by 51% in real terms. Due to decreased lending and a liquidity stance, investment on securities increased, and therefore, the share of interest earned on securities rose to 55% in the current period from 49% in the first half of 1998.

As of June 30, 1999, interest expense rose by 57% in real terms and reached TL237,885 Billion (US\$642 Million). During the same period of 1998, interest expense was TL101,008 Billion (US\$422 Million). However, interest expenses decreased by 27% in real terms in the second quarter over the first quarter of 1999. Interest given to deposits was TL201,555 Billion, increasing by 78% in real terms in a year-on-year terms while declining 28% in real terms on a quarterly basis. The second largest item in interest expense was interest paid on funds borrowed. In US\$ terms, the Bank paid US\$79 Million interest for its borrowed funds, 4% below the previous year's figure. On a quarterly basis, the share of interest paid on borrowed funds to total interest expense remained at 12% during both the first and the second quarters.

### **Rise in net interest margins**

By the end of the first half of 1999, the Bank's net interest margin went up to TL232,695 Billion (US\$628 Million). This translates to a 17% real increase over June 1998's TL132,044 Billion (US\$552 Million). During the April-June 1999 period, in real terms, net interest margin was 24% above the 1998/Q2's NIM. Cost of interest bearing liabilities was 15.67% (14.83% in 1998/Q2) and return on interest earning assets was 51.25% (46.04% in 1998/Q2). This rendered a net interest margin of 35.58% by the end of 1999/Q2, up from 31.21% in 1998/Q2. Adjusted NIM margin ratio was 14.77%, slightly lower than 1998/Q2's 15.28%.

On a quarter by quarter basis, cost of interest bearing liabilities improved to 15.67% from 17.00% in Q1 of this year. The drop in average deposit rates and average cost of borrowed funds were the main drivers. On the yield side, return on interest earning assets showed a slight decrease to 51.25% from 52.23% in 1999/Q1. This was mainly influenced by the lower yields on interest earned from banks, as yields on loans and investment portfolio increased over the 1999/Q1 levels. As a result, adjusted NIM increased to 14.77% from 11.66% in Q1 of this year. Lower pace of devaluation also was a factor in the improved adjusted margins.

Garanti Bank's netted non-interest income grew by 45% in real terms to reach TL31,642 Billion (US\$85 Million). Net fees and commissions surged by 107% in real terms, reaching TL10,689 Billion. The share of fees and commissions in total non-interest income also increased to 67% from 47% in the previous quarter. Net capital market gains were TL16,171 Billion. This is 23% over H1 of 1998.

Operating expense increased by 27% in real terms, to TL129,002 Billion (US\$348 Million). Income before taxes was TL129,008 Billion (US\$348 Million), up from TL74,030 Billion (US\$309 Million). This 16% real increase was mostly eliminated by the 153% real increase in tax provision, which was TL41,469 Billion. On a quarterly basis, tax provision was up by 73% in real terms over the first quarter. Effective tax rate therefore was up to 32% from 15% in the H1 of 1998. Operating expense to total assets increased to 5.10% from 4.64% in H1 of 1998, but remained at the same level as year-end 1998.

### **Controlled growth in assets continued**

As of June 30, 1999, Garanti Bank's total assets expanded by 22% in real terms on a year-on-year basis, reaching TL3,373,086 Billion (US\$8,008 Million). The Bank maintained its high liquidity levels during the second quarter as well. Cash and due from banks were TL519,997 Billion (US\$1,235 Million), up by 28% in real terms over the first half of 1998. The share of liquid assets was 39% of the total assets. This was 33% during the first half of 1998. Securities (including other long-term investments), which composed 30% of the assets were TL1,013,988 Billion (US\$2,407 Million). The share of the loan portfolio dropped slightly to 34.5% of the total assets during the second quarter in comparison with 37% in the first three months of 1999. Total cash loans were TL1,165,007 Billion (US\$2,766 Million) as of June 30, 1999 of which 71% was FC loans. Provisions for the loans under follow-up were TL12,916 Billion. Allowance for loan losses to non-performing loans was 100% as in the previous periods. Asset quality improved further as the ratio of non-performing loans to total loans was 1.11%, as compared to 1.13% in 1999 Q1, and 1.34% in 1998. The ratio stood around 9% in the banking sector during the first quarter.

On the funding side, deposits, which made up 52% of the total liabilities and stockholders' equity were TL1,761,440 Billion (US\$4,182 Million). Time deposits were 73% of the total deposits and foreign currency deposits made up 56% of the total. Reserves on the liabilities side were TL55,189 Billion. A 197% real increase in reserves was due to the jump in reserve for taxes on income and other provisions.

Garanti's borrowed funds during the second quarter remained almost at the same level in real terms. In the second quarter, Garanti Bank finalized its US\$200 Million trade payment rights securitization. The facility, which was launched from the original amount of US\$150 Million, represented Garanti's largest securitization to date and comprised fixed and floating rate tranches. The Bank also successfully completed a US\$250 Million pre-export finance facility. The transaction, which had a maturity of 365 days, carried a competitive margin of 55bp above Libor. The latest facility of the Bank was the renewal of US\$250 Million direct-pay letter of credit and reimbursement facility in support of a U.S. commercial paper program, during July 1999. This was the third time the Facility was being renewed and 24 banks from 13 different countries participated. In total, Garanti Bank became the largest Turkish borrower in international markets after the Turkish Treasury, with US\$850 Million foreign borrowing for the current year. The USCP transaction was the last rollover for the year as Garanti has no rollovers during the second half of 1999.

The Bank's net repo portfolio was TL247,459 Billion (US\$588 Million) as of June 30, 1999. The ratio of repo portfolio to total assets was 7%. During 1999/Q1 and 1998/Q2, these were 9% and 11%, respectively.

Total shareholders' equity was TL399,672 Billion (US\$945 Million), up by 30% in real terms for the period. In 1998/Q2, total equity was TL205,032 Billion (US\$770 Million). Garanti Bank has raised its paid-in capital by TL210 Trillion, -the highest capital increase among the Turkish banks-, to reach TL260 Trillion. This allowed shareholders' equity to increase by 46% in real terms in comparison to 1998 Q2 period.

Garanti has lowered its short position to total equity to 21% from 27% in 1998/Q2. Short position for the period was US\$203 Million in comparison with US\$208 Million during 1998/Q2.

The capital adequacy ratio for 1999 Q2 period was 18.81%. Return on average assets for the period was 7.17%, and return on average equity (profit included) was 49.39%. On a pre-tax basis, both ROAA and ROAE decreased to 10.17% and 72.79%, respectively, from 11.22% and 86.24% in H1 of 1998. In comparison to 1999/Q1, ROAA increased from 8.92%, and ROAE slightly decreased from 73.40%.

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ**

**FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIODS ENDED  
30 JUNE 1999 AND 1998**

# TÜRKİYE GARANTİ BANKASI A.Ş.

BALANCE SHEETS-ASSETS (In millions TL)	Unaudited	
	30.06.99	30.06.98
<b>Liquid assets</b>	<b>21,883,880</b>	<b>20,169,731</b>
Cash, local currency	3,834,199	3,997,392
Cash, foreign currency	12,637,667	11,360,344
Others	5,412,014	4,811,995
<b>Due from banks</b>	<b>498,113,191</b>	<b>250,584,815</b>
Central Bank of Turkey	26,787,678	18,418,446
Other banks	471,325,513	232,166,369
-Domestic banks	28,309,375	43,299,257
-Foreign banks	443,016,138	188,867,112
<b>Other financial institutions</b>	-	-
<b>Interbank funds sold</b>	-	-
<b>Securities (Net)</b>	<b>880,502,689</b>	<b>338,249,482</b>
Government bonds and treasury bills	651,888,084	285,091,403
Other bonds	-	-
Equity shares	164,699	29,959
Other securities	228,449,906	53,128,120
<b>Loans</b>	<b>1,165,007,492</b>	<b>847,156,158</b>
Short-term	653,002,026	489,842,697
Medium and long-term	512,005,466	357,313,461
<b>Non-performing loans (Net)</b>	-	-
Loans under follow-up (Net)	-	-
-Uncollateralised	4,958,257	2,292,679
-Collateralised	7,958,629	2,835,698
-Provision (-)	12,916,886	5,128,377
Doubtful commissions and other receivables	-	-
-Gross receivables	-	-
-Provision (-)	-	-
<b>Accrued interest and income</b>	<b>282,385,990</b>	<b>115,916,426</b>
On loans	58,299,098	33,856,695
On securities	155,762,342	58,223,375
Others	68,324,550	23,836,356
<b>Receivables from financial leasing activities (Net)</b>	-	-
Receivables from financial leasing activities	-	-
Unearned income (-)	-	-
<b>Reserve deposits</b>	<b>86,113,365</b>	<b>41,890,402</b>
<b>Government bonds funding legal reserves</b>	<b>12,704,115</b>	<b>12,704,116</b>
<b>Miscellaneous receivables</b>	<b>3,572,155</b>	<b>1,509,368</b>
<b>Investments (Net)</b>	<b>31,409,420</b>	<b>1,686,963</b>
Financial companies	1,000,000	1,254,793
Non-financial companies	30,409,420	432,170
<b>Affiliated companies (Net)</b>	<b>47,738,315</b>	<b>32,693,779</b>
Financial companies	27,422,178	15,247,614
Non-financial companies	20,316,137	17,446,165
<b>Other long-term investments (Net)</b>	<b>133,485,644</b>	<b>60,404,683</b>
Equity shares	1,067,658	852,674
Others	132,417,986	59,552,009
<b>Bank premises and equipment (Net)</b>	<b>151,145,702</b>	<b>61,619,688</b>
Carrying value	178,202,552	75,305,159
Accumulated depreciation (-)	27,056,850	13,685,471
<b>Other assets</b>	<b>59,023,609</b>	<b>52,457,581</b>
<b>TOTAL ASSETS</b>	<b>3,373,085,567</b>	<b>1,837,043,192</b>

# TÜRKİYE GARANTİ BANKASI A.Ş.

## BALANCE SHEETS-LIABILITIES AND

### SHAREHOLDERS' EQUITY (In millions TL)

Unaudited

	30.06.99	30.06.98
<b>Deposits</b>	<b>1,761,439,943</b>	<b>904,474,478</b>
Saving deposits	139,505,468	115,287,189
Certificate of deposits	440	440
Deposits of official authorities and organisations	15,496,046	12,178,723
Commercial deposits	80,384,719	59,718,008
Deposits of other organisations	12,256,788	8,608,466
Bank deposits	529,030,909	187,825,704
Foreign currency deposits	983,270,654	518,595,772
Gold deposits	1,494,919	2,260,176
<b>Interbank funds borrowed</b>	<b>73,118,505</b>	<b>6,500,000</b>
<b>Funds borrowed</b>	<b>828,476,651</b>	<b>555,039,273</b>
From Central Bank of Turkey	-	-
Others	828,476,651	555,039,273
-Domestic banks and organisations	59,648,175	31,661,110
-Foreign banks and organisations	768,828,476	523,378,163
-Subordinated debts	-	-
<b>Funds</b>	<b>-</b>	<b>-</b>
<b>Securities issued (Net)</b>	<b>51,421,196</b>	<b>71,524,882</b>
Notes	-	-
Asset backed securities	-	562,508
Bonds	51,421,196	70,962,374
<b>Accrued interest and expense</b>	<b>92,875,164</b>	<b>31,599,291</b>
On deposits	70,032,358	22,120,709
On funds borrowed	8,840,621	6,966,730
Others	14,002,185	2,511,852
<b>Payables from financial leasing activities (Net)</b>	<b>-</b>	<b>-</b>
Payables from financial leasing activities	-	-
Deferred expenses (-)	-	-
<b>Taxes, stamps, premiums and other duties</b>	<b>6,776,331</b>	<b>4,048,117</b>
<b>Transfer orders</b>	<b>6,611</b>	<b>5,667</b>
<b>Other payables</b>	<b>37,832,271</b>	<b>15,208,703</b>
<b>Reserves</b>	<b>55,189,007</b>	<b>12,383,643</b>
Reserve for retirement pay	2,668,205	1,668,205
General provision for loan losses	12,277,154	4,558,983
Reserve for taxes on income	29,305,452	5,804,636
Other provisions	10,938,196	351,819
<b>Other liabilities</b>	<b>66,276,947</b>	<b>31,227,429</b>
<b>Shareholders' equity</b>	<b>312,133,596</b>	<b>141,892,492</b>
Share capital	260,000,000	40,000,000
-Nominal capital	260,000,000	40,000,000
-Unpaid capital (-)	-	-
Reserves	27,585,325	63,355,734
Reserve for possible loan losses (Banking Act, article 32/1)	-	4,858,793
Revaluation surplus	22,534,068	33,255,173
Valuation increment	2,014,203	422,792
Loss	-	-
-Loss for the period	-	-
-Prior years' losses	-	-
<b>Income</b>	<b>87,539,345</b>	<b>63,139,217</b>
-Income for the period	87,539,345	63,139,217
-Prior years' income	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,373,085,567</b>	<b>1,837,043,192</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>Guarantees and endorsements</b>	<b>1,210,548,010</b>	<b>895,250,526</b>
<b>Commitments</b>	<b>268,969,101</b>	<b>373,759,819</b>
<b>Derivative transactions</b>	<b>1,722,175,212</b>	<b>1,496,189,725</b>
<b>TOTAL</b>	<b>3,201,692,323</b>	<b>2,765,200,070</b>

## TÜRKİYE GARANTİ BANKASI A.Ş.

		Unaudited	
STATEMENTS OF INCOME (In millions TL)		30.06.99	30.06.98
I.	<b>INTEREST INCOME</b>	<b>470,580,211</b>	<b>233,051,892</b>
	<b>Interest on loans</b>	<b>154,127,895</b>	<b>108,134,774</b>
	On TL loans	100,792,544	78,000,112
	-On short-term loans	100,378,080	77,626,648
	-On medium and long-term loans	414,464	373,464
	On foreign currency loans	53,318,694	30,085,192
	-On short-term loans	23,240,844	12,426,400
	-On medium and long-term loans	30,077,850	17,658,792
	Interest on loans under follow-up	16,657	49,470
	<b>Interest from banks</b>	<b>63,232,710</b>	<b>11,149,083</b>
	Central Bank of Turkey	-	838,823
	Domestic banks	43,786,943	6,612,034
	Foreign banks	19,445,767	3,698,226
	<b>Interest on interbank funds sold</b>	<b>95,988</b>	<b>1,856,569</b>
	<b>Interest on securities</b>	<b>243,250,006</b>	<b>106,860,346</b>
	On government bonds and treasury bills	225,567,888	104,404,865
	On other securities	17,682,118	2,455,481
	<b>Other interest income</b>	<b>9,873,612</b>	<b>5,051,120</b>
II.	<b>INTEREST EXPENSE</b>	<b>237,884,886</b>	<b>101,008,095</b>
	<b>Interest expense on deposits</b>	<b>201,554,508</b>	<b>75,219,003</b>
	Saving deposits	52,022,497	19,140,233
	Certificate of deposits	-	3,986
	Deposits of official authorities and organisations	876,317	1,298,317
	Commercial deposits	6,337,236	1,016,990
	Deposits of other organisations	542,306	243,730
	Bank deposits	103,761,792	40,012,420
	Foreign currency deposits	38,014,360	13,503,327
	<b>Interest on interbank funds borrowed</b>	<b>4,377,496</b>	<b>1,741,219</b>
	<b>Interest on funds borrowed</b>	<b>29,106,786</b>	<b>19,567,863</b>
	Domestic banks	6,175,967	3,087,020
	Foreign banks	9,712,996	7,386,877
	Other organisations	13,217,823	9,093,966
	<b>Interest on securities issued</b>	<b>2,545,981</b>	<b>4,243,452</b>
	<b>Other interest expense</b>	<b>300,115</b>	<b>236,558</b>
III.	<b>NET INTEREST MARGIN (I-II)</b>	<b>232,695,325</b>	<b>132,043,797</b>
IV.	<b>OTHER INCOME</b>	<b>296,920,678</b>	<b>53,138,248</b>
	<b>Commissions and fees received</b>	<b>26,223,715</b>	<b>11,435,118</b>
	On loans	2,456,753	717,681
	On documentary credits and letters of guarantee	3,663,737	1,929,727
	Others	20,103,225	8,787,710
	<b>Trading account income</b>	<b>17,717,204</b>	<b>9,087,727</b>
	<b>Foreign exchange gain</b>	<b>248,198,745</b>	<b>30,245,908</b>
	<b>Dividends received</b>	<b>1,010,277</b>	<b>852,648</b>
	<b>Others</b>	<b>3,770,737</b>	<b>1,516,847</b>
V.	<b>OPERATING EXPENSES</b>	<b>400,607,658</b>	<b>111,152,343</b>
	<b>Commissions and fees paid</b>	<b>15,534,658</b>	<b>8,004,050</b>
	On funds borrowed	2,068,715	1,398,634
	On documentary credits	26,259	52,131
	Others	13,439,684	6,553,285
	<b>Trading account loss</b>	<b>1,545,501</b>	<b>321,336</b>
	<b>Foreign exchange loss</b>	<b>305,476,960</b>	<b>61,407,143</b>
	<b>Personnel expenses</b>	<b>35,502,640</b>	<b>18,642,760</b>
	<b>Provision for retirement pay</b>	<b>200,000</b>	<b>450,000</b>
	<b>Rent expenses</b>	<b>2,605,840</b>	<b>1,150,901</b>
	<b>Depreciation and amortisation expenses</b>	<b>4,175,122</b>	<b>1,948,033</b>
	<b>Taxes, stamps and other duties</b>	<b>2,342,872</b>	<b>1,083,034</b>
	<b>Provision for possible loan losses</b>	<b>1,279,883</b>	<b>405,287</b>
	<b>Other provisions</b>	<b>4,846,436</b>	<b>4,266,573</b>
	<b>Others</b>	<b>27,097,746</b>	<b>13,473,226</b>
VI.	<b>NET OTHER INCOME/(EXPENSE) (IV-V)</b>	<b>(103,686,980)</b>	<b>(58,014,095)</b>
VII.	<b>INCOME BEFORE TAXES (III+VI)</b>	<b>129,008,345</b>	<b>74,029,702</b>
VIII.	<b>PROVISION FOR TAXES ON INCOME</b>	<b>41,469,000</b>	<b>10,890,485</b>
IX.	<b>NET INCOME FOR THE PERIOD (VII-VIII)</b>	<b>87,539,345</b>	<b>63,139,217</b>



(Currency - Millions of Turkish Lira)**I- GENERAL NOTES ON THE BANK'S FINANCIAL POSITION****A. Notes to the current period operations**

(1) The financial statements were approved on 29 July 1999 (1998: 25 July 1998).

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

**There were no changes in the accounting policies.**

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

**The financial statements were prepared on the basis of going-concern, accrual basis accounting and consistency principles.**

**The components of statement of income are accounted for under accrual basis of accounting.**

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

**There were no changes in the valuation policies.**

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

**Treasury bills, government bonds and similar securities are valued on a "simple interest rate basis".**

**Securities quoted on the Istanbul Stock Exchange are marked to market. The valuation increments are booked under the "valuation increment" heading as a component of shareholders' equity.**

(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". No changes have been made in depreciation methods used during the current period.**

(7) US dollar exchange rate for the Turkish lira (TL) at the date of balance sheet, 30 June 1999, used in the translation of foreign currency items in the financial statements and US dollar exchange rates for TL announced by the Bank applicable to its transactions for the last five working days of the period:-

**The US dollar exchange rate for TL used for the preparation of the financial statements at 30 June 1999, was TL421,200 (1998: TL266,150).**

**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:-**

29.06.1999	418,500	29.06.1998	264,970
28.06.1999	417,150	26.06.1998	263,450
25.06.1999	415,350	25.06.1998	263,100
24.06.1999	416,750	24.06.1998	263,550
23.06.1999	416,150	23.06.1998	262,500

(Currency - Millions of Turkish Lira)**Note I - A- (Continued)**

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

	<u>1999</u>	<u>1998</u>
Foreign currency denominated assets	USD 5,935 millions	USD 6,261 millions
Foreign currency denominated liabilities	USD 6,138 millions	USD 6,469 millions
Short position in foreign currency	USD 203 millions	USD 208 millions

- (9) Total insurance coverage on assets amounted to **TL115,450,734 (1998: TL85,853,168)**.

- (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 30 June 1999, amounted to **TL2,668,205 (1998: TL1,668,205)** of which **TL200,000 (1998: TL450,000)** was provided in the current period.

In the current period, there were also other provisions expensed. These were: deferred tax liability of **TL9,926,382 (1998: TL5,085,849)** on income and expense items reflected in the statement of income in the current period but will be taxable or tax deductible in the subsequent periods (taxable temporary differences), provision for non-performing loans of **TL1,279,883 (1998: TL405,287)** and general provision for loan losses of **TL4,846,436 (1998: TL4,558,982)**.

- (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.**

**(Currency - Millions of Turkish Lira)****II- NOTES TO BALANCE SHEETS AND OFF-BALANCE SHEET ACCOUNTS**

- (1) TL.....-..... (1998: TL.....-.....) of cash at the Central Bank was deposited under blocked accounts.
- (2) **TL3,890,576 (1998: TL.....-.....)** of cash at foreign banks was deposited under blocked accounts against the "securitisation" transactions on cheques and credit card receivables.
- (3) - **TL28,639 (1998: TL24,680)**, of "securities" balance represents the "valuation increment" on securities.
- Total carrying value of equity shares, included in "securities", of which market values exceeded their costs and which were stated at cost in the balance sheet amounted to **TL.....-..... (1998: TL.....-.....)**, total costs of securities recorded at their market values amounted to **TL6,392 (1998: TL5,276)**.
  - Total carrying value of equity shares, included in "other long-term investments", of which market values exceeded their costs and which were stated at cost in the balance sheet amounted to **TL.....-..... (1998: TL.....-.....)**, total costs of equity shares recorded at their market values amounted to **TL250,143 (1998: TL187,761)**.
  - Total carrying value of investments and affiliated companies of which market values exceeded their costs and which were stated at cost in the balance sheet amounted to **TL.....-..... (1998: TL.....-.....)**, total costs of equity shares recorded at their market values amounted to **TL22,112,820 (1998: TL.....-.....)**.
  - **TL26,014,919 (1998: TL19,393,232)** of securities and long-term investments comprised of securities blocked in compliance with legal requirements.
  - Market values of bonds, bills and similar securities amounted to **TL1,080,840,440 (1998: TL429,591,514)** in total at the date of balance sheet (In the calculation, the profit sharing notes-indexed on foreign currency and some Eurobonds issued by the Republic of Turkey were stated at values announced by the Central Bank because of unavailability of market values for such securities. Turkish Lira bonds and bills not traded in the market on the date of balance sheet, were also stated at values announced by the Central Bank. In addition, bonds issued by some foreign financial institutions were stated at cost as they have no values announced by the Central Bank).
  - Values of bonds, bills and similar securities calculated at the rates announced by the Central Bank (Türkiye Cumhuriyeti Merkez Bankası) and published in the Official Gazette amounted to **TL1,078,117,136 (1998: TL429,462,629)** in total (Some Eurobonds issued by the "Republic of Turkey", government bonds in foreign currency and investment funds of Garanti Fund Management Co.Ltd were stated at market values in the calculation due to the absence of such values published in the Official Gazette. In addition, bonds issued by some foreign financial institutions were stated at cost as they have no values announced by the Central Bank).
- Bonds, bills and similar securities sold under repurchase (repo) agreements at the date of balance sheet, were not included in the calculation of market values and values per the Central Bank as explained in the above paragraphs. On the other hand, total accrued interest on such securities of TL55,932,417 (1998: TL21,429,516), reduced by interest expense on repo transactions, was included in "accrued interest on securities" as a component of "accrued interest and income" on the balance sheet.**

(Currency - Millions of Turkish Lira)

## Note II - (Continued)

- (4) - TL13,394,793 (1998: TL1,539,617) and TL39,141,169 (1998: TL20,758,816) of total loans and advances, aggregating to TL52,535,962 (1998: TL22,298,433), provided to the shareholders and personnel of the Bank, represented cash and non-cash loans (documentary credits, acceptances and similar items), respectively.
- Total of the loans granted for specialisation purposes included in the loan portfolio amounted to TL.....-..... (1998: TL .....-.....).
- (5) - Total of the loans renewed or rescheduled, amounted to TL2,419,849 (1998: TL.....-.....).
- As at 30 June 1999, detail of classified receivables by collateral and provisions against such receivables were as follows:-

<u>Collateral group</u>	<u>Classified receivables</u>	<u>Specific provision</u>
Uncollateralised	4,958,258	4,958,258
I st Group collateral	82,685	82,685
II nd Group collateral	2,253,689	2,253,689
III rd Group collateral	4,937,759	4,937,759
IV th Group collateral	684,496	684,496

- TL476,086 (1998: TL768) of the classified receivables comprised of foreign currency denominated receivables.
- (6) - Receivables arising from term sale of assets amounted to TL.....-..... (1998: TL .....-.....).
- (7) - TL1,596,203 (1998: TL.....-.....) of investments and affiliated companies represented the "valuation increment" arising from the market value adjustments for such investments traded on the Istanbul Stock Exchange.
- Carrying values of investments and affiliated companies traded on the Istanbul Stock Exchange amounted to TL23,709,023 (1998: TL.....-.....) in total.
- Bonus shares received from investments and affiliated companies amounted to TL5,234,568 (1998: TL3,343,673).
- At 30 June 1999 and 1998, receivables from and payables to affiliated companies and other investees, were as follows:-

	1999	
	<u>Financial investees and affiliated companies</u>	<u>Other investees and affiliated companies</u>
<b>RECEIVABLES:</b>		
-Due from banks and other financial institutions	26,453,656	-
-Bonds and similar securities	63,180,000	-
-Loans (including overdue loans)	29,452,703	4,832,647
-Accrued interest and income	1,883,474	2,864,389
<b>PAYABLES:</b>		
-Deposits	10,831,043	1,107
- Accrued interest and expense	341,487	-
<b>DOCUMENTARY CREDITS AND OTHER NON-CASH LOANS</b>	174,399,238	2,228,694

(Currency - Millions of Turkish Lira)

## Note II - (Continued)

	1998	
	Financial investees and affiliated companies	Other investees and affiliated companies
<b>RECEIVABLES:</b>		
-Due from banks and other financial institutions	37,190,131	-
-Loans (including overdue loans)	15,063,988	2,661,500
-Accrued interest and income	928,618	498,294
<b>PAYABLES:</b>		
-Deposits	7,643,248	50,651
-Accrued interest and expense	40,869	-
<b>DOCUMENTARY CREDITS AND OTHER NON-CASH LOANS</b>		
	164,101,821	1,770

- At 30 June 1999 and 1998, investments and affiliated companies included the followings:-

	1999			
	% of ownership	Total capital	Net income for the period	Market value
<b>INDUSTRIAL COMPANIES</b>				
GENOTO GEN. OTO. SAN. TİC. A.Ş.	40.00	64,000	134,441***	-
MAN KAMYON VE OTO. SAN. A.Ş.	0.50	2,244,530	(1,020)**	-
LASAŞ LASTİK SAN.VE TİC. A.Ş.	99.99	2,500,000	20,435***	-
<b>BANKS</b>				
SINAİ YATIRIM BANKASI A.O.	10.00	10,000,000	3,755,421	-
T.SINAİ KALKINMA BANKASI A.Ş.	0.78	16,000,000	1,969,385***	145,725*
İ.M.K.B. TAKASBANK A.Ş.	4.86	7,850,000	3,343,910	-
<b>COMMERCIAL COMPANIES</b>				
GARANTİ BİLİŞİM TEKN. TİC. A.Ş.	100.00	994,000	4,840***	-
BULL BİLGİSAYAR TEK. A.Ş.	0.02	10,000	(95,130)***	-
YATIRIM FİNANSMAN A.Ş.	0.28	1,000,000	206,879	-
GENOTO GENERAL OTO. PAZ. A.Ş.	0.20	80,000	71,217***	-
BANKALARARASI KRD. KART. MERKEZİ A.Ş.	9.98	97,500	545,178	-
GARANTİ FİNANSAL KİR. A.Ş.	80.00	2,000,000	549,699***	-
AKTİF FİN. FACTORİNG HİZ. A.Ş.	9.78	1,256,850	907,690***	493,780*
TÜRK SUUDİ YATIRIM HOL. A.Ş.	0.06	400,000	28,886	-
T. KREDİ KAYIT BÜROSU A.Ş.	9.09	275,000	37,982***	-
GARANTİ MENKUL KIYM. A.Ş.	51.67	1,000,000	254,254***	-
GARANTİ PORTFÖY YÖNETİMİ A.Ş.	70.00	250,000	421,288	-
PETROTRANS NAKLİYAT TİC. A.Ş.	100.00	5,000	314	-
ANA KONUT DANIŞMANLIK A.Ş.	100.00	4,250,000	(2,451)	-
DOĞUŞ HAVA TAŞIMACILIĞI A.Ş.	49.91	11,000,000	(580,027)***	-
TANSAŞ İZMİR B. Ş. B. İÇ VE DIŞ TİC. A.Ş.	29.00	3,000,000	(646,191)***	23,709,023*
GARANTİ ÖDEME SİSTEMLERİ A.Ş.	99.92	5,000	-	-
<b>TOURISM COMPANIES</b>				
GARANTİ TURİZM YAT.VE İŞL. A.Ş.	43.33	950,000	(227,594)***	-
ŞAHİNTUR ŞAHİNLER O. TURZ. YAT. İŞL. A.Ş.	100.00	262,500	17,703***	-
<b>INVESTMENTS IN FOREIGN CURRENCY</b>				
UNITED GARANTİ BANK INT. N.V.	100.00	NLG75 millions	EUR4,584,000***	-
DOC FINANCE S.A.	50.27	CHF12 millions	CHF(1,142,761)	-
CI FINANCE LTD.	100.00	USD500,000	USD(1,052,075)***	-
CI INVESTMENTS LTD.	100.00	USD500,000	USD(1,052,075)***	-
BOSPHORUS FINANCE SER. LTD.	100.00	USD500,000	USD(1,052,075)***	-
GARANTİ FUNDING CORP. I	100.00	USD50,000	-	-
GARANTİ FUNDING CORP. II	100.00	USD50,000	-	-
GARANTİ BANK MOSCOW	99.33	USD15 millions	USD1,379***	-
INSTRUMENTS FINANCE COMPANY	100.00	USD25,000	USD(50,479)***	-
GARANTİ FINANCIAL SERVICES PLC	99.99	USD138,100	USD(270,094)	-
GARANTİ FUND MANAGEMENT CO. LTD.	99.00	USD100,000	USD23,885***	-

(Currency - Millions of Turkish Lira)

## Note II - (Continued)

- (\*) Quoted shares are valued at the weighted average market rates for the last five working days.  
 (\*\*) Net income for the year ended 31 December 1998.  
 (\*\*\*) Net income for the three-month period ended 31 March 1999.

	1998			
	<u>% of ownership</u>	<u>Total capital</u>	<u>Net income for the period</u>	<u>Market value</u>
<b><u>INDUSTRIAL COMPANIES</u></b>				
GENOTO GEN. OTO. SAN. TİC. A.Ş.	40.00	64,000	49,717**	-
MAN KAMYON VE OTO. SAN. A.Ş.	0.50	2,244,530	(54,654)**	-
LASAŞ LASTİK SAN.VE TİC. A.Ş.	99.99	2,500,000	26,784	-
<b><u>BANKS</u></b>				
SINAI YATIRIM BANKASI A.O.	10.00	2,500,000	1,772,205	-
T.SINAI KALKINMA BANKASI A.Ş.	0.78	8,000,000	1,530,107**	170,990*
İ.M.K.B. TAKASBANK A.Ş.	4.86	2,750,000	4,277,084	-
<b><u>COMMERCIAL COMPANIES</u></b>				
GARANTİ BİLİŞİM TEKN. TİC. A.Ş.	100.00	994,000	(29,581)	-
BULL BİLGİSAYAR TEK. A.Ş.	0.02	10,000	2,436***	-
YATIRIM FİNANSMAN A.Ş.	0.28	500,000	238,100	-
GENOTO GENERAL OTO. PAZ. A.Ş.	0.20	80,000	146,596	-
BANKALARARASI KRD. KARTLARI MERKEZİ A.Ş.	9.98	97,500	627,064	-
GARANTİ FİNANSAL KİR. A.Ş.	80.00	2,000,000	969,051**	-
AKTİF FIN. FACTORİNG HİZ. A.Ş.	9.78	1,256,850	271,587**	414,883*
TÜRK SUUDİ YATIRIM HOL. A.Ş.	0.06	400,000	(3,612)***	-
T. KREDİ KAYIT BÜROSU A.Ş.	9.09	275,000	(12,840)	-
GARANTİ MENKUL KIYM. A.Ş.	21.67	1,000,000	993,073	-
GARANTİ PORTFÖY YÖNETİMİ A.Ş.	70.00	125,000	114,072	-
PETROTRANS NAKLİYAT TİC. A.Ş.	100.00	5,000	(1,844)	-
ANA KONUT DANIŞMANLIK A.Ş.	100.00	4,250,000	(3,400)	-
DOĞUŞ HAVA TAŞIMACILIĞI A.Ş.	6.14	5,700,000	530,390	-
<b><u>TOURISM COMPANIES</u></b>				
GARANTİ TURİZM YAT.VE İŞL. A.Ş.	43.33	950,000	227,817***	-
ŞAHİNTUR ŞAHİNLER OTELCİLİK TURZ. YAT. İŞL. A.Ş.	100.00	262,500	(860)**	-
<b><u>INVESTMENTS IN FOREIGN CURRENCY</u></b>				
UNITED GARANTİ BANK INT. N.V.	100.00	NLG75 millions	NLG12,268,000**	-
DOC FINANCE S.A.	16.67	CHF12 millions	CHF1,976,999**	-
CI FINANCE LTD.	100.00	USD500,000	USD(230,338)	-
CI INVESTMENTS LTD.	100.00	USD500,000	USD(230,338)	-
BOSPHORUS FINANCE SER. LTD.	100.00	USD500,000	USD(230,338)	-
GARANTİ FUNDING CORP. I	100.00	USD50,000	-	-
GARANTİ FUNDING CORP. II	100.00	USD50,000	-	-
GARANTİ BANK MOSCOW	99.33	USD15 millions	USD6,608,000	-
INSTRUMENTS FINANCE COMPANY	100.00	USD25,000	USD251,990	-
GARANTİ FINANCIAL SERVICES PLC	99.99	USD138,100	USD(176,732)	-
GARANTİ FUND MANAGEMENT CO.LTD.	99.00	USD100,000	USD(15,740)	-

- (\*) Quoted shares are valued at the weighted average market rates for the last five working days.  
 (\*\*) Net income for the year ended 31 December 1997.  
 (\*\*\*) Net income for the three-month period ended 31 March 1998.

**(Currency - Millions of Turkish Lira)****Note II - (Continued)**

- (8) Other long-term investments comprised of government bonds, long-term profit sharing notes-indexed on foreign currency, government bonds in foreign currency, and equity shares in the amount of **TL121,152,635 (1998: TL26,830,321)**, **TL1,146,520 (1998: TL1,890,479)**, **TL10,118,830 (1998: TL30,831,210)** and **TL1,067,658 (1998: TL852,673)**, respectively.
- (9) In accordance with the Banking Law, assets held for resale amounted to **TL29,587,816 (1998: TL1,698,811)**.
- (10) Items comprising 20%, at minimum, of the other assets and other liabilities representing 10%, at minimum, of the balance sheet total (excluding commitments and contingencies):-

**There were no such items.**

- (11) - Deposits comprised of demand accounts of **TL468,840,647 (1998: TL284,994,520)** and time accounts of **TL1,292,599,296 (1998: TL619,479,958)**, respectively.
- All saving deposits and gold deposit accounts were insured up to **TL720,826,961 (1998: TL358,919,402)** under "Saving Deposit Insurance Fund".
- (12) - Issuance premiums for securities issued amounted to **TL960,097 (1998: TL1,552,450)**.
- Bonds convertible to the capital shares amounted to **TL.....-..... (1998: TL.....-.....)**.
- (13) Cash collateral received amounted to **TL294,333 (1998: TL184,923)**.
- (14) - 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.....-..... (1998: TL.....-.....)**, was related to securities denominated in foreign currencies. **TL.....-..... (1998: TL.....-..... )** of this portion represented the foreign exchange gain accrual on such equity shares classified in investments, affiliated companies and other long-term investments.
- 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, were classified under "foreign exchange gain" in the statement of income for the period.**

**(Currency - Millions of Turkish Lira)****Note II - (Continued)**

- (15) At 30 June 1999 and 1998, maturity structures of some assets and liabilities were as follows:-

	<b>1999</b>			
	<u>Demand</u>	<u>Up to 3 months</u>	<u>3 to 12 months</u>	<u>Over 1 year</u>
<b><u>ASSETS:</u></b>				
Liquid assets	21,883,880	-	-	-
Due from banks and other financial institutions	46,311,477	451,801,714	-	-
Securities (Net)	-	527,761,495	352,741,194	132,417,986
Performing loans	-	481,654,655	540,845,724	142,507,113
Accrued interest and income	-	210,875,206	59,054,726	12,456,058
Reserve deposits	86,113,365	-	-	-
<b><u>LIABILITIES:</u></b>				
Deposits	468,840,645	1,245,575,542	46,271,827	751,929
Interbank funds borrowed	-	73,118,505	-	-
Funds borrowed	-	465,764,328	141,135,437	221,576,886
Securities issued (Net)	-	44,006,259	7,414,937	-
Accrued interest and expense	-	89,661,665	3,121,343	92,156
Taxes, stamps, premiums and other duties	-	6,776,331	-	-
<b><u>ASSETS:</u></b>				
Liquid assets	20,169,731	-	-	-
Due from banks and other financial institutions	150,816,293	99,768,522	-	-
Securities (Net)	-	96,970,845	242,131,311	58,699,335
Performing loans	-	295,404,134	352,147,973	199,604,051
Accrued interest and income	-	86,146,391	22,505,074	7,264,961
Reserve deposits	41,890,402	-	-	-
<b><u>LIABILITIES:</u></b>				
Deposits	284,994,525	581,073,249	38,344,762	61,942
Interbank funds borrowed	6,500,000	-	-	-
Funds borrowed	-	172,101,431	200,597,250	182,340,592
Securities issued (Net)	-	56,471,188	15,046,598	7,096
Accrued interest and expense	-	30,162,702	1,433,429	3,160
Taxes, stamps, premiums and other duties	-	4,048,117	-	-

- (16) Commitments arising from outstanding agreements for resale and repurchase of government securities at the balance sheet date, amounted to **TL7,013,972 (1998: TL72,486,468)** and **TL254,472,906 (1998: TL295,913,013)**, respectively.

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

**The Bank does not apply registered share capital system.**



(Currency - Millions of Turkish Lira)

## Note II - (Continued)

- Capital increases during the period:-

In accordance with the resolution of the Board of Directors Meeting no. 1846 held on 5 April 1999, on the Extraordinary General Shareholders' Meeting held on 17 May 1999 it was decided to increase the share capital by TL210,000,000 (1998: TL10,000,000) from TL50,000,000 (1998: TL40,000,000) to TL260,000,000 (1998: TL50,000,000) provided for as follows:-

	<u>1999</u>	<u>1998</u>
Transfer from revaluation surplus		
on bank premises and equipment	39,353,300	4,532,476
Transfer from retained earnings	170,557,054	-
Transfer from gain on sale of investments	-	4,933,042
Transfer from gain on sale of fixed assets	<u>89,646</u>	<u>534,482</u>
	<u>210,000,000</u>	<u>10,000,000</u>

Capital increase of the current period was registered by Istanbul Commercial Registration Office on 17 May 1999. Shares presenting a capital of TL210,000 billions were listed by Capital Markets Board on 3 June 1999 through Resolution Number 79/637.

- Transfer from revaluation surplus to contribute the capital increase:-

As explained above.

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

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

**None of the shareholders has 10% or more interest in the issued share capital, except for Doğuş Holding A.Ş. which currently holds 44.83% of the issued share capital.**

(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 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 six-month period ended 30 June 1999, such payments charged to statement of income as expense accumulated to TL280,836 (1998: TL92,800) and the remaining balance recorded as "prepaid expense" in the balance sheet, amounted to TL1,496,092 (1998: TL354,529).

If the Bank would have applied IAS17, TL249,000 of the prepayments related to leasing activities incurred till 30 June 1999 would not be charged to income, instead reserves would be less by TL2,859,649, prepaid expenses by TL1,495,294 and the following items of the financial statements would be higher by the amounts below:-

Bank premises and equipment, net	3,859,341
Payables from financial leasing activities, net	7,560,698
Depreciation expense	454,879
Interest expense	321,226
Foreign exchange losses	1,809,897

(Currency - Millions of Turkish Lira)

## Note II - (Continued)

(19) - Other significant matters:-

- Wholly-owned affiliates of the Bank, incorporated in Malta; namely CI Finance Ltd., CI Investments Ltd. and Bosphorus Financial Services Ltd. own all the shares of Clover Investments Co. Limited, also incorporated in Malta. In June 1996, Clover Investments Co. acquired all the shares of Compagnie Ottomane d'Investissements B. V. (COI) incorporated in the Netherlands; COI owns all the shares of Osmanlı Bankası A.Ş., a major bank incorporated in Turkey. The Bank provided loans amounting to TL20,645,119 (TL equivalent at the exchange rates prevailing on 30 June 1999) to its affiliates in Malta to finance the acquisition of the shares in COI. At the date of balance sheet, the Bank accrued interest income in the amount of TL157,197 on such loans (TL equivalent at the exchange rates prevailing on 30 June 1999). In 1998, Clover Investments Co. Limited transferred all its shares in COI to Marmo S.A.; its wholly owned subsidiary incorporated in Luxembourg. On 25 June 1999, the Bank purchased the bonds issued by these four companies incorporated in Malta at their nominal values of USD200 millions. Such bonds were included in "securities" in the accompanying financial statements with an interest rate of 5.79188%. The companies repaid back the funds borrowed from UBS for the acquisition of Osmanlı Bankası A.Ş., by the proceeds of these bonds.
- The full amount of deferred tax liability calculated on items included in the statement of income, but to be taxable or tax deductible in the subsequent periods, was reflected in the accompanying financial statements. Detail of deferred tax liability was as follows:-

<u>Deferred tax liability</u>	<u>Percentage of amount reflected in the financial statements</u>	<u>Amount reflected in the financial statements</u>
1- Amount related to current period TL9,926,382	100%	TL 9,926,382
2- Amount related to prior years TL34,696,878	100%	TL <u>34,696,878</u>
3- Total amount TL44,623,260		TL <u>44,623,260</u>
Deferred tax liability (balance sheet)		: TL <u>44,623,260</u>
Deferred tax charge (statement of income)		: TL <u>9,926,382</u>

- Detail of assets and liabilities indexed on foreign currency exchange rates, price of gold or other financial indicators:-

<u>Assets indexed on foreign currency (fc)</u>	<u>Principal</u>	<u>Interest and exchange gain accruals</u>
Loans indexed on fc	24,283,392	10,937,694
Loans indexed on interbank rates	850,324	666,404
Profit sharing notes indexed on fc	1,146,521	1,631,859

- Year 2000 issues

Management's comments on the year 2000 issues were included below:-

The Bank's information technology fully complies with the requirements of the year 2000. Management believes that there is no critical risks in its own organisation and that there will be no material adverse effect on the Bank's operations due to any possible problems that may arise with its customers and other institutions.

**(Currency - Millions of Turkish Lira)****III- NOTES TO STATEMENTS OF INCOME**

- (1) - Interests received from the investee companies amounted to **TL4,727,434 (1998: TL1,297,716)**. Fees and commissions received from such companies aggregated to TL..... (1998: TL ..... ).
- Interests paid to the investee companies amounted to **TL110,256 (1998: TL207,373)**. Fees and commissions paid to such companies aggregated to TL..... (1998: TL .....).
- (2) Income on financial leasing transactions amounted to **TL..... (1998: TL.....)**.
- (3) Expenses paid on financial leasing transactions amounted to **TL280,836 (1998: TL92,800)**.
- (4) - General provision for loan losses amounted to **TL4,846,436 (1998: TL4,558,982)**.
- Provision for valuation allowance on securities amounted to **TL..... (1998: 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:-
- None.**
- (6) Other significant matters:-
- None.**

.....