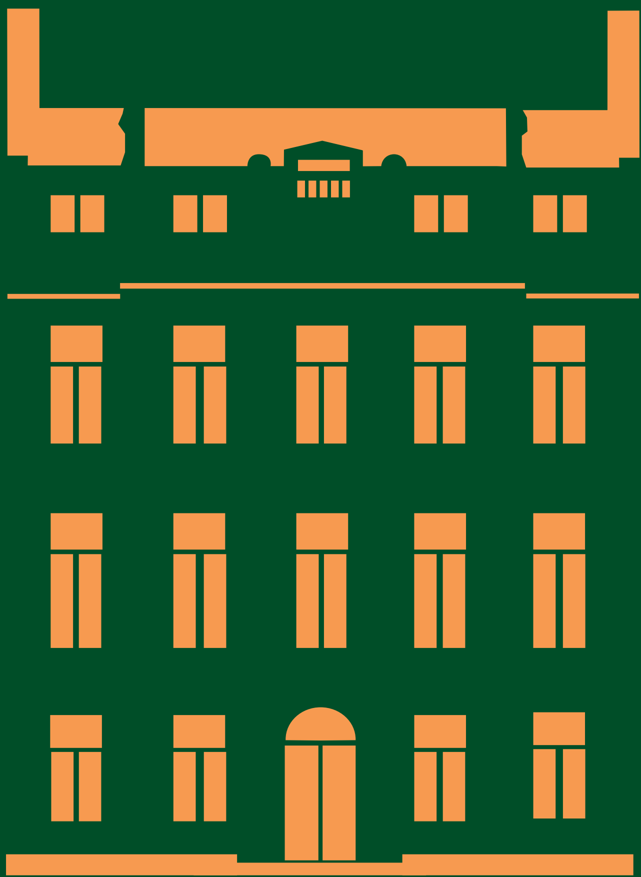
UNITED GARANTİ BANK INTERNATIONAL N.V.

ANNUAL REPORT 1999



Founded in 1990, UGBI Bank is a Dutch bank with a strong focus on trade finance for Turkey-related business. It is a fully owned subsidiary of Türkiye Garanti Bankası A.Ş., a member of the Doğuş Group. In addition to Trade Finance the Bank is also active in Investment Services and Consumer Banking. UGBI Bank strives to provide top quality service to all its customers in a "boutique service" fashion through its presence in six European countries.

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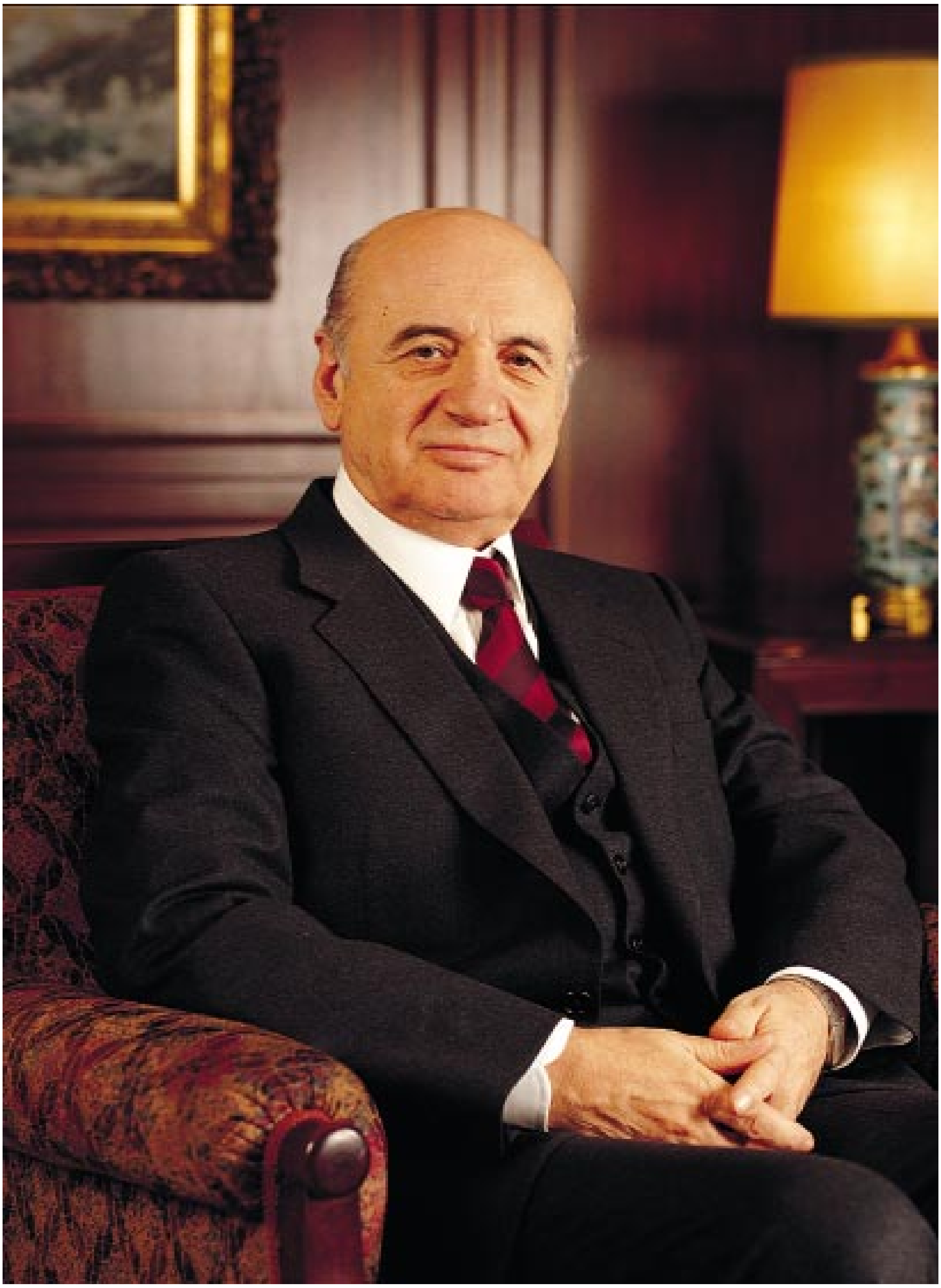


A. Şahenk, Chairman and Managing Director Doğuş Group of Companies, Garanti Bank and UGBI Bank

Message from the chairman

I am proud to present the annual report of United Garanti Bank International N.V. (UGBI Bank) for 1999, in which the Bank again produced very strong results. The performance reflects the excellent way in which UGBI Bank conducts its business in its niche market. The Bank profited from the favourable economic climate in the European Union, and from promising developments in Turkey. Although Turkey had to cope with the aftermath of a disastrous earthquake, the economy proved to be strong. The Trade Finance volume of the Bank rose by almost 50% to EUR 1.4 billion. Total assets grew by 37.3% to EUR 1,267 million. The result after tax and provisions amounted to EUR 21.4 million, which is 295% of the 1998 figure. UGBI Bank achieved an excellent Return on Average Equity of 33.8%.

In November 1999, UGBI Bank opened two full branches in Munich and Berlin. The German branches have successfully started their activities in both Trade Finance and Consumer Banking. The Consumer Banking savings products, which proved very successful in the Netherlands, will be introduced in Germany in the first quarter of 2000. Germany is the major trading partner of Turkey and therefore offers great potential for UGBI Bank's Trade Finance services. All divisions and foreign branches contributed to the Bank's overall income, except for Munich and Berlin, due to start-up costs.

Lately Standard & Poor's revised its outlook on UGBI Bank to "positive" from "stable" and affirmed its B+ long-term foreign currency counterparty rating. UGBI Bank also has a BBB- long-term credit rating (investment grade) and since May 1999 a good short-term credit rating of D2 from Duff & Phelps.

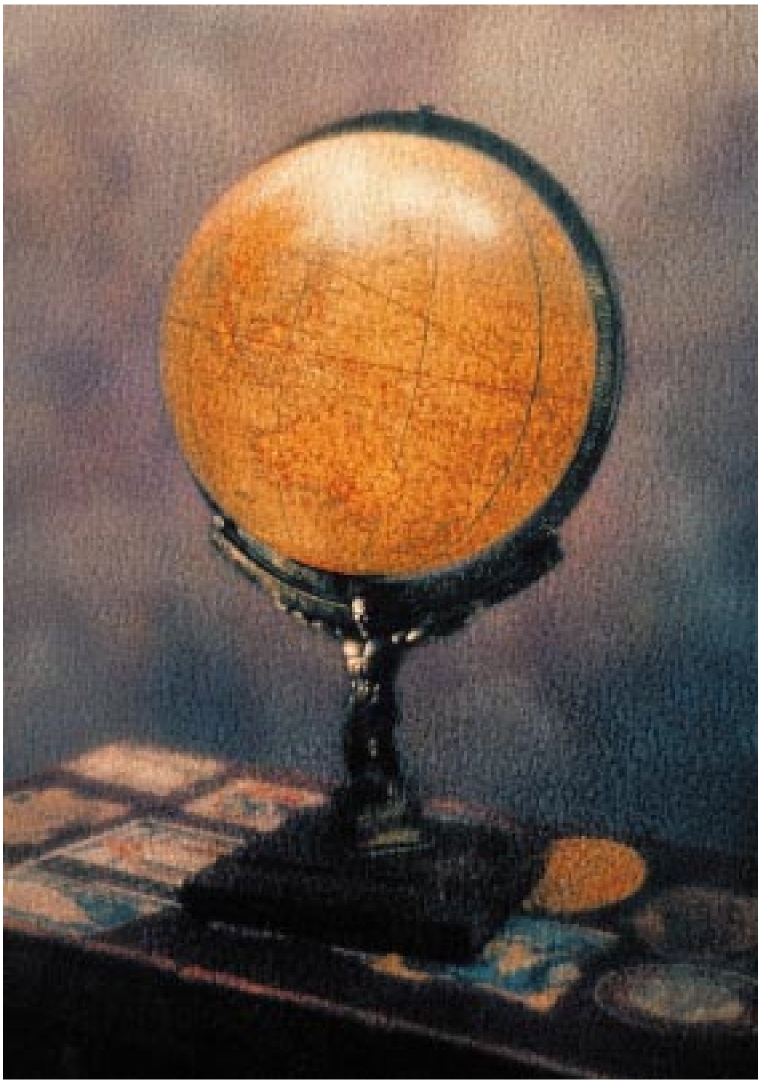
UGBI Bank is 100% owned by Türkiye Garanti Bankasi A.S., one of Turkey's largest private banks with Total Assets of USD 8.58 billion, Total Shareholders' Equity of USD 736 million and Net Income of USD 365.3 million (year-end 1999). Euromoney selected Türkiye Garanti Bankasi as the best bank in Turkey in 1995, 1996, 1997 and 1999, and best smaller bank of the world in 1999. The Bank received the highest rating in Turkey from all major rating agencies. Türkiye Garanti Bankasi holds the ISO 9001 Quality System Certificate for excellence in all banking areas. As a core subsidiary of Türkiye Garanti Bankasi, UGBI Bank enjoys effective support in business development by the parent bank, while maintaining its integrity in operational and managerial aspects.

In 1999, the branch of Türkiye Garanti Bankasi in Rotterdam was fully integrated into the organisation of UGBI Bank.

In January 2000, UGBI Bank increased its paid-in and called-up capital by Euro 18,151,000 by issuing at par 18,151 shares of Euro 1,000 each to its sole shareholder. In addition, the Bank's subordinated liabilities were increased by the same amount. The profits were retained in line with the unchanged dividend policy (0% payout ratio) making a total capital base of EUR 133 million. With the increased resources UGBI Bank will enhance its activities in Trade Finance, Investment Services and Consumer Banking.

Amsterdam, 24 March 2000

Ayhan Şahenk Chairman of the Board



Money makes the world go round

United Garanti Bank International N.V.

Report of the Supervisory Board

A detailed description of the Bank's activities and performance in 1999 with the Financial Statements and Auditor's Report is given in the following Report of the Executive Board.

We propose that the Executive Board be discharged from liability with respect to their management of the Bank's activities in 1999 and the Supervisory Board also be discharged with respect to their supervision thereof according to Article 17 of the Bank's Articles of Association.

The Board has voted to adopt Management's proposal to transfer the net profit to other reserves rather than paying a dividend. We submit this proposal for your approval.

As per 1 April 2000, Mr. Turgay Gönensin (Senior Managing Director) will be replaced by Mr. Bahadır Ateş. As of said date Mr. Gönensin will be the advisor of the Executive Board and also a member of the Supervisory Board. We wish to take this opportunity of expressing our gratitude and appreciation to Mr. Turgay Gönensin who has been the driving force behind the positive growth of the Bank for the last three years. UGBI Bank profited greatly from his superb vision and leadership.

We also wish to express our appreciation to the members of the Executive Board and all officers and staff for their efforts to promote the prosperity and growth of United Garanti Bank International N.V.

Amsterdam, 24 March 2000
Board of Supervisory Directors:

Mr. A. Şahenk (chairman)

Mr. Y.A. Öngör (vice chairman)

Mr. P.J. Pistor

Mr. F. Şahenk

Mr. S. Sözen

Mr. S. Toker

Management Team UGBI Bank

Report of the Executive Board

Introduction

United Garanti Bank International N.V. enjoyed further growth in 1999. Total assets grew by 37.3% to Euro 1,267 million, of which 73% were trade related. Despite the global emerging markets crisis and its repercussions on Turkey, particularly from the second half of 1998 onwards, UGBI Bank continued to build on its core trade finance activity which increased by 30% in 1998 and amounted to Euro 930 million. This momentum has continued in 1999 and trade finance volume increased by 49% compared with 1998 to an amount of Euro 1,386 million. The BIS ratio decreased from 28.3% to 23.5% due to the increase in the loan portfolio. Net profit after tax and provisions almost tripled to EUR 21.5 million. The income to cost ratio of 283% (279% in 1998) reflects the high efficiency of the Bank.

In the last quarter of 1999, UGBI Bank Germany was installed with two new branch offices in Munich and Berlin. The Bank expects that these two branches will be able to boost the trade finance volume, Germany being a major trade partner of Turkey. Furthermore, the large Turkish population in Germany will be a sustainable base for the Bank's consumer banking services.

Funds Entrusted grew by 44% to EUR 507 million compared with 1998. This growth was largely due to the ongoing success of the Golden Clover Account and the Golden Mountain Account, both regarded among the best saving products in the Dutch market and by the continuous increase of private banking deposits. The number of savings accounts has increased over the course of 1999 from 11,500 at the beginning of 1999 to 31,500 as at the end of 1999. With the opening of the branches in Munich and Berlin, the Bank will also introduce these products in a slightly modified form in Germany.

UGBI Bank expanded its business considerably in 1999. The strategy of the Bank is to continue focussing on Europe to grow its main businesses of trade finance, consumer banking and investment services. The Bank is aiming to tap in the first half of 2000 the European Capital Markets by launching a Eurobond program. Despite declining margins in the trade-related business, the Bank expects net results in 2000 to remain at the same level as in 1999.

Key figures United Garanti Bank International NV

(Euro thousands)

	1999	1998	1997	1996
Total assets	1,267,274	923,209	636,665	298,979
Banks (assets)	541,521	375,305	331,170	147,278
Loans and advances	648,423	477,797	265,004	129,940
Banks (liabilities)	602,725	466,433	447,681	216,590
Funds entrusted	507,367	351,956	116,812	46,362
Total capital base	96,867	75,400	47,147	27,285
Shareholders' equity	74,178	52,711	45,447	27,285
Operating result before tax	33,188	11,301	7,179	2,552
Result after tax	21,467	7,264	4,636	1,647
Foreign branches and representative offices	6	4	3	3
Revenu to cost ratio	283	279	187	159
Return on average equity	33.84	14.80	12.69	6.22
Return on average assets	1.96	0.93	0.99	0.64
Average number of employees	145	107	69	53
Standard & Poor's long term rating	B+	B+		
Duff & Phelps long term rating	BBB-	BBB-		
Duff & Phelps short term rating	D-2			

Report of the Executive Board

Economic Environment

The European Monetary Union

The favourable economic climate in The Netherlands corresponds with economic developments in the European Monetary Union. The Euro zone showed gradual economic recovery, especially in the industrial sector. Producer and general business confidence were rising, mainly because of growing orders. The unemployment rate dropped to 10% in September 1999 and decreased further to 9.6% at the end of the year. The upward economic trend resulted in reduced budget deficits and lower interest rates. As a result, the GDP is expected to continue to grow from 2.1 % in 1999 to almost 3% in the coming two years.

Rising oil prices had increasing effects on consumer prices. At the end of 1999 the ECB decided to increase the key interest rate by 50 basis points to 3%, in order to safeguard the medium-term anti-inflationary policy. The financial markets reacted positively. The returns on long-term Government Bonds fell, corresponding to the increase of interest rates and decreasing inflation expectations.

In the light of favourable expectations concerning economic activity and business profits, share prices in the Euro zone rose from the end of 1998 till October 1999 by 12%. In general European capital markets were flourishing, spurred by low interest rates and by the elimination of exchange-rate risk within the monetary union.

The European monetary policy is in force across 11 countries. The transition on 1 January 1999 to the single European currency, the Euro, was characterised by an early slide of the new currency's exchange rate against the dollar, but later in 1999 the Euro recovered to a level slightly above parity.

Price stability is one of the ECB's main objectives in the monetary policy of the Eurosystem. Since the money supply is regarded by the ECB as the major indicator of long-term inflation, the Managing Board has maintained the reference value of the annual M3 growth of 4.5%. However, M3 has been growing since the beginning of 1999 and as a result has been exceeding the reference value by 1.5% up to 6%. Nevertheless, this did not push inflation above its 2% target ceiling. The harmonised consumer price index (HICP) was 1.1%. Consumer prices reflected increasing oil prices – but not those of energy – and the increasing price of food and industrial goods. It is expected that price increases will remain below 2% for the coming two years.

The cumulative trade surplus for the Euro zone decreased to EUR 49.0 billion for the first ten months of 1999, compared with EUR 67.8 billion in the same period of 1998. The value of exports in the same period grew to EUR 670.8 billion, while imports increased to EUR 621.8 billion. The estimates for November (at time of printing the exact figures were not available) indicate that the renewed growth in exports that began in June 1999 is continuing.

Turkey

The macro-economic performance of the Turkish economy during 1999 can best be described as an economy in transformation. The new coalition government has decided to follow an IMF stabilisation program, and has gained the confidence of the financial markets. The European Union invited Turkey to join the Union as a candidate member, in the Helsinki Meeting.

For the past several years, Turkey has been unable to find a definite solution to high inflation and structural fiscal weaknesses. The price of political and economic woes has surfaced in the form of high real interest rates and significant dependence on short-term foreign and domestic financing. But a dynamic private sector, a cautious exchange rate policy, and the increasing openness of the economy have allowed the country to grow and kept the external position in check. While Turkey has had persistent high inflation for years, it has never let inflation get out of control.

After the April 1999 elections, Turkey's three party coalition got the necessary vote of confidence. The new government has been welcomed by all social partners, and it is believed that this coalition will be long lived and will tackle the major structural problems of the country.

Taking into account the past unsustainable developments and public expectations, the government has decided to embark upon a three year IMF -sponsored stabilization program which took effect late 1999. The IMF stand-by agreement aims to bring WPI inflation down to 20% by the end of 2000, 10% at end-2001, and 5% by the end of 2002. The success of the program hinges on three main pillars. First and foremost of these is political commitment and willingness. Secondly, inflationary expectations need to be broken by convincing the private sector that the program will be implemented. Finally, foreign investors should have confidence in the stabilization program, which will enable the inflow of private capital, both portfolio investment and direct investment.

Report of the Executive Board

The program rests on tight fiscal policy, use of the exchange rate as a nominal anchor, structural reforms and privatisation. In fact, the government has already taken steps to increase tax revenue and to limit public spending (pension reform, agricultural subsidy program, etc.). The budget target is a primary surplus of 2.2% of GNP at the general government level, which is consistent with the program and is achievable.

Salary increases in the public sector will be limited to 15% and the increase of administered prices will be based on expected inflation rates rather than past inflation rates. The new tax regime foresees additional tax receipts of USD 6 billion. With regard to the Monetary policy, the total depreciation of local currency will be 20 % in 2000 and the crawling parity system will last until mid-2001, after which the Central Bank will allow the lira to fluctuate within a 7.5 % band, to be later widened to 22.5 % by the end of 2002. The program also establishes a ceiling for the Central Bank net domestic assets and a floor for the net official reserves, USD 2.1 billion and USD 12 billion respectively. These performance criteria and plans are reviewed and approved by IMF and it has been announced that Turkey's new economic stance is very positive.

In 1999, Turkey's National Assembly approved a constitutional amendment that allows for international arbitration of certain business disputes; this amendment, it is hoped, may encourage foreign capital flows into Turkey. The new accepted banking law foresees the establishment of a new Banking Supervisory Board which will act totally independently. The Board is empowered to enforce new banking rules comparable to international banking regulations. In line with the new banking regulation five insolvent banks were taken over by the deposit insurance fund (owned by the Turkish Central Bank). 1999 has marked itself in Turkish history as the year of structural reforms such as the introduction of a new social security system, a new banking law, an international arbitration program and a new tax law.

In the year 2000, Turkey will probably receive higher ratings from of the international agencies after these announcements. Moody's and Standard & Poor's changed Turkey's outlook from "stable" to "positive". Turkey will be definitely upgraded if the targets are achieved and the structural changes are completed.

Until now the Turkish financial environment has reacted positively to all these developments. T-Bill rates continued their downward trend and yields were reduced 38%. The Istanbul Stock Exchange ISE-100 index also doubled within a three-month period. The index was over the 17,000 record level.

For the first time in Turkish economic history, all social partners, political parties and public and private sectors are committed to the success of such a wide range economic stabilisation plan, and they are adjusting their policy accordingly.

Report of the Executive Board

Trade Finance

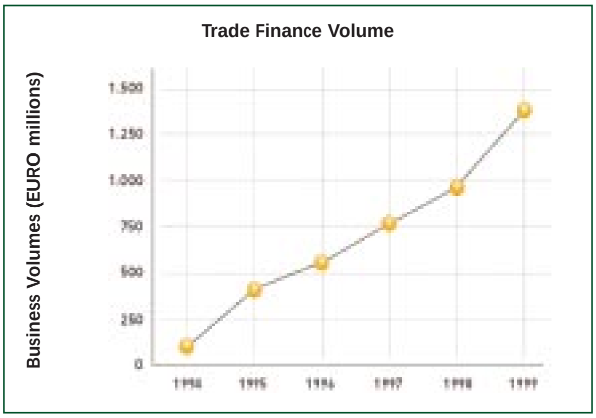
UGBI Bank's core business is trade finance, which is an inherently low risk/high return business. The competitive advantage of the Bank lies in the superior knowledge of, and relationships with, (a) European and U.S. exporters, importers and traders, (b) Turkish importers and exporters and (c) Turkish banks. This specialised expertise is particularly useful during periods of volatility and uncertainty as it enables the Bank to better assess and mitigate the risks.

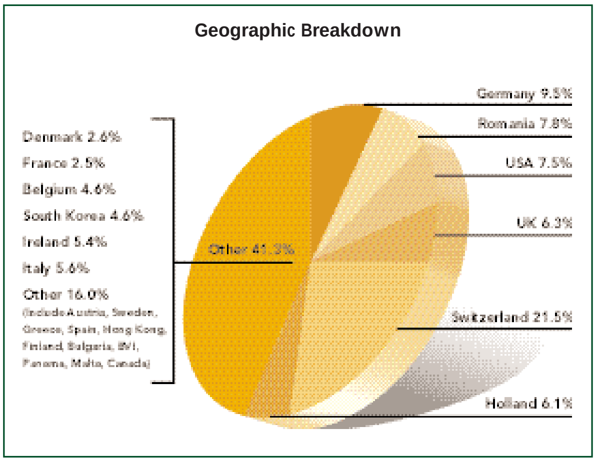
In many respects, 1999 has been a very significant year for Turkey. Repercussions of global emerging markets crises have gradually faded while commodity prices have moved upwards. A devastating earthquake and its after-shocks in and around the most industrialized Izmit region has multi-faceted impacts on Turkey and on the international community. Nevertheless, EU's nomination of Turkey as a candidate and economic reforms supported by IMF brought positive sentiment at the end of the year. By the side of these developments, Turkish risk premium in trade finance has remained rather high throughout 1999 but indications of declining margins at the end of the year have also been observed by UGBI Bank.

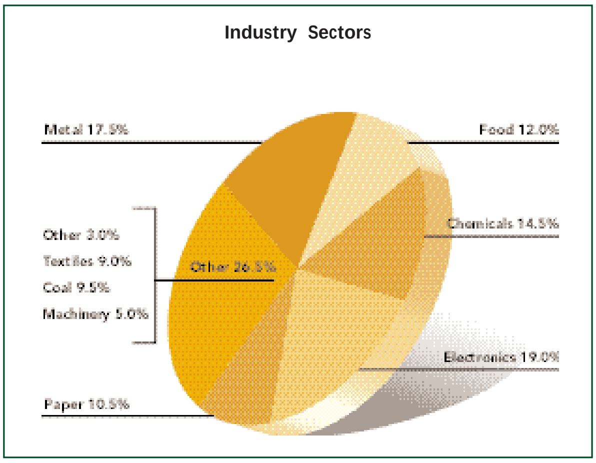
Each and every event within these fundamental developments has had major impacts on the foreign and domestic trade of Turkey. In this environment, UGBI Bank boosted its trade finance volume by almost 50% to EUR 1.4 billion. On the commissions' side, the Bank posted EUR 16.5 million in 1999, which exceeds the previous year's by more than 85%.

While achieving such results, very tight credit policies have been applied in pursuit of achieving higher asset quality. Indeed, the average maturity of trade related transactions was further reduced from 127 days of 1998 to 103 days. Additionally, top-tier trade related Turkish bank risk accounted for 45% of the total business received from Turkish banks.

In response to the significant developments in the Turkish economy, UGBI Bank has embarked on diversification and product innovation; both coupled with in-depth knowledge of Turkish business environment. Diversification of industry sectors, diversification of product mix and diversification of geographic reach have been tightly woven in order to better grasp and respond to the trade flows. In this endeavor, UGBI Bank entered the Turkish domestic trade finance market for the first time in 1999. Domestic trade finance now counts for 7% of the total





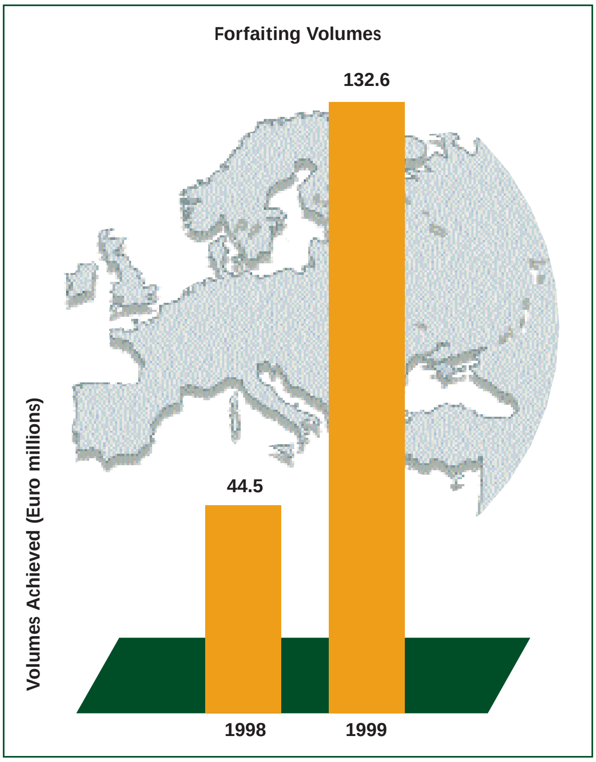


trade finance volume. Marketing efforts since early 1998 have been fruitful in strengthening UGBI Bank's position in the chemicals, electronics and paper sectors in addition to its established position in the food and metals sectors.

In 1999, UGBI Bank integrated the asset trading and forfaiting activities of the Bank under Trade Finance and Marketing division instead of the Liability, Liquidity & Financial Institutions division. With this organisational change, UGBI Bank re-energised its holistic approach towards primary and secondary trade finance markets and became a significant market-maker in trade related Turkish risk. Indeed, more than EUR 130 million volume was traded by UGBI Bank's asset trading desk in the secondary markets during 1999 against EUR 44 million in 1998. The Forfaiting desk has more than 130 active counterparties in secondary markets including forfaiting houses and merchant banks.

UGBI Bank's branches in Bucharest, Romania and in Milan, Italy made a valuable contribution as the total volume generated by these branches increased by 45% in 1999. UGBI Bank's representative offices in Geneva and in Istanbul continued to make a significant contribution to our marketing efforts. Following careful study, the Bank continued its geographical expansion and opened its Munich and Berlin branches in Germany in November 1999. UGBI Bank's physical proximity to its German customers will further enhance its results in 2000.

UGBI Bank will continue to provide top quality service to its trade finance customers and sustain its competitive advantage by relying on its deal structuring and market-making capabilities, its superior understanding of target markets, its strong relationship with its counterparts and its prompt responsiveness to customers in a boutique service fashion.



Report of the Executive Board

Financial Institutions

The Bank enjoys excellent relations with its correspondents. Despite the jittery state of the economic arena, the market's trust in its name and performance was once again evidenced in two very successful syndicated term loan facilities. In January 1999, the Bank was in the market with USD 50 million; the facility was arranged by ABN AMRO Bank N.V. and Westdeutsche Landesbank Girozentrale. In August UGBI Bank exercised its right to extend its term loan facility arranged in 1998 by Rabobank, Deutsche Bank, Standard Chartered Bank and Bank of Tokyo Mitsubishi as USD 57.6 million. Both syndicated loan facilities include banks in Europe, Asia, United States of America and the Middle East.

Despite our apparent success in the syndicated loan market, it is also worth mentioning that we have taken important steps in diversifying our funding base. In 1999 non-bank deposits accounted for 45.7 % of our funding base. In fact this improvement in our funding diversification coupled with our strong capital base growth and proven track record in trade finance have earned us the highest rating a Turkey related bank has ever received. The rating agencies Duff & Phelps and Standard & Poor's have confirmed their long term credit ratings BBB- and B+ respectively, while in May Duff & Phelps granted UGBI Bank a short term credit rate of D2, on a scale of D1 (highest) to D5. Furthermore, recently Standard & Poor's have also changed their outlook to "positive".

Treasury and Investment Services

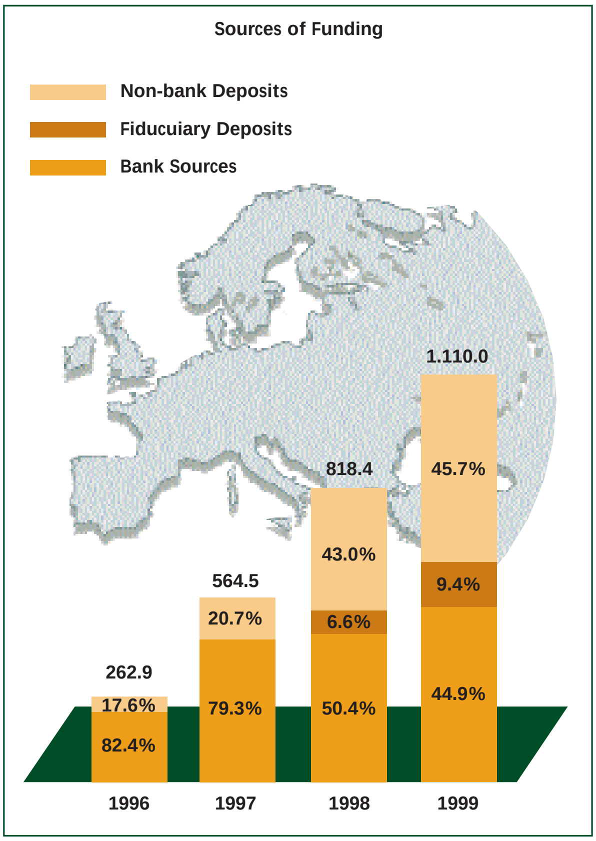
UGBI Bank's Treasury and Investment Services again showed a good performance in the year under review. In order to adapt to the dynamic markets and meet customer needs better, the Bank strengthened the functions of the department by implementing a new organisational structure and by investing in new technology. The organisation of the division is made up of two main desks.

The Private Banking and Investment Desk is endowed with high level technical traders who execute orders on behalf of our clients. The total client asset grew to EUR 360 million, which is more than double compared with 1998. Client driven FX brokerage volume tripled in 1999 to EUR 3.5 billion, while equity and security brokerage kept a similar pace in growth and contributed substantially to the income of the Bank.

The Internal Services Desk is primarily responsible for risk and liquidity management, ensuring an excellent job in pricing and the execution of the Asset and Liability Committee's directives.

UGBI Bank further succeeded in developing and strengthening its position in funding and liquidity management, despite the global debt crisis. This is primarily the result of a long lasting, steady, reliable and diversified funding base policy. In 1999 it further diversified its funding both geographically and by source.

The Bank enjoys bilateral funding lines from a range of European and U.S Banks. The total level of interbank borrowing remained the same. The amount of consumer banking deposits grew substantially. UGBI Bank enjoyed high liquidity throughout the year and benefited from the overnight-money-market placement rate paid by Turkish Banks.



Consumer Banking

For the Consumer Banking Division, 1999 was again a very successful year in terms of new activities, volume increase, profitability and contribution to the Bank's overall performance. All UGBI Bank's consumer related activities (national and international) such as deposit taking, consumer loans and insurance brokerage, contributed to the positive developments. As of the 1st of January 1999 the Türkiye Garanti Bankasi A.S. Rotterdam branch was fully integrated in the organisation of UGBI Bank and is now managed by the Consumer Banking Division.

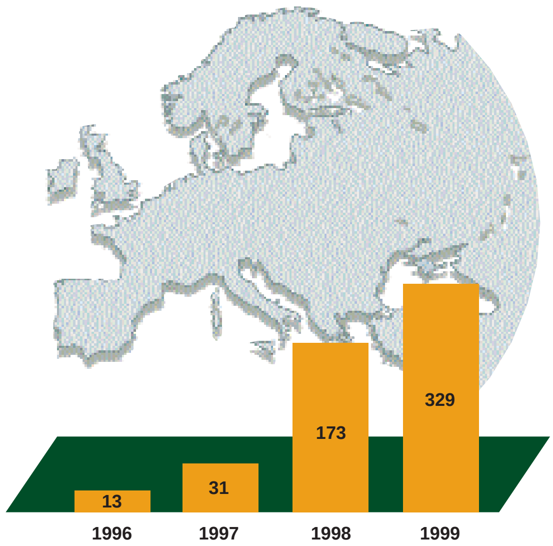
UGBI Bank strives to reach its retail customers in a way that suits the customer best. Its market approach is organised via several distribution channels. A number of branches and sales offices in the Netherlands and Germany are focused on the Turkish community. Furthermore, insurance sales staff visit Turkish and Dutch prospects in their homes. Also the Bank uses a direct marketing approach mainly to penetrate the Dutch savings market. To improve the service quality a totally new Consumer Banking front-office application is being built at present. This system has an integrated commercial and administrational functionality ranging from client administration to a telemarketing call-centre. This new set-up will be used also for the international Consumer Banking operations in Germany, Romania and Italy.

In 1999, despite the growing competition, the number of savings accounts and the related balances - mainly from Dutch individuals, companies and institutions - showed a growth higher than our anticipations. As in the previous years, also in 1999 the Dutch Consumer Association described several types of UGBI Bank's savings accounts as the best products in the market. UGBI Bank also introduced US dollar savings accounts and time deposits. Due to the mentioned developments, the Bank was able to increase the maturity of the liability profile. Consumer related funds contributed to a significant increase in the Bank's total funds entrusted and are a solid financing base for the Bank's consumer loan and trade finance activities.

The consolidated consumer loan portfolio showed substantial growth in 1999. The portfolio increased by almost 50% to EUR 35 million at the year-end. While the contribution of the Bank's own branches and sales offices in The Netherlands and cross-border grew, the contribution of independent agencies shrank.

The Bank's insurance brokerage activities are organised via a separate legal entity. The year under review was the first full year for this activity. The insurance sales showed a promising growth. Beside a share in profits, the Bank also earned, via its branches and offices, commission income from this activity. The number of clients more than doubled in 1999.

Development of Consumer Funding



The Consumer Banking activities in the year 2000 will be, beside the further growth in the already existing target areas in the Netherlands, focussed on the German retail market. In the beginning of 2000, the German savings market will be entered and also a consumer loan portfolio will be built up. Unlike in the Netherlands, the Consumer Banking activities in Germany are not exclusively focussed on the Turkish community. There is a high potential in penetrating the somewhat conservative German consumer market. In our branches in Romania and Italy deposit taking efforts will be activated.

Risk Management

UGBI Bank maintains a comprehensive and effective risk management structure. Risk management is seen as an ongoing process, and is delegated to the Asset and Liability Committee (ALCO) and to the Credit Committee. Management is represented in both committees.

UGBI Bank's Credit Committee oversees all credit risks. Credit risk is defined as the risk at times when a borrower or counterpart can not meet its financial obligations. The Credit Committee evaluates the creditworthiness of all borrowers and counterparts before credit risks are taken. The committee sets policies and limits for industries and country exposure by using an advanced scoring model. This model also assigns ratings to countries and financial institutions. Monitoring credit risks is enhanced by the availability of an on line credit system providing data on the utilisation of credits, industry risk concentrations, expiration of credits, etc. For larger credits or for credits with an extended maturity, an extended Credit Committee, including members of the Supervisory Board reviews and approves the credit applications. Credit decisions for our branches abroad are also approved by UGBI Bank's Head Office in Amsterdam.

Market risks deriving from foreign exchange trading activities, investment services and liability management are closely followed by the Bank's Assets and Liabilty Committee. Market risks are defined as changes in the value of financial instruments or positions due to changing market rates, prices or volatility. The committee closely follows developments in the financial markets and sets limits for trading, for strategic positions and for interest mismatch positions. Computer models have been designed to calculate the effects for UGBI Bank of the interest changes in the major currencies. Market risks for the branches abroad are centralised at the Amsterdam Head Office and are also subject to review of the ALCO activities. The ALCO meets every week. Along with Management, the heads of the major departments are also members. In 1999, the Bank appointed a Risk Manager, also being a member of the ALCO. The Risk Manager, amongst others, monitors on a daily basis the Bank's outstanding exposure with trading counterparts, the outstanding trading positions versus their set limits, etc. The Risk Manager also performs ad hoc risk reviews as directed by the ALCO.

Operational risks are controlled through a set of comprehensive policies and procedures and an effective system of internal control, including adequate computer systems. In 1999 the Bank's Internal Audit Department was expanded and the number of periodic reviews of systems, procedures and departmental activities also increased. Departments closely follow up audit reports with recommendations for improvements. Summaries of audit findings are also reviewed by the Audit Committee of the Supervisory Board.

Information Technology

The commitment to client focus and global thinking that characterizes UGBI Bank, depends on utilization of the best and most appropriate information technologies. In 1999 the Bank made further improvements in its technological infrastructure. We have put our main computers in a cluster to be safeguarded of 24 hours of processing and have upgraded our Wide Area Network to the latest technology and fine-tuned the performance of our systems.

We continued to update all our information systems according to internal and external demands and we have completed a home-banking project in our Bucharest branch. We also have implemented our general banking application system (the Globus system) in our new branches in Munich and Berlin and we have connected these branches to our Wide Area Network (WAN). The uniformity of the banking application systems implemented in most of our branches enhances the efficient control over the Bank's activities.

In the year 2000 the Bank hopes to realize an Internet banking application which will enable our customers to do their banking businesses easily through Internet. The first focus of this project will be on our Consumer Banking clients but after that our Corporate Banking clients will benefit from our Internet applications as well.

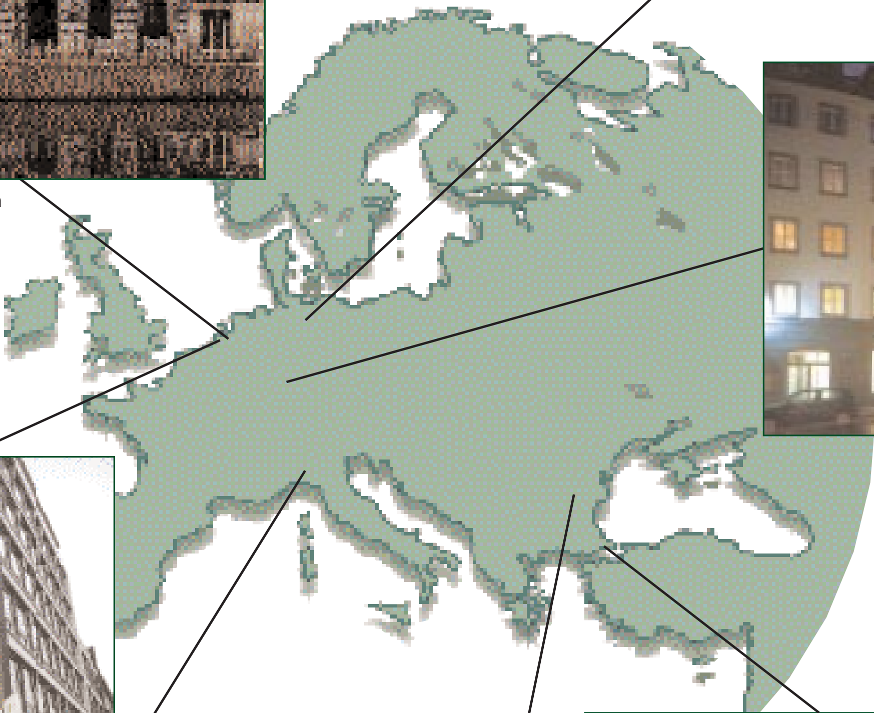
We are proud to announce that all our systems, in all the countries we are located, turned out to be millenniumproof. The Bank spent many months in preparing and testing all the systems on all the critical dates and in all aspects of banking. Finally in November we were convinced that the change of the millennium would not harm us at all. At the same time we received confirmation that the majority of our counterparts were millennium proof as well.

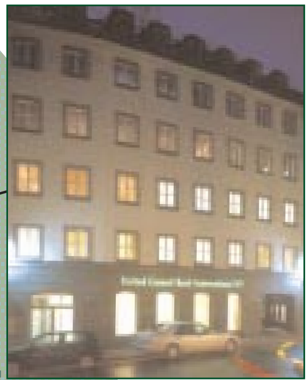
For the next year our IT department will be heavily involved in realizing challenging projects. We will convert UGBI Bank Milan to our general banking application system. Then all our branches will be using the same software, which enables us to implement a global limit system to control our central liability in a much more advanced way. It will also provide us with an easier way to prepare automatically our consolidated general ledger. The main focus of the Bank in 2000, however, will be on Internet Banking, on further improving our Management Information Systems and on realizing supportive systems for our Risk Management department.

Report of the Executive Board

Headoffice Amsterdam

Berlin

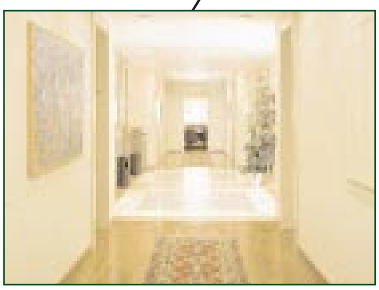




Munich

Rotterdam

Istanbul



Milan

Bucharest

Foreign Branches

Germany

At the end of 1999, UGBI Bank opened two new branch offices in Munich and Berlin. The main branch of the Bank in Germany is in Munich, where Country Management, Operations, Human Resources and supporting departments are situated. Berlin operates as a branch of Munich and Düsseldorf as a representative office with sales capabilities. UGBI Bank started German consumer banking activities in September 1998, through its sales office in Düsseldorf. The experience of the Düsseldorf entity provided a foundation for the later establishment of consumer banking in Germany. The successful savings products that the Bank offers in The Netherlands have been slightly modified for the German market, and will be introduced in Germany in the first quarter of 2000.

As the major trade partner of Turkey, Germany has obviously high potential for UGBI Bank's specialised Trade Finance services. Experienced staff began the Trade Finance activities in November 1999.

Romania

Taking into consideration the political and economic situation in Romania, UGBI Bank Bucharest branch has concentrated its marketing strategy on selected industries i.e. metals, chemicals, and grain. The leading traders in chemicals and metals in Romania are actively doing business with UGBI Bank. While financing the trade between two countries, the branch has also taken over an active and important function of intermediary between Turkish and Romanian financial institutions, namely banks. For our major clients we are launching an electronic banking product at the beginning of year 2000. Apart from trade finance facilities, deposit-taking efforts of the branch will continue with a better focus on individual depositors, while the corporate banking identity of the branch will be kept.

Italy

Italy has been the second biggest trade partner of Turkey after Germany. In this context, UGBI Bank Milan has been primarily active in rendering trade finance services to Italian firms doing business with Turkey as well as concentrating its efforts recently on developing a deposit base. The Branch has made a positive contribution to the overall performance of the Bank.

Such performance has stemmed from the Branch's proximity to and expertise in the trade flows between Italy and Turkey, and the dedicated efforts of the staff. Further on, UGBI Bank Milan's marketing efforts will not only be limited to the trade flows between Turkey and Italy but will also include the trade activities between Italy and Romania, Germany and The Netherlands, the countries where UGBI Bank has a branch network. For such multi-faced activities, the Bank has started facilitating branch co-ordination efforts. UGBI Bank Milan will continue to play a key role in intermediating trade flows between Italy and said countries while further building up a solid deposit base.

Report of the Executive Board

Human Resources

Through considerable positive changes in the recent years, UGBI Bank continues to benefit from the skills of highly experienced people across the range of its businesses and in all the countries where the Bank is located. UGBI Bank's continuing success is a testimony to the drive, commitment, flexibility and hard work of its people and their willingness to challenge traditional ways of thinking. This will continue as UGBI Bank looks ahead to the challenges of the 21st century.

As at the end of 1999, UGBI Bank employed 178 people of which 107 persons are based in the Netherlands and 71 abroad. The number of staff increased by 59 compared with the end of 1998. The increase in staff is largely due to the take-over of Türkiye Garanti Bankasi's branch in Rotterdam (January 1999) and the establishment of new branches in Germany (Munich and Berlin) in the last quarter of 1999. UGBI Bank has also branches in Milan, Italy (1995) and Bucharest, Romania (1998) and representative offices in Istanbul, Turkey and Geneva, Switzerland. The head count of these units did not change greatly in 1999. The Bank benefits from its very international staff and is able to serve its clients in 9 different languages.

For the year 2000 the Management expects an increase in staff of 9%. The major part of this increase will come from our German operations.

UGBI Bank continued to give high priority to staff development. The Bank completed the establishment of an international expatriate program both with our parent bank and our international branches. This program ensures that promising young staff members are identified and given the opportunity to gain experience in various foreign countries. Training efforts were intensified in the year under review both in sending high potential staff to external courses and by arranging tailor made in-house courses. These efforts in staff development ensure that the Bank's policy to promote people from within will be continued.

The Bank finalized the restructuring of its compensation package which is now fully compatible with banks operating in the same markets. UGBI Bank is confident that this has strengthened its position in the present difficult labor market. In 1999 the Bank completed a review of its retirement plan, the result of which created more flexibility for the participating employees as well as for the Bank.

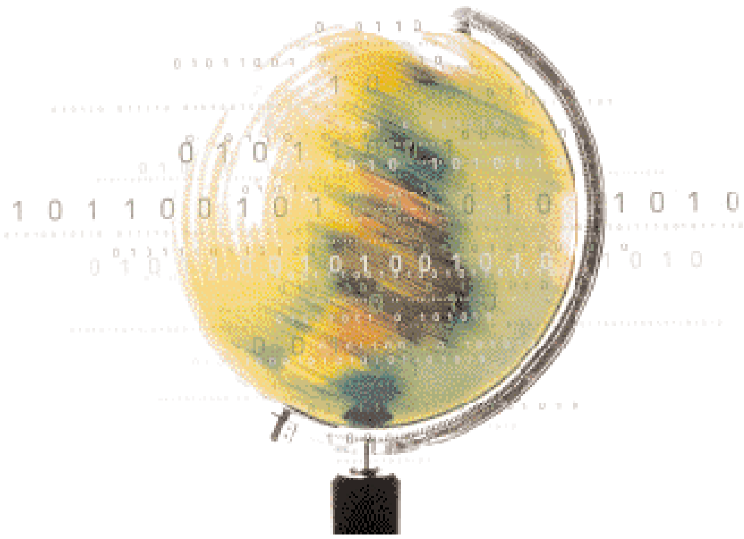
UGBI Bank continued its incentive program, rewarding staff for outstanding individual contributions to the Bank's performance.

The year 1999 has been a very busy and good year. The growth in business, the introduction of the Euro and the preparations for a smooth transition to the year 2000 has put a lot of pressure on all our staff. The results achieved by the Bank must be attributed to the tangible efforts made by the entire staff, to whom the Management conveys its warmest congratulations.

Amsterdam, 24 March 2000
Board of Executive Directors:

Turgay Gönensin *Marc P. Padberg*

Report of the Executive Board



The digital world makes the money go round

Balance sheet as at 31 December 1999

(after appropriation of the result)

(in thousands of euros)	31 December 1999		31 December 1998	
Assets				
Cash		25,159		12,306
Banks		541,521		375,305
Loans and advances		648,423		477,797
Interest-bearing securities		4,763		31,882
Participating interests		38		26
Property and equipment		11,845		6,623
Prepayments and accrued income		35,525		19,270
Total assets		1,267,274		923,209
Liabilities				
Banks		602,725		466,433
Funds entrusted		507,367		351,956
Accruals and deferred income		60,315		29,420
		1,170,407		847,809
Subordinated liabilities		22,689		22,689
Paid-in and called-up capital	29,768		29,768	
Share premium account	4,215		4,215	
Other reserves	40,195		18,728	
Shareholders' equity		74,178		52,711
Total liabilities and shareholders' equity		1,267,274		923,209
Contingent liabilities		191,925		152,017
Irrevocable facilities		8,470		6,186
		200,395		158,203

Profit and loss account for the financial year 1999

		1999		1998
(in thousands of euros)				
Interest income	190,987		121,228	
Interest expense	159,478		95,820	
		31,509		25,408
Income from securities and participating interests		12		2
Commission income	16,540		8,906	
Commission expense	1,688		798	
		14,852		8,108
Result on financial transactions		7,847		2,364
Total income		54,220		35,882
Administration expenses:				
• Staff costs	12,200		8,086	
• Other administrative expenses	5,886		4,114	
		18,086		12,200
Depreciation		1,054		660
Operating expenses		19,140		12,860
Value adjustments to receivables		1,892		14,337
Transfer from fund for general banking risks		–		(2,616)
Total expenses		21,032		24,581
Operating result before tax		33,188		11,301
Tax on result on ordinary activities		11,721		4,037
Result after tax		21,467		7,264

Consolidated cash flow statement

	1999	1998
(in thousands of euros)		
Net cash flow out of profit		
Net profit	21,467	7,264
Depreciation	1,054	660
Transfer from fund for general banking risks	–	(2,616)
Value adjustments to receivables	1,892	14,337
	24,413	19,645
Net cash flow out of banking activities		
Due from banks, excluding due from banks demand	(149,924)	(44,036)
Loans and advances (excluding provisions)	(172,517)	(227,130)
Trading portfolio	19,630	(19,630)
Other assets	(16,255)	(3,244)
Funds entrusted	155,411	235,144
Due to banks, excluding due to banks demand	125,632	16,005
Other liabilities	30,895	5,311
	(7,128)	(37,580)
Net cash flow out of investment activities		
Investments in:		
• Fixed assets	(6,376)	(3,741)
• Participating interests	(12)	(26)
• Investment portfolio	(218)	–
Desinvestments in:		
• Fixed assets	100	487
• Investment portfolio	7,707	8,168
	1,201	4,888
Net cash flow out of financing activities		
Subordinated loan	–	22,689
Net cash flow	18,486	9,642
Cash balance as at 1 January	11,618	1,976
Cash balance as at 31 December	30,104	11,618
	18,486	9,642
Specification of cash and cash equivalents		
Cash	25,159	12,306
Due from banks demand	4,945	(688)
	30,104	11,618

Notes

General

The financial information of the Bank will be included in the financial statements of Türkiye Garanti Bankasi A.S. incorporated in Turkey. The Bank works in close co-operation with its shareholder.

Basis of presentation

The financial statements for this financial year were prepared in accordance with the legal requirements for the annual accounts of banks contained in Part 9, Book 2 of the Dutch Civil Code, including recommendation of the Dutch Central Bank.
All amounts are stated in thousands of euros, unless otherwise indicated.

Principles for consolidation

Group companies are consolidated insofar as this is necessary to provide the legally required fair presentation.

Accounting principles

General

Assets and liabilities are stated at nominal value, unless stated otherwise below.

Foreign currencies

Assets and liabilities denominated in foreign currencies as well as forward transactions in foreign currencies which relate to funds borrowed and lent (hedge transactions) are converted at the spot rate as at balance sheet date. Foreign exchange rate differences are taken to the profit and loss account to the ‘Result on financial transactions’.

The difference between the spot (current) and forward (contract) rates on hedge transactions is deferred or released to interest income or expense over the term of the contract. Other outstanding forward transactions in foreign currencies are valued at the applicable forward rate for the residual term to maturity as at balance sheet date.

Transactions and the resulting income and charges in foreign currencies are converted at the rate applicable on transaction date. The resulting exchange rate effects are accounted for as ‘Result on financial transactions’ in the profit and loss account except for exchange losses arising on Turkish lira denominated loans which are accounted for as interest.

Results of foreign branches are translated at the rates prevailing at the end of the month in which the results are recognised. The results from the branch in the hyper-inflationary country Romania are adjusted for the revaluation of the book value of the fixed assets in local currency.

Derivatives

Derivatives are financial instruments embodied in contracts of which the value depends on one or more underlying assets or indices.

Where the Bank has entered into derivatives to cover its own positions, these are recognised in accordance with the accounting principles applicable to these positions.

The other off-balance sheet instruments are recorded at market value or possible realisable value as at balance sheet date. The resulting price and valuation differences are stated in the profit and loss account as ‘Result on financial transactions’.

Loans and advances to banks/customers

Loans and advances to banks/customers are valued at nominal value, after deduction of general and specific provisions for doubtful debts and provisions for country risks. The additions to or transfers from the general and specific provisions for doubtful debts and country risks are recognised in "Value adjustments to receivables".

Notes

Investment and trading portfolio

The investment portfolio is shown in the item ‘Interest-bearing securities’ and comprises all investments which are intended to be held on a permanent basis or to maturity.
The trading portfolio is also shown in the item ‘Interest-bearing securities’ and consists of investments which are intended to be used to gain short-term transaction results.

Interest-bearing securities

Interest-bearing securities including fixed-income securities belonging to the investment portfolio are stated at redemption value after deduction of provisions for doubtful debts. The difference between redemption value and acquisition price is deferred and included in the balance sheet as either a prepayment or an accrual and amortised over the weighted average remaining life of the relevant securities.

Interest-bearing securities included in the trading portfolio are stated at market value. Transfers of investments between portfolios are made at market value. Profits or losses on transfers are taken to the profit and loss account in accordance with profits or losses on sales.

Participating interests

Participating interests in which UGBI Bank has a significant influence on commercial and financial policy are stated at net asset value determined in conformity with the accounting policies applied in these financial statements. The UGBI Bank’s share in the net profit is stated as ‘Income from securities and participating interests’.

Property and equipment

The valuation principles for tangible fixed assets are as follows:

Land and buildings in use by the Bank

Premises held as a long-term investment and used by the Bank are valued at the ‘best efforts’ market value. Changes in this value are accounted for in the revaluation reserve, taking deferred tax liabilities into account. A debit balance of the revaluation reserve is taken to the profit and loss account.

Other fixed assets

These are stated at acquisition price less straight-line depreciation on the basis of estimated useful economic lives.

Fund for general banking risks

The fund for general banking risks is designed to cover general risks stemming from normal banking activities. The size of the fund and additions to it, depend on expectations about current and future risks. Unforeseeable losses, such as fraud or nationalisation’s and exceptional losses from banking activities may be offset against the fund.

The additions to and transfers from the fund are recorded in the profit and loss account under the item ‘Additions to and transfers from fund for general banking risks’.

In determining the tax expense, account has been taken of additions to and deductions from the fund. To the extent that fiscal authorities do not allow as deductible items dotations to the fund, deferred tax benefits are offset against the balance of the fund.

Notes

Income

Income is attributed to the period in which it arises or in which the service was provided, with the exception of value differences in respect of trading positions stated at market value. The latter are added or charged directly to the result for the year.

Interest income and commissions from the extension of credits are not stated as income if the collection of the interest and commission is doubtful. Results on the sale of interest-bearing securities belonging to the investment portfolio are attributed to interest income over the weighted average term of the investment portfolio, unless sales are made in connection with a structural reduction of the investment portfolio. If, on balance, losses on the sale of interest-bearing securities would arise, the surplus losses are charged directly to 'Interest expense'.

Operating expenses

Expenses are allocated to the period in which they arise.

Taxes

Taxes are calculated over the net profit or loss before tax on the basis of the applicable profit tax rates, taking exempt profit items and deductible items into account.

Cash flow statement

The cash flow statement gives details of the source of liquid funds, which became available during the year and the application of the liquid funds over the course of the year. The cash flows are analysed into cash flows from operations/banking activities, investment activities and financing activities. Liquid funds include cash in hand, net credit balances on current accounts with other banks and net demand deposits with central banks. Movements in loans, total customer accounts and interbank deposits are included in the cash flow from banking activities. Investment activities comprise purchases, sales and redemptions in respect of investment portfolios, as well as investments in and sales of participating interests, property and equipment. The issue of shares and the borrowing and repayment of long-term funds are treated as financing activities.

Notes to the balance sheet as at 31 December 1999

Assets	1999	1998
Cash	25,159	12,306

This item includes all legal tender, as well as demand deposits held at the central bank and giro and retail clearing services in countries in which the Bank is established.

Banks	541,521	375,305

This item comprises all loans and advances to banks falling under government supervision as well as to central banks, which are not included in the 'Cash' item and insofar as not embodied in the form of debt securities including fixed-income securities.

The receivables included under this heading are:

	1999	1998
• payable on demand	24,600	5,043
• three months or shorter	354,795	207,731
• longer than three months but not longer than one year	155,653	120,014
• longer than one year but not longer than five years	6,473	42,517
	541,521	375,305

The loans and advances to banks include receivables from:

	1999	1998
• group entities which have a participating interest in the Bank	114,477	77,972
• other group entities	18,456	16,740
• other	408,588	280,593
	541,521	375,305

Loans and advances	648,423	477,797

These include all loans and advances, excluding those to banks and those embodied in debt securities including fixed-income securities.

The remaining maturity of the loans and advances is as follows:

	1999	1998
• three months or shorter	351,113	190,179
• longer than three months but not longer than one year	175,345	105,334
• longer than one year but not longer than five years	121,788	182,284
• longer than five years	177	–
	648,423	477,797

Loans and advances is composed of receivables from:

	1999	1998
• group entities	163,480	133,116
• other	484,943	344,681
	648,423	477,797

	1999	1998
Interest-bearing securities	4,763	31,882

Included under this item are debt securities with a fixed interest rate issued by public bodies.
The item can be broken down into:

	1999	1998
• investment portfolio	4,763	12,252
• trading portfolio	–	19,630
	4,763	31,882

Changes in the investment portfolio are as follows:

	1999	1998
Balance sheet value as at 1 January	12,252	20,420
Purchases	218	–
Sales	(7,707)	(8,168)
Balance sheet value as at 31 December	4,763	12,252

	1999	1998
Participating interests	38	26

This item comprises the following equity participations:
- 66.67% Nirwana Assurantiën B.V., Amsterdam, an insurance broker
- 100% Trifoi SRL, Bucharest, the owner of the land where UGBI Bucharest Branch Romania is located.

The changes in this item were as follows:

	1999	1998
Position as at 1 January	26	–
Purchases	–	24
Share in profit	12	2
Position as at 31 December	38	26

	1999	1998
Property and equipment	11,845	6,623

The changes in this balance sheet item are as follows:

	Land and buildings in use by the Bank	Other fixed assets	Total
Balance sheet value as at 1 January	4,837	1,786	6,623
Purchases	4,004	2,372	6,376
Depreciation	(168)	(886)	(1,054)
Book value of disposals	(55)	(45)	(100)
Balance sheet value as at 31 December	8,618	3,227	11,845
Accumulated depreciation	421	2,624	3,045

	1999	1998
Prepayments and accrued income	35,525	19,270
This includes the prepayments for costs to be charged to following periods, as yet un-invoiced amounts still to be received, such as accrued interest, as well as the net positive value of forward foreign exchange contracts and other off-balance sheet instruments stated at market value.		
Liabilities		
Banks	602,725	466,433
This includes the non-subordinated amounts owed to banks insofar as not embodied in debts evidenced by certificates.		
The amounts owed stated here are:		
• payable on demand	31,379	14,254
• three months or shorter	379,939	271,842
• longer than three months but not longer than one year	117,957	128,651
• longer than one year but not longer than five years	73,450	51,686
	602,725	466,433
The amounts owed to banks also include debts to:		
• group entities with a participating interest in the Bank	70,528	74,796
• other group entities	122,059	30,876
• others	410,138	360,761
	602,725	466,433
Funds entrusted	507,367	351,956
Included under this item are all non-subordinated debts, insofar as they are not amounts owed to banks or embodied in debts evidenced by certificates.		
This item can be specified as follows:		
• savings accounts	344,509	136,604
• other funds entrusted	162,858	215,352
	507,367	351,956
The remaining maturity of the funds entrusted is as follows:		
• payable on demand	289,811	153,451
• three months or shorter	143,468	96,711
• longer than three months but not longer than one year	56,110	54,101
• longer than one year but not longer than five years	15,709	47,693
• longer than five years	2,269	–
	507,367	351,956
Funds entrusted includes deposits received from group entities	3,454	5,699
Accruals and deferred income	60,315	29,420

Stated under this item are prepayments received in respect of profits attributable to following periods and amounts still to be paid such as accrued interest, as well as the net loss on forward foreign exchange contracts and of other off-balance sheet instruments stated at market value.

	1999	1998
Subordinated liabilities	22,689	22,689

This includes a subordinated loan of 22,689 extended by Türkiye Garanti Bankasi A.S. The loan is subordinated in respect of the other current and future liabilities of UGBI Bank. The loan has a half-yearly interest payment at a rate of AIBOR plus 4%. Redemption will take place after five years notice.

Shareholders' equity	74,178	52,711
Paid-in and called-up capital	29,768	29,768

The changes in this item were as follows:

Position as at 1 January	29,768	29,768
Issue of new shares	–	–
Position as at 31 December	29,768	29,768

The authorised capital amounts to NLG 75 million (EUR 34 million) and is subdivided into 75,000 shares with a nominal value of NLG 1,000 (EUR 453,78) each, of which 65,600 shares have been issued and fully paid up.

Share premium account	4,215	4,215

No changes have taken place during the year.
The share premium account is fully recognised by the Dutch tax authorities.

Other reserves	40,195	18,728

The changes in this item were as follows:

Position as at 1 January	18,728	11,464
Issue of new shares	–	–
Profit appropriation	21,467	7,264
Position as at 31 December	40,195	18,728

The capital tax related to the issue of new shares is charged against the other reserves net of corporation taxes.

Contingent liabilities	191,925	152,017

This includes all liabilities arising from transactions in which the Bank has guaranteed the commitments of third parties.
The contingent liabilities can be broken down into liabilities in respect of:

• guarantees	69,607	88,677
• irrevocable letters of credit	122,318	63,340
	191,925	152,017

	1999	1998
Irrevocable facilities	8,470	6,186
This concerns the total amount of commitments in respect of undrawn irrevocable facilities that may give rise to a credit risk.		

Pledged assets

EUR 36 million of consumer loans classified as 'Loans and advances' have been pledged as collateral for liability items. These assets are consequently no longer freely available.

Concentrations of credit risks

The loans and advances can be broken down by kind of risk as follows:

	1999	1998
• Guaranteed by banks	131,848	119,668
• Advances against securities and cash	315,202	260,442
• Advances against other collateral and unsecured	201,373	97,687
	648,423	477,797

The breakdown by concentrations of geographical regions is as follows:

	1999	1998
• Domestic	41,236	27,138
• International	607,187	450,659
	648,423	477,797

Currency risks

The total equivalent of assets in foreign currencies is EUR 836 million, while the total equivalent of liabilities in foreign currencies is EUR 621 million. The currency position is reduced to manageable levels through off-balance sheet instruments.

Interest rate risks

Interest rate risks are monitored by means of GAP reports on a weekly basis. Exposures are managed and virtually closed through the use of forward rate agreements (FRAs).

Derivatives and capital adequacy requirement

As at 31 December 1999, a number of forward rate agreements, forward exchange contracts and currency swap contracts were outstanding.

Credit equivalent

In determining the capital adequacy requirement according to the BIS standards, both existing and future credit risk is taken into account. To this end the current potential loss, i.e. the positive replacement value based on market conditions at balance sheet date, is increased by a percentage of the relevant notional amounts, depending on the nature and remaining term of the contract. This method takes into account the possible adverse development of the positive replacement value during the remaining term of the contract. The analysis below shows the resulting credit equivalent, both unweighted and weighed for the counterparty risk (mainly banks). The figures allow for the downward impact of netting agreements and other collateral on risk exposure and capital adequacy.

(in thousands of euros)	Nominal amounts < 1 year	Un weighted	1999 Weighted	Nominal amounts < 1 year	Un weighted	1998 Weighted
Interest rate contracts	24,886	–	–	85,822	33	6
Currency contracts	803,097	12,682	2,958	346,677	4,226	1,138
	827,983	12,682	2,958	432,499	4,259	1,144

Notes to the profit and loss account for the financial year 1999

	1999	1998
Interest income	190,987	121,228
This includes income arising from the lending of funds and related transactions as well as commissions and other income which have the character of interest.		
This item comprises interest and similar income from:		
• debt securities including fixed-income securities	9,494	5,398
• others	181,493	115,830
	190,987	121,228
Interest expense	159,478	95,820
Included here are the costs arising from the borrowing of funds and related transactions as well as other charges which have the character of interest. The FX loss related to high-yield TRL investments has also been included in interest expense for EUR 7.2 million.		
Income from securities and participating interests	12	2
This item includes the share in the net profit of participating interests on which UGBI Bank exercises a significant influence.		
Commission income	16,540	8,906
This amount comprises the income from fees received in respect of banking services supplied to third parties insofar as these do not have the character of interest. This relates primarily to export finance activities.		
Commission expense	1,688	798
This concerns the expenses paid in respect of fees for banking services supplied by third parties insofar as these do not have the character of interest.		
Result on financial transactions	7,847	2,364
This heading covers value differences and profit and losses on the sale of securities belonging to the trading portfolio and currency differences and price / rate differences arising from dealing in other financial instruments. This item comprises:		
• result trading portfolio securities	5,678	272
• result trading portfolio foreign currencies	1,827	1,564
• other results	342	528
	7,847	2,364
Segmentation of income		
The total of interest income, commission income and net profit or loss on financial transactions can be broken down into the following geographical areas:		
• Domestic	5,761	4,992
• International	209,625	127,506
	215,386	132,498
Staff costs and other administrative expenses		–
This includes:		
• staff costs	12,200	8,086
• other administrative expenses	5,886	4,114
	18,086	12,200

	1999	1998
The staff costs comprise:		
• wages and salaries	10,070	6,740
• pension costs	672	444
• other social costs	793	510
• other staff costs	665	392
	12,200	8,086

The number of employees converted into full-time equivalents was 145 (1998: 107), subdivided as follows:		
• in the Netherlands	102	75
• outside the Netherlands	43	32
	145	107

Remunerations of Supervisory Directors

The remunerations (including pension costs) of current members of the Executive Board amounted to EUR 925,507 in 1999 (1998: EUR 957,821). The remunerations of the Supervisory Directors amounted to EUR 100,547 in 1999 (1998: EUR 90,678).

	1999	1998
Depreciation	1,054	660

For a breakdown of this item, please see the overview of changes in property and equipment.

	1999	1998
Value adjustments to receivables	1,892	14,337

This item consists of additions to provisions for loans and advances to credit institutions and customers and country risk. As a consequence of the in 1998 imposed regulations on country risk provisioning in the Netherlands a provision for country risk has been raised. Credit risk also relates to the country where a bank or customer has his residence if and insofar government measures would restrict debt servicing. The credit risk of emerging markets receivables is assessed on a country by country basis.

• Provision for doubtful debts	2,031	2,411
• Provision for country risk	(139)	11,926
	1,892	14,337

	1999	1998
Transfer from fund for general banking risks	–	(2,616)

The exceptional losses from the country risk provision have been offset against the fund for general banking risks.

	1999	1998
Tax on result on ordinary activities	11,721	4,037

This item concerns all tax charges payable for the financial year in respect of the ordinary operating income stated in the profit and loss account.

Amsterdam, 24 March 2000

Board of Executive Directors:

Mr. T. Gönensin

Mr. M.P. Padberg

Board of Supervisory Directors:

Mr. A. Sahenk (Chairman)

Mr.Y.A. Öngör

Mr. P.J. Pistor

Mr. F. Sahenk

Mr. S. Şözen

Mr. S. Toker

Other information

Auditor's report

Introduction

We have audited the accompanying 1999 financial statements of United Garanti Bank International N.V., Amsterdam. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as of 31 December 1999 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2, of the Netherlands Civil Code.

Amstelveen, 24 March 2000
KPMG Accountants N.V.

Profit appropriation

The Executive Board proposes to add the net profit of some 21,467 to other reserves.
The profit appropriation has been proposed in conformity with article 18 of the Articles of Association which states:

Article 18

1. Whatever appears as profit shall be at the disposal of the general meeting of shareholders who may allocate this profit entirely or partially for the forming of or for payment into one or more general or special reserve funds, for the distribution of bonuses and/or distributions of dividend.

2. The company may only make distributions to the shareholders from the profit available for distribution to the extent that the own equity exceeds the amount of the paid-up and called part of the capital plus the reserves that must be maintained by law.

3. The management may resolve to distribute an interim dividend against the dividend to be expected in respect of the financial year concerned, if the requirement of the preceding paragraph has been met and this is evidenced by an interim net equity statement, showing the position of the own equity on, at the earliest, the first day of the third month, prior to the month in which the resolution to make a distribution is announced. It shall be drawn up with observance of valuation methods that are generally considered acceptable. In the statement of the own equity the amounts to be reserved pursuant to the law shall be stated. It shall be signed by the members of the management; if the signature of one or several managing directors shall be missing, then the reason therefor shall be stated thereon. The company shall file the statement of the own equity at the office of the Commercial Register within eight days after the day on which the resolution to make a distribution is announced.

United Garanti Bank International N.V.

Supervisory Board

Mr. Ayhan Şahenk (age 70)
Chairman since 1998. Also Chairman Managing Director and founder of the Doğuş Group and Chairman of several companies within the Doğuş Group.

Mr. Y. Akın Öngör (age 54)
Director since January 1991. Joined Garanti Bank in 1987 as Executive Vice President. President and Chief Executive Officer of Garanti Bank since 1991. Previously Assistant Manager at Turk General Elektrik; Assistant General Manager at Pamukbank; General Manager of Iktisat Leasing and Consultant to the General Manager of Iktisat Bank.

Mr. Peter J. Pistor (age 68)
Director since May 1992. Board member of several companies in the Netherlands, Luxembourg, U.K. and Switzerland. Former Executive Vice President of ABN AMRO in charge of Europe (excluding the Netherlands).

Mr. Ferit Şahenk (age 35)
Director since July 1991. Board member of several companies in the Doğuş group.

Mr. Süleyman Sözen (age 53)
Director since April 1998. Holds several senior board positions in various Doğuş Group companies. Held several positions at the Ministry of Finance until 1981, after which he was employed in the private sector at executive levels.

Mr. Sencar Toker (age 59)
Director since March 1993. Financial advisor and management consultant. Previously held several positions at Midland Bank and BCI. Former Managing Director, International Banking at Midland Montagu and General Manager of Midland Bank Plc.

Executive Board

Mr. Turgay Gönensin (age 37)
Senior Managing Director

Mr. Marc P. Padberg (age 45)
Managing Director

United Garanti Bank International N.V.

Corporate officers UGBI Bank Amsterdam

Trade Finance & Forfaiting
*Mr. B. Ateş**
Executive Vice President

Mr. O. Draman
Senior Vice President/Manager

Mr. S.E. Zeyneloglu
Senior Vice President

Mr. O. Kenanoglu
Senior Vice President

Mrs. S. Zeyneloglu
Senior Vice President Forfaiting

Treasury & Investment Services
Mr. H.F. Çubukçu
Executive Vice President

Ms. Ö. Etker
Senior Vice President/Manager

Mr. Ö. Altuntaş
Senior Vice President

Consumer Banking
Mr. E.G.C. Schröder
Executive Vice President

Mr. H. Özten
Senior Vice President/Manager

Mr. B. J.W. Degenhart
Senior Vice President

Mr. G. Pekbay
Senior Vice President

Financial Institutions
Mrs. A. Yüksel
Senior Vice President/Manager

Branch Network Coordination/ Risk Management
Mr. K.T. Akdag
Senior Vice President

Operations
Mr. M.M. Bayburtluoglu
Executive Vice President

Audit & Reporting
Mr. A.P.A Gorissen
Executive Vice President

Credit Administration
Mr. Y. Tayfun
Senior Vice President/Manager

Information Technology
Mr. R.M. Smit
Senior Vice President/Manager

Human Resources
Mr. J. de Groot
Senior Vice President

**As per 1 April 2000: Senior Managing Director*

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