



Interim report

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SUBJECT : 2000/H1 FINANCIAL STATEMENTS
DATE : August 16, 2000

I. TURKISH ECONOMY IN 2000 FIRST HALF

The Turkish economy in the first half of the year performed in line with the IMF sponsored program. The common characteristics shared by countries that have implemented a stabilization program with the exchange rate as a nominal anchor as its centerpiece are a decline in interest rates, rise in bank loans to consumers and firms, a subsequent consumption boom led by expenditures on durables, and a gradual appreciation of the local currency in real terms.

Interest rates did, indeed, fall dramatically at the start of 2000. Overnight rates hovering around a mean of 73%pa prior to the stabilization program fell to around 34% in the first half of 2000. With the cost of foreign currency borrowing in TL terms declining in line with the lower TL per Euro-dollar currency basket devaluation rate (year on year loss in the value of the Lira versus the basket was due to slow from over 60% to just 20%), it was only natural for the local price of money (i.e.; interest rates) to converge towards the change in the price of local money in terms of foreign currency. In simple terms, the exchange rate anchor has acted as a benchmark towards which all other prices in the Turkish economy should gradually converge.

Turkey, at present, stands on the consumption boom phase. Capacity utilization rates in manufacturing industry have been on a rising trend, but sufficient slack must have remained as of Q1 so that investment spending is yet to register a veritable boom. An ever-present pitfall under the present exchange rate regime is that more and more of the rise in demand may come to be met by foreign goods; i.e.; imports. The steady slide of the current account into negative territory may perhaps suggest that Turkey should now tread with care to avoid significant imbalances in the external sector.

This may well be true but several caveats need to be attached. First, the current account deterioration is in some part due to a tripling of oil prices from last year (which may fall following a pledge to raise output by OPEC and the oncome of summer months). Second, 1999Q1 was the nadir of last year's recession, and indeed, were it not for the August earthquake economic recovery would have come about sooner. Regardless, 2000Q1 percentage rise figures reflect a low baseline effect carried over from last year. Third, the current account always displays a seasonal nature, with Q3 regularly registering a surplus or a very small deficit. Fourth, CBRT had announced at the onset an exit strategy from the daily peg regime. The regime is due to be

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diluted with a band by mid-2001 and abandoned altogether in 2003, eliminating exchange rate inflexibility. Last, but not least, the authorities are aware of the potential external imbalance problem and yet have time to react with appropriate fiscal tightening measures. In the meantime, the scale of economic recovery is in doubt by some economists. Our seasonally adjusted leading indicators graph confirms the resurgence of growth by exhibiting historically high levels. Direct, up-to-date evidence of solid economic growth is present in industrial production figures. A first look at the data reveals a modest average increase of 3.4% in the first half of 2000 in comparison to 1999. Once the decline in refinery output-as a result of quake damage to a Tupras site in August 1999- is removed from the index, a completely different picture emerges. Not only has there been growth; it has in fact been vigorous at some 7.3% from 1999. This, of course, will oblige the authorities to cool down the economy if the rate of inflation is to come down faster. High-end forecasts indicate that wholesale prices will rise by 31.4% y-o-y in 2000, somewhat higher than the 20% y-o-y official target, but far better than the 60% range at the start of the year.

There has been an upsurge in economic activity with the decline in interest rates. GDP has risen by 5.6% in 2000/Q1, with GNP rising by 4.2%. Consumption spending rose by 4.6% in 2000/Q1, while investment spending rose by 10.6%. These two categories comprise roughly 85% of national income. Hints of economic recovery in the new year have come in the form of higher automotive (up by 74.2% in 2000/H1 from 1999H1 according to the Automotive Industry Association) and durable goods (up by 34.4% in the first five months of 2000) sales, two sectors which tend to anticipate the business cycle. Coincident indicators such as industrial production shorn of refinery output have mirrored these data.

Meanwhile, significant inroads have been made in improving the public sector fiscal imbalance, long thought to be the culprit behind chronic inflation and the frequent boom-bust cycle of economic activity. First half primary expenditures were up by 50.4% (a decline of 4.1% when adjusted for WPI inflation), while revenues were up by 106.6% in the same period.

The cumulative current account deficit rose US\$4,450 Million for January-May 2000 period. Although this figure may well rise to US\$5.5 Billion in June, it should level off in 2000/Q3, due to tourism revenues.

II. GARANTİ BANK 2000/H1

KEY INFORMATION

Branches (Domestic)	228 ¹	Credit Cards	718,621
Offices	18	Debit Cards	965,591
Employees (Excluding security)	4,197	ATMs	465
Internet Customers	149,468	POS	29,549
Telephone Banking Customers	199,841	ADC Utilization Rate ²	57.5%

¹ Excluding ongoing renovations

² Percentage of total comparable transactions including cash transactions

Developments and Important Subsequent Events

During the second quarter of 2000, Garanti Bank was able to maintain its profitability despite lower spreads on loans and investment securities. Demand for consumption goods, although not exploding, raised consumer lending significantly as rates fell to reasonable levels. Especially in automobile loans, the market has seen as low as 2.60% levels per month. Special agreements

signed with car dealers representing well-known brands have placed Garanti in number one position in the car loan market. Falling inflation rates have also encouraged banks to introduce 10-year or 20-year housing loans. However, the demand for such loans was not impressive, since the interest rates of these loans floated parallel to the inflation rate after the first three years. According to the Central Bank data, consumer loans and credit cards balances have reached TL4,650 Trillion (US\$7,553 Million) as at June 30, 2000, up by 91.6% in US\$ terms over December 31, 1999. Consumer loans made up 67.5% of the total and during the same period increased by 182.1%. Automobile loans were TL1,619 Trillion (US\$2,630 Million), and composed 51.6% of the consumer loans.

Mr. Ergun Özen, CEO and President of Garanti Bank, has made public the new branch types and the new logo of Garanti Bank during a press meeting in mid-July. The new logo, again a clover but green, dynamic and without boundaries, represents the change and adaptation in Garanti, in line with the new economic environment. Mr. Özen has also introduced the new and differentiated branch types of the Bank. Known as “Nokta” during the project stage, the differentiation will aim to increase the efficiency of distribution channels. During the project phase, the Bank had divided Turkey into more than 100 micro-markets, and studied various customer groups according to pre-determined criteria. The customers were segmented into five different groups in line with their financial needs. The current distribution network of 228 domestic branches will be increased to 335 branches by the end of 2001. The existing corporate-only branches will continue to serve the corporate customers. There will be flagship branches that are established to serve commercial customers, by definition smaller in terms of annual turnover as compared to the corporate clients. Mini flagship branches will be established in smaller cities of Turkey, and both commercial and retail customers including SMEs will be served. The retail branches will provide a full spectrum of retail banking products in addition to advisory services for its clients including SMEs. Açık, established as a credit card to mid-market segment, is now a full-service retail branch where bundled sets of banking products are offered to the same segment. The number of Açık branches will increase to 65 by the year-end 2000.

By the end of the first half of the year, the ratio of comparable cash transactions executed via alternative delivery channels have reached 57.5%, as compared to 52.4% at year-end 1999. As of July, this ratio has increased to 58.2% bringing the Bank closer to its target of 70% by the end of 2001. Non-cash transactions done through our internet branch was 20.6% as of July, and currently, the number of internet branch customers has surpassed 190,000. The Bank still has more than 50% of the market share in internet banking. The call center “Alo Garanti” executes 15.0% of the total comparable non-cash transactions as of July. The number of Garanti ATMs has increased to 479, and are being replaced with self-service machines, where a wider of services and products will be offered. When cash withdrawal is included, about 39.2% of the comparable transactions are executed via ATMs.

Garanti finalized a US\$ 400 Million syndicated loan facility on July 2000. In response to the strong demand, the original launch amount of US\$250 Million was increased to US\$400 Million. Over 60 banks from 25 countries have joined the facility, which was priced at Libor plus 47.5 basis points. Year to date, total amount of syndicated loan facilities that Garanti signed has reached US\$800 Million.

During the month of May, Europay/Master Card International recognized Garanti as “The Best Bank in Europe” among 100 banks in a two-year audit of credit card security and risk control quality (RAMP).

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

Operating Performance

As at June 30, 2000, Garanti Bank announced a net profit of TL116,545 Billion (US\$199 Million), as compared to TL87,539 Billion (US\$236 Million) in the corresponding period of 1999. During the first quarter of 2000, the Bank had announced a net profit of TL70,035 Billion (US\$124 Million).

Interest income was TL620,110 Billion (US\$1,058 Million) as at June 30, 2000, in comparison with TL336,566 Billion (US\$598 Million) as at 2000/Q1. Interest income on loan book made up 31.1% of total interest income, in comparison with 29.3% as at March 31, 2000. About a six-percent increase in the loan book over the previous quarter, could not offset the effect of decreasing margins, thus on a quarterly basis, interest earned on loans was down by 8.1% in US\$ terms. Interest earned on TL loans made up 65.8% of total interest earned on loans. During the second quarter, spread on loans was down to 6.0%, as compared to 6.6% in 2000/Q1. Interest income from securities was TL366,165 Billion (US\$625 Million) and composed 59.0% of the total, as compared with TL212,378 Billion or 63.1% of total interest income in 2000/Q1. Decrease in the share of interest earned on securities was attributable to lower spreads on securities in the second quarter. As at June 30, 2000, spread on securities was calculated as 14.2%.

Garanti Bank's interest expense was TL298,024 Billion (US\$509 Million) as at June 30, 2000. During the second quarter of 2000, interest expense was TL136,917 Billion, as compared to TL161,107 Billion as at March 31, 2000, decreasing 18.4% in US\$ terms. Lower interest expense mainly stemmed from 16.1% US\$ decline in interest paid on deposits over the first quarter. As at June 30, 2000, interest paid on deposits were TL240,518 Billion (US\$410 Million), whereas in the first quarter the figure was TL128,341 Billion (US\$228 Million). Thus, interest paid on deposits in the second quarter was TL112,176 Billion. Interest paid to deposits to total deposits was 4.2% in 2000/Q2, as compared to 5.0% in 2000/Q1. Interest paid on borrowed funds was TL52,181 Billion (US\$89 Million), or 17.5% of total interest expense.

As at June 30, 2000, net interest income was TL322,086 Billion (US\$550 Million), as compared to TL175,460 Billion (US\$312 Million) as at March 31, 2000. NIM was slightly down to 17.89% by the end of the second quarter, from 20.3% as at 2000/Q1, and 19.41% as at year-end 1999. Accordingly NIM adjusted by foreign exchange losses was 14.86% as at June 30, 2000, up from 13.81% as at December 31, 1999.

On the non-interest side, Garanti posted TL650,258 Billion (US\$1,110 Million) of non-interest income. Non-interest income, net of foreign exchange loss, fees and commissions paid and trading account loss, was TL110,874 Billion (US\$189 Million) as at June 30, 2000, as compared with TL53,419 Billion (US\$95 Million) in the first quarter of 2000. 82.7% of fees and commissions received originated from other banking services, namely credit card commissions, money transfers, insurance commissions, and foreign trade transactions. Net fees and commissions (fees and commissions received netted from fees and commissions paid) were TL18,066 Billion as of June 30, 2000. On a quarterly basis, net fees and commissions, which were TL10,059 Billion during the second quarter of 2000, rose by 20.6% in US\$ terms over the first quarter of 2000. Net fees and commissions as a percentage of NIM excluding the FX loss was 6.7%. In the first quarter of 2000, the same ratio was 5.5%. Net trading account income increased to TL69,034 Billion as at June 30, 2000, up from TL34,749 Billion as of March 31, 2000. Non-interest income (net) as a percentage of total operating income was 25.6% as at June 30, 2000, up from 23.3% as at March 31, 2000, and 18.9% as at December 31, 1999. Positive developments on the non-interest revenues reflect Garanti's rapid adaptation to the low inflation environment.

Total other expenses, netted from foreign exchange loss, fees and commissions and trading income was TL211,149 Billion (US\$360 Million) as at June 30, 2000, up from TL99,119 Billion (US\$176 Million) as at March 31, 2000. During the second quarter, netted operating expenses were TL112,029 Billion (US\$191 Million), up by 8.5% in US\$ terms over the previous quarter of 2000. Personnel costs were TL50,883 Billion as at June 30, 2000, composing 24.1% of the netted operating expense, as compared with TL23,331 Billion, or 23.5% of netted operating expenses as at March 31, 2000, and 45.5% in June 30, 1999. On a quarterly basis, personnel expenses rose by 13.3% in US\$ terms in the second quarter of 2000. This was because of June being the wage increase month of the Bank. The reason for higher netted operating expenses was other provisions (general provision for loans) which were TL11,275 Billion as at June 30, 2000, in comparison with TL826 Billion in the first quarter of this year. Other non-interest expenses rose 20.7% in US\$ terms in the second quarter of 2000, over 2000/Q1. IT, advertising, telecommunications, maintenance and insurance costs were the major components of other non-interest expenses. Extraordinary expenses, reflecting the one time tax on interest income derived from government bonds and treasury bills were TL72,965 Billion (US\$125 Million) as of June 30, 2000.

Net foreign exchange loss was TL52,302 Billion as at June 30, 2000, down from TL57,278 Billion in the same period of 1999.

Garanti's Cost/Income ratio was 51.60% as at June 30, 2000. Excluding the extraordinary expenses, cost/income ratio decreased to 31.7% by 2000/H1, from 33.7% in the same period of 1999.

During the first half of 2000, earning before taxes were TL169,509 Billion (US\$289 Million), in comparison with TL100,035 Billion (US\$178 Million) as at March 31, 2000. The effective tax rate was 31.2% in the first half of 2000, as compared with 30.0% in 2000/Q1.

Balance Sheet

As at June 30, 2000, Garanti Bank's total assets were TL5,281,272 Billion (US\$8,549 Million), as compared to TL5,193,909 Billion (US\$8,829 Million) as at March 31, 2000, and TL4,532,402 Billion (US\$8,336 Million) as at December 31, 1999. In US\$ terms, total assets increased by 2.5% during the first half of the year.

Cash and due from banks increased to TL858,012 Billion (US\$1,389 Million), to make up 16.3% of total assets. During the second quarter, cash and due from banks rose 18.4% in US\$ terms over the first quarter of 2000. Securities were TL870,324 Billion (US\$1,409 Million), or 16.5% of total assets, and contracted by 30.3% in US\$ over the first quarter of this year. As at March 31, 2000, securities made up 22.9% of total assets. Other long-term investments, which composed 10.1% of total assets were TL531,241 Billion (US\$860 Million) as at June 30, 2000. TL174,899 Billion of investment portfolio was shown in other long-term investments item. The reason for lower securities portfolio was due to the Bank's profit taking in order to benefit from declining interest rates. Liquid assets to total assets were 42.78% as of June 30, 2000, slightly up from 41.32% as of March 31, 2000.

Cash loans were TL1,746,030 Billion (US\$2,826 Million) as of June 30, 2000, composing 33.1% of total assets. As at March 31, 2000, cash loans were TL1,565,477 Billion (US\$2,661 Million) and made up 30.1% of total assets. Increase in cash loans was 6.2% in US\$ terms over the first quarter and 8.1% over 1999 FYE. Short-term cash loans made up 63.1% of total cash loans in the first half of 2000, as compared to 56.0% in the same period of 1999. Increase in loan book in

the second quarter stemmed from higher demand for consumer loans. The share of TL cash loans in total loans increased to 35.9% as at June 30, 2000, from 32.2% as at March 31, 2000 and 28.0% as at December 31, 1999. The share of consumer loans, including the SMEs, in total loan book increased to 22.0% during the second quarter of 2000. Similarly the share of commercial and corporate loans were 45.0% and 33.0%, respectively. Cash loans extended to related parties were 6.2% of total cash loan portfolio. Non-performing loans were TL29,873 Billion as at June 30, 2000 and 100% provision was set aside for these loans. Non-performing loans to cash loans were 1.71% as of June 30, 2000. The ratio was 1.91% by the end of the first quarter of 2000. Non-performing loans to total cash and non-cash loans were 0.80% as at 2000/H1.

Accrued interest was TL293,853 Billion as at June 30, 2000. Accrued interest on loans made up 23.1% of the total accrued interest during the first half of 2000, as compared to 14.1% during the first quarter of 2000.

Total deposits were TL2,832,022 Billion (US\$4,584 Million), or 53.6% of total liabilities and shareholders' equity up from 52.7% in the first quarter of 2000. Foreign currency deposits including gold were TL1,688,151 Billion and made up 77.2% of total deposits excluding bank deposits. 72.0% of FC deposits were time deposits. TL demand deposits made up 49.4% of total TL deposits. The share of demand deposits in total deposits 28.0% from 26.6% in 1999/H1. Bank deposits decreased 5.2% in US\$ terms over 1999 year-end.

Total funds borrowed was TL1,311,297 Billion (US\$2,123 Million) as at June 30, 2000, composing 24.8% of total liabilities and shareholders' equity, slightly down from 26.9% in 1999 year-end.

During the second quarter of 2000, total reserves on the liabilities side were TL96,606 Billion, and 54.8% was emanated from reserve for taxes on income. Total provisions shrunk by 44.1% in US\$ terms over the first quarter's figure.

Leverage rate was calculated as 6.4 during the first half of 2000. In the first quarter of the year, leverage rate was 6.7. Cost of interest bearing liabilities declined further to 15.3%, down from 22.0% in 1999 year-end and, 16.8% in 2000/Q1.

Total shareholders' equity including net income was TL714,411 Billion (US\$1,156 Million) as at June 30, 2000. Total equity to total assets ratio was 13.5% in the current period. In the previous quarter, total shareholders' equity was TL670,870 Billion (US\$1,140 Million). Capital adequacy ratio as at June 30, 2000 was 15.24%.

As at June 30, 2000, net foreign currency position of the Bank was US\$129 Million, down from US\$203 Million in 1999/H1. Current period's short position corresponds to 19.43% of the Bank's equity base, calculated in line with the Central Bank's guidelines.

Pre-tax return on average assets was 6.91% for the current period, down from 7.06% as at December 31, 2000. After-tax ROAA was 4.75% as at June 30, 2000. Similarly, pre-tax return on average equity was 52.12%, and after-tax ROAE was 35.83% during the first half of 2000.

Exchange Rates

US\$1= TL617,800	As of June 30, 2000	US\$1=TL585,952	2000 Jan. - June average
US\$1= TL421,200	As of June 30, 1999	US\$1=TL370,349	1999 Jan. - June average

Inflation Rate (WPI)

1999 June - 2000 June	56.8%
1999 June – 2000 June (average)	59.7%
1999 December - 2000 June	18.5%

KEY RATIOS

	30.06.2000	31.03.2000	31.12.1999	30.06.1999
<i>Asset Quality and Liquidity Ratios</i>				
NPL / Cash Loans	1.71%	1.91%	1.94%	1.11%
NPL/ Cash +Non-Cash Loans	0.80%	0.90%	0.92%	0.54%
Allowance for Loan Losses/NPL	100.00%	100.00%	100.00%	100.00%
Deposits/Total Assets	53.62%	52.70%	52.82%	52.22%
Cash Loans/Total Assets	33.06%	30.14%	31.37%	34.54%
Liquid Assets/Total Assets	42.78%	41.32%	40.92%	45.48%
<i>Profitability Ratios</i>				
NIM	17.89%	20.28%	19.41%	20.49%
Adjusted NIM	14.86%	16.59%	13.81%	15.33%
Return on Average Assets	4.75%	5.76%	5.26%	6.12%
Return on Average Equity	35.83%	44.56%	41.40%	50.89%
Non-interest Income/ Total Operating Income	25.61%	23.34%	18.86%	11.97%
Other Operating Expense (excl. FX loss and extraordinary expenses)/Total Assets	5.23%	4.60%	4.75%	4.63%
Cost / Income (1)	51.60%	49.77%	42.97%	33.72%
Cost / Income (2)	31.73%	27.04%	37.55%	33.72%
Effective Tax Rate	31.25%	29.99%	25.50%	32.14%

- (1) Including the extraordinary items
(2) Excluding the extraordinary items

Türkiye Garanti Bankası Anonim Şirketi

**Interim Financial Statements
30 June 2000 and 1999
With Independent Auditor's
Review Report Thereon**

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TÜRKİYE GARANTİ BANKASI A.Ş.

BALANCE SHEETS-ASSETS (in billions TL)	Unaudited but reviewed	
	30.06.2000	30.06.1999
Liquid assets	37,307	21,884
Cash, local currency	5,399	3,834
Cash, foreign currency	20,268	12,638
Others	11,640	5,412
Due from banks	820,704	498,113
Central Bank of Turkey	78,406	26,788
Other banks	742,298	471,325
-Domestic banks	439,416	28,309
-Foreign banks	302,882	443,016
Other financial institutions	-	-
Interbank funds sold	1,200	-
Securities (Net)	870,324	880,503
Government bonds and treasury bills	171,168	651,888
Other bonds	-	-
Equity shares	416	165
Other securities	698,740	228,450
Loans	1,746,030	1,165,007
Short-term	1,101,176	653,002
Medium and long-term	644,854	512,005
Receivables under follow-up (Net)	-	-
Limited collectibility (net)	-	-
- Gross receivables	934	-
- Provision (-)	(934)	-
Collectibility uncertain (net)	-	-
- Gross receivables	6,851	-
- Provision (-)	(6,851)	-
Uncollectible (net)	-	-
- Gross receivables	22,087	12,917
- Provision (-)	(22,087)	(12,917)
Accrued interest and income	293,853	282,386
Loans	67,941	58,299
Securities	125,063	155,762
Others	100,849	68,325
Receivables from financial leasing activities (Net)	-	-
Receivables from financial leasing activities	-	-
Unearned income (-)	-	-
Reserve deposits	204,825	86,113
Government bonds funding legal reserves	-	12,704
Miscellaneous receivables	5,170	3,572
Investments (Net)	79,137	31,409
Financial companies	2,590	1,000
Non-financial companies	76,547	30,409
Affiliated companies (Net)	289,238	47,738
Financial companies	258,141	27,422
Non-financial companies	31,097	20,316
Other long-term investments (Net)	531,242	133,486
Equity shares	8,654	1,068
Others	522,588	132,418
Bank premises and equipment (Net)	241,751	151,146
Carrying value	294,447	178,203
Accumulated depreciation (-)	(52,696)	(27,057)
Other assets	160,491	59,024
TOTAL ASSETS	5,281,272	3,373,085

TÜRKİYE GARANTİ BANKASI A.Ş.

BALANCE SHEETS-LIABILITIES AND

SHAREHOLDERS' EQUITY (in billions TL)

Unaudited but reviewed

	30.06.2000	30.06.1999
Deposits	2,832,022	1,761,440
Saving deposits	267,508	139,505
Deposits of official authorities and organisations	13,911	15,496
Commercial deposits	188,179	80,385
Deposits of other organisations	28,903	12,257
Bank deposits	645,369	529,031
Foreign currency deposits	1,683,290	983,271
Gold deposits	4,862	1,495
Interbank funds borrowed	110,581	73,119
Funds borrowed	1,200,715	828,476
Central Bank of Turkey	-	-
Others	1,200,715	828,476
-Domestic banks and organisations	185,114	59,648
-Foreign banks and organisations	1,015,601	768,828
-Subordinated debts	-	-
Funds	-	-
Securities issued (Net)	7,098	51,421
Notes	-	-
Asset backed securities	-	-
Bonds	7,098	51,421
Accrued interest and expense	147,205	92,875
Deposits	123,934	70,032
Funds borrowed	15,559	8,841
Others	7,712	14,002
Payables from financial leasing activities (Net)	-	-
Payables from financial leasing activities	-	-
Deferred expenses (-)	-	-
Taxes, stamps, premiums and other duties	9,864	6,776
Import transfer orders	20,800	7
Miscellaneous payables	44,608	37,832
Reserves	96,606	55,189
Reserve for retirement pay	5,668	2,668
General provision for loan losses	20,101	12,277
Reserve for taxes on income	52,964	29,306
Other provisions	17,873	10,938
Other liabilities	97,362	66,278
Shareholders' equity	597,866	312,133
Share capital	260,000	260,000
-Nominal capital	260,000	260,000
-Unpaid capital (-)	-	-
Legal reserves	24,354	27,585
-Legal reserves I&II	23,404	27,585
-Other legal reserves	950	-
Extraordinary reserves	188,819	-
Revaluation surpluses	75,916	22,534
Valuation increments on securities	48,777	2,014
Loss	-	-
-Loss for the period	-	-
-Prior years' losses	-	-
Income	116,545	87,539
-Net income for the period	116,545	87,539
-Prior years' income	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,281,272	3,373,085
COMMITMENTS AND CONTINGENCIES		
Guarantees and endorsements	1,992,415	1,210,548
Commitments	567,486	268,969
Derivative transactions	2,675,365	1,692,175
TOTAL	5,235,266	3,171,692

TÜRKİYE GARANTİ BANKASI A.Ş.

		Unaudited but reviewed	
		30.06.2000	30.06.1999
STATEMENTS OF INCOME (in billions TL)			
I.	INTEREST INCOME	620,110	470,580
	Interest on loans	193,076	154,128
	TL loans	126,984	100,792
	-Short-term loans	125,240	100,378
	-Medium and long-term loans	1,744	414
	Foreign currency loans	65,908	53,319
	-Short-term loans	30,702	23,241
	-Medium and long-term loans	35,206	30,078
	Interest on loans under follow-up	184	17
	Interest from banks	53,998	63,233
	Central Bank of Turkey	-	-
	Domestic banks	36,790	43,787
	Foreign banks	17,208	19,446
	Interest on interbank funds sold	662	96
	Interest on securities	366,165	243,250
	Government bonds and treasury bills	349,521	225,568
	Other securities	16,644	17,682
	Other interest income	6,209	9,873
II.	INTEREST EXPENSE	298,024	237,884
	Interest expense on deposits	240,518	201,554
	Saving deposits	46,480	52,023
	Deposits of official authorities and organisations	1,006	876
	Commercial deposits	4,054	6,337
	Deposits of other organisations	3,102	542
	Bank deposits	133,929	103,762
	Foreign currency deposits	51,936	38,014
	Gold deposits	11	-
	Interest on interbank funds borrowed	4,031	4,377
	Interest on funds borrowed	52,181	29,107
	Central Bank of Turkey	-	-
	Domestic banks	8,290	6,176
	Foreign banks	33,651	9,713
	Other organisations	10,240	13,218
	Interest on securities issued	775	2,546
	Other interest expense	519	300
III.	NET INTEREST MARGIN (I-II)	322,086	232,696
IV.	OTHER INCOME	650,258	296,921
	Commissions and fees received	45,038	26,224
	Loans	1,571	2,457
	Documentary credits and letters of guarantee	6,234	3,664
	Others	37,233	20,103
	Trading account income	79,012	17,717
	Foreign exchange gain	502,434	248,199
	Dividends received	9,690	1,010
	Extraordinary income	-	-
	Others	14,084	3,771
V.	OPERATING EXPENSES	802,835	400,609
	Commissions and fees paid	26,972	15,535
	Funds borrowed	2,313	2,069
	Documentary credits	-	26
	Others	24,659	13,440
	Trading account loss	9,978	1,546
	Foreign exchange loss	554,736	305,477
	Personnel expenses	50,883	35,503
	Provision for retirement pay	1,000	200
	Rent expenses	6,634	2,606
	Depreciation and amortisation expenses	8,176	4,175
	Taxes, stamps and other duties	6,049	2,343
	Extraordinary expenses	72,965	-
	Provision for loan losses	2,263	1,280
	Other provisions	11,275	4,846
	Others	51,904	27,098
VI.	NET OTHER INCOME/(EXPENSE) (IV-V)	(152,577)	(103,688)
VII.	INCOME BEFORE TAXES (III+VI)	169,509	129,008
VIII.	PROVISION FOR TAXES ON INCOME	52,964	41,469
IX.	NET INCOME FOR THE PERIOD (VII-VIII)	116,545	87,539

I- GENERAL NOTES ON THE BANK'S FINANCIAL POSITION

A. Disclosures on current period operations

(1) The financial statements were approved on **14 July 2000 (1999: 29 July 1999)**.

(2) a) Accounting policies:-

Accounting policies of the Bank are set in compliance with the rules defined in the Turkish Uniform Chart of Accounts for Banks.

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 which is generally recognised only when received. Certain commissions, such as those deriving from letters of guarantee, are also usually recognised as income only when received.

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:

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.

Loans:

Loans are stated at the principal amounts outstanding. Accrual of interest is discontinued when payment of principal or interest by the borrower is considered doubtful. The Bank provides allowances for specific loan losses reflecting the Bank's estimate of the amount of loans, which may ultimately be uncollectible due to borrowers' inability to repay and/or to shortfalls in the realisable value of collateral in accordance with the local legislation. As such provisions are based on best estimates, actual losses may differ. Therefore, provisions are reviewed periodically for their adequacy and compliance with the local legislation, and revisions are reflected in the statement of income accordingly.

In addition to the provision for specific loan losses explained in the above paragraph, the Bank also provides general provisions for inherent credit risk on loans (including other assets covered by the new credit concept of the Banking Law) since 1 January 1998 as revised in August 1999, %0.5 on loans and %0.1 on guarantees and commitments.

Note I – A – (Continued)

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%

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.

Deferred taxes:

Some income items are subject to tax in different periods than they are recognised in financial statements (timing differences). Deferred income tax is provided, using the liability method, on such taxable temporary differences.

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.

Reserve for retirement pay:

Under the relevant provision of Turkish Labour Law, the Bank is required to make certain lump-sum payments to employees whose employment ceases due to retirement or reasons other than misconduct or resignation. Such payments are calculated on the basis of a formula, are subject to certain upper limits set by the Government and are recognized in the accompanying financial statements as accrued considering the salary levels of employees and the number of years they worked.

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

There were no changes in the accounting policies summarised above in (2).(a), except for those changes in “Valuation Principles” required by the amendments to the Turkish Uniform Chart of Accounts for Banks during the year. Accordingly, securities were classified in two different categories as “Trading Portfolio” and “Investment Portfolio”. Investment portfolio in the amount of TL174,899 were classified under “other long-term investments” for the current period.

Note I – A – (Continued)

- (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 above in (2).(b) and below in (4).

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:-

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 as mentioned above in (2).(b), trading portfolio was marked to market and income on such securities were reflected in the statement of income accordingly. The positive difference between “market values” and “simple-interest-rate-basis values” in the amount of TL28,307, was reflected in the accompanying financial statements. Investment portfolio was valued on a “simple interest rate basis”.

- (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 increment" heading as a component of shareholders' equity.

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 marked to market, and converted into Turkish Lira at the prevailing exchange rates at balance sheet date.

Note I – A – (Continued)

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 increment" 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".

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".

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

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 30 June 2000, was TL617,800 (1999: TL421,200).

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>	617,600	419,250
US dollar purchase rates for the days before <u>balance sheet date</u>		
Day 1	619,400	418,500
Day 2	618,350	417,150
Day 3	620,150	415,350
Day 4	620,350	416,750
Day 5	619,050	416,150

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)	31,908	52	18,050	43
2) Central Bank of Turkey	56,977	92	24,404	58
3) Domestic banks (excluding interbank deposits)	36,244	59	15,649	37
4) Foreign banks	302,881	490	443,016	1,052
5) Securities (Net)	635,254	1,028	207,680	493
6) Loans	1,118,785	1,811	831,730	1,975
7) Reserve deposits	180,780	293	72,875	173
8) Foreign currency-indexed assets (a+b)	47,482	77	36,758	87
a) Loans	41,765	68	1,147	3
b) Others	5,717	9	35,611	84
9) Accrued interest and income	59,434	96	58,854	140
10) Other assets	390,266	632	53,596	127
COMMITMENTS AND CONTINGENCIES	1,187,719	1,922	737,102	1,750
11) Repurchase contracts	-	-	-	-
12) Forward currency purchases	1,187,719	1,922	737,102	1,750
TOTAL FOREIGN CURRENCY ASSETS	4,047,730	6,552	2,499,714	5,935
II – FOREIGN CURRENCY LIABILITIES				
1) Foreign currency deposits	1,683,284	2,725	983,270	2,334
2) Gold deposits	4,862	8	1,495	4
3) Bank deposits	271,737	440	80,149	190
4) Funds borrowed from Central Bank of Turkey	-	-	-	-
5) Funds borrowed from domestic banks (excluding interbank takings)	169,772	275	51,373	122
6) Funds borrowed from other domestic organisations	-	-	-	-
7) Foreign borrowings	1,015,601	1,644	768,828	1,825
8) Securities issued (Net)	7,098	11	51,421	122
9) Foreign currency-indexed liabilities (a+b)	-	-	-	-
a) Funds borrowed	-	-	-	-
b) Others	-	-	-	-
10) Accrued interest and expense	37,176	60	31,438	75
11) Other liabilities	186,017	301	98,410	234
COMMITMENTS AND CONTINGENCIES	752,105	1,217	518,949	1,232
12) Resale contracts	-	-	-	-
13) Forward currency sales	752,105	1,217	518,949	1,232
TOTAL FOREIGN CURRENCY LIABILITIES	4,127,652	6,681	2,585,333	6,138
FOREIGN CURRENCY NET POSITION (I – II)	(79,922)	(129)	(85,619)	(203)

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.

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(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 misssmatching 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 30 June 2000:-

	US Dollars	Euro Group**	Euro	Swiss Franc	Japanese Yen	Others in US dollar equivalents***
I- Foreign Currency Assets						
Liquid assets	23,784	13,400	11,038	1,555	2,883	3,514
Due from banks	565,616	17,862	45,242	15,791	15,227	5,353
Securities (net)	518,888	10,986	1,000	-	-	497,904
Loans	1,169,655	546,708	162,073	490	27,570	39,819
Other long-term investments (net)	168,546	1,545	500	-	-	-
Other foreign currency assets	<u>1,722,802</u>	<u>124,486</u>	<u>936,503</u>	<u>10,112</u>	<u>189,145</u>	<u>27,191</u>
Total Foreign Currency Assets	<u>4,169,291</u>	<u>714,987</u>	<u>1,156,356</u>	<u>27,948</u>	<u>234,825</u>	<u>573,781</u>
II- Foreign Currency Liabilities						
Deposits	2,124,154	528,292	45,401	19,086	228,520	45,896
Funds borrowed	1,822,593	42,373	693,969	-	-	10,857
Securities issued (net)	11,489	-	-	-	-	-
Other foreign currency liabilities	<u>283,859</u>	<u>74,715</u>	<u>550,264</u>	<u>4,694</u>	<u>26,266</u>	<u>515,073</u>
Total Foreign Currency Liabilities	<u>4,242,095</u>	<u>645,380</u>	<u>1,289,634</u>	<u>23,780</u>	<u>254,786</u>	<u>571,826</u>
Difference (I - II)	<u>(72,804)</u>	<u>69,607</u>	<u>(133,278)</u>	<u>4,168</u>	<u>(19,961)</u>	<u>1,955</u>

* 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:-

	30 June 2000		
	Book Values in Gross	Accumulated Depreciation	Insurance Coverage
Movables	84,869	41,902	94,542
Immovables	152,542	6,415	138,923
1-Assets under use for banking activities	152,542	6,415	138,923
2-Others	-	-	-
Special cost	9,590	4,379	-
Assets held for resale	47,446	-	-
1-Stocks	134	-	-
2-Immovables	47,312	-	-
Assets held under financial leases*	8,382	2,307	-

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – A – (Continued)

	30 June 1999		
	<u>Book Values in Gross</u>	<u>Accumulated Depreciation</u>	<u>Insurance Coverage</u>
Movables	46,845	21,206	63,843
Immovables	97,125	4,064	51,068
1-Assets under use for banking activities	97,125	4,064	51,068
2-Others	-	-	-
Special cost	4,645	1,787	-
Assets held for resale	29,588	-	-
1-Stocks	25	-	-
2-Immovables	29,563	-	-
Assets held under financial leases*	7,561	455	-

* 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 30 June 2000, amounted to TL5,668 (1999: TL2,668) of which TL1,000 (1999: TL200) was provided in the current period. Furthermore, the provision made in the current period against non-performing loans, amounted to TL2,263 (1999: TL1,280), and accordingly total provision for non-performing loans reached to TL29,872 (1999: TL12,917) as at 30 June 2000 considering the effects of loans written-off or collected during the period; and the general provision made for credit risks amounted to TL11,275 (1999: TL4,846) and accordingly total general provision reached to TL20,101 (1999: 12,277) considering the effect of changes in the related legislation during the period.

The following provisions for the taxes on the reported income were also made as at 30 June 2000:-

- a) Provision for corporate taxes on the current period statutory corporate tax base in the amount of TL52,964 (1999: 41,469),
- b) Provision for interest income taxes in the amount of TL5,000 (1999:TL) reflected in the statement of income under “extraordinary expenses”.
- (12) The external audit firm is **Cevdet Suner Denetim ve Yeminli Mali Müşavirlik Anonim Şirketi** (a member firm of KPMG).

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note I – (Continued)

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)	22,283	DEM 27,500,000
2- Luxembourg	552,272	USD 27,000,000
3- Malta	1,333,770	-

C. Independent Auditor's Review Report

To the Board of Directors of
TÜRKİYE GARANTİ BANKASI A.Ş.

We have reviewed the accompanying balance sheets of Türkiye Garanti Bankası Anonim Şirketi as of 30 June 2000 and 1999, and the related statements of income for the six-month periods then ended in accordance with principles and rules applicable to the limited review procedures and promulgated by the Capital Markets Board of Turkey (Sermaye Piyasası Kurulu: SPK).

Our review on these interim balance sheets and statements of income referred to in the above paragraph was substantially less in scope than an audit conducted in accordance with generally accepted auditing principles, rules, and standards promulgated by SPK. Our review consisted principally of applying analytical procedures to financial data, making inquiries of persons responsible for financial and accounting methods and performing other review procedures where necessary. Accordingly, our review report on interim financial statements should be regarded differently than an audit report on annual financial statements.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with Turkish Commercial Code, Banking Act and generally accepted accounting principles, rules and procedures promulgated by SPK and applied on a consistent basis with those of the corresponding interim periods of the previous years.

İstanbul,
28 July 2000

KPMG Cevdet Suner Denetim ve
Yeminli Mali Müşavirlik
Anonim Şirketi

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	295,170	478	439,125	1,043
Restricted balance	<u>7,712</u>	<u>12</u>	<u>3,891</u>	<u>9</u>
Total	<u>302,882</u>	<u>490</u>	<u>443,016</u>	<u>1,052</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. Switzerland	116,372	1. Russia	3,866
2. USA	84,266	2. Malta	956
3. Luxembourg	44,392	3. S. Arabia	58
4. Germany	31,036	4. Iraq	1
5. The Netherlands	9,679		<u>4,881</u>
6. Ireland	3,835		
7. United Kingdom	2,793		
8. Denmark	2,172		
9. Belgium	1,222		
10. France	914		
11. Spain	364		
12. Norway	209		
13. Italy	208		
14. Sweden	138		
15. Austria	116		
16. Japan	102		
17. Australia	93		
18. Canada	67		
19. Finland	<u>23</u>		
	<u>298,001</u>		

(3) a- TL231 (1999: TL29) 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: TL6).

c- TL87,733 (1999: TL26,015) of securities and long-term investments comprised of securities blocked 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>				
1. Fixed-income securities	171,167	177,177	177,759	-
2. Securities indexed to inflation	2	4	4	-
3. Securities indexed to foreign currency	-	-	-	-
4. Securities in foreign currency	7	-	-	-
<u>Investment funds</u>	375,344	-	-	-
<u>Other notes</u>				
1. Fixed-income securities	-	-	-	-
2. Securities indexed to inflation	-	-	-	-
3. Securities indexed to foreign currency	-	-	-	-
4. Securities in foreign currency	9,299	-	-	-
<u>Gold</u>	307,604	307,804	310,272	-
<u>Equity shares</u>				
1. Quoted	185	416	-	-
2. Unquoted	-	-	-	-
<u>Others</u>	6,491	-	-	-

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 TL416 as mentioned above were included in “securities”, in account no. 030 and 031 as at 30 June 2000.

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

(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				
Direct lending	4,988	52,973	13,352	39,141
Indirect lending	2,988	236	-	-
2. Lendings to personnel				
	319	-	43	-

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:-

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.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

Balances with related parties and share of such balances in total per financial statements were as follows at 30 June 2000:-

	Related Party Risks	Balance Sheet Total	Share of Related Party Risks %
Cash loans	109,032	1,746,030	6.24
Deposits	49,421	2,832,022	1.75
Non-cash loans	97,594	1,992,415	4.90
Interest income	16,481	620,110	2.66
Interest expenses	1,557	298,024	0.52
Commission income	151	45,038	0.34

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	23,773	26,454	-	-
-Securities	-	63,180	-	-
-Loans (including overdue loans)	42,931	29,453	29,902	4,833
-Accrued interest and income	1,647	1,883	2,136	2,864
<u>PAYABLES</u>				
-Deposits	26,983	10,831	3,433	1
-Funds borrowed	7,753	-	-	-
-Accrued interest and expenses	815	341	-	-
<u>DOCUMENTARY CREDITS AND OTHER NON-CASH LOANS</u>				
-Letters of guarantee	16,801	174,399	1,868	2,229
-Acceptance credits	4,086	-	-	-
-Letters of credit	7,347	-	248	-
-Other non-cash loans	481	-	-	-

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

TÜRKİYE GARANTİ BANKASI A.Ş.

(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	-	1,746,030	-	-
I- Loans (excluding loans for specialization)	-	1,746,030	-	-
Export loans	-	493	-	-
Import loans	-	4	-	-
Investment loans	-	5	-	-
Loans to domestic banks	-	-	-	-
Loans to foreign banks	-	8	-	-
Loans to other financial institutions	-	23,513	-	-
Gold credits	-	20,708	-	-
Other loans	-	-	-	-
1-Consumer loans	-	243,428	-	-
2-Credit cards	-	105,544	-	-
3-Other foreign lending	-	590,326	-	-
4-Others	-	762,001	-	-
II- Specialization loans	-	-	-	-
III- Liquidated non-cash loans	-	-	-	-
Receivables classified under other assets but legally considered as loans	-	1,768,719	-	-
Other receivables	-	71,722	-	-
Non-cash loans	-	1,992,415	-	-

(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>Collateral groups</u>	<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>Current period:-</u>			
Unsecured	-	4,847	13,597
Group I	-	-	85
Group II	934	1,257	3,424
Group III	-	747	4,747
Group IV	-	-	234
<u>Prior period:-</u>			
Unsecured	-	-	4,958
Group I	-	-	83
Group II	-	-	2,254
Group III	-	-	4,938
Group IV	-	-	684

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	-	-	27,609
- Increases during the period	934	-	5,771
- Transfer from other follow-up accounts	-	6,851	-
- Transfer to other follow-up accounts	-	-	(6,851)
- Collections during the period	-	-	(3,373)
- Write-offs	-	-	(1,069)
Balance, end of period	934	6,851	22,087
- Specific provisions	(934)	(6,851)	(22,087)
Net balance at period end	<u><u>-</u></u>	<u><u>-</u></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>-</u></u>	<u><u>-</u></u>
Prior period			
Balance, beginning of period	-	-	476
- Specific provisions	-	-	(476)
Net balance at period end	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

(6) Receivables on forwards sales of assets:-

There were no such cases.

(7) a- TL43,246 (1999: TL1,596) 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	4,489	461	-	-
Manufacturing	1,383	1,162	-	-
Mining	-	-	-	-
Energy	-	-	-	-
Prosperity	-	-	-	-
Transportation	-	-	-	-
Foreign trade	-	-	-	-
Tourism	1,343	462	-	-
Agriculture	-	-	-	-
Forestry	-	-	-	-
Other financial sectors	8,743	1,351	-	-
Other commercial sectors	57,515	2,533	43,246	-
<u>Foreign investments and affiliated companies</u>				
Banking	49,267	-	-	-
Insurance	-	-	-	-
Manufacturing	-	-	-	-
Mining	-	-	-	-
Energy	-	-	-	-
Prosperity	-	-	-	-
Transportation	-	-	-	-
Foreign trade	-	-	-	-
Tourism	-	-	-	-
Agriculture	-	-	-	-
Forestry	-	-	-	-
Other financial sectors	196,419	-	-	-
Other commercial sectors	-	-	-	-

c- Carrying values of investments and affiliated companies quoted at the domestic and foreign stock exchange markets amounted to **TL57,733 (1999: TL23,709)** and **TL...-..... (1999: TL...-.....)**, respectively.

d- Bonus shares received on investments and affiliated companies amounted to **TL5,969 (1999: TL5,235)**.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

e- At 30 June 2000 and 1999, investments and affiliated companies included the followings:-

<u>Investments and Affiliated Companies</u>	<u>% of ownership</u>	<u>2000</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	10	-
<u>COMMERCIAL COMPANIES</u>				
GARANTİ BİLİŞİM TEKN. TİC. A.Ş.	100.00	994	319	-
GARANTİ FİNANSAL KİRALAMA A.Ş.	80.00	4,400	4,294	-
GARANTİ YATIRIM MENKUL KIYM. A.Ş.	51.67	4,000	8,607	-
GARANTİ PORTFÖY YÖNETİMİ A.Ş.	70.00	1,000	2,594	-
PETROTRANS NAKLİYAT TİC. A.Ş.	100.00	5	1***	-
ANA KONUT DANIŞMANLIK A.Ş.	100.00	25,000	3	-
DOĞUŞ HAVA TAŞIMACILIĞI A.Ş.	49.91	17,000	(3,000)	-
TANSAŞ İZMİR B. Ş. B. İÇ VE DIŞ TİC. A.Ş.	19.00	3,000	(2,094)**	54,697*
GARANTİ ÖDEME SİSTEMLERİ A.Ş.	99.92	5	(18)***	-
İKSİR ULUSLARARASI ELEKTRONİK TİC. BİLGİLENDİRME VE HABERLEŞME HİZ.A.Ş.	38.00	18,000	(1,265)**	-
GARANTİ SİGORTA A.Ş.	75.00	5,000	300***	-
GARANTİ HAYAT SİGORTA A.Ş.	99.13	1,600	1,298***	-
VOLKSWAGEN DOĞUŞ TÜKETİCİ FİNANSMANI A.Ş.	37.00	7,000	(45)**	-
DOĞUŞ İNSANGÜCÜ A.Ş. (HUMANİTAS)	30.00	600	-	-
DOĞUŞ HİZMET YÖNETİMİ ORGANİZASYON VE DANIŞMANLIK A.Ş.	55.00	30	-	-
<u>TOURISM COMPANIES</u>				
GARANTİ TURİZM YAT.VE İŞL. A.Ş.	43.33	5,000	(1,182)***	-
ŞAHİNTUR ŞAHİNLER O. TURZ. YAT. İŞL. A.Ş.	100.00	263	61	-
<u>INVESTMENTS IN FOREIGN CURRENCY</u>				
UNITED GARANTİ BANK INT. N.V.	100.00	EUR 50 mio	EUR 9,516,000	-
DOC FINANCE S.A.	50.27	CHF 12 mio	CHF (614,000)	-
CI FINANCE LTD.	100.00	USD 100,000	USD (5,850)	-
CI INVESTMENTS LTD.	100.00	USD 100,000	USD (5,850)	-
BOSPHORUS FINANCIAL SER. LTD.	100.00	USD 100,000	USD (5,903)	-
GARANTİ BANK MOSCOW	99.61	USD 25.537 mio	USD 3,025,000	-
INSTRUMENTS FINANCE COMPANY	100.00	USD 25,000	USD 207,585	-
GARANTİ FINANCIAL SERVICES PLC	99.99	USD 2.638 mio	USD (146,276)	-
GARANTİ FUND MANAGEMENT CO. LTD.	99.00	USD 100,000	USD (3,141)	-
CLOVER BANK OFF-SHORE LTD.	99.10	USD 4.5 mio	USD 12,342,927	-
COMPAGNIE OTTOMANE D'INVESTMENT B.V.	100.00	NLG 165 mio	NLG (4,220,284)	-

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

(**) Net income/(loss) for the three-month period ended 31 March 2000.

(***) Net income/(loss) for the year ended 31 December 1999.

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	134**	-
LASAŞ LASTİK SAN.VE TİC. A.Ş.	99.99	2,500	20**	-
<u>BANKS</u>				
SINAI YATIRIM BANKASI A.O.	10.00	10,000	3,755	-
<u>COMMERCIAL COMPANIES</u>				
GARANTİ BİLİŞİM TEKN. TİC. A.Ş.	100.00	994	5**	-
GARANTİ FİNANSAL KİRALAMA A.Ş.	80.00	2,000	550**	-
GARANTİ YATIRIM MENKUL KIYM. A.Ş.	51.67	1,000	254**	-
GARANTİ PORTFÖY YÖNETİMİ A.Ş.	70.00	250	421	-
PETROTRANS NAKLIYAT TİC. A.Ş.	100.00	5	-	-
ANA KONUT DANIŞMANLIK A.Ş.	100.00	4,250	(2)	-
DOĞUŞ HAVA TAŞIMACILIĞI A.Ş.	49.91	11,000	(580)**	-
TANSAŞ İZMİR B. Ş. B. İÇ VE DIŞ TİC. A.Ş.	29.00	3,000	(646)**	23,709*
GARANTİ ÖDEME SİSTEMLERİ A.Ş.	99.92	5	-	-
<u>TOURISM COMPANIES</u>				
GARANTİ TURİZM YAT.VE İŞL. A.Ş.	43.33	950	(227)**	-
ŞAHİNTUR ŞAHİNLER O. TURZ. YAT. İŞL. A.Ş.	100.00	263	18**	-
<u>INVESTMENTS IN FOREIGN CURRENCY</u>				
UNITED GARANTİ BANK INT. N.V.	100.00	NLG 75 mio	EUR 4,584,000**	-
DOC FINANCE S.A.	50.27	CHF 12 mio	CHF (1,142,761)	-
CI FINANCE LTD.	100.00	USD 500,000	USD (1,052,075)**	-
CI INVESTMENTS LTD.	100.00	USD 500,000	USD (1,052,075)**	-
BOSPHORUS FINANCIAL SER. LTD.	100.00	USD 500,000	USD (1,052,075)**	-
GARANTİ FUNDING CORP. I	100.00	USD 50,000	-	-
GARANTİ FUNDING CORP. II	100.00	USD 50,000	-	-
GARANTİ BANK MOSCOW	99.33	USD 15 mio	USD 1,379**	-
INSTRUMENTS FINANCE COMPANY	100.00	USD 25,000	USD (50,479)**	-
GARANTİ FINANCIAL SERVICES PLC	99.99	USD 138,100	USD (270,094)	-
GARANTİ FUND MANAGEMENT CO. LTD.	99.00	USD 100,000	USD 23,885**	-

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

(**) Net income/(loss) for the three-month period ended 31 March 1999.

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.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II - (Continued)

(8) Other long-term investments:-

	<u>Government Securities</u>		<u>Other Securities</u>	
	<u>Purchase</u>	<u>Revalued</u>	<u>Purchase</u>	<u>Revalued</u>
	<u>Costs</u>	<u>Costs</u>	<u>Costs</u>	<u>Costs</u>
Securities in Turkish lira	417,252	445,655	3,350	8,654
1-Equity shares	-	-	3,350	8,654
a) Long-term investments	-	-	3,350	8,654
b) Pledge securities	-	-	-	-
c) Restricted	-	-	-	-
2- Other securities	417,252	445,655	-	-
a) Long-term investments	174,899	188,832	-	-
b) Pledge securities	242,353	256,823	-	-
c) Restricted	-	-	-	-
Securities in foreign currencies	105,336	110,018	-	-
1-Equity shares	-	-	-	-
a) Long-term investments	-	-	-	-
b) Pledge securities	-	-	-	-
c) Restricted	-	-	-	-
2- Other securities	105,336	110,018	-	-
a) Long-term investments	105,336	110,018	-	-
b) Pledge securities	-	-	-	-
c) Restricted	-	-	-	-

(9) Movables and immovables held for resale in accordance with the Banking Law, amounted to **TL134 (1999: TL25)** and **TL47,312 (1999: TL29,563)**, 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.

(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	45,851	29,922	221,657	109,583
Deposits of official authorities and organisations	12,084	12,895	1,827	2,601
Commercial deposits	170,751	78,791	17,428	1,594
Deposits of other organisations	17,699	10,813	11,204	1,444
Bank deposits	46,347	78,974	599,022	450,057
1-Central Bank of Turkey	-	-	76	-
2-Domestic banks	5,593	3,487	26,807	6,588
3-Foreign banks	40,753	75,487	572,139	443,469
4-Others	1	-	-	-
Foreign currency deposits	471,016	257,446	1,212,274	725,825
1-Resident customers	392,806	218,542	1,005,953	433,399
2-Non-resident customers	78,210	38,904	206,321	292,426
Gold deposits	<u>2,018</u>	<u>-</u>	<u>2,844</u>	<u>1,495</u>
Total deposits	<u>765,766</u>	<u>468,841</u>	<u>2,066,256</u>	<u>1,292,599</u>

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

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	267,509	139,506
2- Foreign currency saving deposits	1,215,469	581,321
3- Other saving-type deposits	-	-
4- Deposits at foreign branches under foreign insurance coverages	-	-

(12) a- Discounted portion of securities issued amounted to **TL172 (1999: TL960)**.

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 Portion</u>
Euro Commercial Paper (ECP)	16,679

(13) Cash collaterals received amounted to **TL365 (1999: TL294)**.

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.

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.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

- (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	24,354	27,585
- 1 st legal reserve (TCC 466/1)	20,417	11,363
- 2 nd legal reserve (TCC 466/2)	2,987	2,987
- Share premium	-	78
- Legal reserve per special legislation and articles of association	950	13,157
3-Extraordinary reserves	188,819	-
- Reserves allocated per Ordinary General Meeting	177,567	-
- Exchange rate difference on foreign currency capital	11,252	-
- Retained earnings	-	-
- Accumulated losses	-	-
4-Revaluation surpluses	72,457	20,229
- Movable	18,160	4,657
- Immovables	53,386	15,572
- Cost increase fund	-	-
- Bonus shares from investee companies and income on sale of immovables	-	-
- Revaluation surplus on special costs	911	-
5-Revaluation surpluses received through bonus shares on investments and affiliated companies	3,459	2,305
6-Other capital sources	-	-
7-Losses	-	-
- Current period losses	-	-
- Prior year losses	-	-
<u>Total Shareholders' Equity per Banking Law (from 1 to 7)</u>	<u>549,089</u>	<u>310,119</u>
<u>Shareholders' Equity per Accounting Application</u>		
8-Valuation increment	48,777	2,015
- Securities	231	29
- Investments and affiliated companies	43,245	1,986
- Other long-term investments	5,301	-
<u>Total Shareholders' Equity per Accounting Application (from 1 to 8, excluding 6)</u>	<u>597,866</u>	<u>312,134</u>

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

	<u>Current Period</u>	<u>Prior Period</u>
I- Core Capital	589,718	375,124
II- Supplementary Capital	154,794	46,825
1.Subordinated debts	-	-
2.Others	154,794	46,825
III- Capital (I+II)	744,512	421,949
IV- Deductions from Capital	288,719	46,659
V - Capital Base (III - IV)	<u>455,793</u>	<u>375,290</u>

Difference, in the amount of TL146,646, between the "Capital" in the Capital Adequacy Ratio and the shareholders' equity per accounting application above, was resulted from the net income of TL116,545 for the period and the general provision for credit risks in the amount of TL30,101, which were included in above calculation.

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

- (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:-

None of the shareholders has 10% or more interest in the issued share capital, except for Doğu Holding A.Ş. which currently holds 40.12% 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 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 30 June 2000, such payments charged to statement of income as expense accumulated to TL2,138 (1999: TL281) and the remaining balance recorded as "prepaid expense" in the balance sheet, amounted to TL6,457 (1999: TL1,496).

If the Bank would have applied IAS17, TL2,138 of the prepayments related to leasing activities incurred till 30 June 2000, would not be charged to income, instead retained earnings would be less by TL7,057, prepaid expenses by TL6,454 and the following items of the financial statements would be higher by the amounts below:-

Bank premises and equipment, net	6,075
Payables from financial leasing activities, net	6,782
Depreciation expense	682
Interest expense	404
Foreign exchange losses	1,156

- (19) Other significant matters:-

- a- Deferred tax liabilities and related provisions:-

	<u>Current Period</u>	<u>Prior Period</u>
Deferred tax liability	15,328	44,623
Reserve for deferred tax liability (balance sheet)	15,328	44,623
Deferred tax provision (statement of income)	-	9,926

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note II – (Continued)

- 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. Gain or losses on currency swaps are charged to the statement of income on an accrual basis.

- 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	451	924
Expense accruals on currency swaps	34	-

- 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	41,765	13,998
Interbank funds sold	537	448

III- NOTES TO STATEMENTS OF INCOME

- (1) a- Interests received from the investee companies amounted to **TL1,649 (1999: TL4,727)**. Fees and commissions received from such companies aggregated to **TL.....-..... (1999: TL.....-.....)**.
- b- Interests paid to the investee companies amounted to **TL520 (1999: TL110)**. 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 **TL2,138 (1999: TL281)**.
- (4) a- General provisions for credit risks amounted to **TL11,275 (1999: TL4,846)**.
- 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: **None**.
- (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	82,378
Expense accruals	890

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

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

IV. SUPPLEMENTARY FINANCIAL STATEMENTS

A. Commitments and Contingencies

	30 June 2000			30 June 1999		
	Turkish Lira	Foreign Currency	Total	Turkish Lira	Foreign Currency	Total
I. GUARANTEES AND ENDORSEMENTS	433,897	1,558,518	1,992,415	270,460	940,088	1,210,548
A. Letters of guarantee (L/G)	433,897	949,215	1,383,112	270,460	593,654	864,114
1. L/Gs under Law no.2886	85,081	-	85,081	50,822	-	50,822
2. L/Gs issued for foreign trade deals	17	948,162	948,179	91	593,058	593,149
3. Other letters of guarantee	348,799	1,053	349,852	219,547	596	220,143
B. Bank acceptances	-	204,954	204,954	-	94,371	94,371
1. Import acceptance credits	-	202,317	202,317	-	91,069	91,069
2. Other bank acceptances	-	2,637	2,637	-	3,302	3,302
C. Letters of credit (L/C)	-	389,390	389,390	-	238,537	238,537
1. L/Cs against documents	-	389,390	389,390	-	238,537	238,537
2. Other letters of credit	-	-	-	-	-	-
D. Confirmed pre-finance credits	-	10,766	10,766	-	11,688	11,688
E. Endorsements	-	-	-	-	-	-
1. Endorsements for Central Bank of Turkey	-	-	-	-	-	-
2. Other endoresements	-	-	-	-	-	-
F. Sale contracts on bank assets (risks Secured by the bank)	-	-	-	-	-	-
G. Underwriting commitments on share issues	-	-	-	-	-	-
H. Other guarantees	-	-	-	-	-	-
I. Other bails	-	4,193	4,193	-	1,838	1,838
II. COMMITMENTS	556,551	10,935	567,486	261,514	7,455	268,969
A. Irrevocable commitments	556,551	10,935	567,486	261,514	7,455	268,969
1. Repurchase and resale contracts	543,279	-	543,279	261,487	-	261,487
a) Repurchase contracts	543,279	-	543,279	254,473	-	254,473
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	543,279	-	543,279	254,473	-	254,473
b) Resale contracts	-	-	-	7,014	-	7,014
I. Resale contracts with Central Bank of Turkey	-	-	-	-	-	-
II. Resale contracts with banks	-	-	-	7,014	-	7,014
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	13,272	741	14,013	27	505	532
5. Credit extension commitments	-	-	-	-	-	-
6. Intermediary commitments for share issues	-	-	-	-	-	-
7. Legal reserve commitments	-	-	-	-	-	-
8. Committed credit card limits	-	-	-	-	-	-
9. Other irrevocable commitments	-	10,194	10,194	-	6,950	6,950
B. Revocable commitments	-	-	-	-	-	-
1. Revocable credit extension commitments	-	-	-	-	-	-
2. Other revocable commitments	-	-	-	-	-	-
III. DERIVATIVE TRANSACTIONS	750,986	1,924,379	2,675,365	437,176	1,254,999	1,692,175
A. Forward currency purchases/sales	606,526	1,894,111	2,500,637	386,044	1,197,464	1,583,508
1. Forward currency purchases	81,135	1,164,855	1,245,990	110,214	683,703	793,917
2. Forward currency sales	525,391	729,256	1,254,647	275,830	513,761	789,591
B. Currency and interest swaps	-	14,823	14,823	49,594	56,482	106,076
1. Currency purchase swaps	-	3,189	3,189	49,594	50,437	100,031
2. Currency sale swaps	-	3,523	3,523	-	4,135	4,135
3. Interest purchase swaps	-	4,097	4,097	-	1,910	1,910
4. Interest sale swaps	-	4,014	4,014	-	-	-
C. Currency and interest options	144,460	-	144,460	1,538	1,053	2,591
1. Currency purchase options	-	-	-	1,538	1,053	2,591
2. Currency sale options	144,460	-	144,460	-	-	-
3. Interest purchase options	-	-	-	-	-	-
4. Interest sale options	-	-	-	-	-	-
D. Future currency deals	-	15,445	15,445	-	-	-
1. Future currency purchases	-	-	-	-	-	-
2. Future currency sales	-	-	-	-	-	-
E. Future interest deals	-	-	-	-	-	-
1. Future interest purchases	-	-	-	-	-	-
2. Future interest sales	-	-	-	-	-	-
F. Others	-	-	-	-	-	-
TOTAL COMMITMENTS AND CONTINGENCIES	1,741,434	3,493,832	5,235,266	969,150	2,202,542	3,171,692

TÜRKİYE GARANTİ BANKASI A.Ş.

(Currency – Billions of Turkish Lira)

Note IV – (Continued)

B. Other Off-Balance Sheet Accounts

	<u>30 June 2000</u>			<u>30 June 1999</u>		
	<u>Turkish Lira</u>	<u>Foreign Currency</u>	<u>Total</u>	<u>Turkish Lira</u>	<u>Foreign Currency</u>	<u>Total</u>
A. Valuables under Custody	1,487,652	1,170,361	2,658,013	1,111,525	90,507	1,202,032
1. Customer funds and portfolios managed by the bank	394	670	1,064	394	583	977
2. Securities under custody	434,285	44,773	479,058	359,719	12,071	371,790
3. Cheques subject to collection	269,762	19,577	289,339	176,528	8,320	184,848
4. Commercial notes subject to collection	38,727	1,092,093	1,130,820	28,929	58,397	87,326
5. Other valuables subject to collection	267	2,174	2,441	373	6,073	6,446
6. Securities (the bank acted as intermediary for their issuance)	-	-	-	-	-	-
7. Securities under repurchase transaction (held at custody on behalf of customers)	738,932	-	738,932	538,805	-	538,805
8. Other valuables under custody	5,285	11,074	16,359	6,777	5,063	11,840
9. Valuables under third-party custodies	-	-	-	-	-	-
B. Valuables under Pledge	2,729,647	3,007,460	5,737,107	1,497,039	3,091,477	4,588,516
1. Securities	3,886	2,356	6,242	4,632	1,557	6,189
2. Promissory notes	627,259	1,201,088	1,828,347	232,540	694,459	926,999
3. Stocks	3,064	-	3,064	624	492,989	493,613
4. Varrants	-	-	-	-	-	-
5. Immovables	1,254,938	189,664	1,444,602	874,958	-	874,958
6. Other valuables under pledge	840,300	1,614,352	2,454,652	384,051	1,902,472	2,286,523
7. Valuables under third-party custodies	200	-	200	234	-	234

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

30 June 2000								
	<u>Demand</u>	<u>Upto 1 month</u>	<u>1 to 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 Years</u>	<u>5 Years and over</u>	<u>Others*</u>	<u>Total</u>
ASSETS:								
Liquid assets	37,308	-	-	-	-	-	-	37,308
Due from banks and other financial institutions	147,188	516,817	110,618	46,080	-	-	-	820,703
Interbank funds sold	-	1,200	-	-	-	-	-	1,200
Securities (net)	-	61	37,345	199,905	569,112	63,902	-	870,325
Loans	-	145,968	325,984	1,025,444	248,635	-	-	1,746,031
Non-performing loans (net)	-	-	-	-	-	-	-	-
Accrued interest and income	-	58,756	41,936	112,499	75,011	5,650	-	293,852
Receivables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Reserve deposits	204,825	-	-	-	-	-	-	204,825
Investments and affiliated companies (net)	-	-	-	-	-	-	368,375	368,375
Equity shares classified under other long-term investments (net)	-	-	-	-	-	-	8,654	8,654
Other long-term investments (net)	-	-	-	76,316	182,085	264,187	-	522,588
Other assets	-	-	-	-	-	-	407,412	407,412
Total Assets	389,321	722,802	515,883	1,460,244	1,074,843	333,739	784,441	5,281,273
LIABILITIES:								
Saving deposits	45,851	179,631	33,803	8,223	-	-	-	267,508
Foreign currency deposits	471,015	856,108	261,488	94,679	-	-	-	1,683,290
Bank deposits	46,347	337,847	128,150	127,928	5,097	-	-	645,369
Other deposits	200,535	28,623	5,386	1,310	-	-	-	235,854
Interbank funds borrowed	-	103,168	7,414	-	-	-	-	110,582
Funds borrowed	-	246,837	146,451	387,002	420,425	-	-	1,200,715
Funds	-	-	-	-	-	-	-	-
Securities issued (net)	-	276	867	5,955	-	-	-	7,098
Accrued interest and expense	-	76,322	25,381	26,968	18,535	-	-	147,206
Payables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Taxes, stamps, premiums and other duties	-	-	-	-	9,864	-	-	9,864
Other liabilities	-	-	-	-	-	-	259,376	259,376
Shareholders' equity (including current period income/loss)	-	-	-	-	-	-	714,411	714,411
Total liabilities	763,748	1,828,812	608,940	652,065	453,921	-	973,787	5,281,273
COMMITMENTS AND CONTINGENCIES:								
Repurchase contracts	-	402,548	140,731	-	-	-	-	543,279
Resale contracts	-	-	-	-	-	-	-	-
Forward currency purchases	-	998,520	183,006	64,464	-	-	-	1,245,990
Forward currency sales	-	1,010,468	181,123	63,056	-	-	-	1,254,647
Currency purchase swaps	-	3,190	-	-	-	-	-	3,190
Currency sale swaps	-	381	3,142	-	-	-	-	3,523
Total	-	2,415,107	508,002	127,520	-	-	-	3,050,629

TÜRKİYE GARANTİ BANKASI A.Ş.

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Note IV – C – (Continued)

2- Prior Period

30 June 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	21,884	-	-	-	-	-	-	21,884
Due from banks and other financial institutions	46,311	-	451,802	-	-	-	-	498,113
Interbank funds sold	-	-	-	-	-	-	-	-
Securities (net)	-	-	527,762	352,741	-	-	-	880,503
Loans	-	-	481,654	540,846	142,507	-	-	1,165,007
Non-performing loans (net)	-	-	-	-	-	-	-	-
Accrued interest and income	-	-	210,875	59,055	12,456	-	-	282,386
Receivables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Reserve deposits	86,113	-	-	-	-	-	-	86,113
Investments and affiliated companies (net)	-	-	-	-	-	-	79,147	79,147
Equity shares classified under other long-term investments (net)	-	-	-	-	-	-	1,068	1,068
Other long-term investments (net)	-	-	-	-	132,418	-	-	132,418
Other assets	-	-	-	-	-	-	226,446	226,446
Total Assets	154,308	-	1,672,093	952,642	287,381	-	306,661	3,373,085
LIABILITIES:								
Deposits	468,841	-	1,245,576	46,272	752	-	-	1,761,441
Interbank funds borrowed	-	-	73,119	-	-	-	-	73,119
Funds borrowed	-	-	465,764	141,135	221,577	-	-	828,476
Funds	-	-	-	-	-	-	-	-
Securities issued (net)	-	-	44,006	7,415	-	-	-	51,421
Accrued interest and expense	-	-	89,661	3,121	92	-	-	92,874
Payables from financial leasing activities (net)	-	-	-	-	-	-	-	-
Taxes, stamps, premiums and other duties	-	-	6,776	-	-	-	-	6,776
Other liabilities	-	-	-	-	-	-	159,306	159,306
Shareholders' equity (including current period income/loss)	-	-	-	-	-	-	399,672	399,672
Total liabilities	468,841	-	1,924,902	197,943	222,421	-	558,978	3,373,085
COMMITMENTS AND CONTINGENCIES:								
Repurchase contracts	-	-	254,474	-	-	-	-	254,474
Resale contracts	-	-	7,013	-	-	-	-	7,013
Forward currency purchases	-	-	736,045	57,872	-	-	-	793,917
Forward currency sales	-	-	739,966	49,625	-	-	-	789,591
Currency purchase swaps	-	-	50,437	-	-	-	-	50,437
Currency sale swaps	-	-	53,729	-	-	-	-	53,729
Total	-	-	1,841,664	107,497	-	-	-	1,949,161

* Items not having any specified maturity