



UNITED GARANTI BANK INTERNATIONAL N.V.

Semi-annual Report 2000



UGBI Bank

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Semi-annual Report at 30 June 2000

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Trade Register Amsterdam 33225009

SEMI-ANNUAL REPORT

After the excellent results shown at year-end 1999, both in asset growth and in profitability, UGBI Bank is proud to present its semi-annual financials as at 30 June 2000. The Total Assets of UGBI Bank grew by 50% from EUR 1,045 million as at 30 June 1999 to EUR 1,569 million as at 30 June 2000. Contingencies increased by 28% to EUR 265 million at the end of June 2000.

The Trade Finance volume reached EUR 1,115 million in the first half of 2000, an increase of 79% compared with the first half of 1999. Furthermore, our market share in Turkey related business continued to grow. The Result after Tax increased slightly by 1% compared with the same period last year. UGBI Bank reduced the provision for country risk by EUR 0.4 million. The free fall in the country risk provisions despite the growth of Total Assets reflects UGBI Bank's focus on short term financing, for which no provision for country risk is required. The Operating Result before Value Adjustments to Receivables and Tax however fell by 6% from EUR 16.5 million as at 30 June 1999 to EUR 15.6 million due to the start up expenses of our German branches.

Net Interest Income fell by 4% compared with the same period last year as a result of the declining interest margins. Net Commission income increased by 74% from EUR 5.3 million as of 30 June 1999 to EUR 9.1 million mainly as a result of higher trade volumes. The Result on Financial Transactions remained at the same level. Funds Entrusted grew by 108% to EUR 757 million. The growth was largely due to the ongoing success of our saving products in the Dutch and German market. The competitive conditions of these saving products sell themselves virtually without advertising cost.

In 2000 UGBI Bank entered the capital market for the first time in its history. In the first quarter the Bank successfully launched a 75 million EURO Bond program.

Our solvency ratio is 27%. In January 2000 UGBI Bank increased its paid-in and called-up capital by EUR 18,151,000. The Bank's subordinated liabilities were increased by the same amount. The rating agency Standard & Poor's increased the rating of the Bank from B+ to BB- in the beginning of the second quarter of this year. Also Duff & Phelps' (DCR) investment grade rating of BBB- on UGBI Bank has been confirmed by Fitch IBCA after its merger with DCR.

Due to the remarkable growth the Bank experienced since its foundation, the Bank's principle office will move to a bigger building. The Bank has bought two monumental buildings next to each other at the prestigious Keizersgracht no. 569-575, close to the present headquarters. The physical move will take place at year end 2001.

The new branch offices in Munich and Berlin, which were opened in the last quarter of 1999, are now in full operation. The Bank expects that these two branches will be able to boost the trade finance volume, Germany being the major trade partner of Turkey. Signs are positive that the saving products of the Bank will reach a similar level of popularity as in the Netherlands.

The developments in Turkey, the most important market for UGBI Bank, have been extremely positive. The new coalition government has decided to follow an IMF stabilization program, and has gained the confidence of the financial markets. The European Union invited Turkey to join the Union at the Helsinki Meeting. These developments brought positive sentiment at the end of the year and margins in the trade-related business have declined. Despite these declining margins and the overall effect of the new country risk policy of the Dutch Central Bank, the Bank expects net results in 2000 to remain at the same level as in 1999.

Amsterdam, August 2000

The Management

BALANCE SHEET

Assets	June 30 2000	June 30 1999
Cash	95,329	9,464
Banks	599,393	397,274
Loans and advances	764,096	600,435
Interest-bearing securities	55,666	6,448
Participating interests	24	36
Property and equipment	22,106	7,375
Prepayments and accrued income	32,128	24,126
	<hr/>	<hr/>
Total assets	1,568,742	1,045,158
	<hr/>	<hr/>
Liabilities		
Banks	529,009	549,464
Funds entrusted	757,358	364,164
Debt securities	75,000	
Accruals and deferred income	64,531	46,480
	<hr/>	<hr/>
	1,425,898	960,108
Subordinated liabilities	40,840	22,689
Paid-in and called-up capital	50,000	29,768
Share premium account	2,133	4,214
Other reserves	40,089	18,728
Net profit	9,782	9,651
Shareholders' equity	<hr/>	<hr/>
	102,004	62,361
	<hr/>	<hr/>
Total liabilities and shareholders' equity	1,568,742	1,045,158
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Contingent liabilities	261,438	200,882
Irrevocable facilities	4,039	6,654
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	265,477	207,536
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All amounts are in EUR x 1,000

Figures are unaudited

PROFIT AND LOSS ACCOUNT

Income	June 30 2000	June 30 1999
Interest income	97,275	87,457
Interest expense	81,283	70,751
	<u>15,992</u>	<u>16,706</u>
Income from securities and participating interests	-14	11
Commission income	9,857	5,697
Commission expense	719	437
	<u>9,138</u>	<u>5,260</u>
Result on financial transactions	2,857	2,663
Total income	<u>27,973</u>	<u>24,640</u>
Administrative expenses		
- staff costs	7,612	5,192
- other administrative expenses	4,077	2,416
	<u>11,689</u>	<u>7,608</u>
Depreciation	723	545
Operating expenses	<u>12,412</u>	<u>8,153</u>
Value adjustments to receivables	748	1,540
Total expenses	<u>13,160</u>	<u>9,693</u>
Operating result before tax	<u>14,813</u>	<u>14,947</u>
Tax on result on ordinary activities	5,031	5,296
Result after tax	<u>9,782</u>	<u>9,651</u>

All amounts are in EUR x 1,000
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